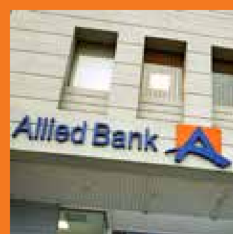


Dreaming a dream together

Allied Bank
aap kay saath saath

Allied Bank

Deposits Up by 29 %
Rs. 514.7 billion (2011: Rs. 399.6 billion)

Loans & Investments Up by 22 %
Rs. 538.5 billion (2011: Rs. 440.1 billion)

Total Assets Up by 23 %
Rs. 631.9 billion (2011: Rs. 515.7 billion)

Profit (After Tax) Up by 15 %
Rs. 11.7 billion (2011: Rs. 10.1 billion)

EPS (Rs.) 12.34
(2011: Rs. 10.71)

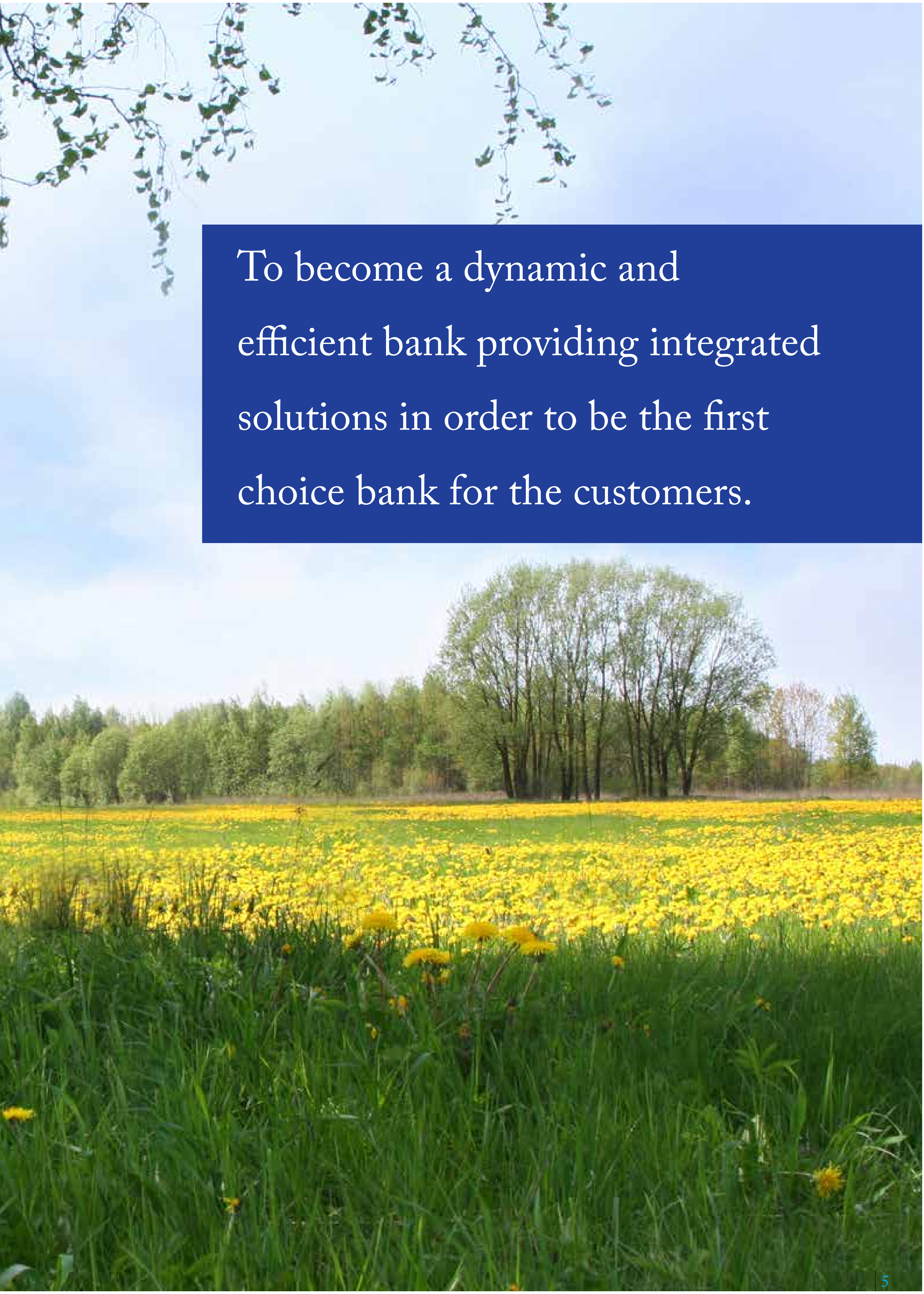
ROA 2 %
(2011: 2 %)

Performance 2012

Contents


HOSPITAL
آپ کے دل میں ہمارا اکاؤنٹ

Vision

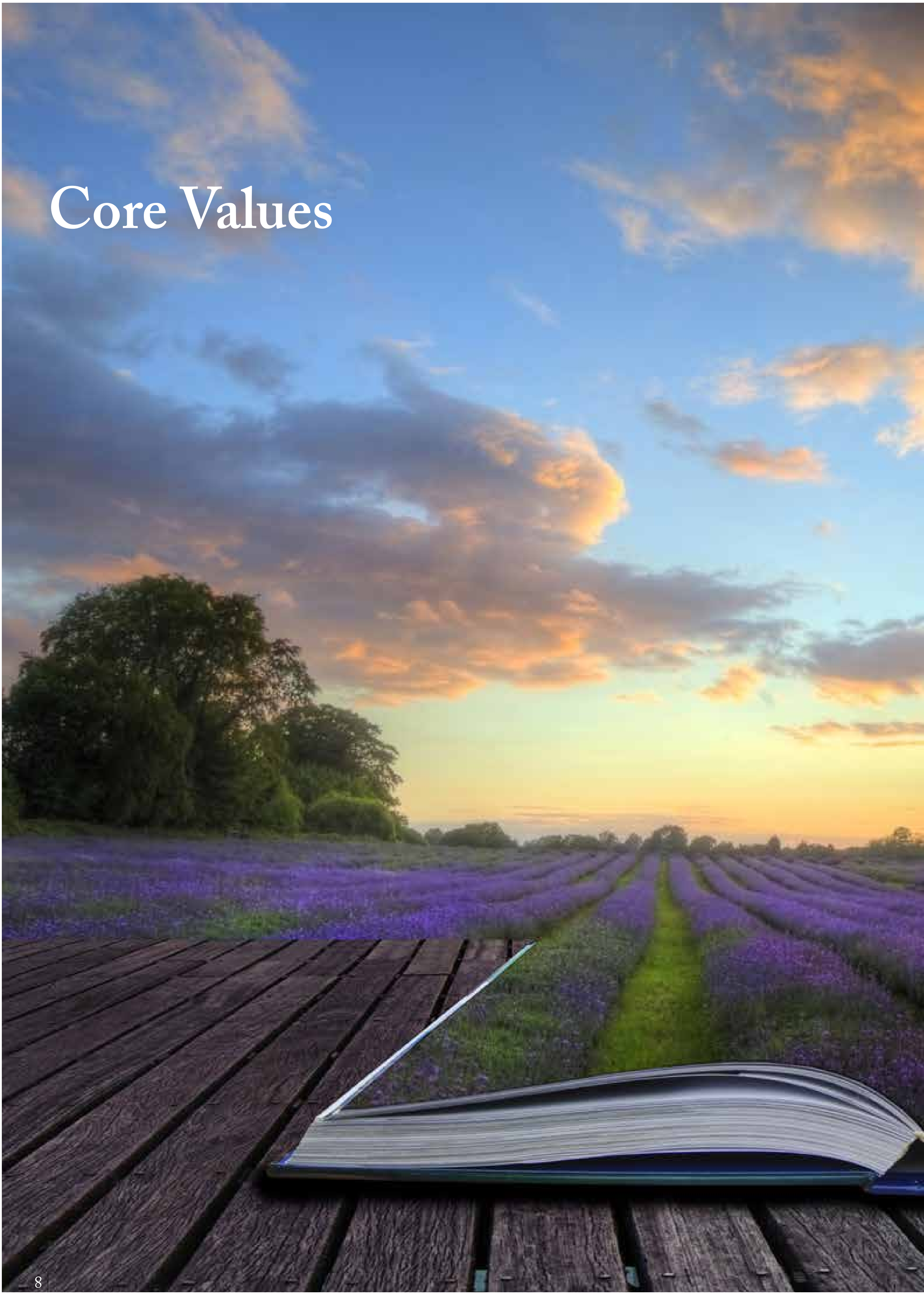


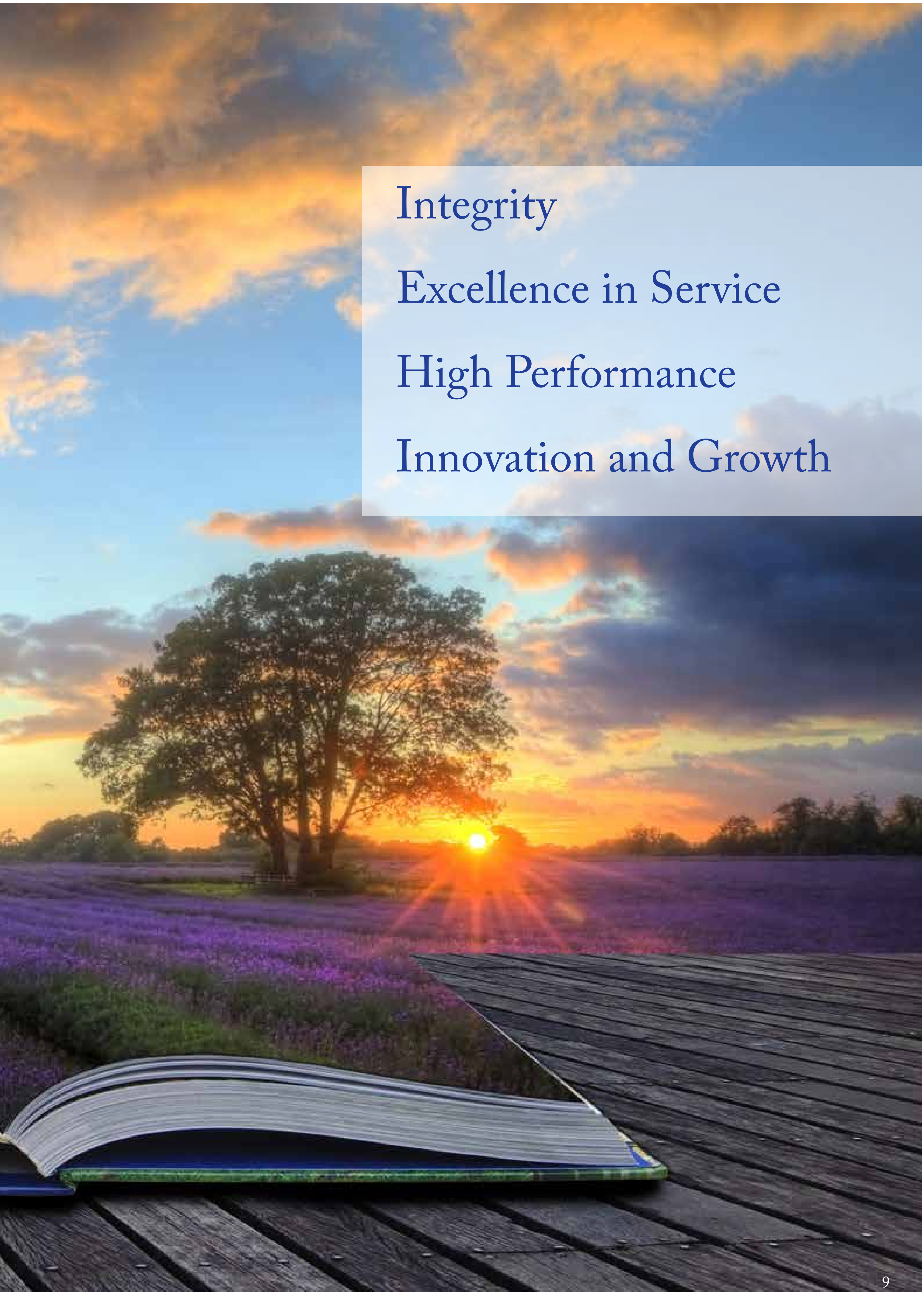
To become a dynamic and efficient bank providing integrated solutions in order to be the first choice bank for the customers.

Mission

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

Core Values




Integrity
Excellence in Service
High Performance
Innovation and Growth

Company Information

Board of Directors

Mohammad Naeem Mukhtar

Sheikh Mukhtar Ahmad

Muhammad Waseem Mukhtar

Abdul Aziz Khan

Mubashir A. Akhtar

Pervaiz Iqbal Butt

A. Akbar Sharifzada

Sheikh Jalees Ahmed

Khalid A. Sherwani

Audit Committee of Board

Mubashir A. Akhtar
(Chairman)

Pervaiz Iqbal Butt

A. Akbar Sharifzada

Human Resource & Remuneration Committee

Abdul Aziz Khan
(Chairman)

Muhammad Waseem Mukhtar

Pervaiz Iqbal Butt

Khalid A. Sherwani

Company Secretary

Muhammad Raffat

Auditors

Ernst & Young Ford Rhodes
Sidat Hyder
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Adviser

Haidermota & Co.
Barrister-at-Law & Corporate Counselors

Shares Registrar

Technology Trade (Pvt.) Limited

Registered & Head Office

3 Tipu Block, Main Boulevard
New Garden Town
Lahore - Pakistan
(9242) 35880043
Postal Code 54000

Website & Email

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

Board of Directors

(Sitting Left to Right)

Sheikh Mukhtar Ahmad
Mohammad Naeem Mukhtar
Abdul Aziz Khan
Khalid A. Sherwani
Muhammad Waseem Mukhtar

(Standing Left to Right)

Sheikh Jalees Ahmed
Pervaiz Iqbal Butt
Mubashir A. Akhtar
A. Akbar Sharifzada

Profile of the Directors

Mohammad Naeem Mukhtar
Chairman / Non Executive Sponsor Director

He is Chairman of the Board of Allied Bank since 2004. He has done his MBA from Cardiff Business School U.K., Post Graduate diploma in Textiles from U.K. and Chartered Textile Engineer (CText ATI) from The Textile Institute in Manchester, U.K. He has 27 years of experience of Finance and Industry. Besides Chairman of Board of Directors of Allied Bank, he is also the Chief Executive Officer of M/s Ibrahim Fibres Limited, Director of M/s Ibrahim Agencies (Pvt.) Limited and 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 Sponsor Director

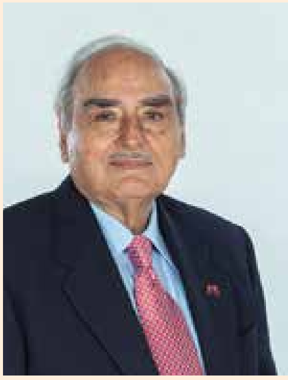
He had started his business career immediately after migrating from India at the time of Independence of Pakistan in 1947 and contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over 51 years of experience in establishing and successfully managing various industrial and financial companies.

He has been on the Board of Directors of Allied Bank Limited since 2005 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Chairman of the Board of Directors of M/s Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited and ABL Asset Management Company Limited.

Muhammad Waseem Mukhtar
Non Executive Sponsor Director

He holds Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, U.K., and has diversified 15 years of experience of Finance, IT and Industry. His strategic guidance played a vital role in technological up-gradation of the Bank.

He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also a Director on the Boards of M/s Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company and Arabian Sea Country Club.



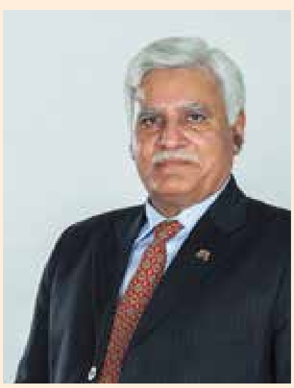
Abdul Aziz Khan
Independent Director

He has enriched and diversified experience of more than 49 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years international banking holding key positions in different countries including Switzerland. He is on the Board of Allied Bank Limited since 2004.

Mubashir A. Akhtar
Independent Director

He is a law graduate and has 46 years of banking experience in local and international markets. His extensive international banking experience includes key assignments in Turkey, Qatar and UK. He is a Financial Consultant of Asian Development Bank (ADB) and remained actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan.

He has been on the Board of Directors of Allied Bank Limited since 2006 and is a "Certified Director" from Pakistan Institute of Corporate Governance.



Pervaiz Iqbal Butt
Independent Director

He is an Electrical Engineer and has 43 years of experience in marine engineering and other heavy industries. His extensive and diversified exposure of Industrial Management effectively compliments the decision making process at the board level.

He has been on the Board of Directors of Allied Bank Limited since 2007 and is a "Certified Director" from Pakistan Institute of Corporate Governance.

Profile of the Directors

A. Akbar Sharifzada
Government Nominee Director

He has 26 years Civil Service career in the Government of Pakistan and has remained posted in different ministries gaining wide ranging policy making and administrative experience. Presently he is a Joint Secretary and functioning as Special Assistant to the Federal Finance Minister. He holds a Masters degree in English Literature and Economics. He has also attended multiple courses within the country and abroad.

He has been nominated as Director on the Board of Allied Bank Limited by the Government of Pakistan since January 2012.

Sheikh Jalees Ahmed
Executive Director

He has more than 37 years of diverse experience in the fields of Financial and Industrial Management. Allied Bank benefits from his professional expertise particularly in the areas of strategic and financial planning, systems and controls and Human Resource Management.

He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance.

Khalid A. Sherwani
Chief Executive Officer

He is a seasoned professional with management experience of over 40 years in the areas of operations, finance, marketing, and information technology within the financial services industry. His track record includes restructuring UBL during 1996-2000, restructuring and recapitalization of ABL during 2000-04 and leading its turnaround during 2004-07.

He holds a Masters degree from the University of Karachi and is a "Certified Director" from Pakistan Institute of Corporate Governance. During his career, he has worked in top management positions as Senior Executive Vice President/President, UBL and Managing Director HBFC, Administrator IIBL and President / CEO ABL.

He joined ABL in June, 2010 after having served earlier in the same capacity for 7 years. He currently also serves on the Boards of Directors of Habib Allied International Bank U.K., ABL Asset Management Company Limited, 1 link Guarantee Limited and the Cancer Foundation.

Board Committees

Audit Committee of Board

Constitution:

Mubashir A. Akhtar
Chairman

Pervaiz Iqbal Butt

A. Akbar Sharifzada

Terms of Reference

Primary responsibilities of the Audit Committee of Board (ACOB) 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. ACOB 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 function of ACOB includes assurance that an independent and effective internal audit function is in place.

Board Risk Management Committee

Constitution:

Sheikh Mukhtar Ahmad
Chairman

Muhammad Waseem Mukhtar

Abdul Aziz Khan

Khalid A. Sherwani

Terms of Reference

The primary functions of Board Risk Management Committee (BRMC) are the monitoring of Management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and providing risk appetite to the business units. It also ensures development of risk management principles to build stakeholders confidence, safeguard and enhance reputation. BRMC also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. BRMC approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding write-offs above certain limits. Overseeing of certain management committees and groups is also undertaken by the BRMC. It 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

Mubashir A. Akhtar

Khalid A. Sherwani

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 with 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 of the domestic requirements. It also oversees performance of Information Technology Group and Business Systems & Implementation Group.

Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar
Chairman

Sheikh Jalees Ahmed

Abdul Aziz Khan

Khalid A. Sherwani

Terms of Reference

The Strategic Planning and Monitoring Committee (SPMC) is responsible to review rolling long term strategic plan, operational plan and budget of the Bank before their consideration by the Board. SPMC also monitors progress against above referred plans and budget. SPMC is also responsible to approve capital expenditure exceeding Rs. 15 Million and donations above Rs. 1 Million to Rs. 10 Million. SPMC also assists the Board on corporate development activities and new initiatives including, but not limited to acquisitions, mergers, alliances, joint ventures and divestitures etc.

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

Human Resource & Remuneration Committee

Constitution:

Abdul Aziz Khan
Chairman

Muhammad Waseem Mukhtar

Pervaiz Iqbal Butt

Khalid A. Sherwani

Terms of Reference

The Committee defines the organizational structure and functional responsibilities of each group. It approves staff strength, special allowances / facilities not admissible under normal rules. It recommends to the Board, the selection, evaluation, compensation of the key management positions. It nominates the management personnel on the boards of other companies / subsidiaries. It also recommend amendments in Human Resource Management Policies to the Board, besides monitoring performance of Human Resources Group.

Board of Directors and Board's Committees Attendance during 2012

Name	Board of Directors	Audit Committee of Board	Board Risk Management Committee	Strategic Planning & Monitoring Committee	e-Vision Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	10/10	*	*	*	5/5	*
Sheikh Mukhtar Ahmad	7/10	*	6/6	*	*	*
Muhammad Waseem Mukhtar	9/10	*	5/6	7/7	2/5	9/9
Abdul Aziz Khan	10/10	*	6/6	7/7	*	9/9
Mubashir A. Akhtar	10/10	9/10	*	*	5/5	*
Pervaiz Iqbal Butt	9/10	9/10	*	*	*	9/9
A. Akbar Sharifzada**	9/9	8/8	*	*	*	*
Sheikh Jalees Ahmed	10/10	10/10	*	7/7	*	*
Khalid A. Sherwani	10/10	*	6/6	7/7	5/5	9/9
Total Number of meetings held 2012	10	10	6	7	5	9

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

* Not member.
** Nominated by GOP with effect from January 20, 2012 and became member of the ACOB with effect from February 20, 2012.

Chairman's Message

Amidst testing times for the global economy and persistent challenges and constrained operating environment on the domestic front, Your Bank's strategic focus on innovation, commitment to deliver customer centric solutions with coordinated action and teamwork continues to deliver positive results and has translated into sustained growth and value creation for all the stakeholders.

Technological advancements and innovations are the key enablers of Your Bank's strategy in pursuit of achieving service excellence. Your Bank has continued to strengthen delivery channels by deploying cutting edge technologies with a vision to provide outstanding customer services.

Having one of the largest network of ATMs, delivering extensive outreach, internet banking solutions and Call Center Services, Your Bank is vigorously active in deploying mobile banking in the near future. Besides offering a value creation opportunity to tap the large proportion of unbanked population, this new initiative will serve as a step towards greater financial inclusion for the masses who are currently deprived of the ability to participate in economic activities due to minimal or no access to the financial services system of the country.

To complement the overall initiatives, Your Bank is continuously focusing on expanding geographical footprint and improving the existing network infrastructure. In line with our commitment to provide enriched customer experience, Service Quality has been active as the key facilitator and change agent in Your Bank. Strong emphasis and concerted efforts are being made to transform the service culture across all segments of Your Bank.

The changing dynamics of the banking industry and turbulent global and local market conditions have once again brought to limelight the importance of sound risk architecture and control environment in ensuring long-term viability of financial institutions across the globe. The need of the hour is to learn from past experiences and build on systems and processes better equipped to tackle emerging risks. Your Bank has made significant headway on this front during the past few years, with new initiatives complementing this progress in 2012. This involved critical review and assessment of the loans evaluation criteria, greater insight and depth into understanding the borrowers' businesses and industry risks and improving loans monitoring mechanism so that stressed borrowers are identified at an early stage. As a result, extensive functionalities have been built into a state of the art Loan Origination System and borrowers' evaluation criteria methodology. More weightage is now given to borrowers' qualitative attributes, including Corporate Governance which includes existence of professional management, legal corporate structures, sound business systems and processes etc. This is an important aspect of loan evaluation often neglected across the industry in the past. Emphasis is now placed on borrowers' capabilities in managing their projects technically and responsiveness to changes in market conditions. As a policy, financing to a class of borrowers having technologically obsolete machinery and equipment is discouraged.
Own warehouses are being built for enhancing Your Bank's control over the underlying collateral. These steps while helping to better assess the underlying risks, would also result in creating awareness amongst the industry players and borrowers in managing their business and financial risks, thereby enhancing the effectiveness of financial intermediary function and contribution to the economic development of the country.

Your Bank recognizes the pivotal role of its most valuable assets, its people. We remain fully committed in providing a comprehensive range of training, development and growth opportunities for our employees, which makes Your Bank first choice institution for young professionals.

In recognition of the financial strength, business prospects, market positioning and up-gradation in risk management framework, the Pakistan Credit Rating Agency Limited (PACRA) upgraded Your Bank's long-term entity rating to 'AA+', ranking amongst the best in the industry. The JCR-VIS Credit Rating Company Limited (JCR-VIS), the other domestic rating agency also upgraded the rating of Your Bank's earlier raised TFC issue. In appreciation of the efforts and commitment of the Board and Management to instill a sound governance culture and framework at Allied Bank, JCR-VIS has upgraded Your Bank's Corporate Governance rating to 'CGR- 8++' from 'CGR- 8+' assigned earlier.

Going Forward

In the year 2013, we would continue to focus on our vision and aim to continue building on solid foundations and setting high standards of performance all round. Your Bank will continue to invest in its human capital, risk management and technological infrastructure platforms. Emphasis would be to deepen existing client relationships, besides exploring new markets and business avenues including Islamic Banking to diversify revenue streams. Product innovations and superior service quality would remain our key objectives. Our endeavor would be to effectively balance the objectives of growth, profitability and risk management.

I want to communicate my appreciation and thanks to the entire team of Allied Bank for their accomplishments during the current challenging times. I thank our customers for entrusting us with more of their business and continuing relationship with us. My thanks go to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support, trust and guidance. And last, but not the least, I thank the shareholders, for their continued confidence in Allied Bank Limited.

Mohammad Naeem Mukhtar
Chairman

Directors' Report

Dear Shareholders

On behalf of the Board, we are pleased to present the annual report of your Bank for the year ended December 31, 2012.

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

The Board of Directors has proposed a final cash dividend of Rs. 2 per share (aggregate cash dividend of Rs. 6.5 per share including interim dividends) and to issue bonus shares in the proportion of 1 share for every 10 shares held, i.e.,10% for the year 2012. This, together with the interim dividends declared during 2012, will be approved in the forthcoming Annual General Meeting.

Performance Review

Your Bank posted profit before tax of Rs. 15,870 million during 2012 compared to Rs.15,108 million in 2011, registering a growth of 5%. Profit after tax for the same year grew by 15.2% to reach at Rs. 11,676 million over Rs. 10,140 million in the corresponding year. As a result, EPS of Your Bank increased to Rs. 12.34 in 2012 compared to Rs. 10.71 in 2011. Despite tough business environment, ROA and ROE of Your Bank almost remained at the same level of last year and stood at 2% and 29%, respectively.

Deposits of Your Bank increased to Rs. 514,707 million as at December 31, 2012 compared to Rs. 399,562 million as at December 31, 2011, a year on year (YoY) growth of 28.8%. Gross Advances registered a growth of 10.2%, increasing to Rs. 288,889 million as at December 31, 2012 compared to Rs. 262,137 million as at December 31, 2011. Gross Investments increased to Rs. 269,351 million as at December 31, 2012, a rise of 35.8% over Rs. 198,398 million as at December 31, 2011. The Balance Sheet Size of Your Bank registered a YoY growth of 22.5% to reach at Rs. 631,915 million as at December 31, 2012. The Core Equity consequently increased by 14.11% to reach at Rs. 42,928 million as at December 31, 2012 compared to Rs. 37,620 million as at December 31, 2011.

Net Mark-up / Interest Income during 2012 decreased by 27.1% over 2011 to Rs. 18,361 million, attributable mainly to higher deployment of funds towards dividend bearing investment activities. This is also reflected by 98.5% growth in Non Mark-up / Interest Income to Rs. 13,794 million in 2012 compared to Rs. 6,950 million in 2011. The Administrative Expenses increased by 10.5% to Rs. 14,546 million in 2012 compared to Rs. 13,166 million in 2011.

The provision against loans, investments and lending to FIs reduced by 78.4% to Rs. 651 million in 2012 compared to Rs. 3,009 million during 2011. The provision coverage against non-perming loan remained at 85.9% as at December 31, 2012. 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.

	(Rupees in million) Year ended December 31, 2012	2011	Growth
Profit after tax for the year	**11,676**	10,140	**15%**
Accumulated profits brought forward	**20,255**	15,829	**28%**
Transfer from surplus on revaluation of fixed assets - net of tax	**31**	29	**7%**
Profit available for appropriation	**31,962**	25,998	**23%**
Final cash dividend for the year ended December 31, 2011 at Rs. 2.5 per share (2011: Year ended December 31, 2010 at Rs. 2 per share)	**(2,151)**	(1,564)	**38%**
1st interim cash dividend for the year ended December 31, 2012 at Rs. 2 per share (2011: Year ended December 31, 2011 at Rs. 2.5 per share)	**(1,893)**	(2,151)	**-12%**
2nd interim cash dividend for the year ended December 31, 2012 at Rs. 1.5 per share (2011: Nil)	**(1,420)**	-	**-**
3rd interim cash dividend for the year ended December 31, 2012 at Rs. 1 per share (2011: Nil)	**(946)**	-	**-**
Bonus shares for the year ended December 31, 2011 @ 10% (2011: Year ended December 31, 2010 @ 10%*)	**(658)**		
Transfer to statutory Reserves	**(2,335)**	(2,028)	**15%**
Accumulated profits carried forward	**22,559**	20,255	**11%**
Earning Per Share (EPS) (Rs.)	**12.34**	10.71	**15%**

* Appropriation out of Share Premium Account

Directors' Report

Calendar of Major Events

Incorporation of Australasia Bank Limited	1942
Reconstruction of Allied Bank of Pakistan Limited and aquisition by Ibrahim Group	2004
Organizational Restructing 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
Start of Operations of "Wholesale Bank Branch"	2012
Establishment of Islamic Banking Group	2012

Financial Calendar - 2012

1st Quarter results issued on	April 24, 2012
2nd Quarter results issued on	August 16, 2012
3rd Quarter results issued on	October 22, 2012
Recommendation of Annual Results by the BOD	February 14, 2013
67th AGM Scheduled for Approval of Annual Results	March 27, 2013

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

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, cashflows 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 year are attached.
- The book value of investment of Pension Fund, Provident Fund and Gratuity Fund is Rs. 5,965 million, Rs. 4,190 million and Rs. 1,072 million respectively, as per audited accounts of these funds for the year ended December 31, 2012.
- 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 Resource & Remuneration 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 detail of the meetings held during the year for the Board and its respective Committees along with attendance record of each director has been separately disclosed in the Annual Report.

Chief Executive Officer's Review

The Board of Directors fully endorse the Chief Executive Officer's Review on Your Bank's performance for the year ended December 31, 2012.

Directors' Report

Statement of Internal Controls

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

Corporate Sustainability

The Board is pleased to endorse the Corporate Sustainability initiatives taken by Your Bank, included in the Annual Report.

Risk Management Framework

Your Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring processes. The Risk Management Group (RMG) is mandated to implement this framework as a function, independent of commercial lines of business, working under the guidance of Board Risk Management Committee (BRMC). RMG took several steps in 2012 to further strengthen the Risk Management Framework, which include:

- Achieved permission from SBP to initiate Parallel Run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to the advance approach of Basel II framework.
- Developed a comprehensive Reputational Risk Management Framework in order to initiate and implement a Reputational Risk Assessment process at Your Bank, and comply with Basel II requirements.
- Initiated and implemented the Pilot Project of introducing Bank controlled and operated warehouse for Pledge Financing against Seasonal Commodities.
- Upgraded the Loan Origination System (LOS) by automating various credit application workflows of SME and Seasonal Financing Obligors, to enhance the efficiency and effectiveness of credit assessment process.
- Your Bank devotes considerable resources in managing the risks to which it is exposed. The momentum attained thus far will be continued in the future through significant investments in human resources, technology and training.

Entity & TFC Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long-term rating of Allied Bank to 'AA+' (Double A Plus). The short-term rating of the Bank is already at the highest level of 'A1+' (A One Plus). The rating of TFC Issue of Rs. 3,000 million (Issue Date: August 28, 2009)has also been upgraded to 'AA' (Double A) by PACRA. The ratings denote very low expectation of credit risk emanating from a very strong

capacity for timely payment of financial commitments. Meanwhile, the rating of Bank's earlier TFC Issue of Rs. 2,500 million (Issue Date: December 06, 2006) has also been upgraded to 'AA' (Double A) by JCR-VIS Credit Rating Company Limited (JCR-VIS).

Corporate Governance Rating

JCR-VIS has upgraded Your Bank's Corporate Governance to 'CGR-8++' from 'CGR- 8+' assigned earlier. The rating denotes a high level of corporate governance. The rating action 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. Messrs KPMG Taseer Hadi & Co., Chartered Accountants has completed the term of five years in pursuance of the Code of Corporate Governance. Whereas Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible have offered themselves for re-appointment till the conclusion of next AGM.

The Board of Directors on the recommendation of the Audit Committee has recommended Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as statutory auditor for the next term; in place of retiring auditors Messers KPMG Taseer Hadi & Co., Chartered Accountants and Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants.

Events after the Balance Sheet date

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

Acknowledgements

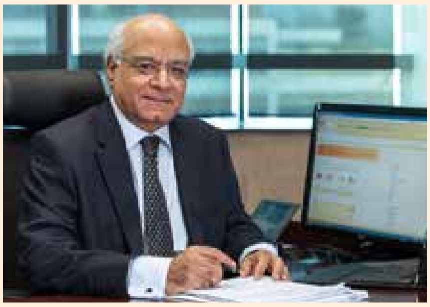
On behalf of the Board and Management, we would like to express our sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their continuous guidance and support, and employees for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

For and on behalf of the Board,

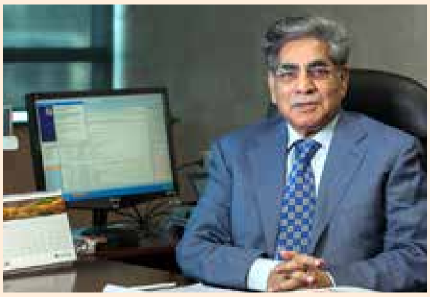
Khalid A. Sherwani
Chief Executive Officer

Dated: February 14, 2013
Place: Lahore

The Management



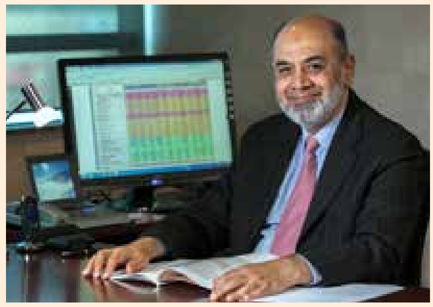
Khalid A. Sherwani
Chief Executive Officer



Mohammad Abbas Sheikh
Advisor to Chief Executive Officer

Khawaja Mohammad Almas
Chief, Commercial & Retail Banking

Ahmad Faheem Khan
Acting Chief, Treasury



Sheikh Jalees Ahmed
Executive Director, Strategic Planning

Muhammad Jawaid Iqbal
Chief, Corporate and Investment Banking

Rizwan Ata
Chief, Islamic Banking

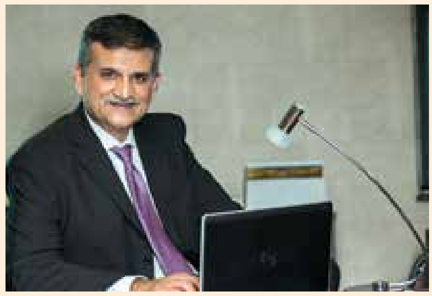
Muhammad Shahzad Sadiq
Chief, Risk Management

Zia Ijaz
Chief, Banking Services

Shafique Ahmed Uqaili
Chief, Human Resource

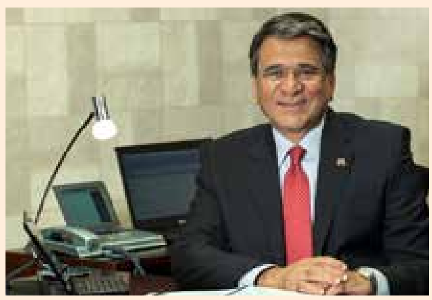
Mujahid Ali
Chief, Information Technology

Abdul Hafeez Butt
Chief, Compliance



Tahir Hassan Qureshi
Chief Financial Officer

Tariq Mahmood
Chief, Banking Systems & Implementation



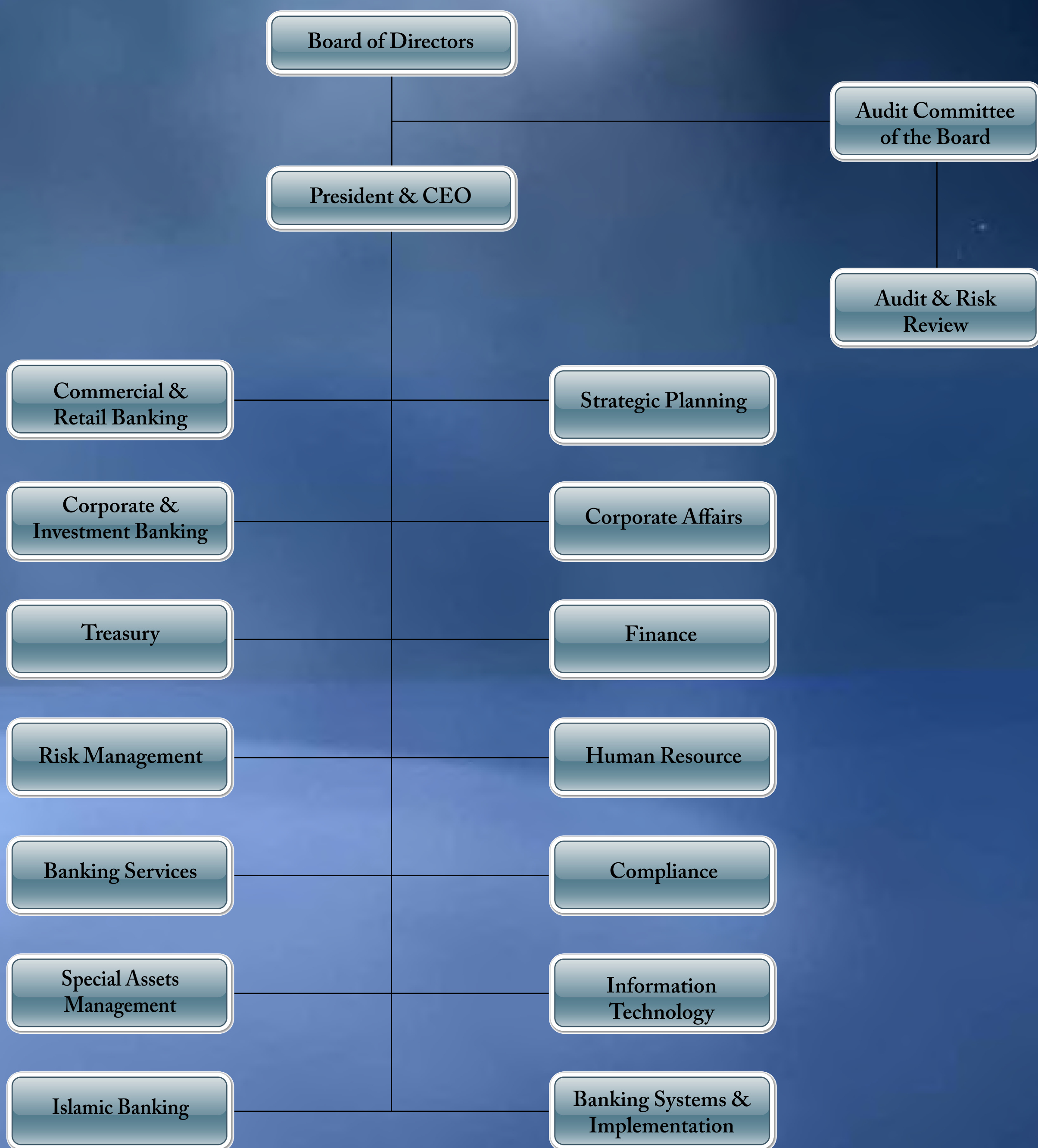
Saif ul Islam
Chief, Special Assets Management

Fareed Vardag
Chief, Audit & Risk Review

Muhammad Raffat
Company Secretary

Management Committees

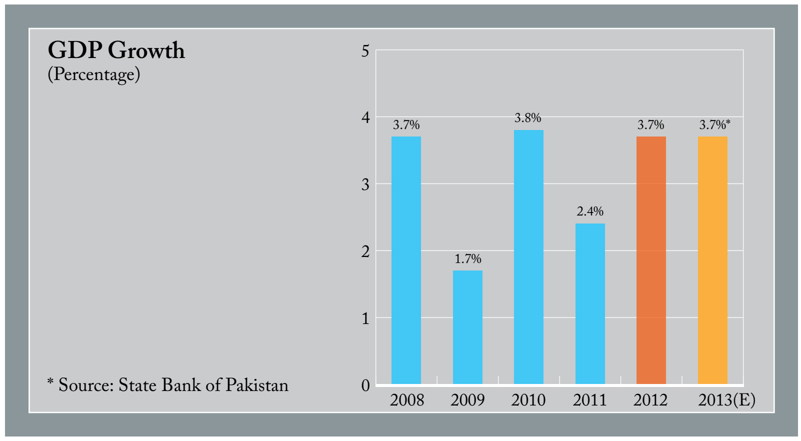
Corporate Structure

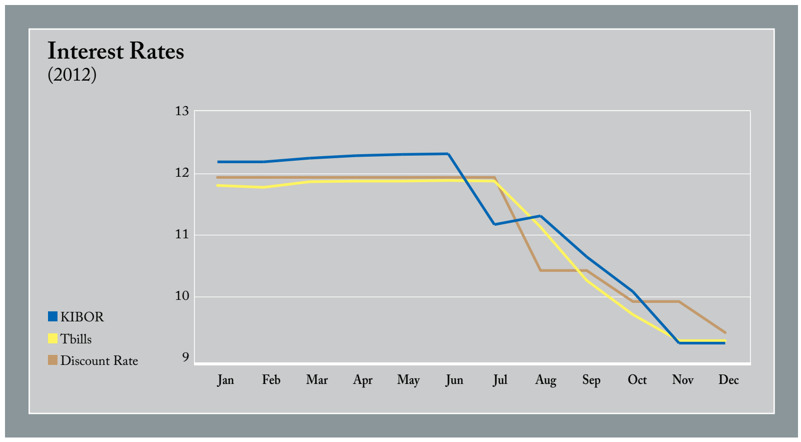


Chief Executive Officer's Review

During the year 2012, Pakistan's economy remained confronted with numerous structural challenges impeding the pace of economic recovery and contributing in macro-economic instability. Fiscal imbalances, worrisome external account deficit, prolonged energy shortages and dismal law and order situation were the key factors that resulted in gloomy economic conditions. As a result, Foreign Direct Investment (FDI) inflows witnessed significant reduction and the exchange rate parity remained under increased pressure. The slow pace of global economic recovery and high oil prices further escalated the structural challenges on the macroeconomic front.

The growth in real Gross Domestic Product (GDP) has remained below 4% during the last 5 years, which is insufficient to cater to the growing needs of a developing nation. During fiscal year 2012, industrial sector emerged from the aftermath of floods of previous year but posted only a marginal growth. However, resilience in both agricultural and services sectors helped real GDP grow by 3.7% during fiscal year 2012.





The country's fiscal situation remains in quandary with deficit running as high as 8.5% (including power/commodity arrears) of GDP in fiscal year 2012. During the first half of fiscal year 2013, inflow of Coalition Support Fund (CSF) contained the fiscal deficit in line with the stipulated annual target of 4.7%. Nonetheless, high subsidy expenditure and low revenues have stretched the budget deficit above target. With bulk of non-tax inflows including 3G licenses, Etisalat arrears and Eurobond offering in question, the burden of heavy budgetary financing falls upon domestic sources, putting further demands on borrowing from the banking system and also increasing inflationary pressures in the economy.

The country's external account remained fragile throughout the fiscal year 2012 with current account deficit of USD 4.6 billion compared to a surplus in previous year, mainly due to huge trade deficit. Although law and order situation and political uncertainty restricted Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), healthy growth in inward workers' remittances supplied some cushion. Though robust workers' remittances continue to support country's external account, the reimbursement of CSF arrears turned current account in surplus during first half of fiscal year 2013. Nonetheless, heavy burden of loan repayments to International Monetary Fund (IMF) have led to a decline of USD 1.5 billion in foreign exchange reserves by December 2012 from USD 15.3 billion at the end of June 2012, exerting pressure on the exchange rate.

After hitting a bottom at 6.9% year-on-year (YoY) in November 2012, the Consumer Price Index (CPI) increased during December 2012 to settle at 7.9%, but remains on the lower side from 10.1% in January 2012 on the back of lower food and notified gas prices. Core inflation (non-food & non-energy) remained higher than general CPI, at 10.6% YoY in 2012. Further, CPI inflation is expected to move upwards going forward on the back of an expansionary fiscal and monetary policy and a weaker exchange rate. Heavy government borrowings have resulted in average broad money (M2) growth of 14.5% YoY in 2012. The private sector credit, though recently improved slightly, remained subdued. The recent downward trend in CPI inflation along with muted private sector credit provided State Bank of Pakistan (SBP) with the impetus to reduce discount rate by 250bps during first half of fiscal year 2013, bringing it to single digit at 9.5%.

Recent IMF commentary regarding monetary and fiscal policy issues, low foreign exchange reserves, high inflationary expectations and lack of progress on structural issues including energy sector would steer future monetary policy decisions.

However, no major monetary policy shift is expected till a newly elected government is in place.

Aggregate deposits of scheduled banks increased at an average rate of 13.8% YoY to reach Rs. 6,683 billion during 2012 while advances registered YoY growth of 10.4% to reach Rs. 3,857 billion on consolidated basis. Private sector credit growth remained constrained, in contrast to Investment book of banks which exhibited YoY average growth of 30.9% to a cumulative balance of Rs. 3,889 billion during 2012. Banking sector's Non-Performing Loans (NPLs) have marginally increased by 0.6% YoY to Rs. 617 billion as at September 2012 against Rs. 613 billion as at the end of September 2011, with portfolio infection ratio (as measured by Gross NPLs / Gross Loans) slightly down to 16.6% from 16.7% during the corresponding period last year.

Banking sector spreads remained under pressure due to interest rate reduction of 450 BPS since August 2011 and Saving Accounts minimum rate fixation by State Bank of Pakistan (SBP) at 6% from May 2012, adversely impacting the banking sector's profitability during the outgoing calendar year. However, the sector's earnings growth was assisted by the increasing non-interest income. Any further reduction in discount rate will put additional downward pressure on banking sector margins and almost erode the profitability of the lower tier banks. Continuous focus on enhancing non-interest income and balance sheet volume growth will be required by the sector to offset impact of margin compression. On the macro-economic front, electioneering and limited foreign flows will force the government to continue borrowing from banks, reducing credit availability to the private sector and further worsening the country's borrowing to GDP ratio.

Under the above mentioned tough business environment, our goal remains focused on ensuring steady profitability stream. Your Bank continued to strengthen branch and alternate delivery channel infrastructure and also simultaneously focused on enhancing control environment, to enable Your Bank to operate under the increasingly tough and competitive operating environment. At the same time, continuous efforts were directed towards ensuring and improving the asset quality in light of the constrained private credit growth environment and difficult economic conditions. During the year 2012, Your Bank was able to successfully utilize its expanded branch network outreach for achieving substantial growth in deposits. However, in view of the prevailing macro-economic issues, Your Bank focused on cautious growth in its advances portfolio. Further, during the year 2012, strategic focus on continuously strengthening our core banking systems, credit and other allied financial control systems remained Your Bank's top priority. Your Bank has also implemented state-of-art Anti Money Laundering (AML) and Know Your Customer (KYC) automated systems during 2012. Your Bank will also continue to strive towards further improving and enhancing customer service experience, product innovation and development, efficiency in processes and delivery channels and continuous upgrade of policies and procedures in light of the latest COSO and Internal Controls over Financial Reporting (ICFR) framework.

Business Performance

Commercial & Retail Banking

Despite numerous challenges both on economic as well as political fronts, year 2012 was a significant year for Commercial & Retail Banking Group (CRBG) in terms of deposit mobilization. The overall deposit book of Your Bank increased to Rs 515 billion from Rs 400 billion in 2011, showing a growth of 29%. This growth is considerably higher than the industry average of 14%. In addition to the accomplishment of core objectives of high volume growth and improvement in market share, CRBG's strategic focus has been on continuously developing new and personalized banking products and services. During the year, Your Bank launched a new 'Platinum' deposit product which caters to the entire needs of all customer segments. It is available with an option of either term deposit or chequing account and received a very positive response from our target market. Your Bank also launched its pilot projects of 'Extended Hours' and 'Saturday Banking' during the year.

Your Bank extended countrywide footprint by adding 38 new branches and 17 more ATMs during the year 2012 to reach a total of 875 branches and 618 ATMs. In addition to the new branches, extensive branch improvements are being continuously carried out to provide a pleasant ambiance to our customers. Besides, the group is continuously monitoring the network performance and wherever deemed necessary, relocation of branches is being pursued to enhance network access, convenience to the customers and Your Bank's profitability.

Considering the significance and role of Agriculture and SME sectors in the economy, Your Bank offers a wide range of products and services to this segment. Having the best available technology, structured product programs and a network spread across the country, Your Bank is well positioned to become a preferred provider of total banking solutions to these vital segments. In order to meet the challenges associated with agriculture lending, Your Bank has a dedicated and qualified field force of Agriculture Credit Officers and more than 150 designated branches. Your Bank continues to adopt a cautious approach towards its consumer lending segment and actively markets its consumer finance products to its existing customers having acceptable track record via cross sell. During the year, Your Bank also launched a new consumer lending product, 'Allied Personal Finance', targeted mainly towards corporate and institutional employees. This product is very helpful in cementing our existing institutional relationships. Your Bank has also re-branded its credit card powered by VISA. The product is being offered at a mark-up rate far lower than the competition thus facilitating the customers.

CRBG has further enhanced the niche customer volumes by extending our unique concept models such as 'Women Branches' and 'Youth Branches'. CRBG remains committed to the overall vision of Your Bank including financial inclusion of the

large unbanked population in the country in a phased manner.

The year 2012 also witnessed the launch of Your Bank's newly upgraded corporate website to enhance customers' online experience. Being an interactive electronic touch-point, the website further improves end-user experience, introduces interactive segmentation and provides comprehensive information on our products and services. It further builds network of online visitors by incorporating social media channels. Your Bank's engagement on Social Media platforms like Facebook and Twitter has contributed to deliver a coherent and diversified communication with online traffic coming from within and outside Pakistan. This real-time interactivity is further augmented by the integration of Allied Live Chat facility, for customer feedback, into the website. Another key initiative during 2012 was of repositioning Your Bank's brand identity.

Going forward, the entire CRBG team is geared towards enhancing its customer base, bringing considerable improvement in its deposits mix, higher service quality standards and developing innovative products and services to cater to banking needs of its target market.

Corporate & Investment Banking

The Corporate and Investment Banking Group (CIBG) maintained its position as one of the leading player of the industry for providing structured financial solutions and advisory services to premier corporate entities.

During the year 2012, Your Bank won numerous international and domestic awards for its superior performance in the industry. These include: Best Investment Bank in Pakistan – 2012 by EUROMONEY Magazine, UK; Best Domestic Investment Bank, Pakistan – 2012; Best Debt House, Pakistan – 2012 and Best Deal, Pakistan – 2012 by the Asset Magazine, Hong Kong; Deal of the Year (Infrastructure and Project Finance) – 2012 by The Banker Magazine, UK and Transaction of the Year – 2011 by CFA Society, Pakistan. These awards are recognition of CIBG's endeavors in providing valuable solutions to our corporate clientele.

Considering the difficult environment at hand, the Group's 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. CIBG followed a strategy of increasing exposure to premier corporate clientele, having strong business fundamentals and tested re-payment track record by extending further facilities while exiting from or reducing exposure to weak borrowers.

The Capital Markets business substantially grew during the year as capital gains realized on sale of listed shares increased from Rs 846 million in 2011 to Rs 2,002 million in 2012, showing an increase of over 136%. Similarly, dividend income from the listed shares portfolio increased from Rs 1,152 million in 2011 to Rs 1,769 million in 2012, showing an increase of 53%.

Our Home Remittance business saw a 27% growth in volumes disbursed on behalf of international and local partners, and we have continued to focus on service excellence by undertaking major upgrades to our existing systems in order to deliver better efficiency and controls in this highly competitive segment.

The Financial Institutions & Cash Management (FI & CM) Division maintained a strong transaction banking capability both domestically and internationally, using sophisticated, customizable technology as our key differentiator. Our Cash Management team has maintained its strong growth trend in the corporate and institutional segments, with market-leading receivables management, disbursement and reconciliation services. We have harnessed the capabilities of our advanced delivery systems and our nationwide real-time online branch network to enhance our market share in the existing portfolio .

The Financial Institutions business has continued to build and develop ABL's global institutional banking relationships, to facilitate our Trade, Treasury, Guarantees and payments requirements. Your Bank has initiated it's international presence through launch of Representative Office in Dubai and a Wholesale Banking Branch in Bahrain during the year. These initiatives shall provide key links to the burgeoning economic opportunities in the Gulf region.

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 Your Bank's funds both in money market and foreign exchange. In collaboration with other groups, Treasury also played its part in growing volumes of trade related business activities.

The year 2012 witnessed continued volatility in the foreign exchange market as Rupee depreciated by the same 5.03% in 2012 as it depreciated in 2011. During the year, Treasury continued to serve Your Bank's clientele, advising them about market trends and expectations resulting in volume growth for Your Bank and also further 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 Your Bank's investment portfolio to hedge future earnings against downward shift in the yield curve, thereby locking higher return on Your Bank's investment portfolio.

Special Assets Management (SAMG)

The negative economic indicators, internal security threats and energy crises were the major factors contributing to burgeoning bad loans in Pakistan during the last few years. These factors continued to adversely impact business and industry in particular and banks in general during 2012.

However, the management adapted a focused approach during the year 2012 to keep the Non-Performing Loans (NPL) to a minimum level. The coherence and team work amongst the Business Groups and SAMG enabled Your Bank to make recoveries and regularization of over Rs 3 billion for the fourth consecutive year and retaining its position among the banks with the lowest infection ratio amongst the peers and far below the industry average.

Going forward, all the Business Groups in coordination with the SAMG are monitoring the weaker sectors in the economy to remain vigilant against future NPLs in any industry or business within the economy. We expect to further reduce the loan portfolio infection ratio in the coming years.

Islamic Banking

One of the basic features of Islamic economics system is an equitable distribution of wealth among the different factors of productions, thereby discouraging concentration of wealth in few hands and efficient flow of money within the economy. Islamic Banking is, therefore, seen as a pivotal step to achieve the economic and social goals under Islamic Shariah.

Islamic banking industry in Pakistan has witnessed substantial growth from its launch in 2002 to achieve a network of about 1,000 branches and over 500 windows across the country by 2012. Its assets share constitutes 8% of the country’s entire banking system (September 2012). The future outlook of Islamic Banking is also quite positive with its rapidly growing acceptability both amongst the providers and users of financial services and is projected to further increase its share in the banking system in the coming years. Consequently, Your Bank has decided to actively participate in the overall growth of Islamic banking industry.

Your Bank has recently established its Islamic Banking Group (IBG) with a vision “To be the first choice Sharia Compliant Financial Services Provider for the customers”. With this vision and prospects, a well experienced team has been formed. IBG setup will not only provide Sharia compliant value added banking solutions to our existing customers but will also focus on establishing new relationships for Your Bank.

Islamic banking is expected to start full-fledged operations in 3rd quarter, 2013 and our long term strategy is to gradually invest and expand our Islamic banking outreach and become a major player in this business segment.

Human Resource

Your Bank recognizes importance of its human capital and considers it a key asset and an essential contributor in fulfilling its growth strategy. Human Resource Group (HRG) remained actively involved to ensure that Your Bank remains as one of the best places to work in Pakistan by providing a challenging work environment, rewarding the dedicated team members for their performance and assisting the organization towards accomplishment of its vision. HRG continued to induct fresh post-graduates in the disciplines of banking, economics and information technology through induction of fresh batch of management trainee officers. Similarly, training of current employees remained one of the focus areas of HRG by offering banking, general management and soft skills programs at our three Management Development Centers (MDCs)

at Karachi, Lahore and Islamabad throughout the year. A total of 12,578 participants attended 801 courses in different batches throughout the year. Selected employees were also provided opportunity to attend overseas training programs in different countries. Your Bank also launched an e-Learning Portal providing an open gateway to a world of continuous learning and development for all of its employees. It shall encourage employees to enhance their understanding in a variety of functional and professional development areas via online programs. Total training investment made on employee development in 2012 is over Rs: 81 million.

In 2012, HRG's main focus was to strengthen Your Bank's human capital base by acquiring best available human resource talent and providing them fast career growth opportunities. This is in line with Your Bank's aim to become an 'employer of choice' by offering market based competitive salary packages, imparting best training, providing cross functional rotation and entrusting young leadership by assigning them key responsibilities. Your Bank has introduced revised Career Paths for the core positions, especially at retail branches where almost 70% population of overall employees exists. These positions include Management Trainee Officers (MTOs), Tellers, and Business Development Officers (BDOs).

Consistent with HRG's efforts to improve process efficiency and streamline employee benefit structure, the Employee Service Rules, Code of Conduct, Leave and Travel Rules and Car Benefit Allowance policies were revised during the year.

In order to automate performance appraisal process, HRG implemented a new Online Appraisal Management System (OPAMS) with an aim to improve the process efficiency and accuracy. OPAMS is a work flow based process which runs on Your Bank's existing Share Point Portal in true online environment. Further, in line with Your Bank's corporate strategy to prepare organization for the future and build its infrastructure, HRG has acquired license to use Harmony, a new Human Capital Management System (HCM). HCM application is a robust Human Resource Information System (HRIS) with dynamic features.

Being an equal opportunity employer, Your Bank persisted with its commitment to gender equality and making female employees an effective contributor in the economic activities. Female employment ratio at Your Bank reached to 13% of the total employees in the year 2012.

A comprehensive organization wide exercise of organizational restructuring was carried out in 2012. Accordingly organizational structures of all




business and support groups have been revised. A comprehensive exercise of standardization of functional titles across the Bank has also been completed during the year.

Service Quality

To ensure the implementation of Your Bank's service mission, the core objective of Service Quality (SQ) is to strengthen service culture, by ensuring that services at all customer touch points are delivered above the prescribed bench marks. Being a change agent, SQ plays a pivotal role in building a strong relationship with our customers.

SQ's Quality Assurance team plays an important role in facilitating business and support segments. Their aim is to build a service culture across all segments of Your Bank by institutionalizing and monitoring service standards to reduce service delivery turnaround time not only to meet the regulatory requirements but to surpass customers' expectation. Our Service Excellence unit is responsible for gauging 'voice of customer' through satisfaction surveys and mystery shopping exercises, both in-house and through external agencies.

To ensure that customers are provided with superior services and to assess first hand customer experience, a new platform of 'Web Based Satisfaction Survey' has also been made available on the corporate website, where customers can provide feedback on their overall banking experience.

In line with Your Bank's desire to exceed customer expectations, SQ has a dedicated Complaint Management team, which is responsible to address customer grievances proficiently and identify areas needing improvement.

Your Bank has provided its customers with different channels to voice their concerns. A new platform i.e. Complaint & Suggestion Form has recently been introduced and placed at all branches. It provides customers with a convenient mode for registration of their complaints and suggestions.

Our service channel of Allied Phone Banking, available 24/7, is also providing a host of personalized and secured banking services to our customers.

Risk Management

Risk Management involves setting the most appropriate course of action under uncertainty by identifying, assessing, understanding, communicating and addressing risk issues. We recognize management of risks as a vital component of our strategy. Your Bank's Risk Management Group (RMG) is actively measuring, monitoring,

controlling, reporting and managing risks. Modern analytical tools are used in combination with conventional practices to assess credit, operational, market and liquidity risks. Risk appetite in the form of regulatory capital allocation has been determined for the above mentioned risk components.

During the year under review, RMG focused on automation of key processes and robust implementation of policies and procedures to reinforce risk management practices in all domains.

RMG has been cognizant of newly emerging domains of risk components and putting its best efforts for managing the same most effectively. In this perspective Your Bank has successfully achieved permission from SBP to initiate Parallel Run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advanced approach of Basel II framework. Further, RMG developed a comprehensive Reputational Risk Management Framework in order to initiate and implement a Reputational Risk Assessment process at Your Bank, and comply with Basel II requirements.

Considering the inherent risks involved in financing against pledge of seasonal commodities, RMG has also initiated and implemented a pilot project of Bank controlled and operated warehouse for Pledge Financing.

Automation of credit approval processes also remained on priority, and in line with this objective, our Loan Origination System (LOS) has been upgraded by automating various credit application workflows for SME and Seasonal Financing Obligors to enhance the efficiency and effectiveness of credit assessment process.

Technology

In line with our strategic focus, Your Bank is continuously embarking on various initiatives to optimally utilize the core banking and other operating systems to provide the most efficient customer service experience. In line with this strategy, Your Bank had 272 branches operating on Temenos (T-24) Core Banking solution as at the close of 2011 and targeted to migrate additional 300 Unibank branches to the new T-24 system by the end of 2012. Your Bank surpassed the target and successfully implemented the T-24 Core Banking solution at additional 383 branches during 2012. Your Bank at the close of 2012 has migrated 655 branches on the new T-24 system and through this continuing transformation process, T24 system will be implemented on the remaining branches during 2013. In order to facilitate customers, Your Bank has taken the initiative to upgrade the existing infrastructure to ensure smooth running of branch operations. As of 31 December 2012, infrastructure of approximately 765 locations has been upgraded with dual communication infrastructure by utilizing industry's best available communication media.

To protect against Money Laundering activities, Your Bank has implemented a state of the art Anti Money Laundering solution to comply with the internal and external requirements. In order to strengthen the internal processes and to shorten the decision making process, Your Bank has automated various approval processes and workflows, bringing efficiencies in the system. An automated system and application monitoring mechanism, in addition to network monitoring system, has also been implemented, which generates alerts to the concerned staff,

before reaching critical level. This has been helping Your Bank to keep the uptime of the system and services as high as possible.

Alternate Delivery Channels

In pursuit to enhance technological savvy image, Your Bank has been keenly involved in putting efforts to add new channels to its existing Alternate Delivery Channels. Your Bank maintained its ATM network performance by achieving industry's highest ATM Uptime and by extending Cash withdrawal acquiring facility to other banks' customers to the tune of 42% of total ATM cash disbursement through an extensive network of 618 ATMs located across the country. This has not only resulted in higher fee based income stream but has further strengthened the Bank's strong standing as the top acquirer in the industry.

Another landmark has been achieved by Your Bank with a growth of 23% during 2012 to reach a total number of 1,080,429 Debit Cards in circulation.

Banking Services

Banking Services Group (BSG) continued to enhance systems and processes aimed at bringing further improvements in customer services and internal controls. Centralized end to end Account Opening was further extended, bringing 643 branches under the process.

BSG was also engaged in continuous efforts to increase Your Bank's network outreach by completing various infrastructure projects in addition to the standardized offices and branches with consistent corporate outlook and modern working environment. Completion of the new Head Office building and shifting of all offices to one location was a land mark achievement for Your Bank during the year.

Your Bank was amongst the first few banks in Pakistan to migrate its SWIFT infrastructure to Release 7 in order to execute more secure and stable financial transfers for its customers. Your Bank is actively pursuing various energy conservation objectives, including enforcement of strict discipline on energy consumption; substitution from high to low energy consuming equipment e.g. LED lights, active exploration of alternate energy solutions like solar energy, and proper insulation of all new buildings to reduce heating and cooling requirements. The above objectives are being accomplished without compromising on customer service and efficiency.

Compliance

The Compliance Group worked diligently in ensuring strict adherence to the regulatory requirements and the Bank's internal policies and procedures. Specific training sessions were held to apprise the field functionaries as to Anti Money Laundering (AML) and Know Your Customer (KYC) policies and procedures. To further enhance its capabilities, the Group has implemented the most advanced AML and KYC modules of Financial Crime & Compliance Management (FCCM) System during 2012 to replace the legacy system.

Ratings

Entity Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded long-term rating of Your Bank to "AA+" from "AA", while short-term rating has been maintained at the highest possible level of "A1+". These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments and not being significantly vulnerable to foreseeable events.

TFCs Issues

JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded rating of Your Bank's 1st TFC Issue (issue date: December 06, 2006) to "AA (Double A) with Stable Outlook" from "AA- (Double A Minus)". Rating of the Bank's second TFC Issue (issue date: August 28, 2009) has also been upgraded to "AA (Double A)" from "AA- (Double A Minus)" by PACRA. These ratings denote a very strong capacity for timely payment of financial commitments there by reflecting the high credit quality of Your Bank.

Corporate Governance Rating

JCR-VIS has upgraded Corporate Governance Rating (CGR) rating of Your Bank to "CGR- 8++" from "CGR- 8+", which denotes 'high level of corporate governance'.

CGRs 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.

As part of our initiatives to constantly improve and compare ourselves against best international practices and bench-marks, Your Bank voluntarily gets itself rated from Moody's' Investor Services, one of the premier International Rating Agency. The ratings [Bank Deposits - Foreign Currency: Caa2/ NP; Bank Deposits - Local Currency: B3/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 Pakistan as well as important regional players.

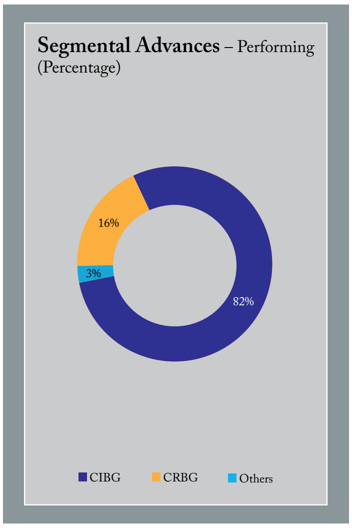
Asset Management Company

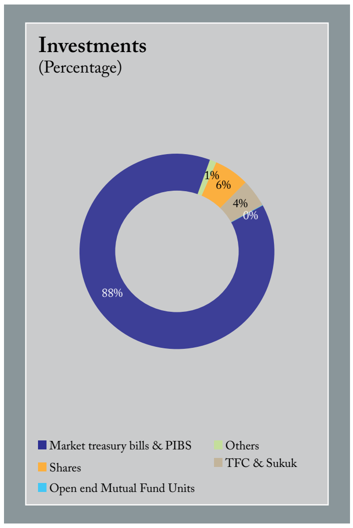
The ABL Asset Management Company Limited (AMC), a wholly owned subsidiary of Your Bank, has established itself as a prominent player in the asset management industry of Pakistan. The AMC is now managing six open end funds and these provided impressive returns and were consistently ranked in the top quartile throughout 2012 in their respective categories. Going forward, the AMC intends to launch three new funds.

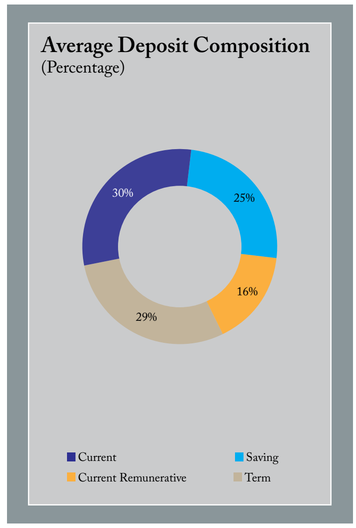
During the year, AMC has become an ISO/IEC 27001:2005 certified company. The Information Security Management System (ISMS) covers the activities of the AMC's Information Technology department for the business applications, relating to the operation, maintenance and management of server, routers, firewalls, applications, networks, electronic communication and web access.

JCR – VIS has also upgraded its outlook to Positive from Stable while maintaining the Management Quality Rating of ABL Asset Management Company Limited at AM2-.

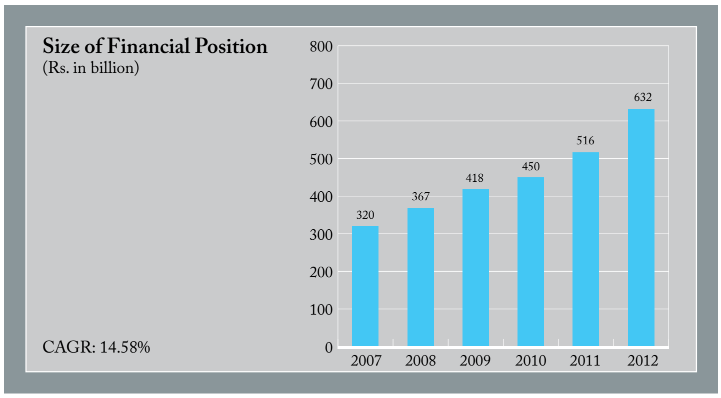
The AMC has also adopted the Global Investment Performance Standards (GIPS), developed by the CFA Institute, USA, for the performance presentation of the Funds under its management. GIPS are a set of ethical standards for the presentation and







calculation of investment performance, designed to ensure fair representation and full disclosure of a fund manager's performance information.



Financial Analysis

Balance Sheet Growth & Mix

Asset base of Your Bank registered a YoY growth of 22.54% to reach at Rs. 631,915 million as at December 31, 2012. At the same time, the risk absorption capacity of Your Bank strengthened, as equity base increased by 17.5% to reach Rs. 50,916 million as at December 31, 2012 compared to Rs. 43,340 million as at December 31, 2011. The total equity to asset ratio of Your Bank stood at 8.1% at December 31, 2012. The regulatory Capital Adequacy Ratio of Your Bank as at December 31, 2012 stands at 16.17%.

Despite the challenging environment at hand, advances registered a 10.9% increase from last year's level to stand at Rs.271,084 million as at December 31, 2012 with their share in asset mix dropping to 42.9%. Resultantly, the Advance Deposits Ratio declined to 52.7% at December 31, 2012 from 61.2% at December 31, 2011.

The prudent lending strategy backed by a sound risk infrastructure, rigorous remedial and recovery efforts has enabled Your Bank to contain the rise in quantum of Non-Performing Portfolio. Your Bank's NPLs ratio improved to 7.2% as at December 31, 2012 compared to 7.8% as at Dec 31, 2011, and is substantially lower compared to the industry average of 16.6% (September 2012). The coverage of the infected portfolio also remained strong at 86% at December 31, 2012 compared to an industry average of 70.5% (September 2012).
Investments with 36.64% YoY growth reached a level of Rs. 267,403 million as at December 31, 2012 and their share in the total asset mix increased to 42.3% compared to 37.9% as at December 31, 2011. The bulk of the investments are dominated by short-term risk free government securities.

The deposits base expanded by 28.8% during 2012 to reach at Rs. 514,707 million as at December 31, 2012 compared to Rs. 399,561 million as at December 31, 2011. The current and low cost Savings Deposits mix stood at 52.8%.

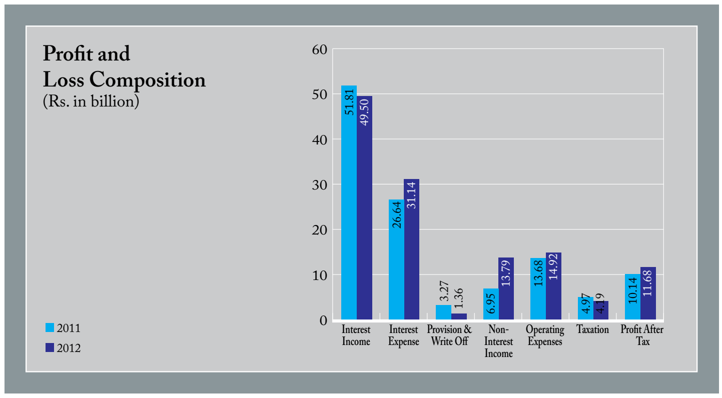
Profitability

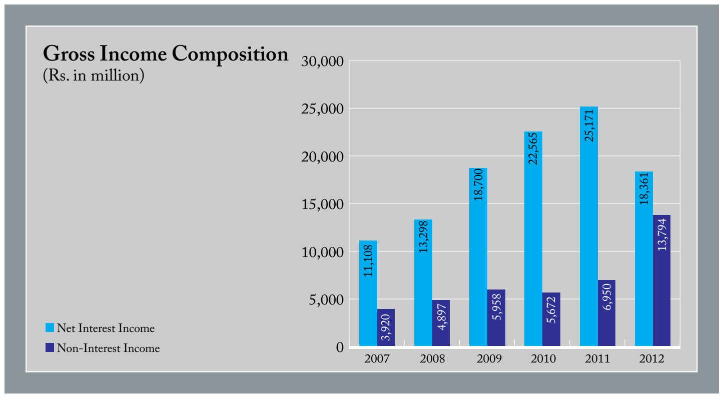
Your Bank maintained its strategic focus of increasing the shareholders' value and maintained healthy profitability despite operating under an increasing tough business environment and managing all these challenges on a proactive basis. The Profit Before Tax and After Tax during 2012 rose by 5.04% and 15.2%, respectively over the previous year. Consequently, the EPS improved from Rs. 10.71 in 2011 to Rs. 12.34 in 2012. The average ROA and ROE of Your Bank almost remained at the same level of last year and stood at 2% and 29% respectively.

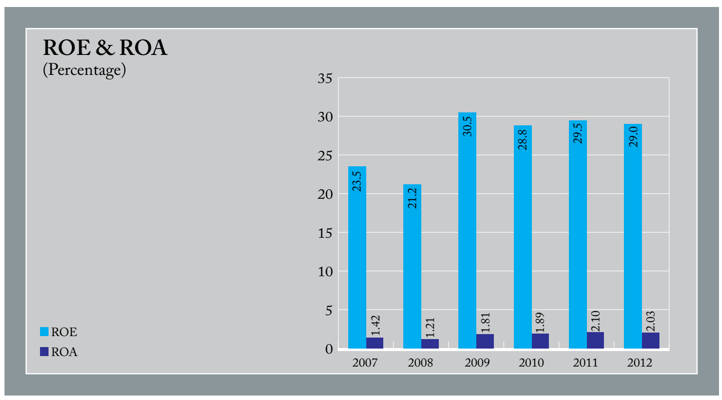
Net Mark-up / Interest earned decreased by Rs. 6,810 million over 2011 to Rs. 18,360 million, attributable mainly to higher deployment of funds towards dividend bearing investment activities. Consequently, Non Mark-up / Interest Income increased by 98.5% over 2011 to reach at Rs. 13,794 million during 2012, including dividend income, which surged by an impressive 214% to peak at Rs. 8,433 million. Despite tough competitive environment and slow pace of business activities, the management is endeavoring to further optimize the contribution of fee and commission in the overall income of Your Bank in coming years through leveraging strong technology platform and offering new innovative products and services to satisfy customers' needs.

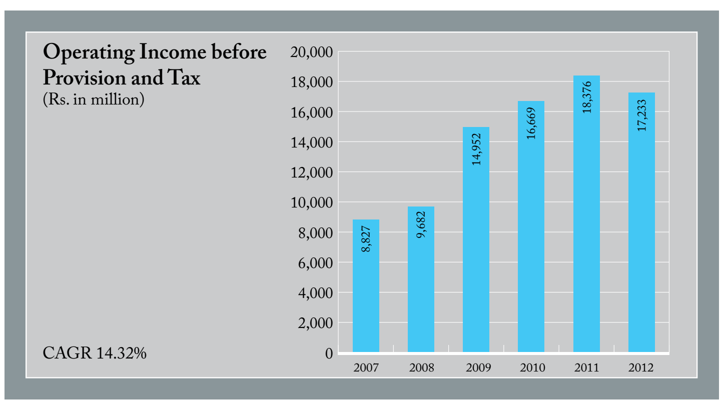
Your Bank's Administrative Expenses increased by 10.5% to Rs. 14,546 million. The rise is broadly in line with the inflationary trends prevailing during the year, increasing outlays on infrastructure strengthening, technological upgradation and rising utility costs.

The provisions against advances and investments reduced by Rs. 2,538 million to Rs 650 million during 2012 compared to the previous year, attributable to active monitoring to curb the growth in Non-Performing Loans (NPLs) and consistent recovery efforts against NPLs. The provision coverage against advances stood strong at 86% at end-Dec 2012. No benefit of FSV has been taken while determining the provision against NPLs also in 2012 as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010.









Future Outlook

Going towards 2013, there are considerable economic, political and social challenges surrounding Pakistan. The external account pressures, high ratio of unemployment and illiteracy, severe energy crisis, worsening law and order situation had an extremely adverse impact on short term growth prospects, revival of the business environment in particular and overall economy in general. However, positive economic factors like continuous rise in foreign remittances, reduction in Consumer Price Inflation (CPI) and thriving agrarian economy, signify that there is no doubt that Pakistan has tremendous economic potential and its economy can turn around quickly in the future.

Considering the overall macro-economic and geo-political outlook, significant pressure is expected on banking sector margins in the wake of low benchmark rates and limited financing opportunities. Accordingly Your Bank intends to focus on building and maintaining quality advances portfolio and to enhance its focus on customer service quality and major cost rationalization initiatives through continuous improvement in automation and product innovations. Similarly, Your Bank intends to focus on low cost core deposit mix in future by effectively utilizing our extensive branch network and new upcoming initiatives like the launch of Mobile Banking, Branchless Banking and Islamic Banking. Your Bank is confident that the above initiatives shall enable it to maintain a stable performance trend going forward.

Khalid A. Sherwani
Chief Executive Officer

Dated: February 14, 2013

Entity Rating of Allied Bank by PACRA and JCR - VIS

Long Term: AA+

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

Short Term: A1+

Obligations supported by the highest capacity for timely repayment.

Corporate Governance Rating

CGR8 ++

High level of Corporate Governance.

TFC – I "AA"

TFC – II "AA"

Performance Highlights

Rs. in Millions

December 31	2012	2011	2010	2009	2008	2007
BALANCE SHEET						
ASSETS						
Cash and balances with treasury and other banks	44,381	38,159	31,845	27,716	25,751	30,408
Lending to financial institutions	10,721	1,362	11,489	28,123	15,793	18,419
Investments - Gross	269,351	198,398	123,855	96,975	84,602	84,151
Advances - Gross	288,889	262,137	267,776	249,887	223,640	178,524
Operating Fixed assets	19,871	18,087	15,360	12,447	11,134	7,549
Other assets	18,455	17,964	17,719	17,955	18,399	11,367
Total assets - Gross	651,668	536,107	468,044	433,103	379,319	330,418
Provisions against non-performing advances	(17,805)	(17,704)	(15,431)	(12,543)	(10,668)	(10,117)
Provisions against diminution in value of investment	(1,948)	(2,704)	(2,682)	(2,186)	(1,956)	(192)
Total assets - net of provision	631,915	515,699	449,931	418,374	366,695	320,109
LIABILITIES						
Customer deposits	514,707	399,562	371,284	328,875	297,475	263,972
Inter bank borrowings	38,916	49,993	20,774	39,819	27,778	22,934
Bills payable	6,203	4,015	4,119	3,162	2,952	3,494
Other liabilities	15,684	13,296	12,284	11,061	13,636	7,332
Sub-ordinated loans	5,490	5,493	5,495	5,497	2,498	2,499
Total Liabilities	581,000	472,359	413,956	388,414	344,339	300,231
NET ASSETS	50,915	43,340	35,975	29,960	22,356	19,878
Share capital	9,463	8,603	7,821	7,110	6,464	5,386
Share premium	-	202	984	1,695	2,341	3,419
Reserves	10,906	8,561	6,533	4,888	3,464	2,632
Un - appropriated profit	22,558	20,255	15,829	12,198	8,537	6,971
Equity - Tier I	42,927	37,621	31,167	25,891	20,806	18,408
Surplus on revaluation of assets	7,988	5,719	4,808	4,069	1,550	1,470
Total Equity	50,915	43,340	35,975	29,960	22,356	19,878
PROFITABILITY						
Markup / Rerurn / Interest earned	49,503	51,814	44,993	41,122	30,571	21,201
Markup / Rerurn / Interest expensed	(31,142)	(26,643)	(22,428)	(22,422)	(17,273)	(10,093)
Net Markup / Interest income	18,361	25,171	22,565	18,700	13,298	11,108
Fee, Commission, Brokerage and Exchange income	3,169	3,395	2,910	3,470	3,266	2,258
Capital gain & Dividend income	10,353	3,507	2,511	2,452	1,571	1,585
Other income	272	48	251	36	59	77
Non interest income	13,794	6,950	5,672	5,958	4,896	3,920
Gross income	32,155	32,121	28,237	24,658	18,194	15,028
Operating expenses	(14,818)	(13,684)	(11,529)	(9,609)	(8,431)	(6,173)
Profit before provisions	17,337	18,437	16,708	15,049	9,763	8,855
Donations	(104)	(61)	(38)	(97)	(82)	(28)
Provisions - (charge) / reversal	(1,362)	(3,267)	(4,326)	(4,416)	(3,561)	(2,874)
Profit before taxation	15,871	15,109	12,344	10,536	6,120	5,953
Taxation	(4,195)	(4,969)	(4,118)	(3,414)	(1,964)	(1,877)
Profit after taxation	11,676	10,140	8,226	7,122	4,156	4,076
CASH FLOW STATEMENT - SUMMARY						
Cash Flow from Operating Activities	75,479	86,807	36,200	10,811	564	46,350
Cash Flow from Investing Activities	(62,844)	(76,727)	(28,822)	(10,000)	(3,544)	(38,461)
Cash Flow from Financing Activities	(6,379)	(3,706)	(2,982)	926	(1,755)	(1,904)
Cash & Cash equivalent at the Beginning of the Year	37,944	31,725	27,276	25,190	29,842	24,303
Effect of Exchange Rate changes on Cash & Cash equivalent	181	26	79	428	511	65
Cash & Cash equivalent at the End of the Year	44,381	38,125	31,751	27,355	25,618	30,353

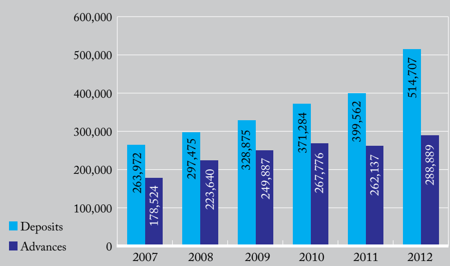
December 31	2012	2011	2010	2009	2008	2007
FINANCIAL RATIOS						
Return on equity	29.0%	29.5%	28.8%	30.5%	21.2%	23.5%
Return on assets	2.03%	2.10%	1.89%	1.81%	1.21%	1.42%
Profit before tax ratio	49.4%	47.0%	43.7%	42.7%	33.6%	39.6%
Gross spread ratio (Net markup income / Gross markup income)	37.1%	48.6%	50.2%	45.5%	43.5%	52.4%
Return on Capital employed	26.5%	26.7%	25.6%	28.0%	19.8%	21.6%
Advances to deposits ratio (ADR) - Gross	56.1%	65.6%	72.3%	76.0%	75.2%	67.6%
Advances to deposits ratio (ADR) - Net	52.7%	61.2%	68.2%	72.2%	71.6%	63.8%
Income / Expense ratio	2.2	2.3	2.4	2.6	2.2	2.4
Cost to revenue ratio	46.1%	42.6%	40.8%	39.0%	46.3%	41.1%
Growth in gross income	0.1%	14%	15%	36%	21%	17%
Growth in net profit after tax	15%	23%	15%	71%	2%	-7%
Total assets to shareholders' funds (Tier 1) - Times	14.7	13.7	14.4	16.2	17.6	17.4
Total assets to shareholders' funds (Tier 2) - Times	12.4	11.9	12.5	14.0	16.4	16.1
Intermediation cost ratio	3.2%	3.6%	3.3%	3.1%	3.0%	2.6%
NPL ratio	7.2%	7.8%	7.0%	6.5%	6.2%	6.4%
Net infection ratio	1.1%	1.1%	1.3%	1.6%	1.5%	0.7%
Weighted average cost of debt	6.39%	6.35%	6.13%	6.84%	5.53%	4.21%
Capital Adequacy ratio	16.17%	13.43%	13.84%	13.47%	10.90%	10.26%
Breakup value per share without Surplus on Revaluation of Fixed Assets** - Rupees per share	50.1	42.0	35.1	28.7	20.6	19.4
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets** - Rupees per share	53.8	45.8	38.0	31.7	23.6	21.0
Weighted Average cost of deposit	5.39%	5.38%	5.15%	6.10%	5.10%	3.98%
Earning asset to total asset ratio	86.91%	85.61%	85.74%	86.11%	84.92%	84.59%
SHARE INFORMATION						
Cash Dividend Per Share - Rupees per share	6.50	5.00	4.00	4.00	2.50	3.00
Bonus Shares issues	10%	10%	10%	10%	10%	20%
Dividend Yield Ratio (based on cash dividend)	8.8%	9.3%	5.7%	6.8%	8.0%	2.3%
Dividend payout ratio (Total payout)	61%	51%	48%	50%	54%	66%
Earning Per Share (EPS)* - Rupees per share	12.34	10.71	8.69	7.53	4.39	4.31
Price to earning ratio* (PE x) - Times	6.0	4.6	6.7	5.9	4.9	17.2
Price to book value ratio - Times	1.37	1.07	1.53	1.39	0.91	3.53
Market value per share - at the end of the year	73.5	53.9	70.5	58.7	31.3	130.2
Market value per share - highest / lowest during the year	76.00 / 52.00	74.00 / 53.35	71.11 / 48.51	66.30 / 19.85	156.45 / 31.32	145.45 / 93.00
Net assets per share - Rupees per share	53.8	50.4	46.0	42.1	34.6	36.9
Market Capitalisation - Rupees in Million	69,547	46,345	55,138	41,757	20,244	70,104
INDUSTRY SHARE						
Deposits	7.7%	6.8%	7.2%	7.5%	7.7%	7.3%
Advances	8.6%	8.4%	7.7%	7.5%	7.1%	6.7%
Total Assets	7.0%	6.6%	6.6%	6.9%	7.0%	6.6%
OTHER INFORMATION						
Non - performing loans (NPLs) - Rupees in Million	20,668	20,452	18,688	16,281	13,772	11,355
Imports and Exports business - Rupees in Million	279,548	249,573	192,973	196,211	194,186	150,698
Number of employees - Permanent	9,291	9,496	8,947	8,713	8,325	8,181
Number of employees - Total	13,059	13,029	12,588	11,690	11,108	10,297
Number of branches	875	837	806	779	766	757
Number of ATMs	618	601	574	530	489	397

* EPS for prior years has been adjusted to affect bonus shares issue during 2012.

** Adjusted for prior years to affect bonus shares issued during 2012.

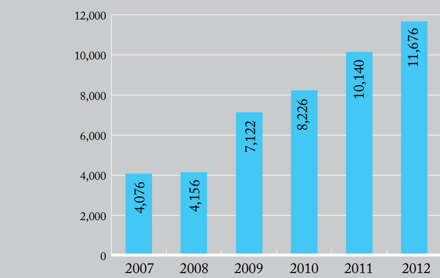
Performance Highlights

Advances & Deposits
(Rs. in million)



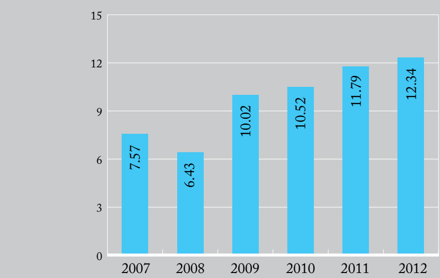
Profit after Tax
(Rs. in million)

CAGR: 23.43%



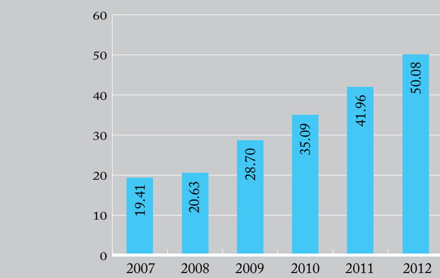
Earnings per Share - Historical
(Rupees)

CAGR: 10.27%



Break-up-Value
(Rupees per share)

CAGR: 20.87%

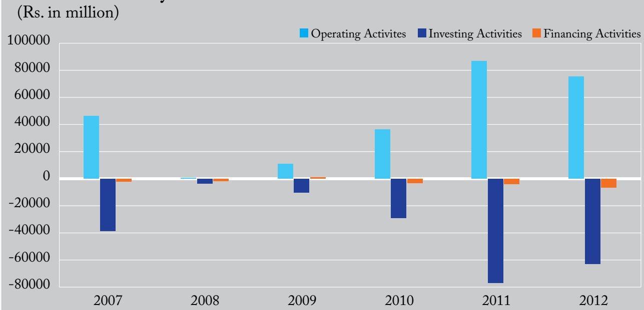


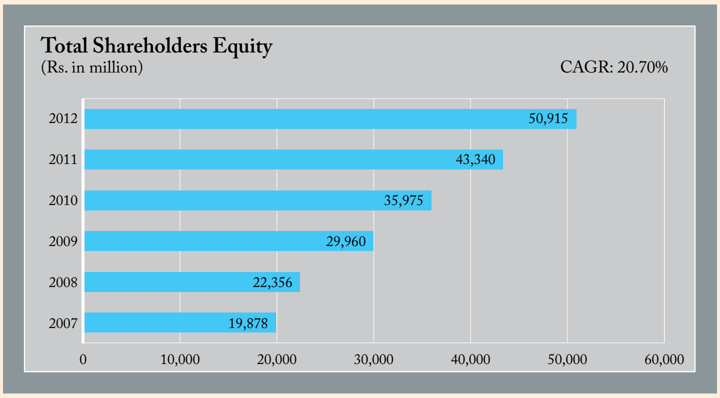
ABL Share Price Movement
(Rupees)

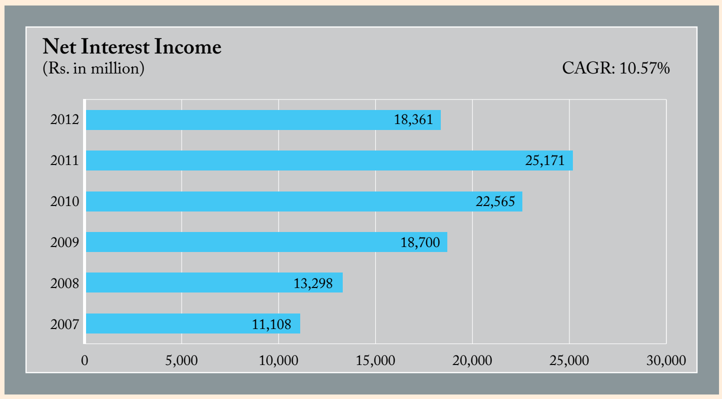
Year	Share Price	+/-%	Highest	Lowest	AVG
2012	73.49	36.42%	76.00	52.00	66.53
2011	53.87	-23.59%	74.00	53.35	62.81
2010	70.50	19.44%	71.24	48.51	59.13
2009	58.73	87.52%	66.30	19.85	43.67
2008	31.32	-75.94%	161.50	31.32	90.90
2007	130.15	39.20%	147.50	92.05	116.93

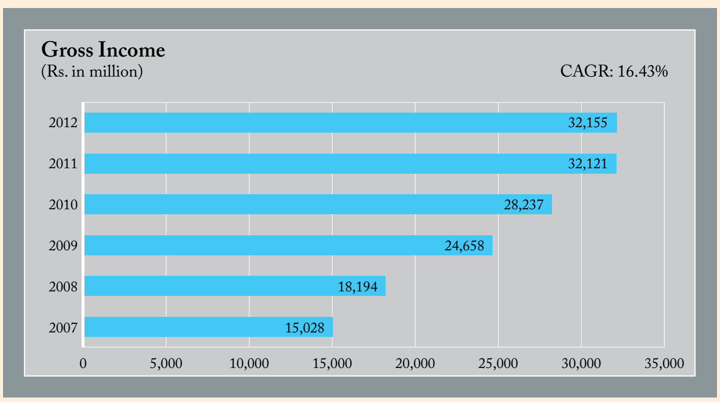
Cash Dividend
(Rupees per share)

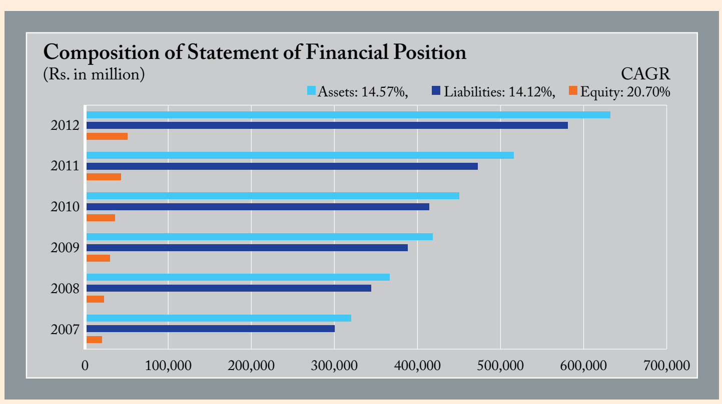
Cash Flow Analysis
(Rs. in million)




Total Shareholders Equity
(Rs. in million)
CAGR: 20.70%
2012
50,915
2011
43,340
2010
35,975
2009
29,960
2008
22,356
2007
19,878
0
10,000
20,000
30,000
40,000
50,000
60,000

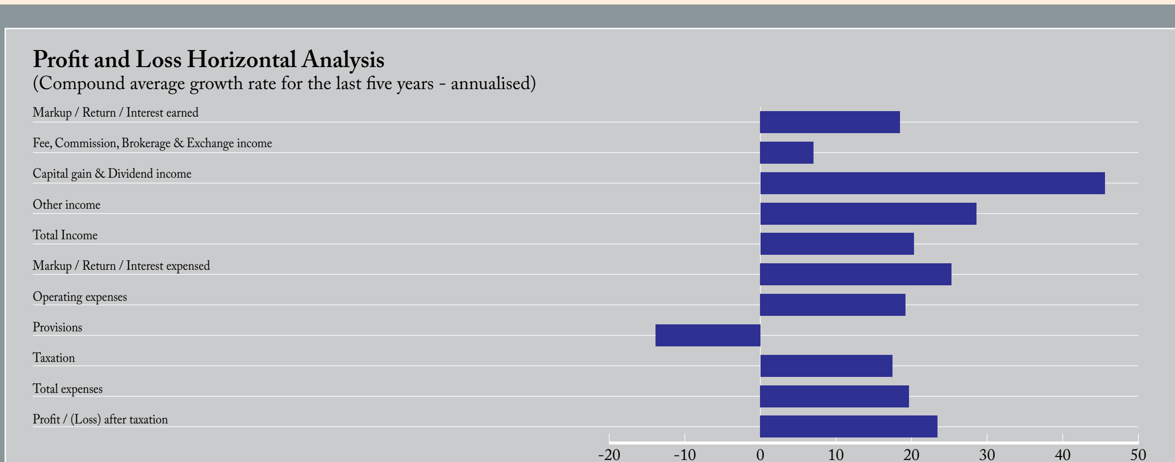

Net Interest Income
(Rs. in million)
CAGR: 10.57%
2012
18,361
2011
25,171
2010
22,565
2009
18,700
2008
13,298
2007
11,108
0
5,000
10,000
15,000
20,000
25,000
30,000

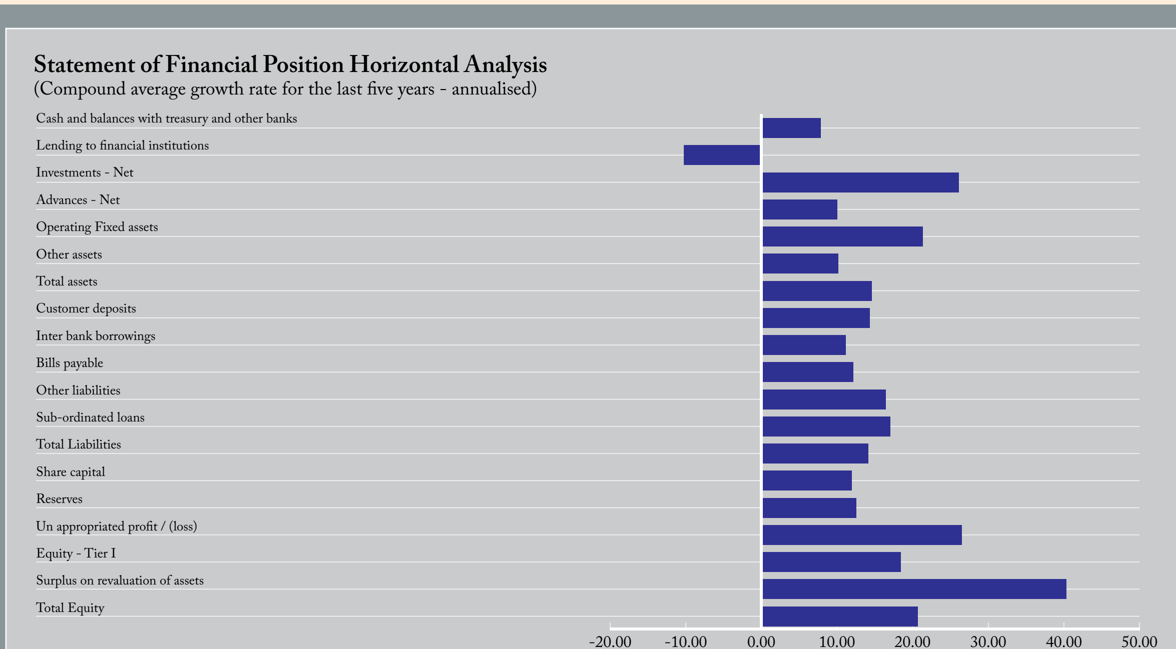

Gross Income
(Rs. in million)
CAGR: 16.43%
2012
32,155
2011
32,121
2010
28,237
2009
24,658
2008
18,194
2007
15,028
0
5,000
10,000
15,000
20,000
25,000
30,000
35,000


Composition of Statement of Financial Position
(Rs. in million)
CAGR
Assets: 14.57%,
Liabilities: 14.12%,
Equity: 20.70%
2012
2011
2010
2009
2008
2007
0
100,000
200,000
300,000
400,000
500,000
600,000
700,000

Horizontal Analysis

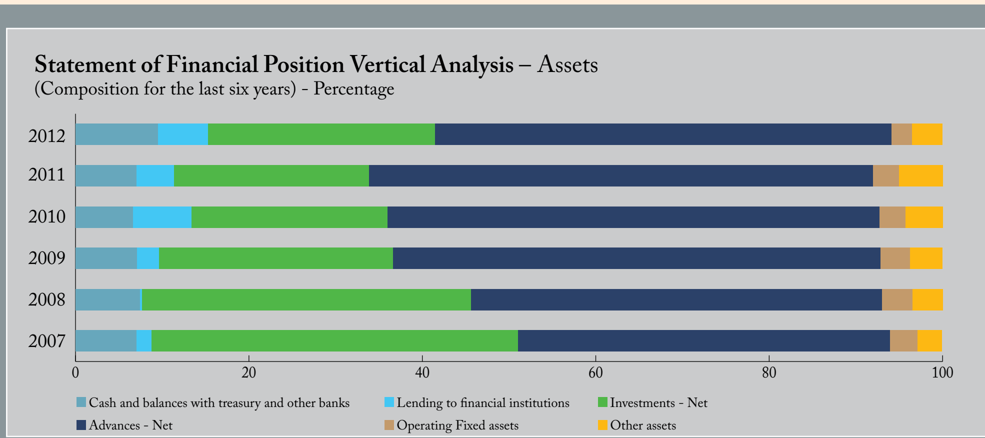
	2012 Rs. M	12 Vs 11 %	2011 Rs. M	11 Vs 10 %	2010 Rs. M	10 Vs 09 %	2009 Rs. M	09 Vs 08 %	2008 Rs. M	08 Vs 07 %	2007 Rs. M	07 Vs 06 %
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury and other banks	44,381	16%	38,159	20%	31,845	15%	27,716	8%	25,751	-15%	30,408	23%
Lending to financial institutions	10,721	687%	1,362	-88%	11,489	-59%	28,123	78%	15,793	-145%	18,419	-3%
Investments - Net	267,403	37%	195,694	61%	121,173	28%	94,789	15%	82,646	-2%	83,958	79%
Advances - Net	271,084	11%	244,433	-3%	252,345	6%	237,344	11%	212,972	26%	168,407	17%
Operating Fixed assets	19,871	10%	18,087	18%	15,360	23%	12,447	12%	11,134	47%	7,549	17%
Other assets	18,455	3%	17,964	1%	17,719	-1%	17,955	-2%	18,399	62%	11,368	5%
Total assets	631,915	23%	515,699	15%	449,931	8%	418,374	14%	366,695	15%	320,109	27%
LIABILITIES & EQUITY												
Customer deposits	514,707	29%	399,562	8%	371,284	13%	328,875	11%	297,475	13%	263,972	28%
Inter bank borrowings	38,916	-22%	49,993	141%	20,774	-48%	39,819	43%	27,778	21%	22,934	25%
Bills payable	6,203	54%	4,015	-3%	4,119	30%	3,162	7%	2,952	-16%	3,494	53%
Other liabilities	15,684	18%	13,296	8%	12,284	11%	11,061	-19%	13,636	86%	7,332	43%
Sub-ordinated loans	5,490	0%	5,493	0%	5,495	0%	5,497	120%	2,498	0%	2,499	0%
Total Liabilities	581,000	23%	472,359	14%	413,956	7%	388,414	13%	344,339	15%	300,231	28%
Share capital	9,463	10%	8,603	10%	7,821	10%	7,110	10%	6,464	20%	5,386	20%
Reserves	10,906	24%	8,763	17%	7,517	14%	6,583	13%	5,805	-4%	6,051	-1%
Un - appropriated profit	22,558	11%	20,255	28%	15,829	30%	12,198	43%	8,537	22%	6,971	24%
Equity - Tier I	42,927	14%	37,621	21%	31,167	20%	25,891	24%	20,806	13%	18,408	13%
Surplus on revaluation of assets	7,988	40%	5,719	19%	4,808	18%	4,069	163%	1,550	5%	1,470	1%
Total Equity	50,915	17%	43,340	20%	35,975	20%	29,960	34%	22,356	12%	19,878	12%
PROFIT & LOSS ACCOUNT												
Interest / Return / Non Interest Income earned												
Markup / Return / Interest earned	49,503	-4%	51,814	15%	44,993	9%	41,122	35%	30,571	44%	21,201	23%
Fee, Commission, Brokerage and Exchange income	3,169	-7%	3,395	17%	2,910	-16%	3,470	6%	3,266	45%	2,258	38%
Capital gain & Dividend income	10,353	195%	3,507	40%	2,511	2%	2,452	56%	1,571	-1%	1,585	194%
Other income	272	467%	48	-81%	251	597%	36	-39%	59	-24%	77	-72%
Total	63,297	8%	58,764	16%	50,665	8%	47,080	33%	35,467	41%	25,121	28%
Markup / Return / Interest and Non Interest Expense												
Markup / Return / Interest expensed	(31,142)	17%	(26,643)	19%	(22,428)	0%	(22,422)	30%	(17,273)	71%	(10,093)	49%
Operating expenses	(14,922)	9%	(13,745)	19%	(11,567)	19%	(9,706)	14%	(8,513)	37%	(6,201)	17%
Provisions	(1,362)	-58%	(3,267)	-24%	(4,326)	-2%	(4,416)	24%	(3,561)	24%	(2,874)	215%
Taxation	(4,195)	-16%	(4,969)	21%	(4,118)	21%	(3,414)	74%	(1,964)	5%	(1,877)	-17%
Total expense	(51,621)	6%	(48,624)	15%	(42,439)	6%	(39,958)	28%	(31,311)	49%	(21,045)	38%
Profit after taxation	11,676	15%	10,140	23%	8,226	16%	7,122	71%	4,156	2%	4,076	-7%

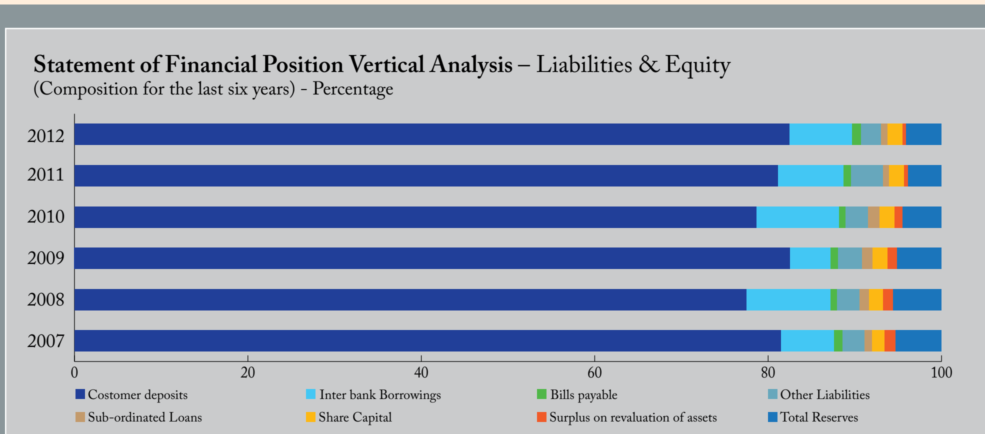

Profit and Loss Horizontal Analysis
(Compound average growth rate for the last five years - annualised)
Markup / Return / Interest earned
Fee, Commission, Brokerage & Exchange income
Capital gain & Dividend income
Other income
Total Income
Markup / Return / Interest expensed
Operating expenses
Provisions
Taxation
Total expenses
Profit / (Loss) after taxation
-20
-10
0
10
20
30
40
50

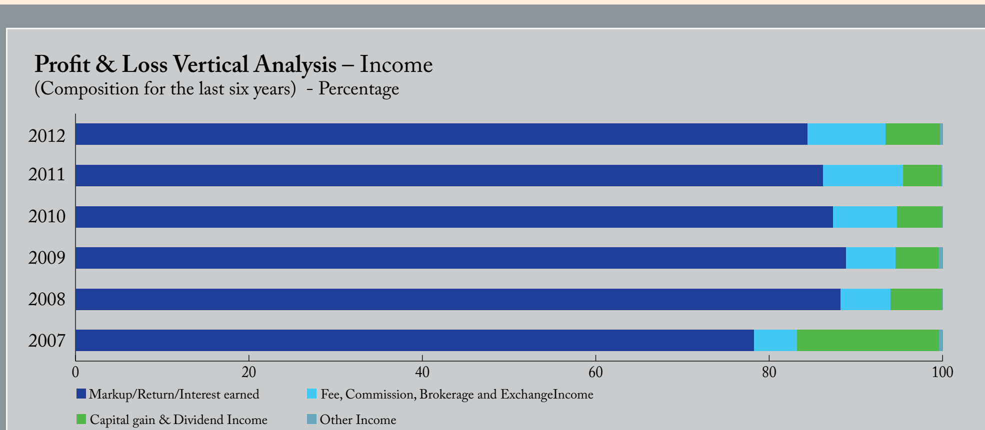

Statement of Financial Position Horizontal Analysis
(Compound average growth rate for the last five years - annualised)
Cash and balances with treasury and other banks
Lending to financial institutions
Investments - Net
Advances - Net
Operating Fixed assets
Other assets
Total assets
Customer deposits
Inter bank borrowings
Bills payable
Other liabilities
Sub-ordinated loans
Total Liabilities
Share capital
Reserves
Un appropriated profit / (loss)
Equity - Tier I
Surplus on revaluation of assets
Total Equity
-20.00
-10.00
0.00
10.00
20.00
30.00
40.00
50.00

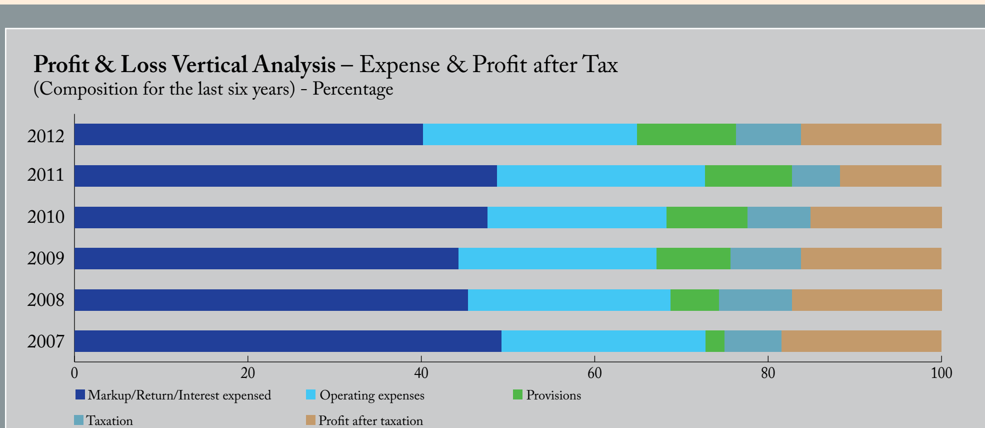
Vertical Analysis

	2012 Rs. M	2012 %	2011 Rs. M	2011 %	2010 Rs. M	2010 %	2009 Rs. M	2009 %	2008 Rs. M	2008 %	2007 Rs. M	2007 %
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury and other banks	44,381	7%	38,159	7%	31,845	7%	27,716	7%	25,751	7%	30,408	9%
Lending to financial institutions	10,721	2%	1,362	0%	11,489	3%	28,123	6%	15,793	4%	18,419	6%
Investments - Net	267,403	42%	195,694	38%	121,173	27%	94,789	23%	82,646	23%	83,958	26%
Advances - Net	271,084	43%	244,433	47%	252,345	56%	237,344	57%	212,972	58%	168,407	53%
Operating Fixed assets	19,871	3%	18,087	4%	15,360	3%	12,447	3%	11,134	3%	7,549	2%
Other assets	18,455	3%	17,964	4%	17,719	4%	17,955	4%	18,399	5%	11,368	4%
Total assets	631,915	100%	515,699	100%	449,931	100%	418,374	100%	366,695	100%	320,109	100%
LIABILITIES & EQUITY												
Customer deposits	514,707	81%	399,562	77%	371,284	82%	328,875	79%	297,475	81%	263,972	83%
Inter bank borrowings	38,916	6%	49,993	10%	20,774	5%	39,819	9%	27,778	7%	22,934	7%
Bills payable	6,203	1%	4,015	1%	4,119	1%	3,162	1%	2,952	1%	3,494	1%
Other liabilities	15,684	3%	13,296	3%	12,284	3%	11,061	3%	13,636	4%	7,332	2%
Sub-ordinated loans	5,490	1%	5,493	1%	5,495	1%	5,497	1%	2,498	1%	2,499	1%
Total Liabilities	581,000	92%	472,359	92%	413,956	92%	388,414	93%	344,339	94%	300,231	94%
Net assets	50,915	8%	43,340	8%	35,975	8%	29,960	7%	22,356	6%	19,878	6%
Represented by												
Share capital	9,463	1%	8,603	2%	7,821	2%	7,110	2%	6,464	2%	5,386	2%
Reserves	10,906	2%	8,763	2%	7,517	2%	6,583	1%	5,805	2%	6,051	2%
Un - appropriated profit	22,558	4%	20,255	3%	15,829	3%	12,198	3%	8,537	2%	6,971	2%
Equity - Tier I	42,927	7%	37,621	7%	31,167	7%	25,891	6%	20,806	6%	18,408	6%
Surplus on revaluation of assets	7,988	1%	5,719	1%	4,808	1%	4,069	1%	1,550	0%	1,470	0%
Total Equity	50,915	8%	43,340	8%	35,975	8%	29,960	7%	22,356	6%	19,878	6%
PROFIT & LOSS ACCOUNT												
Interest / Return / Non Interest Income earned												
Markup / Return / Interest earned	49,503	78%	51,814	88%	44,993	89%	41,122	88%	30,571	86%	21,201	85%
Fee, Commission, Brokerage and Exchange income	3,169	5%	3,395	6%	2,910	6%	3,470	7%	3,266	9%	2,258	9%
Capital gain & Dividend income	10,353	17%	3,507	6%	2,511	5%	2,452	5%	1,571	5%	1,585	6%
Other income	272	0%	48	0%	251	0%	36	0%	59	0%	77	0%
Total	63,297	100%	58,764	100%	50,665	100%	47,080	100%	35,467	100%	25,121	100%
Markup / Return / Interest and Non Interest Expense												
Markup / Return / Interest expensed	(31,142)	-49%	(26,643)	-45%	(22,428)	-44%	(22,422)	-48%	(17,273)	-49%	(10,093)	-40%
Operating expenses	(14,922)	-24%	(13,745)	-23%	(11,567)	-23%	(9,706)	-21%	(8,513)	-24%	(6,201)	-25%
Provisions	(1,362)	-2%	(3,267)	-6%	(4,326)	-9%	(4,416)	-9%	(3,561)	-10%	(2,874)	-11%
Taxation	(4,195)	-7%	(4,969)	-9%	(4,118)	-8%	(3,414)	-7%	(1,964)	-5%	(1,877)	-8%
Total expense - percentage of total income	(51,621)	-82%	(48,624)	-83%	(42,439)	-84%	(39,958)	-85%	(31,311)	-88%	(21,045)	-84%
Profit after taxation	11,676	18%	10,140	17%	8,225	16%	7,122	15%	4,156	12%	4,076	16%


Statement of Financial Position Vertical Analysis – Assets
(Composition for the last six years) - Percentage
2012
2011
2010
2009
2008
2007
0
20
40
60
80
100
Cash and balances with treasury and other banks
Lending to financial institutions
Investments - Net
Advances - Net
Operating Fixed assets
Other assets


Statement of Financial Position Vertical Analysis – Liabilities & Equity
(Composition for the last six years) - Percentage
2012
2011
2010
2009
2008
2007
0
20
40
60
80
100
Costomer deposits
Inter bank Borrowings
Bills payable
Other Liabilities
Sub-ordinated Loans
Share Capital
Surplus on revaluation of assets
Total Reserves

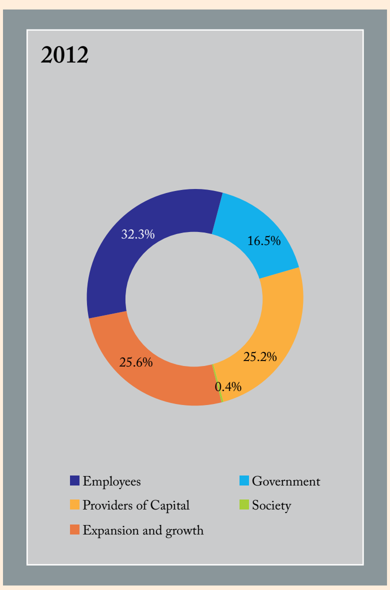

Profit & Loss Vertical Analysis – Income
(Composition for the last six years) - Percentage
2012
2011
2010
2009
2008
2007
0
20
40
60
80
100
Markup/Return/Interest earned
Fee, Commission, Brokerage and ExchangeIncome
Capital gain & Dividend Income
Other Income

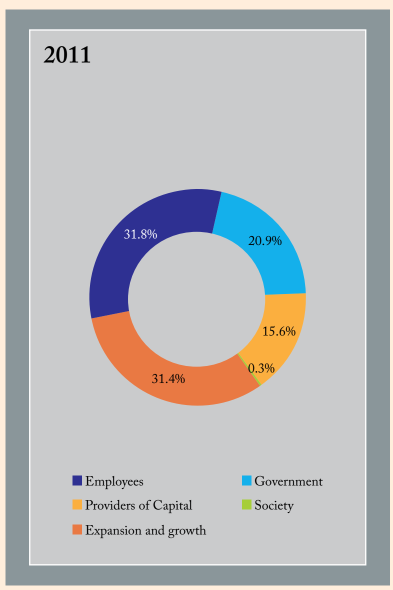

Profit & Loss Vertical Analysis – Expense & Profit after Tax
(Composition for the last six years) - Percentage
2012
2011
2010
2009
2008
2007
0
20
40
60
80
100
Markup/Return/Interest expensed
Operating expenses
Provisions
Taxation
Profit after taxation

Statement of Value Addition

(Rs. in "000")

	2012	%	2011	%
Value Added				
Income from banking services	32,126,692		32,118,284	
Cost of services	(5,352,369)		(5,100,012)	
Value added by banking services	26,774,323		27,018,272	
Non - banking income	27,850		2,568	
Provision against non-performing assets	(1,362,424)		(3,267,450)	
	(1,334,574)		(3,264,882)	
Total Value Added	**25,439,749**		**23,753,390**	
Value Allocated				
to employees				
Salaries, allowances and other benefits	8,224,012	32.3%	7,553,145	31.8%
to Government				
Income tax	4,194,538	16.5%	4,968,801	20.9%
to providers of capital				
as dividends	6,409,316	25.2%	3,714,979	15.6%
to Society				
as donation	103,515	0.4%	61,295	0.3%
to expansion and growth				
Depreciation / Amortization	1,241,870	4.9%	1,030,468	4.3%
Retained in business	5,266,498	20.7%	6,424,702	27.1%
	6,508,368	25.6%	7,455,170	31.4%
Total Value Allocated	**25,439,749**	**100.0%**	**23,753,390**	**100.0%**





Cashflow - Direct Method

	2012	2011
	Rupees in '000	
Cash flow from operating activities		
Mark-up / return / interest and commission receipts	56,595,637	56,423,448
Mark-up / return / interest payments	(30,766,992)	(25,366,521)
Cash payments to employees, suppliers and others	(13,299,272)	(12,215,461)
	12,529,373	**18,841,466**
Decrease / (increase) in operating assets		
Lendings to financial institutions	(9,359,181)	10,057,190
Held for trading securities	-	842,169
Advances	(27,924,702)	5,201,926
Other assets (excluding advance taxation)	(1,008,185)	11,597
	(38,292,068)	**16,112,882**
(Decrease) / increase in operating liabilities		
Bills payable	2,187,734	(103,474)
Borrowings	(11,043,116)	29,279,026
Deposits	115,145,379	28,277,408
Other liabilities (excluding current taxation)	1,164,884	(802,092)
	107,454,881	**56,650,868**
Cash flow before tax	**81,692,186**	**91,605,216**
Income tax paid	(6,213,290)	(4,798,475)
Net cash flow from operating activities	**75,478,896**	**86,806,741**
Cash flow from investing activities		
Net investments in 'available-for-sale' securities	(69,255,704)	(54,829,878)
Net investments in 'held-to-maturity' securities	948,958	(20,915,102)
Dividend income received	8,565,057	1,961,759
Investments in operating fixed assets	(3,141,314)	(2,953,523)
Proceeds from sale of fixed assets	29,097	10,094
Effect of translation of net investment in foreign wholesale branch	10,198	-
Net cash used in investing activities	**(62,843,708)**	**(76,726,650)**
Cash flow from financing activities		
Repayment of sub-ordinated loan	(2,200)	(2,200)
Dividends paid	(6,377,000)	(3,703,935)
Net cash used in financing activities	**(6,379,200)**	**(3,706,135)**
Increase in cash and cash equivalents during the year	6,255,988	6,373,956
Cash and cash equivalents at beginning of the year	37,944,183	31,725,190
Effect of exchange rate changes on opening cash and cash equivalents	180,768	25,805
Cash and cash equivalents at end of the year	**44,380,939**	**38,124,951**

Concentration of Advances, Deposits and Off-Balance Sheet Items - December 31, 2012

Description	Advances (Gross) Rs. in Mn	%	Classified Advances Rs. in Mn	%	Deposits Rs. in Mn	%	Off-balance sheet items Rs. in Mn	%
Agriculture, Forestry and Hunting	2,559	0.89%	351	1.70%	23,119	4.49%	842	0.61%
Basic metals (iron, steel)	2,536	0.88%	20	0.10%	3,544	0.69%	787	0.57%
Beverages	423	0.15%	413	2.00%	62	0.01%	78	0.06%
Cement / clay & ceramics	9,372	3.24%	40	0.19%	1,626	0.32%	1,450	1.05%
Chemical & pharmaceutical	20,429	7.07%	405	1.96%	1,020	0.20%	838	0.60%
Construction	4,402	1.52%	103	0.50%	25,000	4.86%	10,415	7.52%
Education	40	0.01%	-	-	11,639	2.26%	4	0.00%
Financial	5,707	1.98%	82	0.39%	4,852	0.94%	45,886	33.11%
Finishing of Textile	10,954	3.79%	6,011	29.09%	2,356	0.46%	459	0.33%
Fishing	17	0.01%	-	-	-	0.00%	-	0.00%
Footware & leather garments	455	0.16%	132	0.64%	287	0.06%	71	0.05%
Furniture & sports goods	567	0.20%	73	0.36%	1,165	0.23%	103	0.07%
Grains & related	6,844	2.37%	-	-	4,767	0.93%	-	0.00%
Health & social welfare	45	0.02%	-	-	3,199	0.62%	25	0.02%
Hotel, restaurant & clubs	768	0.27%	7	0.04%	2,930	0.57%	-	0.00%
Machinery & equipment	2,630	0.91%	1,275	6.17%	2,848	0.55%	5,451	3.93%
Manufacture of made up & ready made garments	3,154	1.09%	-	-	837	0.16%	13	0.01%
Manufacture of transport equipment	452	0.16%	246	1.19%	295	0.06%	171	0.12%
Paper & paper boards	8,890	3.08%	22	0.10%	21	0.00%	364	0.26%
Petroleum products	1,976	0.68%	5	0.03%	6,650	1.29%	825	0.60%
Power, gas, water & sanitary	45,509	15.75%	240	1.16%	3,615	0.70%	5,077	3.66%
Printing, publishing & allied	119	0.04%	6	0.03%	45	0.01%	53	0.04%
Real estate, renting, and business activities	3,421	1.18%	156	0.75%	83,417	16.21%	9	0.01%
Rubber & plastic	459	0.16%	42	0.20%	1,580	0.31%	298	0.21%
Spinning	26,305	9.11%	2,041	9.88%	9,732	1.89%	318	0.23%
Sugar	5,511	1.91%	-	-	2,391	0.46%	334	0.24%
Transport, storage & communication	5,554	1.92%	6	0.03%	2,049	0.40%	1,066	0.77%
Weaving	4,133	1.43%	1,467	7.10%	4,632	0.90%	75	0.05%
Wholesale & retail trade	11,022	3.82%	478	2.31%	46,837	9.10%	1,796	1.30%
Individuals	7,658	2.65%	358	1.73%	131,636	25.57%	6,964	5.03%
Others	96,979	33.57%	6,688	32.36%	132,558	25.75%	54,796	39.55%
Total	288,889	100%	20,668	100%	514,707	100%	138,567	100%

Maturities of Assets and Liabilities - December 31, 2012

(Rupees in '000)

	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	43,351,653	35,050,448	23,335	5,518,580	2,759,290	-
Balances with other banks	1,029,286	1,029,286	-	-	-	-
Lendings to financial institutions	10,720,935	10,720,935	-	-	-	-
Investments - net	267,403,346	66,104,144	159,594,112	3,887,353	26,671,428	11,146,309
Advances - net	271,084,275	69,243,341	68,821,437	57,140,643	38,342,388	37,536,466
Operating fixed assets	19,871,173	637,766	1,913,292	2,474,131	961,341	13,884,643
Deferred tax assets	-	-	-	-	-	-
Other assets - net	18,454,814	6,555,291	8,935,176	1,156,267	-	1,808,080
Liabilities						
Bills payable	6,203,051	4,348,297	315,118	1,026,424	513,212	-
Borrowings	38,916,192	27,830,244	8,058,096	1,009,284	1,009,284	1,009,284
Deposits and other accounts	514,707,055	147,280,182	137,053,409	51,360,765	30,365,065	148,647,634
Deferred tax liabilities	64,584	47,330	(180,422)	(374,723)	(106,471)	678,870
Sub-ordinated loan	5,490,400	600	1,872,300	625,900	2,991,600	-
Other liabilities	15,618,340	11,532,350	964,545	830,749	717,800	1,572,896

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

Quarterly Comparison of Financial Results

	2012				2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	Rupees in Millions							
Profit and loss account								
Mark-up earned	12,498	12,624	12,386	11,993	14,575	12,661	12,280	12,298
Mark-up expensed	(8,533)	(8,190)	(7,309)	(7,110)	(8,027)	(6,419)	(6,103)	(6,094)
Net mark-up income	3,965	4,434	5,077	4,883	6,548	6,242	6,177	6,204
Provions & write off	100	(1,162)	(372)	72	(1,818)	(324)	(824)	(301)
Non-mark-up income	3,166	3,767	3,971	2,889	2,442	1,506	1,555	1,447
Non-mark-up expenses	(4,098)	(3,718)	(3,629)	(3,477)	(3,688)	(3,360)	(3,196)	(3,501)
Profit before taxation	3,133	3,321	5,047	4,367	3,484	4,064	3,712	3,849
Taxation	(870)	(562)	(1,439)	(1,323)	(1,069)	(1,369)	(1,191)	(1,340)
Profit after taxation	2,263	2,759	3,608	3,044	2,415	2,695	2,521	2,509
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	43,352	37,379	41,891	37,492	36,480	35,801	32,079	28,329
Balances with other banks	1,029	1,414	1,674	1,439	1,679	605	1,033	460
Lending to financial institutions	10,721	13,992	13,254	24,991	1,362	955	36,006	18,834
Investments	267,403	256,707	199,142	174,603	195,694	207,157	143,387	127,315
Advances	271,084	251,253	260,711	242,761	244,433	232,610	241,737	241,468
Operating fixed assets	19,871	19,209	19,308	18,204	18,087	16,519	16,085	15,623
Deffered tax assets-net	-	667	814	673	752	780	895	654
Other assets	18,455	20,485	19,575	32,364	17,212	16,852	16,569	17,625
Total Assets	631,915	601,106	556,369	532,527	515,699	511,279	487,791	450,308
Liabilites								
Bills payable	6,203	5,282	3,995	4,243	4,015	4,600	3,429	4,656
Borrowings	38,916	70,678	32,392	43,787	49,993	62,439	20,844	16,681
Deposits and other accounts	514,707	455,708	454,592	418,036	399,562	384,957	406,301	372,254
Sub-ordinated loan	5,490	5,491	5,492	5,492	5,493	5,493	5,494	5,494
Deferred tax liabilites	65	-	-	-	-	-	-	-
Other liabilities	15,618	14,988	13,290	14,957	13,296	12,588	11,428	11,676
Total Liabilities	581,000	552,147	509,761	486,515	472,359	470,077	447,496	410,761
Net assets	50,915	48,959	46,608	46,012	43,340	41,202	40,295	39,547
Represented by:								
Share Capital	9,463	9,463	9,463	9,463	8,603	8,603	8,603	7,821
Reserves	10,906	10,444	9,891	9,170	8,763	8,280	7,741	8,019
Unappropriated profit	22,558	21,687	20,890	19,888	20,255	18,319	18,305	17,845
Surplus on revaluation of assets- net of tax	7,988	7,365	6,364	7,491	5,719	6,000	5,646	5,862
Total Equity	50,915	48,959	46,608	46,012	43,340	41,202	40,295	39,547
Summary of Cash Flows								
Cash flows from operating activities	15,256	52,007	32,139	(23,924)	(8,044)	71,057	20,604	3,190
Cash flows from investing activities	(8,664)	(55,427)	(25,400)	26,647	9,829	(65,623)	(14,557)	(6,376)
Cash flows from financing activities	(943)	(1,413)	(2,069)	(1,954)	(19)	(2,141)	(1,545)	(1)
Cash and cash equivalents at beginning of the period	38,731	43,564	38,894	38,125	36,359	33,066	28,564	31,751
Cash and cash equivalents at end of the period	44,380	38,731	43,564	38,894	38,125	36,359	33,066	28,564

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 all our customers, wherever they are located 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 nationwide network of over 873 online branches with well informed and friendly staff, as well as 618 ATMs strategically located to help provide ease of banking. At Allied Bank, we're always "aap kay sath sath"

Branch Banking

With a vast network of 873 branches, ABL is committed to provide real time online banking solutions to its customers in an efficient and convenient manner.

Banking on Saturday

For convenience of customers, full range of non-stop Banking Services are being offered to the customers on Saturday from 10:00 AM to 02:00 PM. At present, around 300 branches operate on Saturday for public dealings.

Allied Rising Star – Youth 1st Bank Account

Allied Rising Star is a profit based account product, designed exclusively for children under 18 with the purpose of instilling the habit of savings amongst them. The product offers one of its kind daily profit feature and is bundled with various exciting features like game/dining voucher, life insurance cover and cash box.

Platinum Allied Ba' Ikhtiar

Platinum Allied Ba'Ikhtiar is a distinctive 12-month term deposit scheme, tailored to meet the customer's needs and requirements with an option to earn profit on investment on monthly, quarterly, half yearly or yearly basis.

Allied Advance Profit Scheme

Allied Bank was the first Bank of Pakistan which introduced such a unique product in the industry. It is a term deposit scheme that does not make the account holder to wait for the reward; it gives the entire profit upfront on the date of account opening. The customers can choose 15-months and 18-months tenor options.

Allied Business Account

To cater to the unique financial needs of businessmen, Allied Bank has introduced Allied Business current account. On maintaining a certain monthly average balance, our business customers can avail free facilities like issuance of banker's cheques, Demand Draft, funds transfer, intercity clearing, telephonic transfer, Internet Banking, cheque returns and Nationwide Real Time online Banking to meet their day-to-day business requirements.

Current Account

ABL offers current account to cater the needs of various customer segments. On maintaining a daily minimum balance of Rs 0.5 million, a range of free services like issuance of Pay Order and free online transactions etc., can be availed.

ABL Bancassurance

ABL Bancassurance offers Investments and Protection plans for child education / marriage, accidental and terrorism.

Theme Branches

Modern technology and signature themes are adopted for attaining a significant position as a preferred Bank. We have six women branches located across Pakistan which offer exclusive services and provides a conducive environment for the female customers to conveniently do banking with us.

We have also launched youth branches with an aim to specifically provide banking services to the younger generation as per their life style and a youth friendly environment.

Extended Hours Banking

Extended Hours Banking facility at selected branches is offered to enable our customers to do banking at their convenience.

E-Banking

Allied Direct

Banking at your fingertips - Allied Direct (Internet Banking) offers convenience from the desk to manage your bank account from anywhere, anytime. It offers features like fund transfers, Utility bill payments, Mobile top-ups, Donations, e-shopping and much more. Allied Direct is also available on mobile so that wherever our customers move, the account stays with them.

ABL ATMs and CCDMs (Cash & Cheque Deposit Machines)

A vast network of 618 ATMs across the country gives 24/ 7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more.

Allied Cash+Shop VISA Debit Card

Allied Cash+Shop Visa Debit Card is Allied Bank's flagship retail product that gives our customers access to their bank accounts and also at over 30,000 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 5,900 ATMs in Pakistan, including ABL's own large network of ATMs.

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. 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 Personal Finance

ABL has also launched a Personal Loan Product, Allied Personal Finance, targeted mainly towards the employees of bank's institutional customers. Allied Personal Finance is a demand finance facility with equal monthly instalments spread over the term of the finance. With a low mark-up rate the product is offered to individuals associated with corporate/institutional customers.

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).

Interactive Touchpoint

www.abl.com - is a newly upgraded corporate website launched in mid 2012 to enhance customers' online experience. Being an interactive electronic touch-point, the website further improves end-user experience, introduces interactive segmentation, provides comprehensive information on valuable products and services. It further builds network of online visitors by incorporating social media channels. This real-time interactivity is further orchestrated by the integration of Allied Live Chat facility into the website.

SME

ABL has realigned its focus towards SME Business with a vision to capitalize on the bank's countrywide footprint and long-standing customer loyalty to become a preferred and prudent provider of a "Total Banking Solution" to the Small & Medium Market segment.
With this renewed focus and strategy, ABL offers its customers a wide range of funded and non-funded products and services, meeting the entire needs of various types of SME businesses.

Allied Business Finance

Whether a customer is a trader, service provider or manufacturer with funding requirement of upto Rs. 10 million, ABL's Allied Business Finance is an ideal fit to cater to his/her financial / working capital needs. ABL offers speedy loan approval at a competitive pricing.

Allied Fast Finance

Allied FAST Finance (AFF) enables its customers to meet their personal and business needs without liquidating their savings. With AFF, customers can utilize existing investments and deposits as collateral and avail financing at very competitive rates with a very quick turnaround time.

Agriculture

Allied Bank Limited is also involved in agricultural financing across the country and offers vast range of agricultural financial facilities through more than 150 Agri designated branches. Allied Bank offers multiple and diversified range of Agri Products for both Farm & Non-Farm sectors.

Allied Bank Lockers

Bank Lockers provide 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).

Corporate Banking

The Corporate Banking works on a long-term relationship based on a business model to provide a single point within the Bank for meeting all business requirements of our 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 our top priority. Our relationship oriented outlook focuses upon providing a complete array of tailored financing solutions that are practical and cost effective. Our main products include Working Capital Facilities, Term Loans, Structured Trade Finance Facilities, Letters of Guarantee, Letters of Credit, Fund Transfers / Remittances, Bill Discounting, Export Financing and Receivable Discounting.

Investment Banking

The Investment Banking (IB) arm of the Bank is a multifaceted business unit geared towards meeting the complex financing needs of its clientele by providing a full suite of financing solutions to corporate clients which includes debt syndications and capital markets, project finance and advisory services.
The debt syndication desk's forte is executing big ticket debt arrangement transactions on full / partial recourse basis for our corporate clientele. The Syndications Desk seeks to create value for its clientele by offering cost effective and customized corporate financing solutions. Project Finance desk offers 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 with Allied Bank Investment Banking.

Home Remittences

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 875 branches.

Corporate Sustainability

Corporate Social Responsibility (CSR)

Our philosophy of CSR is simple: As one of the most successful organizations in Pakistan, it is our moral and ethical responsibility to give back to the communities regardless of their geographical locations, ethnic origins, cast, color or creed. We are one of the few organizations in Pakistan with a clearly defined CSR and Donations Policy.

Our CSR philosophy is focused around education, healthcare, sports, environment, promotion of the arts, staff welfare and engagement activities.

CSR Track Record

Our CSR objectives are to behave ethically, follow best practices and contribute to economic development while improving the quality of life of the workforce, their families, the local community and the society at large. Some of our key CSR initiatives are as follows:

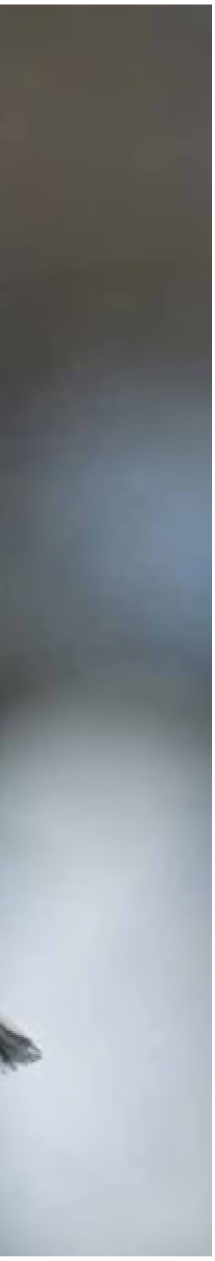
Reconstruction in flood affected areas

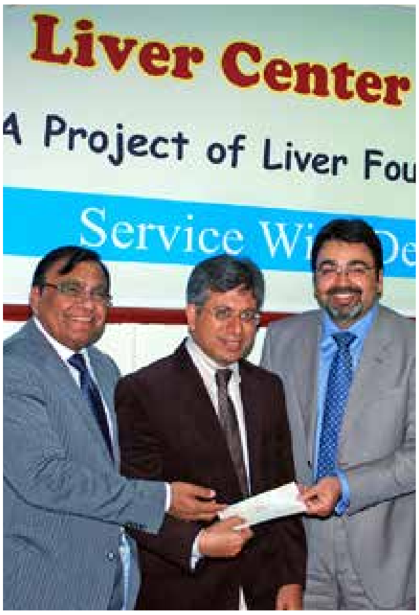
Allied Bank has always been among the first to respond in times of national crises. Following the catastrophic nationwide floods in 2009 and 2010 wherein thousands of families were rendered homeless in Khyber Pakhtunkhwa, Southern Punjab and Sindh, Allied Bank undertook the task of rebuilding homes in the affected areas. We completed the project and handed over more than 250 homes to the affected families.

Education

We believe that a nation's progress is relative to the level of its investment in education. We realize our responsibility to contribute significantly to help impart quality education to the young men and women of our society who may have financial constraints. Allied Bank has been furthering the cause of education through sponsorships and donations to leading educational institutions. Some of the noteworthy contributions made during 2012 are:

- Institute of Business Administration





- Karachi School for Business & Leadership
- Namal Education Foundation
- Kaghan Memorial Trust
- Sargodhian Spirit Trust

Some of the other contributions in shape of sponsorships were made to Lahore Grammar School, Beaconhouse School System, GC University Lahore, Szabist University and the Faran Writers' Guild.

Healthcare

We believe that healthy individuals make healthy nation. In line with that belief, we have been contributing substantial amounts to leading healthcare institutions over the years. The list of institutions supported during the year includes:

- Shaukat Khanum Memorial Cancer Hospital
- Liver Center, Civil Hospital, Faisalabad
- Bakhtawar Amin Memorial Trust Hospital
- Laeeq Rafiq Foundation, Multan
- Lahore Business Association for Rehabilitation of Disabled (LABARD)
- Aziz Jehan Begum Trust for the Blind
- Imran Khan Foundation
- BaitulSukoon Trust
- Al Mustafa Trust

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.

A few of Pakistani sportsmen and sportswomen have made their mark in sporting history and record books. Allied Bank believes that contribution towards Sports is an investment in our talented youth.

The Bank has been a regular contributor towards promotion of various prominent sports including Golf, Polo and Cricket.

Staff Engagement

Allied Bank aims at having one of the best in class human resource, consisting of youth and experience. The Bank's growth and success can be attributed to the dedicated workforce whose exemplary work ethics, attitude towards collective growth and sheer sense of belonging has made this organization one of the top banks in Pakistan. The Management believes in looking after its employees in terms of their physical, spiritual and emotional wellbeing as well as their financial needs at all times. Following global best practices, the Management has set up a dedicated department to engage the employees in positive and fun-filled activities. As part of our Staff Engagement Plan, inter-departmental Cricket Tournaments were organized for employees and their families in Karachi, Lahore and Islamabad. These tournaments were unique in the sense that male and female colleagues took part side-by-side as players, making the tournaments, truly family oriented events.

Energy Conservation

Considering our responsibility towards our valued shareholder for effective utilization of resources and energy crises being faced by the Country, the management of the Bank is actively pursuing ways to conserve energy without compromising on customer service and efficiency. Areas under focus of the management include:

- Maximum possible controls over the consumption of energy with strict emphasis on energy conservation across the Bank;
- In-depth study of alternate or renewable energy solutions like solar energy and explore its possible usage as additional source of electricity;
- Usage of energy conserving Light Emitting Diode (LED) based lighting instead of conventional lighting sources; and
- Maintaining acceptable temperatures in buildings (by heating and cooling) uses a large proportion of global energy consumption. All new buildings of the Bank are being well insulated to reduce heating and cooling requirements. It is not only energy-efficient but also provides uniform temperature throughout the building.

Environmental Protection Measures

Prevailing energy crises in the country has led to much higher usage of generators, which not only produce noise pollution but also adds harmful

carbon-dioxide and carbon mono-oxide to the environment. Management of the Bank is evaluating the use of inverter technology to replace the use of generators, so that their harmful effects on the environment can be mitigated. Moreover, to reap the optimum benefits of the investment in technology, most of the approvals processes have been transferred to online approvals; which will not only add to the workflow efficiency but also reduce the use of paper across the Bank.

Employment of Special Persons

Allied Bank is an equal opportunity and affirmative action employer, in its true spirit. We encourage minorities, females and also the special persons to apply for jobs in the Bank. At Allied Bank, special persons are not discriminated on the basis of their handicaps. On the contrary, special persons are encouraged and are selected on merit. Allied Bank is fully compliant of the law related to the statutory requirements regarding the hiring of special persons.

Occupational Safety & Health

Recognizing the responsibility of safety of our valued staff members, whose efforts are translated as healthy return to our shareholders, ABL has instituted group life insurance along with medical reimbursement. Moreover, all sites of the Bank are fitted with fire extinguishers and fire hydrant system is deployed at multi-story buildings. Mock firefighting drills are carried out to enhance the co-ordination of the staff members and also to ensure prevention of human losses in case of an actual event.

Contribution to National Exchequer

During the year Allied Bank has directly contributed Rs 6.2 billion and acting as an agent of the Federal Board of Revenue Rs 4.3 billion on account of withholding income tax and Rs 339 million on account of Federal Excise Duty to the national exchequer.

Notice of 67th Annual General Meeting

Notice is hereby given that the 67th Annual General Meeting of Allied Bank Limited will be held at Hotel Avari, Lahore on Wednesday, March 27, 2013 at 11:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm minutes of the Extra Ordinary Annual General Meeting of Allied Bank Limited held on August 23, 2012

2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2012 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve Cash Dividend @ 20% (i.e. Rs. 2.00 per share) as recommended by the Board of Directors in addition to 45% Interim Cash Dividends i.e. Rs. 4.50 per share already paid for the year ended December 31, 2012.

4. To appoint auditors for the year 2013 and fix their remuneration. The Board of Directors has proposed the name of M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being sole auditors in place of retiring auditors M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and M/S KPMG Taseer Hadi & Company, Chartered Accountants (Joint auditors). M/S Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible have offered themselves for reappointment.

5. To appoint and fix remuneration of auditors for audit of Bank's Bahrain Branch for the year 2013. M/s Ernst & Young, Bahrain being eligible have offered themselves for the reappointment.

Special Business:

6. To consider and approve issuance of Bonus Shares for Rs. 946,342,000/- 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, 2013
Place: Lahore
Registered Office:
3 Tipu Block, Main Boulevard
New Garden Town,
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. 946,342,000/- (Rupees Nine Hundred Forty Six Million, Three Hundred Forty Two Thousand Only) from un-appropriated profits of the Bank for the issuance of bonus shares (B-9) 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 Rs. 946,342,000/- from un-appropriated profits of the Bank be capitalized and applied for the issuance of 94,634,200 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, 2013.

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."

The Directors of the Bank have no interest in the property or profits of the Bank other than that as holders of the 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, 2013 to 27th March, 2013 (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, 2013 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 addresses to Bank's Share Registrar M/S Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlements, if any, be dispatched at the correct addresses.

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 valid 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 valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his / her valid 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 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 seven 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. Independent directors meets the criteria of independence under clause i(b) of the Code of Corporate Governance.

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. Last Election of the Directors of the Bank was held on August 23, 2012 for a next term of three years.

5. The Bank has adopted a "Code of Conduct" and disseminates the same.

6. 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.

7. 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 CEO, CFO, Head of Internal Audit and the Company Secretary are taken by the Board.

8. 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.

9. 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.

10. 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". Whereas two directors (GoP Nominee) are exempt from such course on account of the experience and qualification and one director is in process of completion of course. The Bank also encourages participation of members of Board to attend seminars / workshops conducted by various forums.

11. The Directors' Report for the year ended December 31, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before their approval by the Board.

13. 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.

14. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee which comprises three members; and Chairman of the Committee and members are independent directors.

16. 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.

17. The Board has approved the Charter of the Audit Committee.

18. The Board has formed Human Resource & Remuneration Committee which comprises four members including the CEO; the Chairman of the Committee is an independent director.

19. The Board has setup an effective and independent internal audit group.

20. The statutory joint auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

21. The statutory joint auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board.

Khalid A. Sherwani
Chief Executive Officer
Place & Date: Lahore, February 14, 2013

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 2012.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Naseem Akbar

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Kamran I. Yousafi

Lahore
Date: February 14, 2013

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.
- 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 (A&RR), 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 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.

Banking Services 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 Business Services 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 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 the same, the Management of Allied Bank has adopted an internationally accepted COSO Integrated Framework-1992, in accordance with the guidelines on Internal Controls from the State Bank of Pakistan and has completed all stages of Internal Control Over Financial Reporting (ICFR). In addition, Bank has formulated comprehensive guidelines for adherence to COSO framework on continuing basis.

For and on behalf of the Board.

Khalid A. Sherwani
Chief Executive Officer
Date: February 14, 2013

Whistle Blowing Policy

Preamble

The purpose of this Policy is to create an environment at Allied Bank Limited (the Bank) where the Bank's staff is encouraged and feels confident to reveal and report, without any fear of retaliation, subsequent discrimination and of being disadvantaged in any way, about any activity or conduct of employees, which in their opinion may cause financial or reputational loss to the Bank.

Objectives

The intended objectives of this policy are:

- To develop a culture of openness, accountability and integrity;
- To provide an environment whereby employees of the Bank are encouraged to report any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may cause financial or reputation risk to the Bank;
- To create awareness amongst employees and stakeholders regarding the Whistle Blowing Function; and
- To enable management to be informed at an early stage about fraudulent, immoral, unethical or malicious activities or misconduct and take appropriate actions.

Scope

The scope of this policy includes, without limitation, disclosure for all types of unlawful acts, orders, fraud, corruption, misconduct, collusive practices or any other activity which undermines the Bank's operations, financial position, reputation and mission.

Protection of Whistleblowers

All matters will be dealt with confidentially and the identification of the Whistleblower will be kept completely confidential. However, in inevitable situations, where disclosure of identity of the Whistleblower is essential, the matter will be discussed with the Whistleblower prior to making such disclosure. The Bank stands committed to protect Whistleblowers for whistle blowing and any subsequent harassment or victimization of the Whistleblower will not be tolerated.

In case the Whistleblower feels that at his / her existing place of posting, he / she may be subjected to victimization or harassed by the alleged officials after the Whistle Blowing, the management will consider request to transfer him/her to another suitable place subject to verification by Audit & Risk Review and Human Resources.

Incentives for Whistle Blowing

On the recommendation of the ACOB, the Whistleblower, who brings to the notice of the management or report any fraudulent, immoral, unethical or malicious activities, which may have led to financial or reputational losses or legal threats to the Bank, will be suitably awarded according to the significance of the information he / she had provided and impact of losses averted as a result.

Process of Whistle Blowing

1. The Whistleblower should send communication under this policy duly marked "UNDER THE CORPORATE WHISTLE BLOWING POLICY' and should also be marked "CONFIDENTIAL'. The communication should be sent to any of the following competent authorities by using any communication media;
   a. Chairman, Audit Committee of the Board;
   b. Chief Executive Officer; or
   c. Chief, Audit & Risk Review.

Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in Year 2012: Four.

Unconsolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2012

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

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 2012 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad 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 financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting 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 unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2012 and its true balance of the profit, its comprehensive income, its cash flow 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.

Ernst & Young
Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement partner:
Naseem Akbar

KPMG
Taseer Hadi & Co.
Chartered Accountants

Engagement partner:
Kamran I. Yousafi

Date: February 14, 2013
Place: Lahore

Unconsolidated Statement of Financial Position
as at December 31, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
		Assets			
446,236	375,500	Cash and balances with treasury banks	6	43,351,653	36,479,758
10,595	17,283	Balances with other banks	7	1,029,286	1,679,085
110,355	14,017	Lendings to financial institutions	8	10,720,935	1,361,754
2,752,488	2,014,356	Investments	9	267,403,346	195,694,122
2,790,377	2,516,050	Advances	10	271,084,275	244,433,474
204,542	186,177	Operating fixed assets	11	19,871,173	18,087,011
-	7,740	Deferred tax assets	12	-	751,908
189,963	177,168	Other assets	13	18,454,814	17,211,827
6,504,556	5,308,291			631,915,482	515,698,939
		Liabilities			
63,850	41,331	Bills payable	15	6,203,051	4,015,317
400,580	514,600	Borrowings	16	38,916,192	49,993,200
5,298,082	4,112,845	Deposits and other accounts	17	514,707,055	399,561,676
56,515	56,537	Sub-ordinated loans	18	5,490,400	5,492,600
-	-	Liabilities against assets subject to finance lease		-	-
665	-	Deferred tax liabilities	12	64,584	-
160,767	136,864	Other liabilities	19	15,618,340	13,296,342
5,980,459	4,862,177			580,999,622	472,359,135
524,097	446,114	Net assets		50,915,860	43,339,804
		Represented by			
97,411	88,555	Share capital	20	9,463,421	8,603,110
112,262	90,198	Reserves		10,906,250	8,762,745
232,203	208,488	Unappropriated profit		22,558,411	20,254,503
441,876	387,241			42,928,082	37,620,358
82,221	58,873	Surplus on revaluation of assets - net of tax	21	7,987,778	5,719,446
524,097	446,114			50,915,860	43,339,804
		Contingencies and commitments	22		

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Profit and Loss Account

for the year ended December 31, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
509,550	533,345	Mark-up / return / interest earned	24	49,502,633	51,814,273
320,554	274,249	Mark-up / return / interest expensed	25	31,141,686	26,643,234
188,996	259,096	Net mark-up / interest income		18,360,947	25,171,039
13,113	27,895	Provision against non-performing loans and advances	10.4	1,273,901	2,710,021
(6,416)	2,357	(Reversal) / provision for diminution in the value of investments - net	9.3	(623,341)	229,003
-	721	Provision against lendings to financial institutions	8.6	-	70,000
-	-	Bad debts written off directly	10.5	-	-
6,697	30,973			650,560	3,009,024
182,299	228,123	Net mark-up / interest income after provisions		17,710,387	22,162,015
		Non Mark-Up / Interest Income			
26,455	28,325	Fee, commission and brokerage income	26	2,570,107	2,751,732
86,807	27,599	Dividend income		8,433,249	2,681,218
6,160	6,619	Income from dealing in foreign currencies		598,480	643,058
19,762	8,504	Gain on sale of securities	27	1,919,869	826,156
-	-	Unrealized loss on revaluation of investments classified as held for trading - net		-	-
2,799	490	Other income	28	271,890	47,649
141,983	71,537	Total non-markup / interest income		13,793,595	6,949,813
324,282	299,660			31,503,982	29,111,828
		Non Mark-Up / Interest Expenses			
149,732	135,522	Administrative expenses	29	14,546,399	13,165,876
3,524	1,175	Provision against other assets - net	13.2	342,384	114,181
3,803	1,485	Provision against off-balance sheet obligations - net	19.1	369,480	144,245
3,267	3,200	Workers welfare fund	31	317,408	310,840
597	2,761	Other charges	30	57,959	268,204
160,923	144,143	Total non-markup / interest expenses		15,633,630	14,003,346
-	-	Extra-ordinary / unusual items		-	-
163,359	155,517	Profit Before Taxation		15,870,352	15,108,482
		Taxation			
38,536	50,622	Current		3,743,788	4,917,896
-	1,583	Prior years		-	153,745
4,640	(1,059)	Deferred		450,750	(102,840)
43,176	51,146		32	4,194,538	4,968,801
120,183	104,371	Profit After Taxation		11,675,814	10,139,681
208,488	162,929	Unappropriated profit brought forward		20,254,503	15,828,533
319	301	Transfer from surplus on revaluation of fixed assets - net of tax		31,028	29,204
208,807	163,230			20,285,531	15,857,737
328,990	267,601	Profit Available For Appropriation		31,961,345	25,997,418
0.13	0.11	Earnings per share - Basic and Diluted (in Rupees)	33	12.34	10.71

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

Chief Financial Officer President and Chief Executive Director

Director Chairman

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2012

December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
US $ in '000			Rupees in '000	
120,183	104,371	Profit after taxation for the year	11,675,814	10,139,681
		Other comprehensive income		
		Exchange differences on translation of net investment		
105	-	in foreign wholesale branch	10,198	-
120,288	104,371	Total comprehensive income for the year	11,686,012	10,139,681

Surplus / (deficit) on revaluation of 'available for sale' securities and 'operating 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 II 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, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
		Cash Flow From Operating Activities			
163,359	155,517	Profit before taxation		15,870,352	15,108,482
(86,807)	(27,599)	Less: Dividend income		(8,433,249)	(2,681,218)
76,552	127,918			7,437,103	12,427,264
		Adjustments for non-cash items:			
12,783	10,607	Depreciation / amortization		1,241,870	1,030,468
13,113	27,895	Provision against non-performing loans, advances and general provision - net		1,273,901	2,710,021
(6,416)	2,357	(Reversal) / provision for diminution in the value of investments - net		(623,341)	229,003
-	721	Provision against lendings to financial institutions		-	70,000
3,803	1,485	Provision against off balance sheet obligations - net		369,480	144,245
3,524	1,175	Provision against other assets - net		342,384	114,181
-	1,204	Operating fixed assets written off		-	116,920
(287)	(26)	Gain on sale of fixed assets		(27,850)	(2,568)
26,520	45,418			2,576,444	4,412,270
103,072	173,336			10,013,547	16,839,534
		(Increase) / Decrease in operating assets			
(96,337)	103,521	Lendings to financial institutions		(9,359,181)	10,057,190
-	8,669	Net realizations in 'held for trading' securities		-	842,169
(287,440)	53,545	Advances - net		(27,924,702)	5,201,926
7,744	3,652	Other assets (excluding advance taxation) - net		752,323	354,745
(376,033)	169,387			(36,531,560)	16,456,030
		Increase / (Decrease) in operating liabilities			
22,519	(1,065)	Bills payable		2,187,734	(103,474)
(113,671)	301,381	Borrowings from financial institutions		(11,043,116)	29,279,026
1,185,237	291,070	Deposits and other accounts		115,145,379	28,277,408
19,765	8,818	Other liabilities		1,920,202	856,692
1,113,850	600,204			108,210,199	58,309,652
840,889	942,927			81,692,186	91,605,216
(63,956)	(49,393)	Income tax paid - net		(6,213,290)	(4,798,475)
776,933	893,534	Net cash flow genereated from operating activities		75,478,896	86,806,741
		Cash Flow From Investing Activities			
(712,876)	(564,385)	Net investments in 'available-for-sale' securities		(69,255,704)	(54,829,878)
9,768	(215,287)	Net investments in 'held-to-maturity' securities		948,958	(20,915,102)
88,163	20,193	Dividend income received		8,565,057	1,961,759
(32,335)	(30,402)	Investments in operating fixed assets		(3,141,314)	(2,953,523)
300	104	Proceeds from sale of fixed assets		29,097	10,094
105	-	Effect of translation of net investment in foreign wholesale branch		10,198	-
(646,875)	(789,777)	Net cash used in investing activities		(62,843,708)	(76,726,650)
		Cash Flow From Financing Activities			
(23)	(23)	Repayment of sub-ordinated loan		(2,200)	(2,200)
(65,641)	(38,126)	Dividends paid		(6,377,000)	(3,703,935)
(65,664)	(38,149)	Net cash used in financing activities		(6,379,200)	(3,706,135)
64,394	65,608	Increase in cash and cash equivalents during the year		6,255,988	6,373,956
390,574	326,560	Cash and cash equivalents at beginning of the year		37,944,183	31,725,190
1,861	266	Effect of exchange rate changes on opening cash and cash equivalents		180,768	25,805
456,829	392,434	Cash and cash equivalents at end of the year	34	44,380,939	38,124,951

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Changes in Equity
for the year ended December 31, 2012

	Share Capital	Capital Reserve: Share Premium	Capital Reserve: Exchange Translation Reserve	Capital Reserve: Bouns Issue Reserve	Capital Reserve: Special Reserve*	Capital Reserve: Merger Reserve*	Statutory Reserve	Revenue Reserves: General Reserve	Revenue Reserves: Un-appropriated Profit	Total
	Rupees in '000									
Balance as at January 01, 2011	7,821,009	983,957	-	-	67,995	333,864	6,125,094	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										
Net profit for the year ended December 31, 2011	-	-	-	-	-	-	-	-	10,139,681	10,139,681
- Effect of translation of net investment in										
foreign wholesale bank branch	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	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 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	-	-	67,995	333,864	8,153,030	6,000	20,254,503	37,620,358
Changes in equity during the year ended										
December 31, 2012										
Total comprehensive income for the year ended										
December 31, 2012										
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	-	-	11,675,814	11,675,814
- Effect of translation of net investment in										
foreign wholesale bank branch	-	-	10,198	-	-	-	-	-	-	10,198
	-	-	10,198	-	-	-	-	-	11,675,814	11,686,012
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the										
year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended December										
31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended										
December 31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended										
December 31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
Third interim cash dividend for the year ended										
December 31, 2012 (Re. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
	860,311	(201,856)	-	-	-	-	-	-	(7,067,771)	(6,409,316)
Transferred from surplus on revaluation of fixed assets										
to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	31,028	31,028
Transfer to statutory reserve	-	-	-	-	-	-	2,335,163	-	(2,335,163)	-
Balance as at December 31, 2012	9,463,421	-	10,198	-	67,995	333,864	10,488,193	6,000	22,558,411	42,928,082

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

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

Chief Financial Officer   President and Chief Executive   Director

Director   Chairman

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

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 873 (2011: 836) branches in Pakistan, 1 branch (2011:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2011: Nil) in Bahrain. The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'. The Bank is the holding company of ABL Asset Management Company Limited.

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

2. (a) BASIS OF PRESENTATION

- These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank 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, statement of comprehensive income and statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs 97.1497 per US Dollar has been used for 2012 and 2011, as it was the prevalent rate as on date of statement of financial position.

(b) BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except the following are stated at revalued amounts / fair values:

- Investments (Note 5.3)
- Operating fixed assets (Note 5.5)
- Derviatives (Note 4)

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 from requriements of IFRSs, 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:

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 1 July 2011. However 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.

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 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 1 July 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.

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.

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IFRS 7 – Financial Instruments : Disclosures – (Amendments)

The amendment requires enhance the disclosures regarding off setting of financial assets to enable the users 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 19 – Employee Benefits –(Amendment)

IAS 19 Employee benefits (amended 2011)-(effective for annual periods beginning January 01, 2013). The amendments fundamental changes to simple clarification and re-wording. The significant changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Bank is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Bank's accounting policy related to recognition of actuarial gains and losses as referred to in note 36.4 to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is estimated as under:

	Rupees in '000
Net decrease in employees' benefits liability	(1,691,667)
Net increase in comprehensive income	1,691,667

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) 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 mandatorily effective for annual periods beginning on or after January 01, 2015.

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 1 January 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.

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.

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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 amortisation

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

vii) Defined benefits plan

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

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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.

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 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 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, 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 of the greater of ten percent of the

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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 reporting date, 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 reporting date, the Bank reviews the carrying amount of its assets (other then 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 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 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 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 the reporting date are considered as non-adjusting event and are not recorded in unconsolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

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) Foreign operations

The assets and liabilities of foreign wholesale bank branch are translated to Pakistan Rupee at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average rate of exchange.

c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in profit and loss account.

d) 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 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.

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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 amortized over the tenure of the respective facility, whereas 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 operates in three geographical regions being:

- Pakistan
- Karachi Export Processing Zone
- Middle East

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.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,331,861	6,160,181
Foreign currencies		477,152	373,486
		7,809,013	6,533,667
Remittances in transit		549,050	608,439
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	18,172,815	15,036,087
Foreign currency current account	6.2	4,382	2,040
		18,177,197	15,038,127
Foreign currency deposit accounts			
- Non remunerative	6.3	1,900,744	1,778,924
- Remunerative	6.3 & 6.4	5,702,231	5,336,771
		7,602,975	7,115,695
With National Bank of Pakistan in			
Local currency current accounts		9,143,240	7,138,145
National Prize Bonds		70,178	45,685
		43,351,653	36,479,758

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 cash reserve and special cash reserve maintained with the SBP to comply with their statutory requirements issued from time to time.

6.4 This represents special cash reserve requirement maintained with the SBP. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2012, carries mark-up at the rate of 0% (2011: 0%) per annum.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		284	284
Outside Pakistan			
On current accounts	7.1	609,477	682,349
On deposit accounts		419,525	996,452
		1,029,286	1,679,085

7.1 Included in Nostro accounts are balances, aggregating to Rs. 136.808 million (2011: Rs. 131.749 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	8,270,935	1,361,754
Certificates of investment	8.2	520,000	70,000
Call money lendings	8.3	2,000,000	-
	8.4	10,790,935	1,431,754
Provision against lendings to financial institutions	8.5	(70,000)	(70,000)
		10,720,935	1,361,754

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

8.1 These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging from 8.99% to 9.95% (2011: 11.90%) per annum and will mature on various dates, latest by February 4, 2013.

8.2 This represents certificate of investment of financial institution carrying markup at the rate of 9.35% (2011: Nil) and will mature on February 6, 2013. This also includes a classified Certificate of Investment amounting to Rs. 70 million.

8.3 These call money lendings carry markup at rate of 9.75% (2011: Nil) and will mature on various dates latest by February 1, 2013.

	December 31, 2012	December 31, 2011
	Rupees in '000	
8.4 Particulars of lending		
In local currency	10,790,935	1,431,754
In foreign currencies	-	-
	10,790,935	1,431,754

8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2012			December 31, 2011		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	8,270,935	-	8,270,935	1,361,754	-	1,361,754
	8,270,935	-	8,270,935	1,361,754	-	1,361,754

	December 31, 2012	December 31, 2011
	Rupees in '000	
8.6 Particulars of provision		
Opening balance	70,000	-
Charge for the year	-	70,000
Reversal	-	-
Net charge	-	70,000
Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2012 Held by Bank	December 31, 2012 Given as collateral	December 31, 2012 Total	December 31, 2011 Held by Bank	December 31, 2011 Given as collateral	December 31, 2011 Total
		Rupees in '000					
9.1 Investments by types							
Held-for-trading securities		-	-	-	-	-	-
Available-of-sale securities							
Market treasury bills		187,405,619	18,472,671	205,878,290	92,151,063	29,859,590	122,010,653
Pakistan investment bonds		147,813	-	147,813	147,290	-	147,290
Ordinary shares of listed companies / certificates of mutual funds		14,788,340	-	14,788,340	10,727,056	-	10,727,056
Preference shares		149,355	-	149,355	149,355	-	149,355
Units of open end mutual funds		831,219	-	831,219	5,210,776	-	5,210,776
Ordinary shares of unlisted companies		1,692,292	-	1,692,292	1,643,673	-	1,643,673
Investment in related parties							
- Unlisted shares		221,295	-	221,295	242,496	-	242,496
- Units of open end mutual funds		100,000	-	100,000	13,690,232	-	13,690,232
Sukuk bonds		3,216,409	-	3,216,409	3,598,872	-	3,598,872
Term finance certificates (TFCs)		2,768,904	-	2,768,904	3,250,449	-	3,250,449
		211,321,246	18,472,671	229,793,917	130,811,262	29,859,590	160,670,852
Held-to-maturity securities							
Pakistan investment bonds		26,818,371	-	26,818,371	27,574,628	-	27,574,628
Foreign currency bonds (US$)		2,612,263	-	2,612,263	1,591,392	-	1,591,392
TFCs, Bonds and PTCs		4,553,290	-	4,553,290	5,766,862	-	5,766,862
		33,983,924	-	33,983,924	34,932,882	-	34,932,882
Subsidiary							
ABL Asset Management Company Limited		500,000	-	500,000	500,000	-	500,000
Investment at cost		245,805,170	18,472,671	264,277,841	166,244,144	29,859,590	196,103,734
Provision for diminution in the value of investments	9.3	(1,947,781)	-	(1,947,781)	(2,703,761)	-	(2,703,761)
Investment (net of provisions)		243,857,389	18,472,671	262,330,060	163,540,383	29,859,590	193,399,973
Surplus on revaluation of held-for-trading securities		-	-	-	-	-	-
Surplus on revaluation of available-for-sale securities	21.2	4,985,700	87,586	5,073,286	2,266,330	27,819	2,294,149
Total investments at market value		248,843,089	18,560,257	267,403,346	165,806,713	29,887,409	195,694,122

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for the year ended December 31, 2012

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	205,878,290	122,010,653
- Pakistan Investment Bonds	9.2.1	26,966,184	27,721,918
- Foreign Currency Bonds (US$)	9.2.4	2,612,263	1,591,392
Fully paid up ordinary shares of listed companies / certificates of mutual funds	9.4	14,788,340	10,727,056
Fully paid up ordinary shares of unlisted companies	9.5	1,913,587	1,886,169
Investment in units of open end mutual funds	9.6	931,219	18,901,008
Fully paid up preference shares	9.7	149,355	149,355
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
Term Finance Certificates			
- Listed	9.8	1,842,078	2,070,897
- Unlisted	9.8	2,127,734	3,409,231
Sukuk Bonds	9.9	6,568,791	7,135,252
Participation Term Certificates	9.10	-	803
Subsidiary	9.5	500,000	500,000
Total investments at cost		264,277,841	196,103,734
Less: Provision for diminution in the value of investments	9.3	(1,947,781)	(2,703,761)
Investments (net of provisions)		262,330,060	193,399,973
Surplus on revaluation of available-for-sale securities	21.2	5,073,286	2,294,149
Total investments at market value		267,403,346	195,694,122

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2013 To November, 2013	On maturity	At maturity
Foreign Currency Bonds (US$)	March, 2016 To June, 2017	On maturity	Half Yearly
Pakistan Investment Bonds	30 June, 2013 To 18 Aug, 2016	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs.18,132.871 million (2011: Rs. 29,519.79 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 (2011: 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.

9.2.4 Investment in Foeign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2012	December 31, 2011
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-13	6.5 Years	270,291	245,360
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-13	5.9 Years	299,390	274,465
Euro Dollar Bond ($16,257,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-13	10 Years	1,444,079	1,071,567
Euro Dollar Bond ($7,500,000)	6.875%	31-May-07	01-Jun-17	31-May-13	10 Years	598,503	-
						2,612,263	1,591,392

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
9.3	Particulars of provision			
	Opening balance		2,703,761	2,681,810
	Charge for the year		55,856	344,752
	Reversals		(679,197)	(115,749)
	Net charge		(623,341)	229,003
	Reversal as gain on disposal		(132,243)	(75,417)
	Amounts written off		(396)	(131,635)
	Closing balance	9.3.1	1,947,781	2,703,761
9.3.1	Particulars of provision in respect of type and segment			
	By type			
	Available-for-sale securities			
	Ordinary shares / certificates of listed companies		400,596	505,639
	Ordinary shares of unlisted companies		62,154	7,050
	Preference shares		149,355	149,355
	Units of open end mutual fund		121,906	148,764
	Sukuk Bonds		20,757	23,731
	Term Finance Certificates		-	108,631
			754,768	943,170
	Held-to-maturity securities			
	TFCs, Debentures, Bonds and PTCs		1,193,013	1,760,591
			1,947,781	2,703,761
	By Segment			
	Fully Paid up Ordinary Shares:			
	- Listed companies		400,596	505,639
	- Unlisted companies		62,154	7,050
	- Preference Shares		149,355	149,355
			612,105	662,044
	Units of open end mutual fund		121,906	148,764
	Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
	Bonds		1,105,348	1,171,678
	Term Finance Certificates		108,422	720,472
	Participation Term Certificates		-	803
			1,213,770	1,892,953
			1,947,781	2,703,761

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

9.4 Investments in Listed Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificates	2012 No. of shares / certificates	2012 Total Cost	2011 No. of shares / certificates	2011 Total Cost
	Rupees		Rupees in '000		Rupees in '000
Available-for-Sale					
Agritech Limited	12.59	13,961,851	175,755	-	-
Attock Petroleum Limited	489.40	975,000	477,161	760,179	297,164
D.G.Khan Cement Limited	37.43	12,326,141	461,368	11,859,786	278,093
Fatima Fertilizer Company	21.27	54,995,000	1,169,939	50,000,000	927,047
Fauji Fertilizer Company	79.18	29,999,275	2,375,261	27,241,010	2,523,073
First Equity Modaraba	1.24	519,914	645	519,914	645
Habib Bank Limited	-	-	-	2,319,067	242,587
Hub Power Company Limited	36.51	112,000,000	4,089,011	53,372,029	1,856,665
Lucky Cement Limited	146.34	3,450,000	504,884	10,015,000	822,101
MCB Bank Limited	-	-	-	1,308,721	209,980
Namco Balanced Fund	4.37	2,205,360	9,640	2,160,000	9,640
National Refinery Limited	-	-	-	784,960	241,464
Nishat (Chunian) Limited	18.12	17,560,603	318,244	15,964,185	256,353
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Chunian Power Limited (underwriting)	-	-	-	6,700,000	96,480
Nishat Mills Limited	-	-	-	5,000,000	232,681
Nishat Power Limited	10.72	34,813,894	373,302	30,000,000	300,000
Otsuka Pakistan Limited	34.92	95,517	3,335	95,517	3,335
Pakistan International Containers Limited	-	-	-	57,734	577
Pakistan Oil field Limited	380.28	8,876,000	3,375,364	5,170,307	1,527,373
Pakistan Petroleum Limited	159.35	1,556,500	248,029	1,249,714	225,708
PICIC Growth Mutual Fund	13.48	27,577,717	371,851	26,765,844	361,635
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Safe Way Mutual Funds	8.63	1,601,045	13,817	1,601,045	13,817
United Bank limited	74.30	7,000,000	520,096	-	-
			14,788,340		10,727,056

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	8.72	10	5,000	30-Jun-12	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	17.06	10	355,000	30-Jun-12	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	7.83	10	148,333	31-Dec-11	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	26.05	10	40,300	30-Jun-12	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	7.16%	7,734,926	15.92	10	21,200	31-Dec-11	Ms. Shafqat Sultana
Habib Allied International Bank - related party	9.50%	2,375,000	310.23	157	214,769	31-Dec-11	Mr. Anwar M. Zaid
Islamabad Stock Exchange*	0.83%	3,034,603	10.65	10	30,346	30-Jun-12	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.32	10	8,440	31-Dec-12	Mr. Aftab Ahmed Ch.
National Institutional Facilitation Technologies (Private) Limited (NIFT) - related party	13.57%	1,478,228	62.01	10	1,527	30-Jun-12	Mr. Muzaffar M khan
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	-	1,000	1,000	31-Mar-12	Maj. Gen M. Tauqeer Ahmed
Security General Insurance Life	18.22%	12,401,871	104.81	10	1,075,652	31-Dec-11	Mr. Nabiha Shahnawaz
SME Bank Limited.	0.32%	774,351	7.80	10	5,250	31-Dec-11	Mr. Ihsan Ul Haq Khan
SWIFT	9.00%	10	336,201	176,591	1,770	31-Dec-11	Mr. Gottfried Leibbrandt
Eastern Capital Limited	-	500,000	-	-	5,000	30-Jun-07	Under liquidation
ABL AMC - subsidiary	100.00%	50,000,000	16.95	10	500,000	31-Dec-12	Mr. Farid Ahmed Khan
					2,413,587		

*These shares have been acquired according to the requirments of "The Stock Exchanges (Coporation, Demutualization and integration) Act, 2012" ("The Act").

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2012	No. of Units 2011	Paid-up value per Certificate	Total Cost 2012	Total Cost 2011
			Rupees	Rupees in '000	
ABL Cash Fund- related party	-	925,520,133	10	-	9,340,232
ABL Government Securites Fund- related party	-	50,000,000	10	-	500,000
ABL Income Fund- related party	-	374,529,738	10	-	3,750,000
ABLStock Fund- related party	10,000,000	10,000,000	10	100,000	100,000
AH Dow Jones Safe Pak Titans	-	400,000	50	-	20,000
Atlas Money Market Fund	-	99,502	500	-	50,000
AMZ Plus Income Fund	-	108,786	100	-	10,707
Crosby Phoenix Fund	-	192,381	100	-	20,000
HBL Money market Fund	-	9,645,387	100	-	1,000,000
JS Aggressive Income Fund	-	1,015	100	-	-
KASB Income Opportunity Fund	1,345,614	3,468,894	100	121,906	325,019
KASB Cash Fund	1,459,700	-	100	150,000	-
Lakson Money Market Fund	-	2,490,957	100	-	250,000
MCB Cash Optimizer Fund	-	14,908,432	100	-	1,500,000
Meezan Cash Fund	-	9,972,078	100	-	500,000
NAFA Income Opportunity Fund	58,950,235	82,680,350	10	559,313	785,050
UBL Liquidity Plus Fund	-	7,433,989	100	-	750,000
				931,219	18,901,008

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, 2012	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 12	Mr. Rasheed Y. Chinoy
Trust Investment Bank Ltd	9.7.2	16.31%	5,000,000	10	50,000	50,000	30 June 12	Mr. Shahid Iqbal
						149,355		

9.7.1 These preference shares issued in June 09, carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years, non-voting, non-participatory and have a call option available to the issuer after two years from the date of issue and conversion option available to the bank, into ordinary shares at par value of Rs. 10 along with cumulative dividend at any time after issuance.

9.7.2 These preferce shares carry dividend @ 1 Year KIBOR plus 100 BPS on cumulative basis, and are non-voting 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 2012	No. of Units 2011	Paid-up value per Certificate	Total Cost 2012	Total Cost 2011
			Rupees	Rupees in '000	
Listed					
Standard Chartered Bank (Pakistan) Limited	10,000	10,000	5,000	12,500	34,960
Faysal Bank Limited	70,000	70,000	5,000	349,720	349,860
United Bank Limited-3rd Issue	10,000	10,000	5,000	33,267	49,900
United Bank Limited -4th Issue	37,000	37,000	5,000	184,667	184,741
PakArab Fertilizers Limited	84,080	84,080	5,000	126,120	311,096
Azgard Nine Limited	1,300	1,300	5,000	1,573	4,327
Orix Leasing Pakistan Limited	1,500	1,500	5,000	-	1,230
NIB Bank Limited	76,789	76,789	5,000	383,254	383,407
United Bank Limited-PPTFC	122,558	122,558	5,000	611,687	611,932
Telecard Limited	75,888	75,888	5,000	139,290	139,444
				1,842,078	2,070,897
Unlisted					
Askari Bank Limited	20,000	20,000	5,000	99,880	99,920
(Chief Executive: Mr. M. R. Mehkari)					
Faysal Bank Limited (Royal Bank Of Scotland)	7,000	7,000	5,000	8,729	17,465
(Chief Executive: Mr. Naved A. Khan)					
Orix Leasing Pakistan Limited	23,000	23,000	100,000	383,333	1,150,000
(Chief Executive: Mr. Teizoon Kissat)					
Escort Investment Bank Limited	20,000	20,000	5,000	19,984	29,976
(Chief Executive: Ms. Shazia Bashir)					
Financial Receivable Securitization Company Limited - A	14,579	14,579	100,000	18,216	30,360
(Chief Executive: Mr. Munaf Ibrahim)					
Financial Receivable Securitization Company Limited - B	6,421	6,421	5,000	12,025	20,042
(Chief Executive: Mr. Munaf Ibrahim)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	31,250
(Chief Executive: Mr. Dewan Abdul Baqi Farooqui)					
Al-Abbas Sugar Industries	25,000	25,000	5,000	24,950	49,950
(Chief Executive: Mr. Shunaid Qureshi)					
Javedan Cement Limited (Formerly Al-Abbas Holding (Private) Limited)	-	5,750	100,000	-	499,702
(Chief Executive: Mr. Samad A. Habib)					
Javedan Cement Limited (Formerly Ghani Holding (Private) Limited)	-	5,750	100,000	-	499,702
(Chief Executive: Mr. Samad A. Habib)					
Javedan Cement Limited	-	2,500	100,000	-	217,262
(Chief Executive: Mr. Samad A. Habib)					
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	670
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	10,999	12,667
Frontier Ceramics Limited	-	15	117,000		
(Chief Executive: Mr. Omer Khalid)	-	1	118,846		
	-	13	224,000		
	-	1	217,221		
	-	13	113,000		
	-	1	113,960	-	955

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2012	2011		2012	2011
			Rupees	Rupees in '000	
Bank Al-Habib Limited 3rd Issue	60,000	60,000	5,000	299,160	299,400
(Chief Executive: Mr. Abbas D. Habib)					
Bank Al-Habib Limited 4th Issue	90,000	90,000	5,000	449,730	449,910
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank (Pakistan) Limited 3rd Issue	75,000	-	5,000	375,000	-
(Chief Executive: Mr. Mohsin Ali Nathani)					
Jahangir Siddiqi & Company Limited	30,000	-	5,000	150,000	-
(Chief Executive: Mr. Munaf Ibrahim)					
Bank Al Falah Limited	49,000	-	5,000	245,000	-
(Chief Executive: Mr. Atif Bajwa)					
Total				2,127,734	3,409,231

9.9 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2012	Cost 2011
						Rupees in '000	
Sukuk Bonds							
Security Leasing Corporation Limited	6 MK+2%	06-Jan-07	01-Jan-22	01-Jan-13	Monthly	83,027	94,922
	Last 5 Days						
Century Paper & Board Mills Limited	6 Month avg	25-Sep-07	25-Sep-14	25-Mar-13	Half Yearly	460,000	690,000
	K+1.35%						
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-18	01-Jan-13	Quarterly	79,760	79,760
Liberty Power Technology Limited	3 MK+3%	31-Mar-09	01-Jan-21	01-Jan-13	Half Yearly	2,297,047	2,689,191
Liberty Power Technology Limited	3 MK+3%	30-Nov-10	01-Jan-21	30-Jan-13	Half Yearly	256,575	-
Al-Zamin Leasing Modaraba	6 MK+1.9%	12-May-08	12-May-12	12-May-13	Half Yearly	128,661	151,802
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-13	Half Yearly	40,000	45,000
Shahraj Fabrics Private Limited	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-13	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	12-Mar-13	Quarterly	3,023,721	3,184,577
						6,568,791	7,135,252

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

Name of the Borrower	No. of Certificates 2012	No. of Certificates 2011	Value per Certificate	Cost 2012	Cost 2011
				Rupees in '000	
Pangrio Sugar Mills Limited	-	15	236,000		
(Chief Executive: Mr. Sajid Hussain Naqvi)	-	1	240,000		
	-	1	168,000		
	-	13	169,000	-	803
				-	803

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for the year ended December 31, 2012

9.11 Quality of Available for Sale Securities

Name of Security	2012 Market value / Book Value	2012 Rating	2011 Market value / Book Value	2011 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	206,138,340	Un Rated	121,943,007	Un Rated
Pakistan Investment Bonds	145,735	Un Rated	134,267	Un Rated
Listed TFCs				
Standard Chartered Bank (Pakistan) Limited (Union Bank)	12,760	AAA	35,790	AAA
Faysal Bank Limited	354,091	AA-	329,803	AA-
United Bank Limited 3rd Issue	33,755	AA	50,632	AA
United Bank Limited 4th Issue	188,518	AA	184,176	AA
Pak Arab Fertilizers Limited	126,251	AA	311,096	AA
Azgard Nine Limited	1,479	D	4,067	D
ORIX Leasing Pakistan Limited	-	-	1,224	AA+
Unlisted TFCs				
Askari Bank Limited	99,880	AA-	99,960	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	8,729	AA-	17,465	AA-
ORIX Leasing Pakistan Limited	383,333	AA+	1,150,000	AA+
Escort Investment Bank Limited	19,984	BB	29,976	BB
Financial Receivable Securitization Company Limited-A	18,216	A+	30,361	A+
Financial Receivable Securitization Company Limited-B	12,025	A+	20,042	A+
Javedan Cement Limited	-	-	217,262	**
Bank Al-Habib Limited TFC 3rd Issue	299,160	AA	299,400	AA
Bank Al-Habib Limited TFC 4th Issue	449,730	AA	449,910	AA
Standard Chartered Bank (Pakistan) Limited	375,000.0	AAA	-	-
Jahangir Siddiqi & Company Limited	150,000	AA+	-	-
Bank Alfalah Limited	245,000	AA-	-	-
Shares Unlisted				
Arabian Sea Country Club Limited*	5,000	**	5,000	**
Atlas Power Limited*	355,000	A+&A1	355,000	AA&A1+
Burj Bank Limited	148,333	A&A-1	-	-
Central Depository Committee	40,300	**	-	-
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	A-&A2	21,200	BBB+&A2
Habib Allied International Bank Limited*	214,769	**	214,769	**
Islamabad Stock Exchange	30,346	**	-	-
Lahore Stock Exchange	8,440	**	-	-
Khushhali Bank Limited	-	-	200,000	A&A-1
NIFT*	1,526	**	1,526	**
PASSCO*	1,000	**	1,000	**
Security General Insurance Life	1,075,653	A+	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				
Agritech Limited*	162,935	D	-	-
Attock Petroleum Limited	499,190	**	313,574	AA&A1+
D.G. Khan Cement Limited	672,761	**	225,692	**
Fatima Fertilizer Company Limited	1,451,868	A+&A1	1,146,000	A & A1
Fauji Fertilizer Company Limited*	1,366,693	**	2,326,279	**
Fauji Fertilizer Company Limited	2,147,422	**	1,747,342	**
First Equity Modaraba	1,664	**	390	**
Habib Bank Limited	-	-	246,007	AA+&A-1+
Hub Power Company Limited*	2,755,116	AA+&A1+	1,065,929	AA+&A1+
Hub Power Company Limited	2,311,764	AA+&A1+	759,395	AA+&A1+
Lucky Cement Limited	522,813	**	751,526	**
MCB Bank Limited	-	-	176,154	AA+&A1+
Namco Balanced Fund	10,475	**	10,908	**
National Refinery Limited	-	-	190,502	AAA&A1+
Nishat (Chunian) Limited	615,324	A-&A-2	285,120	**

	2012		2011	
Name of Security	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees '000		Rupees '000	
Nishat Chunian Power Limited*	630,300	A&A-2	382,500	AA-&A1+
Nishat Chunian Power Limited	-	-	85,425	AA-&A1+
Nishat Mills Limited	-	-	202,250	AA-&A1+
Nishat Power Limited*	585,000	A+&A1	388,500	AA-&A1+
Nishat Power Limited	93,871	A+&A1	-	-
Otsuka Pakistan Limited	3,606	**	3,133	**
Pakistan International Containers Limited	-	-	519	A+ & A1
Pakistan Oilfield Limited*	1,544,079	**	1,791,253	**
Pakistan Oilfield Limited	2,339,526	**	-	-
Pakistan Petroleum Limited	275,174	**	210,352	**
PICIC Growth Mutual Fund	452,275	**	333,502	**
Pioneer Cement Limited	1,926	**	352	**
Safe Way Mutual Fund	17,611	**	8,470	AM4+
United Bank Limited	585,690	AA+&A-1+	-	-
Preference Shares				
Trust Investment Bank Limited	50,000	**	50,000	BBB & A3
First Dawood Investment Bank	99,355	**	99,355	D
Investment in Mutual Funds				
ABL Cash Fund	-	-	9,272,601	AA+(f)
ABL Government Securites Fund	-	-	501,295	A+(f)
ABL Income Fund	-	-	3,751,177	A+(f)
ABL Stock Fund	121,115	MFR 5-Star	97,021	MFR 5-Star
AH Dow Jones Safe Pak Titans	-	-	19,804	**
Atlas Money Market Fund	-	-	50,107	AA+(f)
AMZ Plus Income Fund	-	-	6,873	**
Crosby Phoenix Fund	-	-	20,567	A(f)
HBL Money Market Fund	-	-	995,225	AA+(f)
JS Aggressive Income Fund	-	-	106	-
KASB Income Opportunity Fund	97,419	**	186,962	BBB(f)
KASB Cash Fund	149,707	AA+(f)	-	-
Lakson Money Market Fund	-	-	249,344	AA(f)
MCB Cash Optimizer Fund	-	-	1,533,863	AA+(f)
Meezan Cash Fund	-	-	500,003	AA(f)
NAFA Cash Fund	588,040	**	791,656	A(f)
UBL Liquidity Plus Fund	-	-	747,001	AA+(f)
Sukuk Bonds				
Security Leasing Corporation Limited	83,027	**	94,922	**
Century Paper & Board Mills Limited	460,000	A+	690,000	A+
K.S.Sulemanji Esmailji & Sons	79,760	**	79,760	**
Liberty Power Technology Limited 1st Issue	2,297,047	A+	2,689,191	AA-
Liberty Power Technology Limited 2nd Issue	256,575	A+	-	-
Quetta Textile Mills Limited	40,000	**	45,000	**

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

Notes to the Unconsolidated Financial Statements
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		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
10.	ADVANCES			
	Loans, cash credits, running finances, etc. - in Pakistan		283,032,567	256,549,230
	Net investment in finance lease - in Pakistan	10.2	1,815,004	1,748,858
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		2,390,263	1,769,188
	Payable outside Pakistan		1,651,473	2,069,915
			4,041,736	3,839,103
	Advances - gross		288,889,307	262,137,191
	Provision for non-performing advances	10.4	(17,752,942)	(17,671,070)
	General provision for consumer financing	10.4	(52,090)	(32,647)
			(17,805,032)	(17,703,717)
	Advances - net of provision		271,084,275	244,433,474
10.1	Particulars of advances (Gross)			
10.1.1	In local currency		286,429,257	258,292,731
	In foreign currencies		2,460,050	3,844,460
			288,889,307	262,137,191
10.1.2	Short term (for upto one year)		168,005,009	165,334,959
	Long term (for over one year)		120,884,298	96,802,232
			288,889,307	262,137,191

10.2 Net investment in Finance Lease

	December 31, 2012				December 31, 2011			
	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	394,697	675,658	563,965	1,634,320	404,737	722,438	511,106	1,638,281
Residual value	74,614	243,008	128,548	446,170	45,621	221,157	128,082	394,860
Minimum lease payments	469,311	918,666	692,513	2,080,490	450,358	943,595	639,188	2,033,141
Financial charges for future periods	(75,280)	(87,307)	(102,899)	(265,486)	(96,234)	(104,188)	(83,861)	(284,283)
Present value of minimum lease payments	394,031	831,359	589,614	1,815,004	354,124	839,407	555,327	1,748,858

10.3 Advances include Rs. 20,667.561 million (2011: Rs. 20,452.465 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	62,814	-	62,814	-	-	-	-	-	-
Substandard	608,677	-	608,677	151,422	-	151,422	151,422	-	151,422
Doubtful	4,750,195	-	4,750,195	2,405,112	-	2,405,112	2,405,112	-	2,405,112
Loss	15,245,875	-	15,245,875	15,196,408	-	15,196,408	15,196,408	-	15,196,408
	20,667,561	-	20,667,561	17,752,942	-	17,752,942	17,752,942	-	17,752,942

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
	20,452,465	-	20,452,465	17,671,070	-	17,671,070	17,671,070	-	17,671,070

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2012			December 31, 2011		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		17,671,070	32,647	17,703,717	15,420,788	9,474	15,430,262
	Charge for the year		3,233,567	19,443	3,253,010	4,354,209	23,173	4,377,382
	Reversals		(1,979,109)	-	(1,979,109)	(1,667,361)	-	(1,667,361)
	Charged to profit and loss account		1,254,458	19,443	1,273,901	2,686,848	23,173	2,710,021
	Amounts written off	10.5.1	(1,172,586)	-	(1,172,586)	(436,566)	-	(436,566)
	Closing balance		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
10.4.1	In local currency		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
	In foreign currencies		-	-	-	-	-	-
			17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		1,172,586	436,566
	Directly charged to Profit and Loss account		-	-
			1,172,586	436,566
10.5.2	Write Offs of Rs. 500,000 and above	10.6	1,171,410	414,337
	Write Offs of Below Rs 500,000		1,176	22,229
			1,172,586	436,566

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, 2012 is given in Annexure "I". However, these write offs do not affect the Bank's right to recover debts from these customers.

Notes to the Unconsolidated Financial Statements
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		Note	December 31, 2012	December 31, 2011
			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		5,559,657	5,523,885
	Loans granted during the year		1,900,671	1,263,014
	Repayments		(1,500,716)	(1,227,242)
	Balance at end of the year		5,959,612	5,559,657

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

		Note	December 31, 2012	December 31, 2011
11.	OPERATING FIXED ASSETS			
	Capital work-in-progress	11.1	1,597,878	4,511,356
	Property and equipment	11.2	17,287,883	13,409,560
	Intangible assets	11.3	985,412	166,095
			19,871,173	18,087,011
11.1	Capital work-in-progress			
	Civil works		938,326	3,297,410
	Equipment		129,020	325,324
	Advances to suppliers and contractors		530,532	888,622
			1,597,878	4,511,356

11.2 Property and equipment

		Cost / Revaluation					Accumulated Depreciation						
Description	Note	At January 1, 2012	Additions / (Deletions)	Revaluation Surplus	Write-off	At December 31, 2012	At January 1, 2012	Change for the year / (Depreciation on deletions)	Revaluation deficit / (Surplus)	Write-off	At December 31, 2012	Net book value at December 31, 2012	Annual rate of depreciation %
						Rupees in '000							
Land-Freehold	11.4	5,430,494	461,165	3,858	-	5,895,517	-	-	-	-	-	5,895,517	-
Land-Leasehold	11.4	1,757,977	206,159	-	-	1,964,136	-	-	-	-	-	1,964,136	-
Buildings-Freehold	11.4	1,841,533	2,383,844	-	-	4,225,377	159,204	123,028	117,892	-	400,124	3,825,253	5
Buildings-Leasehold	11.4	2,118,328	9,982	-	-	2,128,310	260,370	93,844	-	-	354,214	1,774,096	5
Building improvements		1,036,727	188,865	-	-	1,225,592	422,081	211,045	-	-	633,126	592,466	20
(rented premises)													
Furniture		627,152	159,362	-	-	784,944	241,393	58,165	-	-	298,031	486,913	10
and fixtures			(1,570)					(1,527)					
Electrical, office		3,727,066	1,472,090	-	-	5,196,056	2,120,912	654,336	-	-	2,772,235	2,423,821	14.28 - 50
and computer equipments			(3,100)					(3,013)					
Vehicles		270,243	304,290	-	-	543,597	196,000	51,735	-	-	217,916	325,681	20
			(30,936)					(29,819)					
Total		16,809,520	5,185,757	3,858	-	21,963,529	3,399,960	1,192,153	117,892	-	4,675,646	17,287,883	
			(35,606)					(34,359)					

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

Description	Note	Cost / Revaluation: At January 1, 2011	Additions / (Deletions)	Revaluation Surplus	Write-off	At December 31, 2011	Accumulated Depreciation: At January 1, 2011	Change for the year / (depreciation on deletion)	Revaluation deficit / (Surplus)	Write-off	At December 31, 2011	Net book value at December 31, 2011	Annual rate of depreciation %
		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	5
Buildings-Leasehold	11.4	2,038,518	79,810	-	-	2,118,328	175,809	96,795	(12,234)	-	260,370	1,857,958	5
Building improvements		837,024	199,750	-	-	1,036,727	235,426	186,701	-	-	422,081	614,646	20
(rented premises)			(47)					(46)					
Furniture		526,651	103,971	-	-	627,152	195,052	49,721	-	-	241,393	385,759	10
and fixtures			(3,470)					(3,380)					
Electrical, office		3,038,487	704,870	-	-	3,727,066	1,598,545	536,517	-	-	2,120,912	1,606,154	14.28 - 50
and computer equipment			(16,291)					(14,150)					
Vehicles		244,661	34,834	-	-	270,243	160,487	39,471	-	-	196,000	74,243	20
			(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)					

11.3 Intangible assets

Description	Cost: At January 1, 2012	Additions	At December 31, 2012	Accumulated Amortization: At January 1, 2012	Amortization	At December 31, 2012	Net book value at December 31, 2012	Rate of amortization %
	Rupees in ' 000							
Computer software	312,674	869,034	1,181,708	146,579	49,717	196,296	985,412	14.28

Description	Cost: At January 1, 2011	Additions	At December 31, 2011	Accumulated Amortization: At January 1, 2011	Amortization	At December 31, 2011	Net book value at December 31, 2011	Rate of amortization %
	(Rupees in ' 000)							
Computer software	290,355	22,319	312,674	107,995	38,584	146,579	166,095	14.28

11.4 Bank arranged for valuation of properties as at December 31, 2011 from three independent valuers (Akbani & 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. During the year the bank arranged for revaluation of Head office building from independent valuer, Indus surveyor. As a result net increase in the carrying values of properties comes to Rs. 814.625 million as at Dec 31, 2012. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2012	December 31, 2011
	Rupees in '000	
- Land	4,537,289	3,869,965
- Building	3,379,155	1,202,201

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 stated above in note 11.4 and are carried at fair value.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	47,736	44,932
11.7	Restriction / discrepancy in the title of property having a net book value of		73,726	76,112
11.8	Carrying amount of temporarily idle property and equipment		54,500	54,500
11.9	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		115,759	110,201
	Electrical, office and computer equipments		1,240,959	875,141
	Vehicles		129,088	138,207
	Intangible assets - software		47,135	38,056
11.10	The carrying amount of property and equipment that have retired from active use and are held for disposal		353,026	334,858

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".

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		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
12.	**DEFERRED TAX ASSET (LIABILITY) / ASSET - NET**			
	Deferred debits arising in respect of:			
	Compensated leave absences	12.1	697	88,879
	Provision against:	12.1		
	Investments		71,971	72,699
	Other assets		166,694	212,384
	Off balance sheet obligations		92,039	109,432
	Provision against advances		1,297,868	1,283,998
	Post retirement medical benefits	12.1	165,146	224,714
	Worker's welfare fund		306,342	195,249
			2,100,757	2,187,355
	Deferred credits arising due to:			
	Surplus on revaluation of fixed assets	21.1	(276,296)	(334,264)
	Surplus on revaluation of investments		(610,815)	(203,813)
	Accelerated tax depreciation / amortization		(1,267,539)	(880,938)
	Excess of investment in finance lease over written down value of leased assets		(10,691)	(16,432)
			(2,165,341)	(1,435,447)
			(64,584)	751,908

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2012
				(Rupees in '000)			
Deferred debits arising in respect of:							
Compensated leave absences	153,605	(64,726)	-	88,879	(88,182)	-	697
Provision against:							
Investments	79,098	(6,399)	-	72,699	(728)	-	71,971
Other assets	275,847	(63,463)	-	212,384	(45,690)	-	166,694
Off balance sheet obligations	169,525	(60,093)	-	109,432	(17,393)	-	92,039
Advances	1,025,795	258,203	-	1,283,998	13,870	-	1,297,868
Post retirement medical benefits	276,249	(51,535)	-	224,714	(59,568)	-	165,146
Worker's welfare fund	86,455	108,794	-	195,249	111,093	-	306,342
	2,066,574	120,781	-	2,187,355	(86,598)	-	2,100,757
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(314,611)	15,728	(35,381)	(334,264)	16,708	41,260	(276,296)
Surplus on revaluation of investments	(403,875)	-	200,062	(203,813)	-	(407,002)	(610,815)
Accelerated tax depreciation / amortization	(845,185)	(35,753)	-	(880,938)	(386,601)	-	(1,267,539)
Excess of investment in finance lease over written down value of leased assets	(18,516)	2,084	-	(16,432)	5,741	-	(10,691)
	(1,582,187)	(17,941)	164,681	(1,435,447)	(364,152)	(365,742)	(2,165,341)
	484,387	102,840	164,681	751,908	(450,750)	(365,742)	(64,584)

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, 2012	December 31, 2011
			Rupees in '000	
13.	OTHER ASSETS			
	Income / mark-up accrued on advances, investments and lending to financial institutions:			
	- in local currency		9,136,885	10,950,120
	- in foreign currencies		84,750	32,023
	Advances, deposits, advance rent and other prepayments		999,893	1,322,089
	Advance taxation (payments less provisions)		4,060,026	1,590,524
	Stationery and stamps on hand		122,598	41,439
	Prepaid exchange risk fee		-	53
	Unrealized gain on forward foreign exchange contracts		15,004	162,279
	Due from the employees' retirement benefit schemes	36.4	1,808,080	1,562,389
	Excise duty		11	11
	Receivable from SBP - customers encashments		12,050	9,222
	Non banking assets acquired in satisfaction of claims	13.1	2,787,866	1,974,266
	Others		832,458	666,004
			19,859,621	18,310,419
	Less: Provision held against other assets	13.2	(1,404,807)	(1,098,592)
	Other assets (net of provision)		18,454,814	17,211,827
13.1	Market value of non banking assets acquired in satisfaction of claims		2,211,578	1,820,550
13.2	Provision against Other Assets:			
	Opening balance		1,098,592	1,062,781
	Charge for the year		472,926	308,815
	Reversals		(130,542)	(194,634)
	Net charge		342,384	114,181
	Written off / adjusted		(36,169)	(78,370)
	Closing balance		1,404,807	1,098,592

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2012 and December 31, 2011.

			December 31, 2012	December 31, 2011
15.	BILLS PAYABLE			
	In Pakistan		6,203,051	4,015,317

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
16. BORROWINGS			
In Pakistan		38,469,303	49,959,308
Outside Pakistan		446,889	33,892
		38,916,192	49,993,200
16.1 Particulars of borrowings with respect to currencies			
In local currency		38,362,235	48,043,881
In foreign currencies		553,957	1,949,319
		38,916,192	49,993,200
16.2 Details of borrowings (Secured / Unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	15,179,074	14,162,420
Long term financing facility - Export oriented projects	16.4	908,543	1,418,190
Long term financing facility	16.5	2,623,950	2,673,844
Modernization of SMEs	16.6	7,222	154,240
Financing Facility for Storage of Agriculture Produce (FFSA)	16.7	60,290	71,249
Revival of SMEs & Agricultural activities in flood affected areas	16.8	112,650	89,450
		18,891,729	18,569,393
Repurchase agreement borrowings	16.9	18,220,505	29,474,488
Unsecured			
Call borrowings	16.10	1,553,957	1,915,427
Overdrawn nostro accounts		-	33,892
Other Borrowings		250,001	-
		1,803,958	1,949,319
		38,916,192	49,993,200

16.3 The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The loan carries mark-up at rates ranging from 8.5 % to 10% (2011: 10%) per annum. These borrowings are repayable within six months from the deal date.

16.4 This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 5% (2011: 5%) 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 10 years. The loan carries mark-up at rates ranging from 8.20% to 9.50% (2011: 8.20% to 9.50%) per annum.

16.6 This represents Long Term Financing facility availed by the Bank for extending the same to its customers 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 5 years. These carry mark-up at the rates ranging from 6.5% (2011: 5% - 8%) per annum.

16.7 This represents long term financing facility availed by the Bank for establishment, expansion and balancing modernization and replacement (BMR) of steel/Metal.Concrete Silos, Warehouses and Cold Storage. The financing is available for a maximum period of 7 years. The loan carries mark-up at the rate of 5% (2011: 5% to 6.5%) per annum.

16.8 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 5% (2011: 5%) per annum.

16.9 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 6.49% to 9% (2011: 11.7% to 11.95%) per annum maturing on various dates, latest by January 09, 2013.

16.10 These represent unsecured borrowings in local and foreign currency from the local interbank market, carrying mark-up at rates ranging from 8.25% to 9% (2011: 11.75% to 11.85%) for local currency borrowing , and at rates ranging from 0.16% to 0.40 %(2011: 0.50% to 1%) for foreign currency borrowing per annum maturing on various dates, latest by March 11, 2013.

		December 31, 2012	December 31, 2011
		Rupees in '000	
17.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	158,249,920	110,061,707
	Savings deposits	125,840,130	106,783,680
	Current accounts - Remunerative	80,053,817	57,667,849
	- Non - remunerative	145,711,361	124,121,553
		509,855,228	398,634,789
	Financial Institutions		
	Remunerative deposits	4,463,515	560,816
	Non - remunerative deposits	388,312	366,071
		514,707,055	399,561,676
17.1	Particulars of deposits		
	In local currency	475,361,565	362,079,526
	In foreign currencies	39,345,490	37,482,150
		514,707,055	399,561,676
18.	SUB-ORDINATED LOANS		
	Term Finance Certificates - I	2,494,000	2,495,000
	Term Finance Certificates - II	2,996,400	2,997,600
		5,490,400	5,492,600

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)	2,494,000	2,996,400
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Mark up repayment	Payable semi annually	Payable semi annually
Rate	Six months KIBOR plus 1.90%	- Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
19.	OTHER LIABILITIES			
	Mark-up / return / interest payable in local currency		5,227,681	4,824,619
	Mark-up / return / interest payable in foreign currency		569,242	597,610
	Accrued expenses		1,483,162	1,102,538
	Branch adjustment account		670,232	485,125
	Provision for:			
	- gratuity	36.4	104,013	131,413
	- employees' medical benefits	36.4	1,864,778	1,771,930
	- employees' compensated absences	36.4	1,020,459	962,292
	Unclaimed dividends		87,695	57,502
	Dividend payable		13,107	10,984
	Provision against off-balance sheet obligations	19.1	884,489	515,009
	Retention money payable		139,544	113,644
	Security deposits against lease		451,206	397,171
	Sundry deposits		895,873	914,860
	Workers Welfare Fund payable		891,065	573,657
	Others		1,315,794	837,988
			15,618,340	13,296,342
19.1	Provision against off-balance sheet obligations			
	Opening balance		515,009	370,764
	Charge for the year		419,173	182,304
	Reversals		(49,693)	(38,059)
	Net charge		369,480	144,245
	Closing balance		884,489	515,009

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

		December 31, 2012	December 31, 2011
19.2	Particulars of other liabilities		
	In local currency	15,047,727	12,698,732
	In foreign currencies	570,613	597,610
		15,618,340	13,296,342

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

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

December 31, 2012	December 31, 2011	Ordinary shares	December 31, 2012	December 31, 2011
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
522,013,365	435,982,273	Issued as bonus shares	5,220,134	4,359,823
928,793,459	842,762,367		9,287,935	8,427,624
9,148,550	9,148,550	18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
946,342,009	860,310,917		9,463,421	8,603,110

Ibrahim Fibers Limited, related party of the Bank, holds 226,365,220 (23.92%) [December 31, 2011: 270,786,564 (31.4%)] ordinary shares of Rs.10 each, as at reporing date.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- fixed assets	21.1	3,525,308	3,629,110
- securities	21.2	4,462,470	2,090,336
Surplus on revaluation of assets - net of tax		7,987,778	5,719,446
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation as at January 1, 2012		3,963,374	3,079,647
(Deficit) / surplus on revaluation during the year		(114,034)	928,659
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(31,028)	(29,204)
Related deferred tax liability	12.1	(16,708)	(15,728)
	11.6	(47,736)	(44,932)
Surplus on revaluation as at December 31, 2012		3,801,604	3,963,374
Less: Related deferred tax liability on :			
Revaluation as at January 1, 2012		334,264	314,611
Deferred tax liability on surplus on revaluation of fixed assets		(41,260)	35,381
Incremental depreciation charged during the year transferred to profit and loss account	12.1	(16,708)	(15,728)
		276,296	334,264
		3,525,308	3,629,110

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
21.2	Surplus / (deficit) on revaluation of available-for-sale securities			
	Federal Government Securities			
	Market Treasury Bills		260,050	(67,646)
	Pakistan Investment Bonds		(2,078)	(13,023)
	Term Finance Certificates		9,007	(19,326)
	Shares / Certificates - Listed		4,659,338	2,429,655
	Open end mutual funds		146,968	(35,511)
		9.1	5,073,286	2,294,149
	Less : Related deferred tax (liability)	12.1	(610,815)	(203,813)
			4,462,470	2,090,336

22. CONTINGENCIES AND COMMITMENTS

		December 31, 2012	December 31, 2011
22.1	Direct credit substitutes		
	Guarantees in favour of:		
	Banks and financial institutions	473,823	611,478
22.2	Transaction-related contingent liabilities		
	Guarantees in favour of:		
	Government	18,513,854	14,010,962
	Others	12,703,025	21,208,164
		31,216,879	35,219,126
22.3	Trade-related contingent liabilities	54,546,360	52,324,035
22.4	Claims against the bank not acknowledged as debt	5,929,382	4,210,600

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, 2012	December 31, 2011
		Rupees in '000	
22.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	35,605,257	49,580,813
	Sale	9,400,993	25,543,543
22.7	Commitments in respect of:		
	Civil works	495,414	1,496,831
	Acquisition of operating fixed assets	706,733	504,141
		1,202,147	2,000,972
22.8	Commitments in respect of lease financing	192,274	110,472
22.9	Commitments in respect Market Treasury Bills	-	3,926,578

22.10 Other Contingencies

22.10.1 The income tax assessments of the Bank have been finalized up to and including tax year 2011 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2011, income tax authorities made certain add backs with aggregate tax impact of Rs.11,471 million. As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher appellate forums against unfavorable decisions. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs.11,471 million. The management is confident that the outcome of these appeals will be in favor of the Bank.

During the year, the Tax Authorities conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2006 and tax year 2008 to 2012 and created an arbitrary demand of Rs. 219 million. The Bank has filed appeals against these orders. The management is confident that these appeals will be decided in favor of the Bank and therefore, no provision has been made agaisnt the said demand of Rs. 219 million.

Tax authorities have also issued an order under Federal Excise Act, 2005 thereby creating an arbitrary demand of Rs. 110 million. The bank has filed an appeal before Commissioner Inland Revenue (appeals). The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 110 million.

22.10.2 As a result of a compromise decree granted by the Honorable 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, 2012

		December 31, 2012	December 31, 2011
		Rupees in '000	
24.	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances:		
	Customers	31,457,248	32,634,596
	On investments in:		
	Available for sale securities	12,897,039	16,014,917
	Held to maturity securities	4,036,826	1,283,302
	Held for Trading	41,990	4,349
		16,975,855	17,302,568
	On deposits with financial institutions	9,018	4,011
	On securities purchased under resale agreements	996,522	1,796,144
	On certificates of investment	6,571	6,929
	On letters of placement	7,088	13,864
	On call money lending	50,331	56,161
		49,502,633	51,814,273
25.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	23,054,577	20,139,873
	Long term borrowing	248,400	297,379
	Securities sold under repurchase agreements	3,261,106	1,952,036
	Call money borrowing	431,967	338,396
	Brokerage and commission	154,232	156,236
	Markup on sub-ordinated loans	716,980	814,737
	Other short term borrowings	3,274,424	2,944,577
		31,141,686	26,643,234
26.	FEE, COMMISSION AND BROKERAGE INCOME		
	Core fees, commission and brokerage	2,450,527	2,575,091
	Account maintenance charges	119,580	176,641
		2,570,107	2,751,732
27.	GAIN / (LOSS) ON SALE OF SECURITIES		
	Shares - listed	2,002,399	845,570
	- unlisted	208,715	-
	Open end mutual funds	(953,571)	(149,933)
	Market treasury bills	660,944	130,660
	Term finance certificates	-	(141)
	Sukuk Bonds	1,382	-
		1,919,869	826,156
28.	OTHER INCOME		
	Gain on sale of operating fixed assets	27,850	2,568
	Profit on sale of other assets	5,273	676
	Management fee	71,737	36,280
	Recovery from written off Loans	128,245	8,125
	Gain on Demutuallizaton of Lahore and Islamabad Stock Exchange	38,785	-
		271,890	47,649

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
29.	ADMINISTRATIVE EXPENSES			
	Salaries, allowances, etc.	29.3	7,531,588	6,861,704
	Charge for defined benefit plan - net	36	442,808	470,155
	Contribution to defined contribution plan - provident fund		242,066	217,061
	Non-executive directors' fees, allowances and other expenses		7,550	4,225
	Rent, taxes, insurance, electricity, etc.		1,815,076	1,519,574
	Legal and professional charges		74,812	96,914
	Communications		327,944	404,208
	Repairs and maintenance		308,050	252,884
	Stationery and printing		228,248	280,018
	Advertisement and publicity		355,139	284,650
	Auditors' remuneration	29.1	15,976	13,916
	Depreciation / Amortization	11.2 & 11.3	1,241,870	1,030,468
	Security service charges		623,191	552,343
	Travelling, conveyance and fuel expenses		266,838	270,007
	Entertainment		117,034	137,195
	Computer expenses		556,963	423,458
	Subscription		247,457	256,156
	Donations	29.2	103,515	61,295
	Others		40,274	29,645
			14,546,399	13,165,876

29.1 Auditors' remuneration

	December 31, 2012			December 31, 2011		
	KPMG Taseer Hadi & Co	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co	Ernst & Young Ford Rhodes Sidat Hyder	Total
	Rupees in '000					
Annual Audit	2,925	2,925	5,850	2,925	2,925	5,850
Annual audit oversees bussiness unit	53	2,361	2,414	53	-	53
Half year review	1,180	1,180	2,360	1,180	1,180	2,360
Special certifications and miscellaneous services	2,094	2,175	4,269	1,925	2,220	4,145
Out-of-pocket expenses	545	538	1,083	771	737	1,508
	6,797	9,179	15,976	6,854	7,062	13,916

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year.

	December 31, 2012	December 31, 2011
	Rupees in '000	
Allied fund for flood relief account	-	15,000
Al-Mustafa Trust	1,500	-
Aziz Jehan Begum Trust	1,000	-
Bait ul Sakoon Karachi	100	-
Bakhtawar Amin Memorial Trust Hospital	3,000	1,000
Construction of Houses at Flood Effected Areas	51,315	-
GCU Endowment Fund Trust	-	1,000
Imran Khan Foundation	100	100
Institute of Business Administration	15,000	20,000
Kaghan Memorial Trust	2,000	-
Karachi Center for Dispute Resolution	-	450
Karachi School For Business and Leadership	20,000	-
Khoja Society for People's Education	-	600
Laeeq Rafique Foundation	2,000	-
Lahore Business Association	-	500
Lahore Businessmen Association for Rehabilitation of the Disabled	500	-
Liver Center, Civil Hospital Faisalabad	3,000	-
Marie Adelaide leprosy center	-	1,000
Mayo Hospital Lahore	-	1,200
Memon Medical Institute	-	1,200
Namal Education Foundation	1,000	-
Pakistan Hindu Council	-	100
Patient Welfare Society Allied Hospital Faisalabad	-	596
Patients welfare association, DMC & Civil hospital Karachi	-	500
Patients welfare society Shaikh Zayed hospital Lahore	-	1,000
Pink Ribbon Pakistan	-	500
Sargodhian Spirit Trust	1,000	-
Say Trust	-	100
Shaukat khanum Memorial Cancer Hospital & Research Centre	2,000	2,000
Society for education technology	-	500
Suleman Dawood School of Business	-	10,000
Sundus Foundation	-	800
Tamir Welfare Organization	-	2,849
University of Karachi	-	300
	103,515	61,295

29.3 During the year, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Ninety One (91) employees (2011: 183) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 104 million (2011: Rs. 265 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2012	December 31, 2011
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	39,062	117,986
SBP prism service charges	5,828	3,194
Education cess	12,100	12,046
Provision against write off of fixed assets	-	116,920
Other assets written off	969	18,058
	57,959	268,204

31. WORKERS WELFARE FUND

Under the Worker's Welfare Fund 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.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
32.	TAXATION			
	Current - for the year		3,743,788	4,917,896
	- for prior years		-	153,745
			3,743,788	5,071,641
	Deferred		450,750	(102,840)
			4,194,538	4,968,801
32.1	Relationship between tax expense and accounting profit			
	Accounting profit for the year		15,870,352	15,108,482
	Tax on income @ 35% (2011: 35%)		5,554,623	5,287,969
	Effect of permanent differences		20,477	49,405
	Adjustments in respect of tax at reduced rates		(1,539,454)	(875,644)
	Others		158,892	507,071
	Tax charge for the year		4,194,538	4,968,801
33.	EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit after taxation		11,675,814	10,139,681
			Number of Shares	
				Restated
	Weighted average number of ordinary shares outstanding during the year	33.1	946,342,009	946,342,009
			Rupees	
				Restated
	Earnings per share - basic and diluted	33.1	12.34	10.71

There is no dilution effect on basic earnings per share.

33.1 The corresponding figure of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by the Bank during the year.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
34.	CASH AND CASH EQUIVALENTS			
	Cash and balances with treasury banks	6	43,351,653	36,479,758
	Balances with other banks	7	1,029,286	1,679,085
	Overdrawn nostro accounts	16.2	-	(33,892)
			44,380,939	38,124,951
35.	STAFF STRENGTH		Numbers	
	Permanent		9,291	9,496
	Temporary / on contractual basis / trainee		276	276
	Bank's own staff strength at the end of the year		9,567	9,772
	Outsourced		3,492	3,257
	Total staff strength		13,059	13,029

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.

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		December 31, 2012	December 31, 2011
		Numbers	
36.2	Number of Employees under the schemes		
	The number of employees covered under the following defined benefit scheme/plans are:		
	- Gratuity fund	9,567	9,772
	- Pension fund	6,603	6,797
	- Benevolent fund	201	213
	- Employees' compensated absences	9,291	9,496
	- Post retirement medical benefits	9,291	9,496

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2012 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2012	December 31, 2011
Discount rate	Yield on investments in Government Bonds	12.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	12.00%	13.00%
Gratuity fund	Yield on investments in Government Bonds	12.00%	13.00%
Benevolent fund	Yield on investments in Government Bonds	12.00%	13.00%
Expected rate of salary increase	Rate of salary increase	10.00%	11.00%

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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Fair value of plan's/scheme's assets	36.7	(5,993,598)	(1,082,001)	(161,107)	-	-
Net actuarial gains / (losses) not recognized		1,365,453	(198,201)	41,039	483,378	-
		(1,754,543)	104,013	(107,076)	1,864,778	1,020,459
Benefit of the surplus not available to the Bank		-	-	53,539	-	-
Net (asset) / liability		(1,754,543)	104,013	(53,537)	1,864,778	1,020,549

	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 (losses) / gains 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

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

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2012				
		Rupees in '000				
Opening balance		(1,521,226)	131,413	(41,163)	1,771,930	962,292
(Reversal) / charge for the year	36.9	(233,317)	195,483	(12,374)	260,616	298,872
Contribution to the fund / benefits paid		-	(222,883)	-	(167,768)	(240,705)
Closing balance		(1,754,543)	104,013	(53,537)	1,864,778	1,020,459

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

36.6 Reconciliation of present value of defined benefit obligations

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2012				
	Rupees in '000				
Opening balance	4,239,314	1,193,848	19,561	1,656,505	962,292
Current service cost	-	160,654	-	63,223	77,914
Interest cost	512,528	143,615	1,512	204,441	162,627
Benefits paid	(593,575)	(178,236)	(15,858)	(167,769)	(240,705)
VRS loss	35,000	6,000	-	1,000	19,000
Actuarial (gains) / losses	(1,319,665)	58,334	7,777	(376,000)	39,331
Closing balance	2,873,602	1,384,215	12,992	1,381,400	1,020,459

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2011				
	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

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36.7 Reconcillation of fair value of plan assets

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,985,286	918,453	160,816	-	-
Expected return on plan assets	739,505	122,301	20,906	-	-
Bank's contribution	-	222,883	-	-	-
Benefits paid	(593,575)	(178,236)	(15,858)	-	-
Actuarial gains / (losses)	(137,618)	(3,400)	(4,757)	-	-
Closing balance	5,993,598	1,082,001	161,107	-	-

	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	-	-

36.8 Composition of fair value of plan assets

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	1,268,867	382,691	115,243	-	-
Listed shares *	1,648,135	370,182	43,261	-	-
TDR's	3,061,217	311,170	1,116	-	-
Bank balances *	15,379	17,958	1,487	-	-
	5,993,598	1,082,001	161,107	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	1,123,378	370,182	16,839	-	-
Bank balances with ABL	15,379	17,958	1,487	-	-
	1,138,757	388,140	18,326	-	-

	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	918,543	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	-	-

36.9 Charge for definded benefit plan

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	160,654	-	63,223	77,914
Interest cost	512,528	143,615	1,512	204,441	162,627
Expected return on plan assets	(739,505)	(122,301)	(20,906)	-	-
Actuarial (gain) / losses recognised	(41,340)	7,515	(5,355)	(8,048)	39,331
VRS Loss	35,000	6,000	-	1,000	19,000
Benefit of the surplus not available to the bank	-	-	12,375	-	-
	(233,317)	195,483	(12,374)	260,616	298,872

	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 (gain) / losses recognised	(5,938)	5,186	(5,028)	(3,415)	42,113
VRS Loss	106,000	2,000	-	8,000	34,000
Benefit of the surplus not available to the bank	-	-	10,485	-	-
	(46,967)	183,090	(10,484)	265,446	267,115

	December 31, 2012	December 31, 2011
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	601,886	1,116,614
- Gratuity fund	118,901	33,133
- Benevolent fund	16,148	21,749

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36.11 Five year data of defined benefit plan and experience adjustments

	Pensioin fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	2,873,602	4,239,314	4,237,829	4,040,811	3,400,000
Fair value of plan assets	(5,993,598)	(5,985,286)	(5,368,825)	(5,138,070)	(4,319,903)
Surplus	(3,119,996)	(1,745,972)	(1,130,996)	(1,097,259)	(919,903)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	1,319,665	122,770	(191,900)	(491,912)	(117,235)
Actuarial gains / (losses) on assets	(137,618)	451,177	211,328	540,483	(1,264,567)

	Gratuity fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,384,215	1,193,848	941,933	766,547	557,547
Fair value of plan assets	(1,082,001)	(918,453)	(849,433)	(593,567)	(304,031)
Deficit	302,214	275,395	92,500	172,980	253,516
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(58,334)	(71,960)	(41,223)	(60,758)	60,479
Actuarial gains / (losses) on assets	(3,400)	(79,625)	125,349	131,570	(216,667)

	Benevolent fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	12,992	19,561	22,819	60,968	474,679
Fair value of plan assets	(161,107)	(160,816)	(143,814)	(143,594)	(617,643)
Surplus	(148,115)	(141,255)	(120,995)	(82,626)	(142,964)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(7,777)	1,266	25,350	6,697	94,790
Actuarial gains / (losses) on assets	(4,757)	3,053	(202)	40,916	(153,801)

	Post retirement fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,381,400	1,656,505	1,752,683	1,681,204	1,521,833
Fair value of plan assets	-	-	-	-	-
Deficit	1,381,400	1,656,505	1,752,683	1,681,204	1,521,833
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	376,000	238,730	68,829	40,340	153,494

	Leave Encashment				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,020,459	962,292	872,705	838,005	832,215
Fair value of plan assets	-	-	-	-	-
Deficit	1,020,459	962,292	872,705	838,005	832,215
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, 2013 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	(374,400)	231,309	(8,887)	243,708	183,396

37 DEFINED CONTRIBUTION PLANS

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 9,567 (2011: 9,093) as on December 31, 2012. During the year, employees made a contribution of Rs. 242.066 million (2011: 217.061 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		Independent / Non-Executive Directors		Executive Director		Executives	
		December 31, 2012	December 31 2011	December 31, 2012	December 31 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		Rupees in '000							
Fees	38.1	-	-	7,550	4,225	-	-	-	-
Managerial remuneration		28,028	24,365	-	-	15,353	13,350	1,146,135	996,419
Charge for defined benefit plans		1,667	1,614	-	-	913	884	281,329	240,140
Contribution to defined contribution plan		-	-	-	-	1,279	1,112	96,551	84,840
Rent and house maintenance		12,615	10,973	-	-	6,909	6,008	515,413	448,040
Utilities		2,803	2,443	-	-	1,535	1,335	114,611	99,642
Medical		31	360	-	-	190	196	143,997	127,023
Bonus		19,207	17,099	-	-	14,661	13,150	367,495	399,092
Conveyance and others		219	285	-	-	803	511	196,348	157,232
		64,570	57,139	7,550	4,225	41,643	36,546	2,861,879	2,552,428
Number of persons		1	1	4	3	1	1	1,236	1,098

38.1 This represents meeting fees paid to independent / Non-Executive Directors excluding Sponsor Directors for attending meetings of the Board of Directors, Audit Committee and other Board Committees held during the year. During the year Board of Directors in their meeting held on June 04, 2012 recommended an increase in meeting fee from Rs. 50,000 to Rs. 100,000, which was subsequently approved in Extra Ordinary General Meeting held on August 23, 2012.

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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, 2012						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total income	501,703	3,185,436	39,576,232	55,836,450	592,932	(36,396,525)	63,296,228
Total expenses	(231,989)	(4,411,095)	(31,349,285)	(51,733,839)	(290,731)	36,396,525	(51,620,414)
Net income / (loss)	269,714	(1,225,659)	8,226,947	4,102,611	302,201	-	11,675,814
Segment assets (gross)	317,997	9,478,602	121,091,387	521,918,500	336,616	-	653,143,102
Segment non performing loans	-	-	7,150,202	13,517,359	-	-	20,667,561
Segment provision required	-	-	6,168,891	11,636,141	-	-	17,805,032
Segment liabilities	272,124	18,599,234	503,841,209	51,781,198	6,505,857	-	580,999,622
Segment return on net assets (ROA) (%)	84.82%	-12.93%	7.16%	0.80%	89.78%	-	-
Segment cost of funds (%)	-0.02%	28.54%	6.87%	9.63%	0.00%	-	-

	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	306,473	-	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%	-	-

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.

	December 31, 2012					December 31, 2011				
	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties
	Rupees in '000									
Nature of related party transactions										
Loans										
Loans at the beginning of the year	49,969	-	-	203,005	-	61,581	-	-	200,035	16,061,896
Loans given during the year	14,847	2,000,000	-	76,199	3,185	23,757	-	-	37,765	464,087
Loans repaid / adjustment during the year	(20,974)	(166,667)	-	(117,188)	(2,985)	(35,369)	-	-	(34,795)	(16,525,983)
Loans at the end of the year	43,842	1,833,333	-	162,016	200	49,969	-	-	203,005	-
Deposits										
Deposits at the beginning of the year	17,270	48,985	5,710	13,556	230,430	9,821	93,965	3,241	16,128	3,042,357
Deposits received during the year	6,532,379	13,700,859	935,661	310,582	327,706,930	4,147,530	13,513,467	697,925	191,103	14,937,123
Deposits repaid during the year	(6,515,996)	(13,708,833)	(935,691)	(296,498)	(322,261,546)	(4,140,081)	(13,558,447)	(695,456)	(193,675)	(17,749,050)
Deposits at the end of the year	33,653	41,011	5,680	27,640	5,675,814	17,270	48,985	5,710	13,556	230,430
Nostro balances	-	136,808	-	-	-	-	131,749	-	-	-
Borrowings	-	-	-	-	-	-	1,204,313	-	-	-
Lending	-	1,479,252	-	-	-					
Investments in shares / open end mutual funds	-	219,130	500,000	-	122,642	-	240,969	500,000	-	13,623,621
Other receivables	-	-	3,186	-	-	-	-	3,656	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,704,067	-	-	-	-	1,430,976

	December 31, 2012					December 31, 2011				
	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties
	Rupees in '000									
Mark-up earned	1,729	162,624	-	10,627	-	2,234	-	-	12,556	256,504
Income on Placements	-	118	-	-	-	-	4	-	-	-
Income on lendings	-	1,775	-	-	-	-	111	-	-	-
Dividend Income	-	-	-	-	6,066,277	-	-	-	-	1,204,410
Capital Gain / (Loss)	-	-	-	-	(899,779)	-	-	-	-	(60,225)
Sales commission /management fee sharing	-	-	48,885	-	-	-	-	36,280	-	11,102
Mark-up expense on deposits	2,032	6	934	224	176,366	559	29	615	82	220,873
Fee commission / bank charges	19	1,062	18	15	168	-	-	18	-	-
Interest expense on borrowings	-	-	-	-	-	-	2,578	-	-	-
Directors' meeting fee	7,550	-	-	-	-	4,225	-	-	-	-
Remuneration	-	-	-	223,712	-	-	-	-	224,880	-
NIFT charges	-	-	-	-	80,720	-	-	-	-	81,337
Rent Expense	-	5,868	-	-	-	-	5,856	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	191,858	-	-	-	-	342,699

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.

* Associated Company on basis of common directorship.

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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)	2,494,000	2,996,400
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

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

The required capital is achieved by the Bank through:

(a) enhancement in the risk profile of asset mix at the existing volume level;
(b) ensuring better recovery management; and
(c) maintain acceptable profit margins.

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

	December 31, 2012	December 31, 2011
	Rupees in '000	
Tier I Capital		
Shareholders' equity /Assigned Capital	9,463,421	8,603,110
Share premium	-	201,856
Reserves	10,896,052	8,560,889
Unappropriated profits (Net of Losses)	22,558,413	20,254,503
Total Tier I Capital	42,917,886	37,620,358
Less: Book value of intangibles	(985,412)	(853,004)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(1,939,887)	(1,698,881)
Reciprocal investment	-	-
Other deductions (represents 50% of investment in subsidiary)	(250,000)	(250,000)
	(3,175,299)	(2,801,885)
Eligible Tier I Capital	39,742,587	34,818,473
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,946,964	3,293,365
General Provisions subject to 1.25% of Total Risk Weighted Assets	52,090	32,647
Foreign Exchange Translation Reserves	10,198	-
Revaluation Reserve (upto 45%)	3,993,699	2,815,885
Total Tier II Capital	7,002,951	6,141,897
Less: Investment in a subsidiary company (50%)	(250,000)	(250,000)
Eligible Tier II Capital	6,752,951	5,891,897
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	46,495,538	40,710,370

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. 9 billion free of losses by the end of financial year 2012. 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. 9.463 billion and 16.17% of its risk weighted exposure as at December 31, 2012.

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, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	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	392,497	162,461	3,924,967	1,624,605
(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	168,314	102,129	1,683,131	1,021,286
(h) Claims on Banks	338,034	261,064	3,380,338	2,610,638
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	40,226	58,114	402,264	581,144
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	78,877	12,546	788,772	125,455
(k) Claims on Corporates (excluding equity exposures)	11,877,234	13,597,323	118,772,337	135,973,229
(l) Claims categorized as retail portfolio	1,697,603	2,169,546	16,976,028	21,695,458
(m) Claims fully secured by residential property	223,782	177,307	2,237,812	1,773,069
(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.	48,495	73,146	484,947	731,459
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	280,234	271,692	2,802,338	2,716,919
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,473	55	24,734	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.	2,098,441	672,601	20,984,411	6,726,015
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	390,048	281,868	3,900,485	2,818,678
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,888,576	1,723,400	18,885,761	17,234,007
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	509,609	538,184	5,096,099	5,381,846
	20,034,443	20,101,436	200,344,424	201,014,356

	Capital Requirements		Risk Weighted Assets	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	Rupees in '000			
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	2,546,572	2,959,326	25,465,724	29,593,260
Performance related contingencies	141,284	-	1,412,847	-
Trade Related contingencies /Other Commitments with original maturity of one year or less	355,962	302,599	3,559,626	3,025,998
	3,043,818	3,261,925	30,438,197	32,619,258
Off- Balance Sheet - Market related Exposures	33,869	56,159	338,691	561,588
Total Credit Risk (A)	23,112,130	23,419,520	231,121,312	234,195,202
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	-	1,720,938	-	17,209,378
	-	1,720,938	-	17,209,378
Capital requirement for portfolios subject to internal models approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	93,291	38,017	932,914	380,175
	93,291	38,017	932,914	380,175
Total Market Risk (B)	93,291	1,758,955	932,914	17,589,553
Operational Risk				
Basic Indicator Approach-Total of operational risk (C)	5,548,216	5,129,784	55,482,153	51,297,831
TOTAL of A + B + C	28,753,637	30,308,259	287,536,379	303,082,586

Capital Adequacy Ratio		December 31, 2012	December 31, 2011
Total eligible regulatory capital held (Note 42.2)	(a)	46,495,538	40,710,370
Total Risk Weighted Assets (Note 42.4)	(b)	287,536,379	303,082,586
Capital Adequacy Ratio	(a) / (b)	16.17%	13.43%

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 maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of Risk

The Bank generates most of its 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).

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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 fulfill commitments to lend.

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 behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.

- The BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) or ALCO (Assets and Liability Committee) which discharges various responsibilities assigned to it by the BRMC.

- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. Independent supervision of risk management activities is provided by the Audit Committee.

- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

Risk Management Group Organization

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

43.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk, Commercial and Retail Risk, and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

The Bank manages three 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 A-.

Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes Export Credit Assessment (ECA) Scores published by The Organization for Economic Co-operation and Development (OECD) as well as 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 ECA Scores and 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 quarterly 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 2012, the specific provisioning rate was 85.93% 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 2012, 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 increase by 10.21%, 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, 2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	2,559,243	0.89%	23,119,213	4.49%	842,382	0.61%
Basic metals (iron, steel)	2,535,624	0.88%	3,543,778	0.69%	786,616	0.57%
Beverages	423,153	0.15%	61,538	0.01%	77,916	0.06%
Cement / clay & ceramics	9,371,536	3.24%	1,626,253	0.32%	1,449,678	1.05%
Chemical & pharmaceutical	20,428,684	7.07%	1,019,857	0.20%	837,597	0.60%
Construction	4,401,714	1.52%	25,000,280	4.86%	10,415,008	7.52%
Education	40,367	0.01%	11,639,094	2.26%	3,727	0.00%
Financial	5,707,416	1.98%	4,851,827	0.94%	45,885,687	33.11%
Finishing of Textile	10,953,823	3.79%	2,355,769	0.46%	459,140	0.33%
Fishing	16,996	0.01%	-	0.00%	-	0.00%
Footware & leather garments	455,457	0.16%	287,124	0.06%	71,063	0.05%
Furniture & sports goods	567,305	0.20%	1,164,671	0.23%	102,785	0.07%
Grains & related	6,844,285	2.37%	4,766,924	0.93%	-	0.00%
Health & social welfare	44,708	0.02%	3,199,003	0.62%	24,788	0.02%
Hotel, restaurant & clubs	768,465	0.27%	2,930,115	0.57%	-	0.00%
Machinery & equipment	2,629,838	0.91%	2,847,663	0.55%	5,450,854	3.93%
Manufacture of made up & ready made garments	3,153,672	1.09%	836,698	0.16%	13,026	0.01%
Manufacture of transport equipment	452,360	0.16%	294,525	0.06%	170,911	0.12%
Paper & paper boards	8,889,859	3.08%	20,503	0.00%	364,062	0.26%
Petroleum products	1,976,112	0.68%	6,649,988	1.29%	825,322	0.60%
Power, gas, water & sanitary	45,508,739	15.75%	3,615,350	0.70%	5,076,852	3.66%
Printing, publishing & allied	118,821	0.04%	44,752	0.01%	53,245	0.04%
Real estate, renting, and business activities	3,421,312	1.18%	83,416,781	16.21%	9,202	0.01%
Rubber & plastic	458,701	0.16%	1,580,473	0.31%	297,634	0.21%
Spinning	26,304,775	9.11%	9,732,133	1.89%	318,062	0.23%
Sugar	5,511,440	1.91%	2,390,525	0.46%	334,000	0.24%
Transport, storage & communication	5,553,689	1.92%	2,048,743	0.40%	1,065,651	0.77%
Weaving	4,132,666	1.43%	4,632,180	0.90%	75,228	0.05%
Wholesale & retail trade	11,021,755	3.82%	46,836,911	9.10%	1,795,936	1.30%
Individuals	7,657,669	2.65%	131,635,979	25.57%	6,964,275	5.03%
Others	96,979,123	33.57%	132,558,405	25.75%	54,796,468	39.55%
	288,889,307	100.00%	514,707,055	100.00%	138,567,115	100.00%

43.1.1.2 Segments by sector

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	77,366,348	26.78%	57,904,113	11.25%	25,222,611	18.20%
Private	211,522,959	73.22%	456,802,942	88.75%	113,344,504	81.80%
	288,889,307	100.00%	514,707,055	100.00%	138,567,115	100.00%

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

	December 31, 2012		December 31, 2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry and Hunting	350,569	249,890	191,594	117,701
Food & Beverages	412,574	408,880	742,356	677,453
Spinning	2,041,246	1,823,545	3,124,538	2,306,832
Weaving	1,466,767	857,692	9,040	9,040
Finishing of Textile	6,011,402	5,389,845	1,936,749	2,050,251
Footware & leather garments	131,685	96,238	55,964	55,964
Paper & paper boards	21,508	21,508	2,559	2,559
Printing, publishing & allied	5,846	5,846	31,677	31,677
Petroleum products	5,497	4,248	6,062	4,939
Chemical & pharmaceutical	405,028	341,872	373,525	353,898
Rubber & plastic	42,146	38,900	2,680	2,403
Cement / clay & ceramics	39,880	19,940	119,625	31,156
Basic metals (iron, steel)	20,383	20,383	866,035	816,727
Machinery & equipment	1,274,679	1,274,679	1,292,141	1,283,410
Power, gas, water & sanitary	239,916	239,916	839,515	839,515
Manufacture of transport equipment	246,449	236,949	83,410	75,118
Financial	81,516	40,759	343,808	233,925
Real estate, renting, and business activities	155,724	155,724	1,745,401	1,659,885
Transport, storage & communication	6,100	6,100	361,199	350,232
Hotel, restaurant & clubs	7,414	7,167	63,319	59,532
Construction	103,478	90,888	625,067	590,694
Furniture & sports goods	73,409	72,059	215,210	112,077
Wholesale & retail trade	478,295	448,307	2,206,086	1,988,895
Individuals	358,248	347,126	36,966	36,966
Others	6,687,802	5,554,481	5,177,939	3,980,221
	20,667,561	17,752,942	20,452,465	17,671,070

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

	December 31, 2012		December 31, 2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/Government	138,681	138,681	144,565	72,283
Private	20,528,880	17,614,261	20,307,900	17,598,787
	20,667,561	17,752,942	20,452,465	17,671,070

43.1.1.5 Geographical Segment Analysis

	December 31, 2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operation	15,649,566	627,722,261	48,153,489	138,076,927
Middle East	13,094	1,376,126	120,662	487,691
Karachi Export Processing Zone	207,692	2,817,095	2,641,709	2,497
	220,786	4,193,221	2,762,371	490,188
	15,870,352	631,915,482	50,915,860	138,567,115

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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 Standardized Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

Selection of ECAIs

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Sovereigns Exposures: For foreign currency claims on sovereigns, the Bank uses country risk scores of **Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.**

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

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, 2012

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

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Credit exposures subject to Standardized Approach

		December 31, 2012			December 31, 2011		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	26,920,833	-	26,920,833	54,882,506	-	54,882,506
	2	46,847,514	-	46,847,514	20,519,079	-	20,519,079
	3 , 4	-	-	-	609,742	-	609,742
	5 , 6	3,023,898	-	3,023,898	3,460,473	-	3,460,473
Claims on banks with original maturity of 3 months or less	-	29,480,864	25,197,253	4,283,611	31,576,266	30,563,891	1,012,375
Retail	-	29,255,945	4,743,104	24,512,841	35,432,286	2,718,177	32,714,109
Public sector entities	1	9,223,044	-	9,223,044	6,596,571	-	6,596,571
Others	-	380,429,798	-	380,429,798	269,708,902	-	269,708,902
Unrated	-	174,280,050	64,640,525	109,639,525	173,364,548	27,840,637	145,523,911

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.

Composition of equity investments

	Held-for-trading	Available-for-sale	Investment in Subsidiary
		Rupees in '000	
Equity Investments - Publicly Traded	-	19,047,082	-
Equity Investments - Others	-	1,842,993	500,000
Total Value	-	20,890,075	500,000

The cumulative realized gain arose of Rs. 1,257.543 million (2011: 695.637 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 5,073.285 million (2011: 2,294.149 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 securities classified as 'Held for Trading'. These positions are actively managed by the Bank and are exposed to all forms of market risks.

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 & Non 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' and '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

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deposits).

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, 2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	613,952,966	537,464,990	(10,626,746)	65,861,230
United States Dollar	17,016,159	38,604,175	6,601,389	(14,986,627)
Great Britain Pound	360,136	2,938,989	2,604,233	25,380
Japanese Yen	21,035	6,267	(22,887)	(8,119)
Euro	536,416	1,981,270	1,459,852	14,998
Other Currencies	28,770	3,931	(15,841)	8,998
	17,962,516	43,534,632	10,626,746	(14,945,370)
	631,915,482	580,999,622	-	50,915,860

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net 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

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.

43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2012											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	43,351,653	5,702,231	-	-	-	-	-	-	-	-	37,649,422
Balances with other banks		1,029,286	-	-	-	-	-	-	-	-	-	1,029,286
Lendings to financial institutions	9.27%	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-	-
Investments - net	11.63%	267,403,346	33,963,046	38,858,271	57,239,999	88,386,337	5,808,990	-	22,005,676	-	-	21,141,027
Advances - net	12.61%	271,084,275	43,148,569	184,576,910	27,536,184	3,289,102	6,008,032	870,182	1,700,802	1,039,875	-	2,914,619
Other assets - net		11,111,906	-	-	-	-	-	-	-	-	-	11,111,906
		604,701,401	91,891,156	225,078,806	84,776,183	91,675,439	11,817,022	870,182	23,706,478	1,039,875	-	73,846,260
Liabilities												
Bills payable		6,203,051	-	-	-	-	-	-	-	-	-	6,203,051
Borrowings	8.69%	38,916,192	22,269,322	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-	250,001
Deposits and other accounts	5.86%	514,707,055	20,443,368	36,287,855	250,023,465	9,139,658	5,390,952	1,651,785	819,712	685,104	44,553,794	145,711,362
Sub-ordinated loan	11.39%	5,490,400	-	2,996,400	2,494,000	-	-	-	-	-	-	-
Other liabilities		12,718,867	-	-	-	-	-	-	-	-	-	12,718,867
		578,035,565	42,712,690	44,595,176	260,323,243	9,391,976	5,895,594	2,156,427	1,828,996	1,694,388	44,553,794	164,883,281
On-balance sheet gap		26,665,836	49,178,466	180,483,630	(175,547,060)	82,283,463	5,921,428	(1,286,245)	21,877,482	(654,513)	(44,553,794)	(91,037,021)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		35,605,257	17,808,898	12,574,288	4,654,141	567,930	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(9,400,993)	(3,758,713)	(2,477,231)	(1,387,007)	(1,778,042)	-	-	-	-	-	-
Off-balance sheet gap		26,204,264	14,050,185	10,097,057	3,267,134	(1,210,112)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		52,870,100	63,228,651	190,580,687	(172,279,926)	81,073,351	5,921,428	(1,286,245)	21,877,482	(654,513)	(44,553,794)	
Cumulative yield / interest risk sensitivity gap		52,870,100	63,228,651	253,809,338	81,529,412	162,602,763	168,524,191	167,237,946	189,115,428	188,460,915	143,907,121	

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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.

	December 31, 2011											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
							Rupees in '000					
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	36,479,758	5,336,771	-	-	-	-	-	-	-	-	31,142,987
Balances with other banks		1,679,085	-	-	-	-	-	-	-	-	-	1,679,085
Lendings to financial institutions	11.90%	1,361,754	1,361,754	-	-	-	-	-	-	-		-
Investments - net	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
Advances - net	12.73%	244,433,474	45,290,221	149,804,032	31,164,685	3,358,478	2,257,920	955,199	2,355,192	2,481,426	2,481,218	4,285,103
Other assets - net		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												
Bills payable		4,015,317	-	-	-	-	-	-	-	-	-	4,015,317
Borrowings	9.90%	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	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
Sub-ordinated loan	14.42%	5,492,600	-	2,495,000	2,997,600	-	-	-	-	-	-	-
Other liabilities		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
On-balance sheet gap		21,895,731	(37,347,584)	122,767,906	20,048,180	(54,911,412)	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		49,580,812	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)	-	-	-	-	-	-	(51,086,906)
Off-balance sheet gap		24,037,359	7,760,071	8,717,593	7,545,124	14,571	-	-	-	-	-	(51,086,906)
Total yield / interest risk sensitivity gap		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	
Cumulative yield / interest risk sensitivity gap		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	

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

Reconciliation to total assets	December 31, 2012	December 31, 2011
	(Rupees in '000)	
Balance as per Statement of Financial Position	631,915,482	515,698,939
Less: Non financial assets		
Operating fixed assets	19,871,173	18,087,011
Deferred tax asset	-	751,908
Other assets	7,342,908	4,576,417
	27,214,081	23,415,336
Total financial assets	604,701,401	492,283,603

Reconciliation to total liabilities	December 31, 2012	December 31, 2011
	(Rupees in '000)	
Balance as per Statement of Financial Position	580,999,622	472,359,135
Less: Non financial liabilities		
Deferred tax liability	64,584	-
Other liabilities	2,899,473	1,971,263
	2,964,057	1,971,263
Total financial liabilities	578,035,565	470,387,872

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, 2012									
	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	43,351,653	43,351,653	-	-	-	-	-	-	-	-
Balances with other banks	1,029,286	1,029,286	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,403,346	31,070,929	35,033,215	55,841,409	103,752,703	3,191,077	696,276	26,671,428	11,146,309	-
Advances - net	271,084,275	69,459,294	26,164,868	34,418,731	34,401,104	20,651,977	18,902,185	29,549,650	33,400,072	4,136,394
Operating fixed assets	19,871,173	212,590	425,176	637,764	1,275,528	1,729,100	745,031	961,341	1,074,574	12,810,069
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	18,454,814	2,369,463	4,185,828	7,790,357	1,144,819	1,156,267	-	-	-	1,808,080
	631,915,482	156,570,525	67,452,712	98,688,261	140,574,154	26,728,421	20,343,492	57,182,419	45,620,955	18,754,543
Liabilities										
Bills payable	6,203,051	6,203,051	-	-	-	-	-	-	-	-
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-
Deposits and other accounts	514,707,055	376,900,501	36,287,854	39,277,692	9,139,659	5,390,952	1,651,785	819,713	685,104	44,553,795
Deferred tax liabilities	64,584	15,320	32,010	48,015	(228,437)	(113,231)	(261,492)	(106,471)	548,019	130,851
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,618,340	4,961,871	6,570,479	330,297	634,248	378,938	451,811	717,800	1,572,896	-
	580,999,622	410,600,066	48,201,864	48,085,282	11,046,588	6,786,001	2,347,946	5,431,926	3,815,303	44,684,646
Net assets / (liabilities)	50,915,860	(254,029,541)	19,250,848	50,602,979	129,527,566	19,942,420	17,995,546	51,750,493	41,805,652	(25,930,103)
Share capital	9,463,421									
Reserves	10,906,250									
Unappropriated profit	22,558,411									
	42,928,082									
Surplus on revaluation of assets	`									
- net of tax	7,987,778									
	50,915,860									

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

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	36,479,758	-	-	-	-	-	-	-	-
Balances with other banks	1,679,085	1,679,085	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-
Investments	195,694,122	2,883,955	17,311,551	30,093,339	104,627,821	3,216,722	3,985,029	25,246,169	8,329,536	-
Advances	244,433,474	116,651,069	14,252,677	22,618,667	8,271,808	12,131,151	11,682,845	15,815,551	39,278,395	3,731,311
Operating fixed assets	18,087,011	145,304	290,608	435,912	871,824	911,343	474,466	446,137	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	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	168,378,991	34,379,763	55,211,434	114,133,163	16,468,258	16,558,067	41,542,908	49,913,184	19,113,171
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	303,385,731	37,540,947	30,360,889	20,617,771	4,643,369	948,625	1,205,348	526,447	332,549
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loan	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	679,812	355,025	419,171	674,777	1,491,869	-
	472,359,135	344,876,615	48,204,568	38,091,944	21,590,971	6,831,170	3,200,572	4,222,030	5,008,716	332,549
Net assets / (liabilities)	43,339,804	(176,497,624)	(13,824,805)	17,119,490	92,542,192	9,637,088	13,357,495	37,320,878	44,904,468	18,780,622
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									

43.3.1.1 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.

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

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

	December 31, 2012									
	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	43,351,653	34,852,613	197,835	23,335	-	2,759,290	2,759,290	2,759,290	-	-
Balances with other banks	1,029,286	1,029,286	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,403,346	31,070,929	35,033,215	55,841,409	103,752,703	3,191,077	696,276	26,671,428	11,146,309	-
Advances - net	271,084,275	43,077,198	26,166,143	34,419,485	34,401,952	29,445,500	27,695,143	38,342,388	33,400,072	4,136,394
Operating fixed assets	19,871,173	212,590	425,176	637,764	1,275,528	1,729,100	745,031	961,341	1,074,574	12,810,069
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	18,454,814	2,369,463	4,185,828	7,790,357	1,144,819	1,156,267	-	-	-	1,808,080
	631,915,482	121,689,389	67,651,822	98,712,350	140,575,002	38,281,234	31,895,740	68,734,447	45,620,955	18,754,543
Liabilities										
Bills payable	6,203,051	4,177,269	171,028	315,118	-	513,212	513,212	513,212	-	-
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-
Deposits and other accounts	514,707,055	65,717,848	81,562,334	83,595,721	53,457,688	27,549,966	23,810,799	30,365,065	59,775,810	88,871,824
Deferred tax liabilities	64,584	15,320	32,010	48,015	(228,437)	(113,231)	(261,492)	(106,471)	548,019	130,851
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,618,340	4,961,871	6,570,479	330,297	634,248	378,938	451,811	717,800	1,572,896	-
	580,999,622	97,391,631	93,647,372	92,718,429	55,364,617	29,458,227	25,020,172	35,490,490	62,906,009	89,002,675
Net assets	50,915,860	24,297,758	(25,995,550)	5,993,921	85,210,385	8,823,007	6,875,568	33,243,957	(17,285,054)	(70,248,132)
Share capital	9,463,421									
Reserves	10,906,250									
Unappropriated profit	22,558,411									
	42,928,082									
Surplus on revaluation of assets										
- net of tax	7,987,778									
	50,915,860									

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2012

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

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

	December 31, 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	26,081,460	723,187	21,840	-	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	-	-
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	39,946,245	23,060,896	32,934,717	27,925,403	24,761,334	24,313,028	28,457,871	39,302,672	3,731,308
Operating fixed assets	18,087,011	145,304	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	81,075,163	43,942,237	65,555,601	133,786,760	32,370,652	32,460,461	57,457,435	49,937,462	19,113,168
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
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loan	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	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	(11,238,152)	(41,198,998)	(8,474,115)	76,258,016	7,570,596	11,291,003	29,276,892	(2,988,285)	(17,157,153)
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									

43.5 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.

During 2012, the Bank Achieved permission from SBP to initiate Parallel Run for Alternate Standardized Approach (ASA) for Basel II –Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 14, 2013 has proposed a cash dividend in respect of 2012 of Rs. 2 per share (2011: cash dividend Rs. 2.5 per share). In addition, the directors have also announced a bonus issue of 10% (2011: 10%). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2012 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2013.

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.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2013 by the Board of Directors of the Bank.

Chief Financial Officer	President and Chief Executive	Director
Director	Chairman	

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year							
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total	Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
1	Ramesh Kumar Barani Road, Tando Adam	Ramesh Kumar	44206-3837315-3	Lekhu Mal	0.569	0.164	0.231	0.964	0.200	-	0.395	0.595
2	Japan Power Generation Ltd., Jia Bagga, Off Raiwind Road, Lahore	Jahangir Shah Khan A. Saleem	42301-4364209 6110119722751	-	635.570	116.947	91.023	843.540	635.570	-	207.970	843.540
3	Makma Steel Crafts, 215, Landa Bazar, Lahore	Manzoor Ali Khan Ghazarfar Ali	266-54-075801	Shamsher Ali	104.408	18.435	54.035	176.878	104.408	-	72.470	176.878
4	Allied Multiple Industries Ltd., 137, Laximandas Street, Opp. Gordhandas Market, Off: M.A. Jinnah Road, Karachi	Fahmeeda	N/A	Late Abdul Majeed	97.043	3.640	76.554	177.237	97.043	-	80.194	177.237
5	Irfan Seamless Pipe Ind.(Pvt) Ltd., 338-G.T. Road, Salamat Pura, Lahore	Seth Nisar Ahmed Mst. Naila Nisar Haji Mohammad Iqbal Mst. Musarrat Iqbal	35202-2792709-9 26202-2634853-0 35202-2557073-5 267-54-415380	Muhammad Latif Seth Nisar Ahmed Muhammad Latif Haji Mohammad Iqbal	73.709	9.779	76.770	160.258	73.709	-	86.549	160.258
6	Mian Textile Industries Ltd., 29-B/7, Model Town, Lahore	Mian Moahmmad Jahangir Mian Khurshid Mian Waheed Ahmed Mian Muhammad Nawaz Mian Waqar Ahmed Mian Khurram Jahangir Nargis Jahangir	35202-8650281-1 35202-5249783-5 35202-2771296-7 35202-2987001-1 35202-3351966-9 35202-2887796-1 35202-3186675-6	Ch. Din Muhammad Mian Muhammad Jehangir	15.060	0.568	0.551	16.179	5.180	-	1.119	6.299
7	Amjad Nasim Spinning Mills (Pvt) Ltd., S-6,7,8, Ijaz Centre, Main Boulevard, Gulberg III, Lahore	Qamar zaman Muzamil Mustafa Shahzad Mustafa Rana Nadeem Mustafa	35201-1471739-5	Ghulam Mustafa - Do - - Do - - Do -	0.500	1.776	1.543	3.819	0.500	-	3.319	3.819
8	Bita Textile Mills (Pvt) Ltd., Suit No.40-41, Abid Chambers, Shahrah-e-Liaquat, New Challi, Karachi	Arshad Zaheeruddin Khan Asad Zaheeruddin Khan Sumair Zaheeruddin Khan Zaheeruddin Khan	42201-2687048-1 42201-0867518-9 42201-4552324-9 42201-4541779-9	Zaheeruddin Khan - Do - - Do - Abdul Wahab Khan	178.052	7.394	17.532	202.978	53.976	-	24.926	78.902
9	Faiz Muhammad R-453, Sector 11-I, North Karachi	Faiz Muhammad	42101-7257382-5	Fayyaz Muhammed	0.797	0.155	0.154	1.106	0.447	-	0.309	0.756
10	Dewan Fertilizer Agency Shah Bazar, Kazi Ahmed	Kakoo Mal	435-34-012125	Hasoo Mal	1.198	0.000	0.387	1.585	0.389	-	0.387	0.776

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year							
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total	Principal Written-off	Interest / Mark - up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
11	Kirori Mal 367/2, Thathar Old Fish Market, Rohri	Kirori Mal	45502-6467571-7	Holo Mal	0.785	0.304	0.138	1.227	0.285	-	0.442	0.727
12	Quice Food Ind. Ltd., WS7, Madina Palace, Mezzanine Floor, Faran Co-operative Society, Dhoraji Colony, Karachi"	Akhtar Rasheed Muhammad Afaq Shamsi Muhammad Farooq Muhammad Ahmed Farzana Akhtar Amna Khatoon	42201-3741444-3 42201-7762602-3 42201-8514664-7 42201-5006384-5 42201-6901726-4 42201-0207321-0	Muhammad Ashfaq - Do - - Do - - Do - Akhtar Rasheed Muhammad Afaq Shamsi	43.002	22.106	26.566	91.674	30.002	-	48.672	78.674
13	Rehman Trading, 3/G, Block-8, KDA Scheme No.5, Kehkashan, Clifton, Karachi	Khalid Munawar	502-90-098444	Munawar Ali	1.442	0.000	3.350	4.792	1.442	-	3.350	4.792
14	Crystal Spinning Mills (Pvt) Ltd. H.NO.203, St. No.10, Zulfiqar Lane, Cavalary Ground (Ext), Lahore Cantt.	Amjad Taj Khan Azhar Taj Khan Asd Taj Khan	35201-5400467-3	Taj Muhammad Khan	0.500	2.545	2.712	5.757	0.500	-	5.257	5.757
15	Adnan Malik R/o Village & P.O. Ahadian Tehsil Ferozewala Distt: Sheikhupura"	Adnan Malik	269-89-0405723	Noor Muhammad	0.204	0.243	0.106	0.553	0.204	-	0.349	0.553
16	Ahmed Farooq Village Asdian, Tehsil Ferozewala, Distt: Sheikhupura"	Ahmed Farooq	295-72-024517	Ch. Muhammad Abdul Malik	0.199	0.240	0.097	0.536	0.199	-	0.337	0.536
17	Habibullah R/O St.No.2, Mohallah Islampura, Siddique-E-Akbar Town, Dhullay Gujranwala	Habibulah	286-86-211827	Allah Rakha	0.371	0.155	0.259	0.785	0.371	-	0.414	0.785
18	Muhammad Iqbal Kashana-E-Salah-Ud-Din, Haji Yahya Colony.2, Ghorey Shah Road, Lahore	Muhammad Iqbal	276-63-017314	Ch. Salah Ud Din	0.495	0.342	0.346	1.183	0.495	-	0.688	1.183
19	Muhammad Umar Farooq Mohallah Roshan Pura House No.Fg-1165, Gali Mian Khan Wali, Gujranwala"	Muhammad Umar Farooq	285-74-757642	Akhtar Iqbal	0.479	0.220	0.285	0.984	0.479	-	0.505	0.984
20	Safdar Munir Malik Rath Mummar P.O. 110-W-B, Tehsil Mailsi, Distta; Vehari"	Safdar Munir Malik	325-92-058027	Munir Ahmed	0.408	0.002	0.239	0.649	0.408	-	0.241	0.649

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written-off	Interest / Mark - up Written-off	Other Financial Relief Provided	Total
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
21	Tauseef Mehmood Butt 546/G, Gulshan-E-Ravi, Lahore"	Tauseef Mehmood Butt	276-59-147789	Mohammad Sadiq Butt	0.412	0.047	0.496	0.955	0.412	-	0.543	0.955
22	Aladin Carpets (Pvt) Ltd., Services Club, Merewether Road, Karachi	Alauddin Shaikh Siddique Begum Aisha Begum	N/A	Naseer Uddin Sh. Naseer Uddin Sh Alauddin Shaikh	0.998	1.473	1.942	4.413	0.998	-	3.415	4.413
23	Hina International 105-106/D, Nursery Commercial Area, Karachi	Syed Masroor Hassan Mushtaq Ahmed Syed Asad Haseeb Muhammed Hussain	N/A	S. Muzaffar Hassan Kishwar Ali S. Haseeb Raza Karam Ali Tar	0.679	0.236	0.544	1.459	0.679	-	0.780	1.459
24	K & N International C-38-D, 26Th Street, Tauheed Commercial Area, Phase-V, Dha, Karachi	Adnan Hameed	101-63-515776	Abdul Hameed	0.768	0.090	0.488	1.346	0.768	-	0.578	1.346
25	Syed Riaz Shahid Jilani Plot No.5, Sector 20/B, KDA Scheme No.25, Shah Latif Town, Karachi	Syed Riaz Shahid Jilani	42301-0848188-3	Syed Shah	0.646	0.025	0.258	0.929	0.646	-	0.283	0.929
26	Friends Traders Ward No.11, House No.986, Mohalla Arainwala, Kot Addu, Distt: Muzaffargarh	Sami Ullah	32303-4869661-7	Haji Bashir Ahmed	2.483	0.458	1.435	4.376	2.483	-	1.893	4.376
27	Makkah Corporation Chak No.109/10-R, Jehanian, Tehsil Jahanian, Distt: Khanewal	Ghulam Qadir	36101-0948395-3	Allah Ditta	0.758	0.133	0.455	1.346	0.758	-	0.588	1.316
28	Habib Enterprises 711-C, Gulgasht Colony, Multan	Rao Saadat Ali Suleman Rashid Irfan Ali	36101-0247460-3 322-77-958726 322-92-420529	Sadaqat Ali Rashid Ali Usman Ali	0.891	0.030	0.555	1.476	0.891	-	0.585	1.476
29	Ashraf Rice Mills Eidgah Road, Jalal Din Road, Hadi Jor Hospital, Shamsia Colony, Okara	Muhammad Ashraf	35302-2036730-1	Ghulam Muhammad	2.882	-	1.779	4.661	2.882	-	1.779	4.661
30	Cotton Links, 43-B, Grain Market, Basti Mari Waseeran, Chak No.79/W.B. Distt: Vehari	Muhammad Iqbal Khan	36603-1461452-3	Jhandey Khan	0.795	0.156	0.454	1.405	0.795	-	0.610	1.405

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year				Principal Written-off	Interest / Mark - up Written-off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				
1	2	3		4	5	6	7	8	9	10	11	12
31	Hanif Brothers House No.2329, Baron Dehli Gate Circular Road, Ittehad Chambers, Mohala Agha Pura, Multan	Muahmmad Hanif	36302-2552373-3	Haji Muhammad Umar Din	2.500	0.642	1.728	4.870	2.500	-	2.370	4.870
32	Riaz Ahmed Sheikh Government Contractor, Mir Ali Bazar, Khairpur Mirs	Riaz Ahmed Sheikh	439-67-031055	Muhammad Idrees	0.700	0.000	0.543	1.243	0.421	-	0.543	0.964
33	Aeco International 21 Lake Road, Chouburji Auto Market, Lahore	Muhammad Zahid Mehmood Khan	35202-3093071-7	Mehmood Ahmad	0.870	3.621	2.561	7.052	0.870	-	6.182	7.052
34	Al-Sadiq Five Star Stitching 21 km, Ferozepur Road, Lahore	Rao Muhammad Sadiq Muhammad Aslam Muhammad Ikram Pirzada Muhammad Amin Sh. Muhammad Saleem Sadiq	340-45-279513 340-91-279515 340-88-279516 287-88-003312 340-75-584104	Taj Muhammad Muhammad Sadiq Rao Muhammad Sadiq Sh. Shaheer Ahmed Muhammad Sadiq	4.850	0.700	2.882	8.432	4.850	-	3.582	8.432
35	Anwar Associates 9-Mehta Mansion, Hide Market, Sultanpura, Lahore	Muhammad Anwar Sheikh Abdul Rahim Abdul Aziz Mst. Shahnaz Ifza	35201-8697206-5 266-70-027209 266-90-027210 266-48-027211	Haji Imam Din Muhammad Anwar Sheikh Muhammad Anwar Sheikh W/O Muhammad Anwar Sheikh	2.108	0.303	2.195	4.606	2.108	-	2.498	4.606
36	Staple Sports 19/313, Dodhy Street, Mianapura, Sialkot	Nadeem Nisar	300-90-192995	Nisar Ahmed	1.602	0.683	1.244	3.529	1.602	-	1.927	3.529
37	M.M. Trade Linkers (Pvt) Ltd. 154-1st Floor, Sohrwardi Arcade, Main Market, Samanabad, Lahore	Mohsin Munawar Mubashir Munawar-ud-din Razia Sultana Uzma Mohsin Moazzam Munawar Mansoor Munawar-ud-din	272-66-408973 272-69-408974 272-49-402972 272-93-553158 272-88-408975 272-93-408976	Munawar-ud-din - Do - W/o - Do - W/o Muslim Munawar Munawar-ud-din Munawar-ud-din	1.099	0.092	1.192	2.383	1.099	-	1.284	2.383
38	Sunpak Fibres Ltd., i) Hattar Industrial Estate, Harripur, Hazara Road, Hattar ii) Dilawar Industries, Muslim Town, Gujranwala	Muhammad Ashraf Sheikh Sheikh Muhammad Waris Shakeel Amir Nabeel Ashraf Dilawar Mehmood Adeel Waris	285-86-128681 285-86-019238 285-92-688103 34101-2516571-1 34101-88554004-3	Haji Elahi Buksh Muhammad Hussain Sh. Muhammad Waris Muhammad Ashraf Sheikh Haji Elahi Muhammad Sh. Muhammad Waris	7.911	0.000	7.061	14.972	7.911	-	7.061	14.972

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year				Principal Written-off	Interest / Mark - up Written-off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				
1	2	3		4	5	6	7	8	9	10	11	12
39	Saitex Spinning Mills Ltd., 2nd Floor, 10 Civic Centre, New Garden Town, Lahore	Ch. Qasim Ali Rai Shahrukh Masood Khan Ch. Abdul Jabbar Rai Masood Ahmed Khan	N/A	Ch. Ghulam Rasool Rai Masood Ahmed Khan Ch. Ghulam Rasool Rai Muhammad Ali Khan	3.600	8.922	5.119	17.641	3.600	-	14.041	17.641
40	Hafiz Salman Autos Shop No.28, 29, Modern Hotel Chowk, Railway Station, Lahore	Mian Muhammad Bashir	35201-1376418-0	Haji Hussain Bukhsh	0.291	0.119	0.864	1.274	0.291	-	0.983	1.274
41	Rizwana Mushtaq 33/T, Defence Housing Authority, Lahore Cantt.	Rizwana Mushtaq	315-88-140274	W/o Mushtaq Ali	0.490	0.193	0.361	1.044	0.490	-	0.554	1.044
42	Zeeshan Haider R/O 1, Wazira Abad Road, Pakka Garha, Sialkot	Zeeshan Haider Syed	34603-0269098-3	Sahibzada Furqan Syed	0.465	0.459	0.467	1.391	0.465	-	0.926	1.391
43	Mrs. Razia Naseer Jamil Town, Eminabad, Distt: Gujranwala	Razia Sultana	287-61-001630	Siraj Din	0.456	0.303	0.333	1.092	0.456	-	0.636	1.092
44	Unicon Enterprises Al-Kazimia Market, V-C, 2/16, Nazimabad, Karachi	Muhammad Tariq Farooqi	N/A	Muhammad Hafiz Farooqi	0.586	0.289	0.580	1.455	0.586	-	0.869	1.455
45	Junaid Flour General Mills Plot No.421-422, Main Korangi Cree Road, Karachi	Agha Asad abbas	414-59-145484	Muhammad Ramzan	8.499	2.405	4.560	15.464	8.499	-	6.965	15.464
46	Classic International 680/681, C.C. Area, PECHS., Karachi	Saeed Ahmed Khan	519-56-287965	Muhammad Sikandar	0.780	0.000	0.459	1.239	0.780	-	0.459	1.239
47	Al-Hamad International Bunglow No.40/11, Main Khayaban-e-Tanzeem, Phase V, DHA, Karachi	Zaki-ur-Rehman	501-43-384573	Mehboob-ur-Rehman	2.330	3.466	4.170	9.966	2.330	-	7.636	9.966
48	Asia Pacific Hotel 12/20th Street, Khayaban-e-Tauheed, Phase-V, DHA, Karachi	Iqbal Ahmed Khan Adnan Iqbal Khan Humayun Iqbal Khan Faisal Iqbal Khan	501-81-485843 British Passport No.701068629 42301-7255543-7 501-66-485846"	M. Y. Khan Iqbal Ahmed Khan - Do - - Do -	46.451	16.222	34.345	97.018	46.451	-	50.567	97.018

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (01 JANUARY 2012 TO 31 DECEMBER, 2012)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year							
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total	Principal Written-off	Interest / Mark - up Written-off	Other Financial Relief Provided	Total 9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
49	Shahid Pervaiz Ansari Flat No.12, Khawaja Mansion, Darya-abad, Plot No.2986, Layari Quarters, Karachi	Shahid Pervaiz Ansari	41306-4852686-7	Rehmanullah Ansari	0.536	0.088	0.305	0.929	0.536	-	0.393	0.929
50	Fazal Elahi House No.10, Bangali Para, Korangi 2 1/2, Karachi	Fazal Ellahi	225-86-019596	Muhammd Hayat	0.542	0.156	0.407	1.105	0.542	-	0.563	1.105
51	Mrs. Razia Nasir Flat No.5, 1st Floor, Afshan Mansion, Nawabad, Lyari Quarters, Karachi	Razia Nasir	452-54-148994	Nasir Khan	0.741	0.191	0.327	1.259	0.741	-	0.518	1.259
52	Quality Printers A-4, Rashid Square, Block-M, North Nazimabad, Karachi	Syed Mehmood Hussain Zaidi	519-51-165565	Syed Sharafat Hussain	0.482	0.199	0.421	1.102	0.482	-	0.620	1.102
53	World Wide Exporters 5-Green House, Maclean Street, Plaza Square, M.A. Jinnah Road, Karachi	S. Hassan Kazmi Sakina Kazmi Sultana Parveen	N/A	-	0.800	0.646	1.412	2.858	0.800	-	2.058	2.858
54	Muhammad Ramzan H.No.NE-3901/A, Street No.30, Mohallah Sultanpura (Chah Sultan), Rawalpindi	Muhammad Ramzan	37405-1933102-7	Muhammad Younas	0.273	0.202	0.113	0.588	0.273	-	0.315	0.588
55	Ali Transport Company Defence Transport Company	Habib Transport	-	-	-	-	6.521	6.521	-	-	6.521	6.521
56	Lucky Steel Foundry Works Pvt Ltd. Mehmood Booti bund Road, Crol Ghati Industrial Area , Lahore	Tallat Mehmood Butt Arshad Butt	35202-1660156-9 35202-013313-5	Muhammad Ilyas Butt	23.962	10.608	2.768	37.338	-	-	10.069	10.069
57	Rachna Doab Rice Mills, Sheikhupura Road, Hafizabad.	Ifikhar Ahmed Bhoon Manzoor Ahmed	34301-1765197-7 34301-1734572-9	Iftikhar Ahmed Bhoon S/O Manzoor Ahmed.	49.660	11.123	0.000	60.783	-	-	19.410	19.410
58	Faizan Fareed Corporation, Ghallah Mandi, Jalalpur Bhattian.	Irfan Zaffar	34302-1224643-9	Zaffar Ullah.	2.049	1.375	0.095	3.519	-	-	1.130	1.130
59	DS Textiles Ltd - 20 K Gulberg II Lahore Ali Pervez	Pervez Ahmad 35202-8633784-5 Hassan Ibrahim	35202-5637832-7 Mr. Pervez Ahmad 35202-0104136-7	Mr. S.K.Ahmad Mr. Pervez Ahmad	121.190	0.000	0.000	121.190	65.608	-	0.000	65.608
60	Al Abid Silk Mills Limited	Naseem Ahmed Sattar Azim Ahmed Zarina Naseem Adia Naseem Sadaf Nadeem Reena Azim Asra Amir Syed Raza Abbas Jaffari	4230108400431.000 4230109121439.000 4230108296190.000 4230107833844.000 4230108788868.000 4230108314836.000 4230107858132.000 4220102156851.000	Sheikh Abdul Sattar Naseem Ahmed Sattar Naseem Ahmed Sattar Naseem Ahmed Sattar Nadeem Younus Azim Ahmed Aamir Naseem Syed Shahabat Hussain	75.000	0.000	0.000	75.000	0.000	-	3.014	3.014
					1526.926	250.67	444.317	2221.913	1171.410	-	702.641	1874.051

ANNEXURE II

As at December 31, 2012

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
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	1,276	1,276	-	886	As Per Bank Policy	Mr. Farrukh Ahmed
Motor Vehicle	1,005	653	352	1,087	As Per Bank Policy	Mr. Azbar Khan
Motor Vehicle	1,521	986	535	1,269	As Per Bank Policy	Mr. Zahid Qadri
Motor Vehicle	2,330	2,330	-	539	As Per Bank Policy	Mr. Khalid Khan
Total	6,132	5,245	887	3,781		
Other Disposals	29,474	29,114	360	25,316	As Per Bank Policy	Miscellaneous
31 December, 2012	35,606	34,359	1,247	29,097		

Consolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2012

Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2012

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:

	2012	2011	Growth
	Rs. In million		%
Profit after tax for the year	11,882	10,256	16%
Accumulated profits brought forward	20,395	15,853	29%
Transfer from surplus on revaluation of fixed assets - net of tax	31	29	7%
Profit available for appropriation	32,308	26,138	24%
Final cash dividend for the year ended December 31, 2011 at Rs. 2.5 per share (2011: Year ended December 31, 2010 at Rs. 2 per share)	(2,151)	(1,564)	38%
1st interim cash dividend for the year ended December 31, 2012 at Rs. 2 per share (2011: Year ended December 31, 2011 at Rs. 2.5 per share)	(1,893)	(2,151)	-12%
2nd interim cash dividend for the year ended December 31, 2012 at Rs. 1.5 per share (2011: Year ended December 31, 2011 at Rs. 1 per share)	(1,420)	-	100%
3rd interim cash dividend for the year ended December 31, 2012 at Rs. 1 per share (2011: Year ended December 31, 2011 Nil)	(946)	-	100%
Bonus shares for the year ended December 31, 2011 @ 10% (2011: Year ended December 31, 2010 @ 10%*)	(658)	-	100%
Transfer to statutory Reserves	(2,335)	(2,028)	15%
Accumulated profits carried forward	22,905	20,395	12%
Earning Per Share (EPS) (Rs.)	12.56	10.84	16%

* Appropriation out of Share Premium Account

Pattern of Shareholding

The pattern of shareholding as at December 31, 2012 is included in the Annual Report.

For and on behalf of the Board,

Khalid A. Sherwani
Chief Executive Officer

Dated: February 14, 2013
Place: Lahore

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

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") and its subsidiary company as at 31 December 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow 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 twenty branches which have been audited by us and one branch audited by auditors abroad. We have also expressed separate opinion on the financial statements of Allied Bank Limited. The financial statements of subsidiary company ABL Asset Management Company Limited were audited by Ernst & Young Ford Rhodes Sidat Hyder, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of Ernst & Young Ford Rhodes Sidat Hyder. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Allied Bank Limited and its subsidiary company as at 31 December 2012 and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement partner:
Naseem Akbar

Date: February 14, 2013
Place: Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement partner:
Kamran I. Yousafi

Consolidated Statement of Financial Position
as at December 31, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
		Assets			
446,236	375,501	Cash and balances with treasury banks	6	43,351,703	36,479,765
10,595	17,284	Balances with other banks	7	1,029,292	1,679,121
110,355	14,017	Lendings to financial institutions	8	10,720,935	1,361,754
2,755,363	2,015,340	Investments	9	267,682,679	195,789,638
2,790,700	2,516,115	Advances	10	271,115,683	244,439,837
204,656	186,260	Operating fixed assets	11	19,882,246	18,095,123
-	7,730	Deferred tax assets	12	-	750,972
190,625	177,997	Other assets	13	18,519,168	17,292,402
6,508,530	5,310,244			632,301,706	515,888,612
		Liabilities			
63,850	41,331	Bills payable	15	6,203,051	4,015,317
400,580	514,600	Borrowings	16	38,916,192	49,993,200
5,298,034	4,112,836	Deposits and other accounts	17	514,702,444	399,560,790
56,515	56,537	Sub-ordinated loans	18	5,490,400	5,492,600
-	-	Liabilities against assets subject to finance lease		-	-
673	-	Deferred tax liabilities	12	65,419	-
161,202	137,390	Other liabilities	19	15,660,646	13,347,347
5,980,854	4,862,694			581,038,152	472,409,254
527,676	447,550	Net assets		51,263,554	43,479,358
		Represented by			
97,411	88,555	Share capital	20	9,463,421	8,603,110
112,262	90,198	Reserves		10,906,250	8,762,745
235,782	209,941	Unappropriated profit		22,906,178	20,395,717
445,455	388,694			43,275,849	37,761,572
82,221	58,856	Surplus on revaluation of assets - net of tax	21	7,987,705	5,717,786
527,676	447,550			51,263,554	43,479,358
		Contingencies and commitments	22		

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

Chief Financial Officer President and Chief Executive Director

Director Chairman

Consolidated Profit and Loss Account

for the year ended December 31, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
509,647	533,495	Mark-up / return / interest earned	24	49,512,005	51,828,897
320,958	274,794	Mark-up / return / interest expensed	25	31,180,990	26,696,185
188,689	258,701	Net mark-up / interest income		18,331,015	25,132,712
13,113	27,895	Provision against non-performing loans and advances	10.4	1,273,901	2,710,021
(6,416)	2,357	(Reversal) / provision for diminution in the value of investments - net	9.3	(623,341)	229,003
-	721	Provision against lendings to financial institutions	8.6	-	70,000
-	-	Bad debts written off directly	10.5	-	-
6,697	30,973			650,560	3,009,024
181,992	227,728	Net mark-up / interest income after provisions		17,680,455	22,123,688
		Non mark-up / interest income			
30,285	31,050	Fee, commission and brokerage income	26	2,942,192	3,016,472
86,807	27,599	Dividend income		8,433,249	2,681,218
6,160	6,619	Income from dealing in foreign currencies		598,480	643,058
19,861	8,949	Gain on sale of securities	27	1,929,474	869,361
-	-	Unrealized gain on revaluation of investments classified as			
717	62	held for trading - net	9.12	69,700	6,030
2,798	491	Other income	28	271,802	47,657
146,628	74,770	Total non-markup / interest income		14,244,897	7,263,796
328,620	302,498			31,925,352	29,387,484
		Non mark-up / interest expenses			
151,169	136,790	Administrative expenses	29	14,686,046	13,289,101
3,524	1,175	Provision against other assets - net	13.2	342,384	114,181
3,803	1,485	Provision against off-balance sheet obligations - net	19.1	369,480	144,245
3,325	3,231	Workers welfare fund	31	323,042	313,888
597	2,761	Other charges	30	57,959	268,204
162,418	145,442	Total non-markup / interest expenses		15,778,911	14,129,619
-	-	Extra-ordinary / unusual items		-	-
166,202	157,056	Profit before taxation		16,146,441	15,257,865
		Taxation			
39,242	50,939	Current		3,812,352	4,948,719
11	1,607	Prior years		1,073	156,112
4,639	(1,062)	Deferred		450,649	(103,139)
43,892	51,484		32	4,264,074	5,001,692
122,310	105,572	Profit after taxation		11,882,367	10,256,173
209,941	163,184	Unappropriated profit brought forward		20,395,717	15,853,255
319	301	Transfer from surplus on revaluation of fixed assets - net of tax		31,028	29,204
210,260	163,485			20,426,745	15,882,459
332,570	269,057	Profit available for appropriation		32,309,112	26,138,632
0.13	0.11	Earnings per share - Basic and Diluted (in Rupees)	33	12.56	10.84

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

Chief Financial Officer | President and Chief Executive | Director

Director | Chairman

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2012

December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
US $ in '000			Rupees in '000	
122,310	105,572	Profit after taxation for the year	11,882,367	10,256,173
		Other comprehensive income		
		Exchange differences on translation of net investment		
105	-	in foreign wholesale branch	10,198	-
122,415	105,572	Total comprehensive income for the year	11,892,565	10,256,173

Surplus / (deficit) on revaluation of 'available for sale' securities and 'operating 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 II 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, 2012

December 31, 2012	December 31, 2011		Note	December 31, 2012	December 31, 2011
US $ in '000				Rupees in '000	
		Cash Flow From Operating Activities			
166,202	157,056	Profit before taxation		16,146,441	15,257,865
(86,807)	(27,599)	Less: Dividend income		(8,433,249)	(2,681,218)
79,395	129,457			7,713,192	12,576,647
		Adjustments for non-cash items:			
12,818	10,655	Depreciation / amortization		1,245,227	1,035,096
13,113	27,895	Provision against non-performing loans, advances and general provision - net		1,273,901	2,710,021
(6,416)	2,357	(Reversal) / provision for diminution in the value of investments - net		(623,341)	229,003
-	721	Provision against lendings to financial institutions		-	70,000
(717)	(62)	Unrealized loss on revaluation of held for trading securities		(69,700)	(6,030)
3,803	1,485	Provision against off balance sheet obligations - net		369,480	144,245
3,524	1,175	Provision against other assets - net		342,384	114,181
-	1,204	Operating fixed assets written off		-	116,920
(286)	(27)	Gain on sale of fixed assets		(27,762)	(2,576)
25,839	45,403			2,510,189	4,410,860
105,234	174,860			10,223,381	16,987,507
		(Increase) / Decrease in operating assets			
(96,338)	103,523	Lendings to financial institutions		(9,359,181)	10,057,190
(2,496)	8,196	Net realizations in 'held for trading' securities		(242,529)	796,286
(287,698)	61,275	Advances - net		(27,949,747)	5,952,852
7,948	(4,616)	Other assets (excluding advance taxation) - net		772,152	(448,408)
(378,584)	168,378			(36,779,305)	16,357,920
		Increase / (Decrease) in operating liabilities			
22,519	(1,065)	Bills payable		2,187,734	(103,474)
(113,671)	301,381	Borrowings from financial institutions		(11,043,116)	29,279,026
1,185,198	291,096	Deposits and other accounts		115,141,654	28,279,842
19,676	9,102	Other liabilities		1,911,504	884,268
1,113,722	600,514			108,197,776	58,339,662
840,372	943,752			81,641,852	91,685,089
(64,710)	(49,688)	Income tax paid - net		(6,286,535)	(4,827,151)
775,662	894,064	Net cash flow generated from operating activities		75,355,317	86,857,938
		Cash Flow From Investing Activities			
(711,538)	(564,900)	Net investments in 'available-for-sale' securities		(69,125,706)	(54,879,871)
9,768	(215,287)	Net investments in 'held-to-maturity' securities		948,958	(20,915,102)
88,163	20,193	Dividend income received		8,565,057	1,961,759
(32,401)	(30,416)	Investments in operating fixed assets		(3,147,719)	(2,954,916)
299	104	Proceeds from sale of fixed assets		29,096	10,131
105	-	Effect of translation of net investment in foreign wholesale bank branch		10,198	-
(645,604)	(790,306)	Net cash used in investing activities		(62,720,116)	(76,777,999)
		Cash Flow From Financing Activities			
(23)	(23)	Repayment of sub-ordinated loan		(2,200)	(2,200)
(65,641)	(38,126)	Dividends paid		(6,377,000)	(3,703,935)
(65,664)	(38,149)	Net cash used in financing activities		(6,379,200)	(3,706,135)
64,394	65,609	Increase in cash and cash equivalents during the year		6,256,001	6,373,804
390,575	326,562	Cash and cash equivalents at beginning of the year		37,944,226	31,725,385
1,861	266	Effect of exchange rate changes on opening cash and cash equivalents		180,768	25,805
456,830	392,437	Cash and cash equivalents at end of the year	34	44,380,995	38,124,994

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

Chief Financial Officer | President and Chief Executive | Director

Director | Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2012

			Capital Reserve					Revenue Reserves		
	Share Capital	Share Premium	Exchange Translation Reserve	Bouns Issue Reserve	Special Reserve*	Merger Reserve*	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
					Rupees in '000					
Balance as at January 01, 2011	7,821,009	983,957	-	-	67,995	333,864	6,125,094	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										
Net profit for the year ended December 31, 2011	-	-	-	-	-	-	-	-	10,256,173	10,256,173
- Effect of translation of net investment in										
foreign wholesale bank branch	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	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	-	-	67,995	333,864	8,153,030	6,000	20,395,717	37,761,572
Changes in equity during the year ended										
December 31, 2012										
Total comprehensive income for the year ended										
December 31, 2012										
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	-	-	11,882,367	11,882,367
- Effect of translation of net investment in										
foreign wholesale bank branch	-	-	10,198	-	-	-	-	-	-	10,198
	-	-	10,198	-	-	-	-	-	11,882,367	11,892,565
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the										
year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended										
December 31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended										
December 31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended										
December 31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
Third interim cash dividend for the year ended										
December 31, 2012 (Re. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
	860,311	(201,856)	-	-	-	-	-	-	(7,067,771)	(6,409,316)
Transferred from surplus on revaluation of fixed assets										
to un-appropriated profit - net of tax	-	-	-	-	-	-		-	31,028	31,028
Transfer to statutory reserve	-	-	-	-	-	-	2,335,163	-	(2,335,163)	-
Balance as at December 31, 2012	9,463,421	-	10,198	-	67,995	333,864	10,488,193	6,000	22,906,178	43,275,849

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

The annexed notes 1 to 46 and annexures I to II form an integral part of these 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, 2012

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 873 (2011: 836) branches in Pakistan, 1 branch (2011:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2011: Nil) in Bahrain. The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'. The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3-4 Tipu Block, Main Boulevard, New Garden Town, 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
- ABL-AMC Capital Protected Fund	Launched on June 01, 2012

2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company, for the year ended December 31, 2012.

- 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, consolidated statement of other comprehensive income 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, spot rate of Rs 97.1497 per US Dollar has been used for 2012 and 2011, 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 the following are stated at revalued amounts / fair values:

- Investments (Note 5.3)
- Operating fixed assets (Note 5.5)
- Derviatives (Note 4)

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 of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan differ from requriements of IFRSs, 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 became effective during the year

During the year, following new / revised standards, amendments and interpretations to accounting standards became 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 Group'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 1 July 2011. However 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.

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 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 1 July 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.

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

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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 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 beginning on or after January 01, 2013. 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 enhance the disclosures regarding off setting of financial assets to enable the users 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 19 – Employee Benefits –(Amendment)

IAS 19 Employee benefits (amended 2011)-(effective for annual periods beginning January 01, 2013). The amendments fundamental changes to simple clarification and re-wording. The significant changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Group is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Group's accounting policy related to recognition of actuarial gains and losses as referred in note 36.4 to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is estimated as under:

	Rupees in '000
Net decrease in employees' benefit liability	(1,691,667)
Net increase in other comprehensive income	1,691,667

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) 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 mandatorily effective for annual periods beginning on or after January 01, 2015.

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 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 "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 1 January 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

- 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.

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 amortisation

In making estimates of the depreciation / amortisation, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the 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, 2011 and of the Bank for the year ended December 31, 2012, 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.

(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 and investments in subsidiaries, are carried at market value. Investments classified as held to maturity are carried at amortized cost.

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

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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 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.

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 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 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) - 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, 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 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 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.

5.7.3 Group - Other benefits

Employees' compensated absences

Group employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per terms of service contract, up to the reporting date, based on actuarial valuation using Projected Unit Credit Method.

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for the year ended December 31, 2012

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 reproting 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 the 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 the reporting date are considered as non-adjusting event and are not recorded in consolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

5.14 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) Foreign operations

The assets and liabilities of foreign wholesale bank branch are translated to Pakistan Rupee at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average rate of exchange.

c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in profit and loss account.

d) 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 amortized over the tenure of the respective facility, whereas account maintenance and service charges are recognized when realized.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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. Segment information is presented as per the Group's functional structure and the guidance of State Bank of Pakistan. 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 operates in three geographical regions being:
- Pakistan
- Karachi Export Processing Zone
- Middle East

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 year.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,331,911	6,160,188
Foreign currencies		477,152	373,486
		7,809,063	6,533,674
Remittances in transit		549,050	608,439
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	18,172,815	15,036,087
Foreign currency current account	6.2	4,382	2,040
		18,177,197	15,038,127
Foreign currency deposit accounts			
- Non remunerative	6.3	1,900,744	1,778,924
- Remunerative	6.3 & 6.4	5,702,231	5,336,771
		7,602,975	7,115,695
With National Bank of Pakistan in			
Local currency current accounts		9,143,240	7,138,145
National Prize Bonds		70,178	45,685
		43,351,703	36,479,765

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 cash reserve and special cash reserve maintained with the SBP to comply with their statutory requirements issued from time to time.

6.4 This represents special cash reserve requirement maintained with the SBP. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2012, carries mark-up at the rate of 0% (2011: 0%) per annum.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		289	320
Outside Pakistan			
On current accounts	7.1	609,478	682,349
On deposit accounts		419,525	996,452
		1,029,292	1,679,121

7.1 Included in Nostro accounts are balances, aggregating to Rs. 136.808 million (2011: Rs. 131.749 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	8,270,935	1,361,754
Certificates of investment	8.2	520,000	70,000
Call money lendings	8.3	2,000,000	-
	8.4	10,790,935	1,431,754
Provision against lendings to financial institutions	8.6	(70,000)	(70,000)
		10,720,935	1,361,754

Notes to the Consolidated Financial Statements
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8.1 These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging from 8.99% to 9.95% (2011: 11.90%) per annum and will mature on various dates, latest by February 4, 2013.

8.2 This represents certificate of investment of financial institution carrying markup at the rate of 9.35% (2011: Nil) and will mature on February 6, 2013. This also includes a classified Certificate of Investment amounting to Rs. 70 million.

8.3 These call money lendings carry markup at rate of 9.75% (2011: Nil) and will mature on various dates latest by February 1, 2013.

		December 31, 2012	December 31, 2011
		Rupees in '000	
8.4	Particulars of lending		
	In local currency	10,790,935	1,431,754
	In foreign currencies	-	-
		10,790,935	1,431,754

8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2012			December 31, 2011		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	8,270,935	-	8,270,935	1,361,754	-	1,361,754
	8,270,935	-	8,270,935	1,361,754	-	1,361,754

		December 31, 2012	December 31, 2011
		Rupees in '000	
8.6	Particulars of provision		
	Opening balance	70,000	-
	Charge for the year	-	70,000
	Reversal	-	-
	Net charge	-	70,000
	Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2012			December 31, 2011		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
				Rupees in '000			
9.1 Investments by types							
Held-for-trading securities							
Units of open-end mutual funds - related party		679,962	-	679,962	446,148	-	446,148
Term Finance Certificates		14,745	-	14,745	-	-	-
		694,707	-	694,707	446,148	-	446,148
Available-for-sale securities							
Market treasury bills		187,405,619	18,472,671	205,878,290	92,151,063	29,859,590	122,010,653
Pakistan investment bonds		147,813	-	147,813	147,290	-	147,290
Ordinary shares of listed companies / certificates of mutual funds		14,788,340	-	14,788,340	10,727,056	-	10,727,056
Preference shares		149,355	-	149,355	149,355	-	149,355
Units of open end mutual funds		831,219	-	831,219	5,210,776	-	5,210,776
Ordinary shares of unlisted companies		1,692,292	-	1,692,292	1,643,673	-	1,643,673
Investment in related parties							
- Unlisted shares		221,295	-	221,295	242,496	-	242,496
- Units of open end mutual funds		100,000	-	100,000	13,690,232	-	13,690,232
Sukuk bonds		3,216,409	-	3,216,409	3,598,872	-	3,598,872
Term finance certificates (TFCs)		2,783,904	-	2,783,904	3,395,447	-	3,395,447
		211,336,246	18,472,671	229,808,917	130,956,260	29,859,590	160,815,850
Held-to-maturity securities							
Pakistan investment bonds		26,818,371	-	26,818,371	27,574,628	-	27,574,628
Foreign currency bonds (US$)		2,612,263	-	2,612,263	1,591,392	-	1,591,392
TFCs, Bonds and PTCs		4,553,290	-	4,553,290	5,766,862	-	5,766,862
		33,983,924	-	33,983,924	34,932,882	-	34,932,882
Investment at cost		246,014,877	18,472,671	264,487,548	166,335,290	29,859,590	196,194,880
Provision for diminution in the value of investments	9.3	(1,947,781)	-	(1,947,781)	(2,703,761)	-	(2,703,761)
Investment (net of provisions)		244,067,096	18,472,671	262,539,767	163,631,529	29,859,590	193,491,119
Surplus on revaluation of held-for-trading securities		69,700	-	69,700	6,030	-	6,030
Surplus on revaluation of available-for-sale securities	21.2	4,985,626	87,586	5,073,212	2,264,670	27,819	2,292,489
Total investments at market value		249,122,422	18,560,257	267,682,679	165,902,229	29,887,409	195,789,638

Notes to the Consolidated Financial Statements
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		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
9.2	INVESTMENTS BY SEGMENTS:			
	Federal Government Securities:			
	- Market Treasury Bills	9.2.1 - 9.2.3	205,878,290	122,010,653
	- Pakistan Investment Bonds	9.2.1	26,966,184	27,721,918
	- Foreign Currency Bonds (US$)	9.2.4	2,612,263	1,591,392
	Fully paid up ordinary shares of listed companies / certificates of mutual funds	9.4	14,788,340	10,727,056
	Fully paid up ordinary shares of unlisted companies	9.5	1,913,587	1,886,169
	Investment in units of open end mutual funds	9.6	1,611,181	19,347,156
	Fully paid up preference shares	9.7	149,355	149,355
	Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
	Term Finance Certificates			
	-Listed	9.8	1,871,823	2,165,895
	-Unlisted	9.8	2,127,734	3,459,231
	Sukuk Bonds	9.9	6,568,791	7,135,252
	Participation Term Certificates	9.10	-	803
	Total investments at cost		264,487,548	196,194,880
	Less: Provision for diminution in the value of investments	9.3	(1,947,781)	(2,703,761)
	Investments (net of provisions)		262,539,767	193,491,119
	Surplus on revaluation of available-for-sale securities	21.2	5,073,212	2,292,489
	Unrealized loss on revaluation of Held-for-trading securities	9.12	69,700	6,030
	Total investments at market value		267,682,679	195,789,638

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2013 To November, 2013	On maturity	At maturity
Foreign Currency Bonds (US$)	March, 2016 To June, 2017	On maturity	Half Yearly
Pakistan Investment Bonds	30 June 2013 To 18 Aug, 2016	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs.18,132.871 million (2011: Rs. 29,519.79 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 (2011: Rs 339.80 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT / DD discounting facilities sanctioned to the Group.

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, 2012	December 31, 2011
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-13	6.5 Years	270,291	245,360
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-13	5.9 Years	299,390	274,465
Euro Dollar Bond ($16,257,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-13	10 Years	1,444,079	1,071,567
Euro Dollar Bond ($7,500,000)	6.875%	31-May-07	01-Jun-17	31-May-13	10 Years	598,503	-
						2,612,263	1,591,392

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
9.3	Particulars of provision			
	Opening balance		2,703,761	2,681,810
	Charge for the year		55,856	344,752
	Reversals		(679,197)	(115,749)
	Net charge		(623,341)	229,003
	Reversal as gain on disposal		(132,243)	(75,417)
	Amounts written off		(396)	(131,635)
	Closing balance	9.3.1	1,947,781	2,703,761
9.3.1	Particulars of provision in respect of type and segment			
	By type			
	Available-for-sale securities			
	Ordinary shares / certificates of listed companies		400,596	505,639
	Ordinary shares of unlisted companies		62,154	7,050
	Preference shares		149,355	149,355
	Units of open end mutual fund		121,906	148,764
	Sukuk Bonds		20,757	23,731
	Term Finance Certificates		-	108,631
			754,768	943,170
	Held-to-maturity securities			
	TFCs, Bonds and PTCs		1,193,013	1,760,591
			1,947,781	2,703,761
	By Segment			
	Fully Paid up Ordinary Shares:			
	- Listed companies		400,596	505,639
	- Unlisted companies		62,154	7,050
	- Preference Shares		149,355	149,355
			612,105	662,044
	Units of open end mutual fund		121,906	148,764
	Term Finance Certificates, Bonds and Participation Term Certificates:			
	Bonds		1,105,348	1,171,678
	Term Finance Certificates		108,422	720,472
	Participation Term Certificates		-	803
			1,213,770	1,892,953
			1,947,781	2,703,761

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

9.4 Investments in Listed Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificate	2012 No. of shares / certificates	2012 Total Cost	2011 No. of shares / certificates	2011 Total Cost
	Rupees		Rupees in '000		Rupees in '000
Available for Sale					
Agritech Limited	12.59	13,961,851	175,755	-	-
Attock Petroleum Limited	489.40	975,000	477,161	760,179	297,164
D.G.Khan Cement Limited	37.43	12,326,141	461,368	11,859,786	278,093
Fatima Fertilizer Company	21.27	54,995,000	1,169,939	50,000,000	927,047
Fauji Fertilizer Company	79.18	29,999,275	2,375,261	27,241,010	2,523,073
First Equity Modaraba	1.24	519,914	645	519,914	645
Habib Bank Limited	-	-	-	2,319,067	242,587
Hub Power Company Limited	36.51	112,000,000	4,089,011	53,372,029	1,856,665
Lucky Cement Limited	146.34	3,450,000	504,884	10,015,000	822,101
MCB Bank Limited	-	-	-	1,308,721	209,980
Namco Balanced Fund	4.37	2,205,360	9,640	2,160,000	9,640
National Refinery Limited	-	-	-	784,960	241,464
Nishat (Chunian) Limited	18.12	17,560,603	318,244	15,964,185	256,353
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Chunian Power Limited (underwriting)	-	-	-	6,700,000	96,480
Nishat Mills Limited	-	-	-	5,000,000	232,681
Nishat Power Limited	10.72	34,813,894	373,302	30,000,000	300,000
Otsuka Pakistan Limited	34.92	95,517	3,335	95,517	3,335
Pakistan International Containers Limited	-	-	-	57,734	577
Pakistan Oil field Limited	380.28	8,876,000	3,375,364	5,170,307	1,527,373
Pakistan Petroleum Limited	159.35	1,556,500	248,029	1,249,714	225,708
PICIC Growth Mutual Fund	13.48	27,577,717	371,851	26,765,844	361,635
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Safe Way Mutual Funds	8.63	1,601,045	13,817	1,601,045	13,817
United Bank limited	74.30	7,000,000	520,096	-	-
			14,788,340		10,727,056

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	8.72	10	5,000	30-Jun-12	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	17.06	10	355,000	30-Jun-12	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	7.83	10	148,333	31-Dec-11	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	26.05	10	40,300	30-Jun-12	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	7.16%	7,734,926	15.92	10	21,200	31-Dec-11	Ms. Shafqat Sultana
Habib Allied International Bank - related party	9.50%	2,375,000	310.23	157	214,769	31-Dec-11	Mr. Anwar M. Zaidi
Islamabad Stock Exchange*	0.83%	3,034,603	10.65	10	30,346	30-Jun-12	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.32	10	8,440	31-Dec-12	Mr. Aftab Ahmed Ch.
National Institutional Facilitation Technologies (Private) Limited (NIFT) - related party	13.57%	1,478,228	62.01	10	1,527	30-Jun-12	Mr. Muzaffar M khan
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	-	1,000	1,000	31-Mar-12	Maj. Gen M. Tauqeer Ahmed
Security General Insurance Life	18.22%	12,401,871	104.81	10	1,075,652	31-Dec-11	Mr. Nabiha Shahnawaz
SME Bank Limited.	0.32%	774,351	7.80	10	5,250	31-Dec-11	Mr. Ihsan Ul Haq Khan
SWIFT	9.00%	10	336,201	176,591	1,770	31-Dec-11	Mr. Gottfried Leibbrandt
Eastern Capital Limited	-	500,000	-	-	5,000	30-Jun-07	Under liquidation
					1,913,587		

*These shares have been acquired according to the requirments of "The Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012" ("The Act").

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2012	No. of Units 2011	Paid-up value per Certificate	Total Cost 2012	Total Cost 2011
			Rupees	Rupees in '000	
ABL Cash Fund- related party	28,034,167	925,520,133	10	267,722	9,381,246
ABL Government Securites Fund- related party	20,099,680	50,000,000	10	179,140	775,000
ABL Income Fund- related party	5,567,533	374,529,738	10	50,092	3,798,213
ABLStock Fund- related party	13,135,682	10,000,000	10	124,579	124,395
ABL Islamic Cash Fund - related party	6,467,133	5,820,385	10	58,429	57,526
ABL AMC Capital Protected Fund - related party	10,034,700	-	10	100,000	-
AH Dow Jones Safe Pak Titans	-	400,000	50	-	20,000
Atlas Money Market Fund	-	99,502	500	-	50,000
AMZ Plus Income Fund	-	108,786	100	-	10,707
Crosby Phoenix Fund	-	192,381	100	-	20,000
HBL Money market Fund	-	9,645,387	100	-	1,000,000
JS Aggressive Income Fund	-	1,015	100	-	-
KASB Income Opportunity Fund	1,345,614	3,468,894	100	121,906	325,019
KASB Cash Fund	1,459,700	-	100	150,000	-
Lakson Money Market Fund	-	2,490,957	100	-	250,000
MCB Cash Optimizer Fund	-	14,908,432	100	-	1,500,000
Meezan Cash Fund	-	9,972,078	100	-	500,000
NAFA Income Opportunity Fund	58,950,235	82,680,350	10	559,313	785,050
UBL Liquidity Plus Fund	-	7,433,989	100	-	750,000
				1,611,181	19,347,156

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, 2012	Based on audited accounts as at	Name of Chief Executive/ Managing Agent
				Rupees	Rupees in '000			
First Dawood Investment Bank Limited	9.7.1	13.88%	9,935,500	10	99,355	99,355	30 June 12	Mr. Rasheed Y. Chinoy
Trust Investment Bank Limited	9.7.2	16.31%	5,000,000	10	50,000	50,000	30 June 12	Mr. Shahid Iqbal
						149,355		

9.7.1 These preference shares issued in June 09, carry preference dividend @ 4% on cumulative basis and are redeemable at par after five years, non-voting, non-participatory and have a call option available to the issuer after two years from the date of issue and conversion option available to the Group, into ordinary shares at par value of Rs. 10 along with cumulative dividend at any time after issuance.

9.7.2 These preference shares carry dividend @ 1 Year KIBOR plus 100 BPS on cumulative basis, and are non-voting with call option available to the issuer and conversion option available to the Group, 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 2012	No. of Units 2011	Paid-up value per Certificate	Total Cost 2012	Total Cost 2011
			Rupees	Rupees in '000	
Listed					
Standard Chartered Bank (Pakistan) Limited	10,000	10,000	5,000	12,500	34,960
Faysal Bank Limited	70,000	70,000	5,000	349,720	349,860
United Bank Limited-3rd Issue	10,000	10,000	5,000	33,267	49,900
United Bank Limited -4th Issue	37,000	37,000	5,000	184,667	184,741
PakArab Fertilizers Limited	84,080	84,080	5,000	126,120	311,096
Azgard Nine Limited	1,300	1,300	5,000	1,573	4,327
Orix Leasing Pakistan Limited	1,500	1,500	5,000	-	1,230
NIB Bank Limited	76,789	76,789	5,000	383,254	383,407
United Bank Limited-PPTFC	122,558	122,558	5,000	611,687	611,932
Telecard Limited	75,888	75,888	5,000	139,290	139,444
Pakistan Mobile Communication Limited	6,000	15,000	5,000	29,745	75,000
Engro Fertilizers Limited	-	4,000	5,000	-	19,998
				1,871,823	2,165,895
Unlisted					
Askari Bank Limited	20,000	30,000	5,000	99,880	149,920
(Chief Executive: Mr. M. R. Mehkari)					
Faysal Bank Limited (Royal Bank Of Scotland)	7,000	7,000	5,000	8,729	17,465
(Chief Executive: Mr. Naved A. Khan)					
Orix Leasing Pakistan Limited	23,000	23,000	100,000	383,333	1,150,000
(Chief Executive: Mr. Teizoon Kissat)					
Escort Investment Bank Limited	20,000	20,000	5,000	19,984	29,976
(Chief Executive: Ms. Shazia Bashir)					
Financial Receivable Securitization Company Limited - A	14,579	14,579	100,000	18,216	30,360
(Chief Executive: Mr. Munaf Ibrahim)					
Financial Receivable Securitization Company Limited - B	6,421	6,421	5,000	12,025	20,042
(Chief Executive: Mr. Munaf Ibrahim)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	31,250
(Chief Executive: Mr. Dewan Abdul Baqi Farooqui)					
Al-Abbas Sugar Industries	25,000	25,000	5,000	24,950	49,950
(Chief Executive: Mr. Shunaid Qureshi)					
Javedan Cement Limited (Formerly Al-Abbas Holding (Private) Limited)	-	5,750	100,000	-	499,702
(Chief Executive: Mr. Samad A. Habib)					
Javedan Cement Limited (Formerly Ghani Holding (Private) Limited)	-	5,750	100,000	-	499,702
(Chief Executive: Mr. Samad A. Habib)					
Javedan Cement Limited	-	2,500	100,000	-	217,262
(Chief Executive: Mr. Samad A. Habib)					
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	670
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	10,999	12,667
Frontier Ceramics Limited	-	15	117,000		
(Chief Executive: Mr. Omer Khalid)	-	1	118,846		
	-	13	224,000		
	-	1	217,221		
	-	13	113,000		
	-	1	113,960	-	955

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2012	2011		2012	2011
			Rupees	Rupees in '000	
Bank Al-Habib Limited 3rd Issue	60,000	60,000	5,000	299,160	299,400
(Chief Executive: Mr. Abbas D. Habib)					
Bank Al-Habib Limited 4th Issue	90,000	90,000	5,000	449,730	449,910
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank (Pakistan) Limited 3rd Issue	75,000	-	5,000	375,000	-
(Chief Executive: Mr. Mohsin Ali Nathani)					
Jahangir Siddiqi & Company Limited	30,000	-	5,000	150,000	-
(Chief Executive: Mr. Munaf Ibrahim)					
Bank Al Falah Limited	49,000	-	5,000	245,000	-
(Chief Executive: Mr. Atif Bajwa)					
Total				2,127,734	3,459,231

9.9 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2012	Cost 2011
						Rupees in '000	
Sukuk Bonds							
Security Leasing Corporation Limited	6 MK+2%	Jan-07	Jan-22	Jan-13	Monthly	83,027	94,922
Century Paper & Board Mills Limited	Last 5 Days 6 Month						
	avg K+1.35%	Sep-07	Sep-14	Mar-13	Half Yearly	460,000	690,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	Jun-08	Jun-18	Jan-13	Quarterly	79,760	79,760
Liberty Power Technology Limited	3 MK+3%	Mar-09	Jan-21	Jan-13	Half Yearly	2,297,047	2,689,191
Liberty Power Technology Limited	3 MK+3%	Nov-10	Jan-21	Jan-13	Half Yearly	256,575	-
Al-Zamin Leasing Modaraba	6 MK+1.9%	May-08	May-12	May-13	Half Yearly	128,661	151,802
Quetta Textile Mills Limited	6 MK+1.5%	Sep-08	Sep-15	Mar-13	Half Yearly	40,000	45,000
Shahraj Fabrics Private Limited	6 MK +2.10%	Mar-08	Mar-13	Mar-13	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	Dec-07	Dec-18	Mar-13	Quarterly	3,023,721	3,184,577
						6,568,791	7,135,252

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

Name of the Borrower	No. of Certificates 2012	No. of Certificates 2011	Value per Certificate	Cost 2012	Cost 2011
				Rupees in '000	
Pangrio Sugar Mills Limited	-	15	236,000		
(Chief Executive: Mr. Sajid Hussain Naqvi)	-	1	240,000		
	-	1	168,000		
	-	13	169,000	-	803
				-	803

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9.11 Quality of Available for Sale Securities

Name of Security	2012 Market value / Book Value	2012 Rating	2011 Market value / Book Value	2011 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	206,138,340	Un Rated	122,010,653	Un Rated
Pakistan Investment Bonds	145,735	Un Rated	147,290	Un Rated
Listed TFCs				
Standard Chartered Bank (Pakistan) Limited (Union Bank)	12,760	AAA	35,790	AAA
Faysal Bank Limited	354,091	AA-	329,803	AA-
United Bank Limited 3rd Issue	33,755	AA	50,632	AA
United Bank Limited 4th Issue	188,518	AA	184,176	AA
Pak Arab Fertilizers Limited	126,251	AA	311,096	AA
Azgard Nine Limited	1,479	D	4,067	D
ORIX Leasing Pakistan Limited	-	-	1,224	AA+
Pakistan Mobile Communication Limited	14,926	AA-	73,768	AA-
Engro Fertilizers Limited	-	-	20,000	**
Unlisted TFCs				
Askari Bank Limited	99,880	AA-	149,920	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	8,729	AA-	17,465	AA-
ORIX Leasing Pakistan Limited	383,333	AA+	1,150,000	AA+
Escort Investment Bank Limited	19,984	BB	29,976	BB
Financial Receivable Securitization Company Limited-A	18,216	A+	30,361	A+
Financial Receivable Securitization Company Limited-B	12,025	A+	20,042	A+
Javedan Cement Limited	-	-	217,262	**
Bank Al-Habib Limited TFC 3rd Issue	299,160	AA	299,400	AA
Bank Al-Habib Limited TFC 4th Issue	449,730	AA	449,910	AA
Standard Chartered Bank (Pakistan) Limited	375,000	AAA	-	-
Jahangir Siddiqi & Company Limited	150,000	AA+	-	-
Bank Alfalah Limited	245,000	AA-	-	-
Shares Unlisted				
Arabian Sea Country Club Limited*	5,000	**	5,000	**
Atlas Power Limited*	355,000	A+&A1	355,000	AA&A1+
Burj Bank Limited	148,333	A&A-1	-	-
Central Depository Committee	40,300	**	-	-
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	A-&A2	21,200	BBB+&A2
Habib Allied International Bank Limited*	214,769	**	214,769	**
Islamabad Stock Exchange	30,346	**	-	-
Lahore Stock Exchange	8,440	**	-	-
Khushhali Bank Limited	-	-	200,000	A&A-1
NIFT*	1,526	**	1,526	**
PASSCO*	1,000	**	1,000	**
Security General Insurance Life	1,075,653	A+	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				
Agritech Limited*	162,935	D	-	-
Attock Petroleum Limited	499,190	**	313,574	AA&A1+
D.G. Khan Cement Limited	672,761	**	225,692	**
Fatima Fertilizer Company Limited	1,451,868	A+&A1	1,146,000	A & A1
Fauji Fertilizer Company Limited*	1,366,693	**	2,326,279	**
Fauji Fertilizer Company Limited	2,147,422	**	1,747,342	**
First Equity Modaraba	1,664	**	390	**
Habib Bank Limited	-	-	246,007	AA+&A-1+
Hub Power Company Limited*	2,755,116	AA+&A1+	1,065,929	AA+&A1+
Hub Power Company Limited	2,311,764	AA+&A1+	759,395	AA+&A1+
Lucky Cement Limited	522,813	**	751,526	**
MCB Bank Limited	-	-	176,154	AA+&A1+
Namco Balanced Fund	10,475	**	10,908	**
National Refinery Limited	-	-	190,502	AAA&A1+

Name of Security	2012 Market value/Book Value	2012 Rating	2011 Market value/Book Value	2011 Rating
	Rupees '000		Rupees '000	
Nishat (Chunian) Limited	615,324	A-&A-2	285,120	**
Nishat Chunian Power Limited*	630,300	A&A-2	382,500	AA-&A1+
Nishat Chunian Power Limited	-	-	85,425	AA-&A1+
Nishat Mills Limited	-	-	202,250	AA-&A1+
Nishat Power Limited*	585,000	A+&A1	388,500	AA-&A1+
Nishat Power Limited	93,871	A+&A1	-	-
Otsuka Pakistan Limited	3,606	**	3,133	**
Pakistan International Containers Limited	-	-	519	A+ & A
Pakistan Oilfield Limited*	1,544,079	**	1,791,253	**
Pakistan Oilfield Limited	2,339,526	**	-	-
Pakistan Petroleum Limited	275,174	**	210,352	**
PICIC Growth Mutual Fund	452,275	**	333,502	**
Pioneer Cement Limited	1,926	**	352	**
Safe Way Mutual Fund	17,611	**	8,470	AM4+
United Bank Limited	585,690	AA+&A-1+	-	-
Preference Shares				
Trust Investment Bank Limited	50,000	**	50,000	BBB & A3
First Dawood Investment Bank	99,355	**	99,355	D
Investment in Mutual Funds				
ABL Cash Fund	-	-	9,272,601	AA+(f)
ABL Government Securites Fund	-	-	501,295	A+(f)
ABL Income Fund	-	-	3,751,177	A+(f)
ABL Stock Fund	121,115	MFR 5-Star	97,021	MFR 5-Star
AH Dow Jones Safe Pak Titans	-	-	19,804	**
Atlas Money Market Fund	-	-	50,107	AA+(f)
AMZ Plus Income Fund	-	-	6,873	**
Crosby Phoenix Fund	-	-	20,567	A(f)
HBL Money Market Fund	-	-	995,225	AA+(f)
JS Aggressive Income Fund	-	-	106	-
KASB Income Opportunity Fund	97,419	**	186,962	BBB(f)
KASB Cash Fund	149,707	AA+(f)	-	-
Lakson Money Market Fund	-	-	249,344	AA(f)
MCB Cash Optimizer Fund	-	-	1,533,863	AA+(f)
Meezan Cash Fund	-	-	500,003	AA(f)
NAFA Cash Fund	588,040	**	791,656	A(f)
UBL Liquidity Plus Fund	-	-	747,001	AA+(f)
Sukuk Bonds				
Security Leasing Corporation Limited	83,027	**	94,922	**
Century Paper & Board Mills Limited	460,000	A+	690,000	A+
K.S.Sulemanji Esmailji & Sons	79,760	**	79,760	**
Liberty Power Technology Limited 1st Issue	2,297,047	A+	2,689,191	AA-
Liberty Power Technology Limited 2nd Issue	256,575	A+	-	-
Quetta Textile Mills Limited	40,000	**	45,000	**

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

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
9.12 Unrealized gain on revaluation of investments classified as held for trading			
ABL Cash Fund		12,906	2,090
ABL Income Fund		5,668	1,879
ABL Stock Fund		13,399	183
ABL Islamic Income Fund (ABL Islamic Cash Fund)		6,344	903
ABL Government Securities Fund		22,991	975
ABL AMC Capital Protected Fund		8,211	-
Pakistan Mobile Communication Limited		181	-
		69,700	6,030

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		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
10.	**ADVANCES**			
	Loans, cash credits, running finances, etc. - in Pakistan		283,063,975	256,555,593
	Net investment in finance lease - in Pakistan	10.2	1,815,004	1,748,858
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		2,390,263	1,769,188
	Payable outside Pakistan		1,651,473	2,069,915
			4,041,736	3,839,103
	Advances - gross		288,920,715	262,143,554
	Provision for non-performing advances	10.4	(17,752,942)	(17,671,070)
	General provision for consumer financing	10.4	(52,090)	(32,647)
			(17,805,032)	(17,703,717)
	Advances - net of provision		271,115,683	244,439,837
10.1	**Particulars of advances (Gross)**			
10.1.1	In local currency		286,460,665	258,299,094
	In foreign currencies		2,460,050	3,844,460
			288,920,715	262,143,554
10.1.2	Short term (for upto one year)		167,988,131	165,334,959
	Long term (for over one year)		120,932,584	96,808,595
			288,920,715	262,143,554

10.2 Net investment in finance lease

	December 31, 2012				December 31, 2011			
	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	394,697	675,658	563,965	1,634,320	404,737	722,438	511,106	1,638,281
Residual value	74,614	243,008	128,548	446,170	45,621	221,157	128,082	394,860
Minimum lease payments	469,311	918,666	692,513	2,080,490	450,358	943,595	639,188	2,033,141
Financial charges for future periods	(75,280)	(87,307)	(102,899)	(265,486)	(96,234)	(104,188)	(83,861)	(284,283)
Present value of minimum lease payments	394,031	831,359	589,614	1,815,004	354,124	839,407	555,327	1,748,858

10.3 Advances include Rs. 20,667.561 million (2011: Rs. 20,452.465 million) which have been placed under non-performing status as detailed below:

December 31, 2012

Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	62,814	-	62,814	-	-	-	-	-	-
Substandard	608,677	-	608,677	151,422	-	151,422	151,422	-	151,422
Doubtful	4,750,195	-	4,750,195	2,405,112	-	2,405,112	2,405,112	-	2,405,112
Loss	15,245,875	-	15,245,875	15,196,408	-	15,196,408	15,196,408	-	15,196,408
	20,667,561	-	20,667,561	17,752,942	-	17,752,942	17,752,942	-	17,752,942

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
	20,452,465	-	20,452,465	17,671,070	-	17,671,070	17,671,070	-	17,671,070

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2012			December 31, 2011		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		17,671,070	32,647	17,703,717	15,420,788	9,474	15,430,262
	Charge for the year		3,233,567	19,443	3,253,010	4,354,209	23,173	4,377,382
	Reversals		(1,979,109)	-	(1,979,109)	(1,667,361)	-	(1,667,361)
	Charged to profit and loss account		1,254,458	19,443	1,273,901	2,686,848	23,173	2,710,021
	Amounts written off	10.5.1	(1,172,586)	-	(1,172,586)	(436,566)	-	(436,566)
	Closing balance		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
10.4.1	In local currency		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
	In foreign currencies		-	-	-	-	-	-
			17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		1,172,586	436,566
	Directly charged to Profit and Loss account		-	-
			1,172,586	436,566
10.5.2	Write Offs of Rs. 500,000 and above	10.6	1,171,410	414,337
	Write Offs of below Rs. 500,000		1,176	22,229
			1,172,586	436,566

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, 2012 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
10.7	Particulars of loans and advances to directors, related parties, etc			
	Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
	Balance at beginning of the year		5,205,090	5,333,962
	Loans granted during the year		1,900,671	840,856
	Repayments		(1,500,716)	(969,728)
	Balance at end of the year		5,605,045	5,205,090
	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	1,598,345	4,511,386
	Property and equipment	11.2	17,296,832	13,416,635
	Intangible assets	11.3	987,069	167,102
			19,882,246	18,095,123
11.1	Capital work-in-progress			
	Civil works		938,326	3,297,410
	Equipment		129,020	325,324
	Advances to suppliers and contractors		530,999	888,652
			1,598,345	4,511,386

11.2 Property and equipment

Description	Note	Cost / Revaluation: At January 1, 2012	Additions / (deletions)	Revaluation surplus	Write-off	At December 31, 2012	Accumulated Depreciation: At January 1, 2012	Change for the year / (depreciation on deletion)	Revaluation deficit/(surplus)	Write-off	At December 31, 2012	Net book value at December 31, 2012	Annual rate of depreciation %
		Rupees in '000											
Land-Freehold	11.4	5,430,494	461,165	3,858	-	5,895,517	-	-	-	-	-	5,895,517	-
Land-Leasehold	11.4	1,757,977	206,159	-	-	1,964,136	-	-	-	-	-	1,964,136	-
Buildings-Freehold	11.4	1,841,533	2,383,843	-	-	4,225,376	159,204	123,028	117,892	-	400,124	3,825,252	5
Buildings-Leasehold	11.4	2,118,328	9,982	-	-	2,128,310	260,370	93,844	-	-	354,214	1,774,096	5
Building improvements (rented premises)		1,036,727	188,865	-	-	1,225,592	422,081	211,045	-	-	633,126	592,466	20
Furniture and fixtures		629,602	160,210 (1,570)	-	-	788,242	242,370	58,435 (1,527)	-	-	299,278	488,964	10
Electrical, office and computer equipments		3,739,701	1,474,070 (3,376)	-	-	5,210,395	2,128,410	656,041 (3,202)	-	-	2,781,249	2,429,146	14.28 - 50
Vehicles		271,208	305,806 (30,936)	-	-	546,078	196,500	52,142 (29,819)	-	-	218,823	327,255	20
Total		16,825,570	5,190,100 (35,882)	3,858	-	21,983,646	3,408,935	1,194,535 (34,548)	117,892	-	4,686,814	17,296,832	

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

Description	Note	Cost / Revaluation: At January 1, 2011	Additions / (Adjustment) / (Deletions)	Revaluation surplus	Write-off	At December 31, 2011	Accumulated Depreciation: At January 1, 2011	Change for the year / (depreciation on deletion)	Revaluation deficit/(surplus)	Write-off	At December 31, 2011	Net book value at December 31, 2011	Annual rate of depreciation %
		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	5
Buildings-Leasehold	11.4	2,038,518	79,810	-	-	2,118,328	175,809	96,795	(12,234)	-	260,370	1,857,958	5
Building improvements		837,024	199,750	-	-	1,036,727	235,426	186,701	-	-	422,081	614,646	20
(rented premises)			(47)					(46)					
Furniture		529,019	104,053	-	-	629,602	195,785	49,965	-	-	242,370	387,232	10
and fixtures			(3,470)					(3,380)					
Electrical, office		3,050,236	705,776	-	-	3,739,701	1,603,539	539,030	-	-	2,128,410	1,611,291	10 - 50
and computer			(16,311)					(14,159)					
equipments													
Vehicles		245,666	34,834	-	-	271,208	160,816	39,664	-	-	196,500	74,708	20
			(9,292)					(3,980)					
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)					

11.3 Intangible assets

Description	Cost: At January 1, 2012	Additions	At December 31, 2012	Accumulated Amortization: At January 1, 2012	Amortization	At December 31, 2012	Net book value at December 31, 2012	Rate of amortization %
	Rupees in ' 000							
Computer software	319,475	870,661	1,190,136	152,373	50,694	203,067	987,069	14.28

Description	Cost: At January 1, 2011	Additions	At December 31, 2011	Accumulated Amortization: At January 1, 2011	Amortization	At December 31, 2011	Net book value at December 31, 2011	Rate of amortization %
	(Rupees in ' 000)							
Computer software	296,762	22,713	319,475	112,111	40,262	152,373	167,102	14.28

11.4 Group arranged for valuation of properties as at December 31, 2011 from three independent valuers (Akbani & 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. During the year the Group arranged for revaluation of Head office building from independent valuer, Indus surveyor. As a result net increase in the carrying values of properties comes to Rs. 814.625 million as at Dec 31, 2012. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2012	December 31, 2011
	Rupees in '000	
- Land	4,537,289	3,869,965
- Building	3,379,155	1,202,201

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 stated above in note 11.4 and are carried at fair value.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	47,736	44,932
11.7	Restriction / discrepancy in the title of property having a net book value of		73,726	76,112
11.8	Carrying amount of temporarily idle property and equipment		54,500	54,500
11.9	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		115,759	110,201
	Electrical, office and computer equipments		1,240,959	875,141
	Vehicles		129,088	138,207
	Intangible assets - software		47,135	38,056
11.10	The carrying amount of property and equipment that have retired from active use and are held for disposal		353,026	334,858

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" of the unconsolidated financial statements of Allied Bank Limited.

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 Group or any related party, as required by SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "II" of the unconsolidated financial statements of Allied Bank Limited.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		December 31, 2012	December 31, 2011
		Rupees in '000	
12. DEFERRED TAX (LIABILITY) / ASSET - NET			
Deferred debits arising in respect of:			
Compensated leave absences	12.1	697	88,879
Provision against:	12.1		
Investments		71,971	72,699
Other assets		166,694	212,384
Off balance sheet obligations		92,039	109,432
Provision against advances		1,297,868	1,283,998
Post retirement medical benefits	12.1	165,146	224,714
Worker's welfare fund		306,342	195,249
		2,100,757	2,187,355
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(276,296)	(334,264)
Surplus on revaluation of investments		(610,815)	(203,813)
Accelerated tax depreciation / amortization		(1,268,374)	(881,874)
Excess of investment in finance lease over written down value of leased assets		(10,691)	(16,432)
		(2,166,176)	(1,436,383)
		(65,419)	750,972

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2011	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2012
				Rupees in '000			
Deferred debits arising in respect of:							
Compensated leave absences	153,605	(64,726)	-	88,879	(88,182)	-	697
Provision against:							
Investments	79,098	(6,399)	-	72,699	(728)	-	71,971
Other assets	275,847	(63,463)	-	212,384	(45,690)	-	166,694
Off balance sheet obligations	169,525	(60,093)	-	109,432	(17,393)	-	92,039
Advances	1,025,795	258,203	-	1,283,998	13,870	-	1,297,868
Post retirement medical benefits	276,249	(51,535)	-	224,714	(59,568)	-	165,146
Worker's welfare fund	86,455	108,794	-	195,249	111,093	-	306,342
	2,066,574	120,781	-	2,187,355	(86,598)	-	2,100,757
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(314,611)	15,728	(35,381)	(334,264)	16,708	41,260	(276,296)
Surplus on revaluation of investments	(403,875)	-	200,062	(203,813)	-	(407,002)	(610,815)
Accelerated tax depreciation / amortization	(846,420)	(35,454)	-	(881,874)	(386,500)	-	(1,268,374)
Excess of investment in finance lease over written down value of leased assets	(18,516)	2,084	-	(16,432)	5,741	-	(10,691)
	(1,583,422)	(17,642)	164,681	(1,436,383)	(364,051)	(365,742)	(2,166,176)
	483,152	103,139	164,681	750,972	(450,649)	(365,742)	(65,419)

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 Group 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, 2012	December 31, 2011
			Rupees in '000	
13.	OTHER ASSETS			
	Income / mark-up accrued on advances, investments and lending to financial institutions:			
	- in local currency		9,138,162	10,952,336
	- in foreign currencies		84,750	32,023
	Advances, deposits, advance rent and other prepayments		1,061,945	1,406,687
	Advance taxation (payments less provisions)		4,061,051	1,587,941
	Stationery and stamps on hand		122,598	41,439
	Prepaid exchange risk fee		-	53
	Unrealized gain on forward foreign exchange contracts		15,004	162,279
	Due from the employees' retirement benefit schemes	36.4	1,808,080	1,562,389
	Excise duty		11	11
	Receivable from SBP - customers encashments		12,050	9,222
	Non banking assets acquired in satisfaction of claims	13.1	2,787,866	1,974,266
	Suspense account		764,492	584,350
	Others		67,966	77,998
			19,923,975	18,390,994
	Less: Provision held against other assets	13.2	(1,404,807)	(1,098,592)
	Other assets (net of provision)		18,519,168	17,292,402
13.1	Market value of non banking assets acquired in satisfaction of claims		2,211,578	1,820,550
13.2	Provision against Other Assets:			
	Opening balance		1,098,592	1,062,781
	Charge for the year		472,926	308,815
	Reversals		(130,542)	(194,634)
	Net charge		342,384	114,181
	Written off / adjusted		(36,169)	(78,370)
	Closing balance		1,404,807	1,098,592

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2012 and December 31, 2011.

15. BILLS PAYABLE

In Pakistan	6,203,051	4,015,317

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
16.	BORROWINGS			
	In Pakistan		38,469,303	49,959,308
	Outside Pakistan		446,889	33,892
			38,916,192	49,993,200
16.1	Particulars of borrowings with respect to currencies			
	In local currency		38,362,235	48,043,881
	In foreign currencies		553,957	1,949,319
			38,916,192	49,993,200
16.2	Details of borrowings (Secured / Unsecured)			
	Secured			
	Borrowings from State Bank of Pakistan			
	Under export refinance scheme	16.3	15,179,074	14,162,420
	Long term financing facility - Export oriented projects	16.4	908,543	1,418,190
	Long term financing facility	16.5	2,623,950	2,673,844
	Modernization of SMEs	16.6	7,222	154,240
	Financing Facility for Storage of Agriculture Produce (FFSA)	16.7	60,290	71,249
	Revival of SMEs & Agricultural activities in flood affected areas	16.8	112,650	89,450
			18,891,729	18,569,393
	Repurchase agreement borrowings	16.9	18,220,505	29,474,488
	Unsecured			
	Call borrowings	16.10	1,553,957	1,915,427
	Overdrawn nostro accounts		-	33,892
	Other Borrowings		250,001	-
			1,803,958	1,949,319
			38,916,192	49,993,200

16.3 The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The loan carries mark-up at rates ranging from 8.5 % to 10% (2011: 10%) per annum. These borrowings are repayable within six months from the deal date.

16.4 This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 5% (2011: 5%) 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 10 years. The loan carries mark-up at rates ranging from 8.20% to 9.50% (2011: 8.20% to 9.50%) per annum.

16.6 This represents Long Term Financing facility availed by the Bank for extending the same to its customers 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 5 years. These carry mark-up at the rates ranging from 6.5% (2011: 5% - 8%) per annum.

16.7 This represents long term financing facility availed by the Bank for establishment, expansion and balancing modernization and replacement (BMR) of steel/Metal.Concrete Silos, Warehouses and Cold Storage. The financing is available for a maximum period of 7 years. The loan carries mark-up at the rate of 5% (2011: 5% to 6.5%) per annum.

16.8 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 5% (2011: 5%) per annum.

16.9 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 6.49% to 9% (2011: 11.7% to 11.95%) per annum maturing on various dates, latest by January 09, 2013.

16.10 These represent unsecured borrowings in local and foreign currency from the local interbank market, carrying mark-up at rates ranging from 8.25% to 9% (2011: 11.75% to 11.85%) for local currency borrowing , and at rates ranging from 0.16% to 0.40 %(2011: 0.50% to 1%) for foreign currency borrowing per annum maturing on various dates, latest by March 11, 2013.

		December 31, 2012	December 31, 2011
		Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**		
	Customers		
	Fixed deposits	158,249,920	110,061,707
	Savings deposits	125,835,518	106,782,794
	Current accounts - remunerative	80,053,817	57,667,849
	- non - remunerative	145,711,362	124,121,553
		509,850,617	398,633,903
	Financial Institutions		
	Remunerative deposits	4,463,515	560,816
	Non - remunerative deposits	388,312	366,071
		514,702,444	399,560,790
17.1	Particulars of deposits		
	In local currency	475,356,954	362,078,640
	In foreign currencies	39,345,490	37,482,150
		514,702,444	399,560,790
18.	**SUB-ORDINATED LOANS**		
	Term Finance Certificates - I	2,494,000	2,495,000
	Term Finance Certificates - II	2,996,400	2,997,600
		5,490,400	5,492,600

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)	2,494,000	2,996,400
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Mark up repayment	Payable semi annually	Payable semi annually
Rate	- Six months KIBOR plus 1.90%	- 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 after the eleventh redemption date of	Issuer has the right to seek redemption the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
19.	OTHER LIABILITIES			
	Mark-up / return / interest payable in local currency		5,227,681	4,824,619
	Mark-up / return / interest payable in foreign currency		569,242	597,610
	Accrued expenses		1,506,542	1,122,934
	Branch adjustment account		670,232	485,125
	Provision for:			
	- gratuity	36.4	104,013	131,413
	- employees' medical benefits	36.4	1,864,778	1,771,930
	- employees' compensated absences	36.4	1,021,739	963,190
	Unclaimed dividends		87,695	57,502
	Dividend payable		13,107	10,984
	Provision against off-balance sheet obligations	19.1	884,489	515,009
	Retention money payable		139,544	113,644
	Security deposits against lease		451,206	397,171
	Sundry deposits		895,875	914,860
	Workers Welfare Fund payable		899,748	576,706
	Others		1,324,755	864,650
			15,660,646	13,347,347
19.1	Provision against off-balance sheet obligations			
	Opening balance		515,009	370,764
	Charge for the year		419,173	182,304
	Reversals		(49,693)	(38,059)
	Net charge		369,480	144,245
	Closing balance		884,489	515,009

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

		December 31, 2012	December 31, 2011
19.2	Particulars of other liabilities		
	In local currency	15,090,033	12,749,737
	In foreign currencies	570,613	597,610
		15,660,646	13,347,347

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

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

December 31, 2012	December 31, 2011	Ordinary shares	December 31, 2012	December 31, 2011
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
522,013,365	435,982,273	Issued as bonus shares	5,220,134	4,359,823
928,793,459	842,762,367		9,287,935	8,427,624
9,148,550	9,148,550	18,348,550 ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.	84,000	84,000
946,342,009	860,310,917		9,463,421	8,603,110

Ibrahim Fibers Limited, related party of the Group, holds 226,365,220 (23.92%) [December 31, 2011: 270,786,564 (31.4%)] ordinary shares of Rs.10 each, as at reporting date.

	Note	December 31, 2012	December 31, 2011
		Rupees in '000	
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- fixed assets	21.1	3,525,308	3,629,110
- securities	21.2	4,462,397	2,088,676
Surplus on revaluation of assets - net of tax		7,987,705	5,717,786
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation as at January 1, 2012		3,963,374	3,079,647
(Deficit) / surplus on revaluation during the year		(114,034)	928,659
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(31,028)	(29,204)
Related deferred tax liability	12.1	(16,708)	(15,728)
	11.6	(47,736)	(44,932)
Surplus on revaluation as at December 31, 2012		3,801,604	3,963,374
Less: Related deferred tax liability on :			
Revaluation as at January 1, 2012		334,264	314,611
Deferred tax liability on surplus on revaluation of fixed assets		(41,260)	35,381
Incremental depreciation charged during the year transferred to profit and loss account	12.1	(16,708)	(15,728)
		276,296	334,264
		3,525,308	3,629,110

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		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
21.2	Surplus / (deficit) on revaluation of available-for-sale securities			
	Federal Government Securities			
	Market Treasury Bills		260,050	(67,646)
	Pakistan Investment Bonds		(2,078)	(13,023)
	Term Finance Certificates		9,007	(20,986)
	Shares / Certificates - Listed		4,659,339	2,429,655
	Open end mutual funds		146,894	(35,511)
		9.1	5,073,212	2,292,489
	Less : related deferred tax (liability)	12.1	(610,815)	(203,813)
			4,462,397	2,088,676
22.	CONTINGENCIES AND COMMITMENTS			
22.1	Direct credit substitutes			
	Guarantees in favor of:			
	Banks and financial institutions		473,823	611,478
22.2	Transaction-related contingent liabilities			
	Guarantees in favor of:			
	Government		18,513,854	14,010,962
	Others		12,703,025	21,208,164
			31,216,879	35,219,126
22.3	Trade-related contingent liabilities		54,546,360	52,324,035
22.4	Claims against the bank not acknowledged as debt		5,929,382	4,210,600

22.5 The Group 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, 2012	December 31, 2011
		Rupees in '000	
22.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	35,605,257	49,580,813
	Sale	9,400,993	25,543,453
22.7	Commitments in respect of:		
	Civil works	495,414	1,496,831
	Acquisition of operating fixed assets	706,733	504,141
		1,202,147	2,000,972
22.8	Commitments in respect of lease financing	192,274	110,472
22.9	Commitments in respect Market Treasury Bills	-	3,926,578
22.10	Other Commitments	919	900

22.11 Other Contingencies

22.11.1 The income tax assessments of the Bank have been finalized up to and including tax year 2011 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2011, income tax authorities made certain add backs with aggregate tax impact of Rs.11,471 million. As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher appellate forums against unfavorable decisions. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs.11,471 million. The management is confident that the outcome of these appeals will be in favor of the Bank.

During the year, the Tax Authorities conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2006 and tax year 2008 to 2012 and created an arbitrary demand of Rs. 219 million. The Bank has filed appeals against these orders. The management is confident that these appeals will be decided in favor of the Bank and therefore, no provision has been made agaisnt the said demand of Rs. 219 million.

Tax authorities have also issued an order under Federal Excise Act, 2005 thereby creating an arbitrary demand of Rs. 110 million. The bank has filed an appeal before Commissioner Inland Revenue (appeals). The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 110 million.

22.11.2 As a result of a compromise decree granted by the Honorable 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 Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Group'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 Group will loose money, and Obligor will benefit from that movement because the Group must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Group hedges its exposure by taking forward position in inter-bank FX.

Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group, 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, 2012

		December 31, 2012	December 31, 2011
		Rupees in '000	
24.	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances:		
	Customers	31,457,937	32,634,769
	On investments in:		
	Available for sale securities	12,904,292	16,029,300
	Held to maturity securities	4,036,826	1,283,302
	Held for Trading	41,990	4,349
		16,983,108	17,316,951
	On deposits with financial institutions	10,448	4,079
	On securities purchased under resale agreements	996,522	1,796,144
	On certificates of investment	6,571	6,929
	On letters of placement	7,088	13,864
	On call money lending	50,331	56,161
		49,512,005	51,828,897
25.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	23,053,644	20,139,258
	Long term borrowing	248,400	297,379
	Securities sold under repurchase agreements	3,261,106	1,952,036
	Call money borrowing	431,967	338,396
	Brokerage and commission	194,469	209,802
	Mark-up on sub-ordinated loans	716,980	814,737
	Other short term borrowings	3,274,424	2,944,577
		31,180,990	26,696,185
26.	FEE, COMMISSION AND BROKERAGE INCOME		
	Core fees, commission and brokerage	2,822,612	2,839,831
	Account maintenance charges	119,580	176,641
		2,942,192	3,016,472
27.	GAIN / (LOSS) ON SALE OF SECURITIES		
	Shares - listed	2,002,399	845,570
	- unlisted	208,715	-
	Open end mutual funds	(943,287)	(107,390)
	Market treasury bills	660,944	130,660
	Term finance certificates	(679)	521
	Sukuk Bonds	1,382	-
		1,929,474	869,361
28.	OTHER INCOME		
	Gain on sale of operating fixed assets	27,762	2,576
	Profit on sale of other assets	5,273	676
	Management fee	71,737	36,280
	Recovery from written off Loans	128,245	8,125
	Gain on demutualization of Lahore and Islamabad Stock Exchanges	38,785	-
		271,802	47,657

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
29.	ADMINISTRATIVE EXPENSES			
	Salaries, allowances, etc.	29.3	7,624,731	6,942,294
	Charge for defined benefit plan	36	443,636	471,055
	Contribution to defined contribution plan - provident fund		245,470	219,933
	Non-executive directors' fees, allowances and other expenses		7,675	4,525
	Rent, taxes, insurance, electricity, etc.		1,827,362	1,530,143
	Legal and professional charges		75,961	98,350
	Communications		331,147	407,529
	Repairs and maintenance		311,409	255,768
	Stationery and printing		230,905	281,388
	Advertisement and publicity		360,825	291,057
	Auditors' remuneration	29.1	16,465	14,309
	Depreciation / Amortization	11.2 & 11.3	1,245,227	1,035,096
	Security service charges		623,191	552,343
	Travelling, conveyance and fuel expenses		272,995	274,850
	Entertainment		118,894	138,253
	Computer expenses		556,963	423,458
	Subscription		249,401	257,810
	Donations	29.2	103,515	61,295
	Others		40,274	29,645
			14,686,046	13,289,101

29.1 Auditors' remuneration

	December 31, 2012			December 31, 2011		
	KPMG Taseer Hadi & Co	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co	Ernst & Young Ford Rhodes Sidat Hyder	Total
	Rupees in '000					
Annual audit	2,925	2,925	5,850	2,925	2,925	5,850
Annual audit overseas business unit	53	2,361	2,414	53	-	53
Half year review	1,180	1,180	2,360	1,180	1,180	2,360
Special certifications and miscellaneous services	2,094	2,175	4,269	1,925	2,220	4,145
Out-of-pocket expenses	545	538	1,083	771	737	1,508
Subsidiary Company						
Audit fee	-	350	350	-	325	325
Other certification	-	90	90	-	35	35
Out-of-pocket expenses	-	49	49	-	33	33
	6,797	9,668	16,465	6,854	7,455	14,309

Notes to the Consolidated Financial Statements
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29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year.

	December 31, 2012	December 31, 2011
	Rupees in '000	
Allied fund for flood relief account	-	15,000
Al-Mustafa Trust	1,500	-
Aziz Jehan Begum Trust	1,000	-
Bait ul Sakoon Karachi	100	-
Bakhtawar Amin Memorial Trust Hospital	3,000	1,000
Construction of Houses at Flood Effected Areas	51,315	-
GCU Endowment Fund Trust	-	1,000
Imran Khan Foundation	100	100
Institute of Business Administration	15,000	20,000
Kaghan Memorial Trust	2,000	-
Karachi Center for Dispute Resolution	-	450
Karachi School For Business and Leadership	20,000	-
Khoja Society for People's Education	-	600
Laeeq Rafique Foundation	2,000	-
Lahore Business Association	-	500
Lahore Businessmen Association for Rehabilitation of the Disabled	500	-
Liver Center, Civil Hospital Faisalabad	3,000	-
Marie Adelaide leprosy center	-	1,000
Mayo Hospital Lahore	-	1,200
Memon Medical Institute	-	1,200
Namal Education Foundation	1,000	-
Pakistan Hindu Council	-	100
Patient Welfare Society Allied Hospital Faisalabad	-	596
Patients welfare association, DMC & Civil hospital Karachi	-	500
Patients welfare society Shaikh Zayed hospital Lahore	-	1,000
Pink Ribbon Pakistan	-	500
Sargodhian Spirit Trust	1,000	-
Say Trust	-	100
Shaukat khanum Memorial Cancer Hospital & Research Centre	2,000	2,000
Society for education technology	-	500
Suleman Dawood School of Business	-	10,000
Sundus Foundation	-	800
Tamir Welfare Organization	-	2,849
University of Karachi	-	300
	103,515	61,295

29.3 During the year, the Group announced the Voluntary Retirement Scheme (VRS) for its employees. Ninety One (91) employees (2011 : 183) of the Group opted for retirement under this scheme. In accordance with the actuary recommendations, the Group has recognized an amount of Rs. 104 million (2011 : Rs. 265 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2012	December 31, 2011
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	39,062	117,986
SBP prism service charges	5,828	3,194
Education cess	12,100	12,046
Provision against write off of fixed assets	-	116,920
Other assets written off	969	18,058
	57,959	268,204

31. WORKERS WELFARE FUND

Under the Worker's Welfare Fund 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.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
32.	TAXATION			
	Current - for the year		3,812,352	4,948,719
	- for prior years		1,073	156,112
			3,813,425	5,104,831
	Deferred		450,649	(103,139)
			4,264,074	5,001,692
32.1	Relationship between tax expense and accounting profit			
	Accounting profit for the year		16,146,441	15,257,865
	Tax on income @ 35% (2011 : 35%)		5,651,254	5,340,253
	Effect of permanent differences		20,477	49,405
	Adjustments in respect of tax at reduced rates		(1,567,622)	(892,672)
	Others		159,965	504,706
	Tax charge for the year		4,264,074	5,001,692
33.	EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit after taxation		11,882,367	10,256,173
			Number of Shares	
				Restated
	Weighted average number of ordinary shares outstanding during the year	33.1	946,342,009	946,342,009
			Rupees	
				Restated
	Earnings per share - basic and diluted	33.1	12.56	10.84

There is no dilution effect on basic earnings per share.

33.1 The corresponding figure of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by the Group during the year.

		Note	December 31, 2012	December 31, 2011
			Rupees in '000	
34.	CASH AND CASH EQUIVALENTS			
	Cash and balances with treasury banks	6	43,351,703	36,479,765
	Balances with other banks	7	1,029,292	1,679,121
	Overdrawn nostro accounts	16.2	-	(33,892)
			44,380,995	38,124,994
35.	STAFF STRENGTH		Numbers	
	Permanent		9,291	9,496
	Temporary / on contractual basis / trainee		276	276
	Bank's own staff strength at the end of the year		9,567	9,772
	Outsourced		3,492	3,257
	Total staff strength		13,059	13,029

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.

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		December 31, 2012	December 31, 2011
		Numbers	
36.2	Number of Employees under the schemes		
	The number of employees covered under the following defined benefit scheme / plans are:		
	- Gratuity fund	9,567	9,772
	- Pension fund	6,603	6,797
	- Benevolent fund	201	213
	- Employees' compensated absences	9,291	9,496
	- Post retirement medical benefits	9,291	9,496

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2012 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2012	December 31, 2011
Discount rate	Yield on investments in Government Bonds	12.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	12.00%	13.00%
Gratuity fund	Yield on investments in Government Bonds	12.00%	13.00%
Benevolent fund	Yield on investments in Government Bonds	12.00%	13.00%
Expected rate of salary increase	Rate of salary increase	10.00%	11.00%

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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Fair value of plan's /scheme's assets	36.7	(5,993,598)	(1,082,001)	(161,107)	-	-
Net actuarial gains / (losses) not recognized		1,365,453	(198,201)	41,039	483,378	-
		(1,754,543)	104,013	(107,076)	1,864,778	1,020,459
Benefit of the surplus not available to the Bank		-	-	53,539	-	-
Net (asset) / liability		(1,754,543)	104,013	(53,537)	1,864,778	1,020,459

	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 (losses) / gains 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

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

	Note	December 31, 2012 Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(1,521,226)	131,413	(41,163)	1,771,930	962,292
(Reversal) / charge for the year	36.9	(233,317)	195,483	(12,374)	260,616	298,872
Benefits paid		-	(222,883)	-	(167,768)	(240,705)
Closing balance		(1,754,543)	104,013	(53,537)	1,864,778	1,020,459

	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

36.6 Reconciliation of present value of defined benefit obligations

	December 31, 2012 Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	4,239,314	1,193,848	19,561	1,656,505	962,292
Current service cost	-	160,654	-	63,223	77,914
Interest cost	512,528	143,615	1,512	204,441	162,627
Benefits paid	(593,575)	(178,236)	(15,858)	(167,769)	(240,705)
VRS loss	35,000	6,000	-	1,000	19,000
Actuarial (gains) / losses	(1,319,665)	58,334	7,777	(376,000)	39,331
Closing balance	2,873,602	1,384,215	12,992	1,381,400	1,020,459

	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

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36.7 Reconciliation of fair value of plan assets

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,985,286	918,453	160,816	-	-
Expected return on plan assets	739,505	122,301	20,906	-	-
Bank's contribution	-	222,883	-	-	-
Benefits paid	(593,575)	(178,236)	(15,858)	-	-
Actuarial gains / (losses)	(137,618)	(3,400)	(4,757)	-	-
Closing balance	5,993,598	1,082,001	161,107	-	-

	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	-	-

36.8 Composition of fair value of plan assets

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	1,268,867	382,691	115,243	-	
Listed shares *	1,648,135	370,182	43,261	-	-
TDR's	3,061,217	311,170	1,116	-	-
Bank balances *	15,379	17,958	1,487	-	-
	5,993,598	1,082,001	161,107		
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	1,123,378	370,182	16,839	-	-
Bank balances with ABL	15,379	17,958	1,487	-	-
	1,138,757	388,140	18,326	-	-

	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	-	-

36.9 Charge for defined benefit plan

	December 31, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	160,654	-	63,223	77,914
Interest cost	512,528	143,615	1,512	204,441	162,627
Expected return on plan assets	(739,505)	(122,301)	(20,906)	-	-
Actuarial (gains) / losses recognised	(41,340)	7,515	(5,355)	(8,048)	39,331
VRS Loss	35,000	6,000	-	1,000	19,000
Benefit of the surplus not available to the Bank	-	-	12,375	-	-
	(233,317)	195,483	(12,374)	260,616	298,872

	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)	(3,415)	42,113
VRS Loss	106,000	2,000	-	8,000	34,000
Benefit of the surplus not available to the Bank	-	-	10,485	-	-
	(46,967)	183,090	(10,484)	265,446	267,115

	December 31, 2012	December 31, 2011
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	601,886	1,116,614
- Gratuity fund	118,901	33,133
- Benevolent fund	16,148	21,749

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36.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	2,873,602	4,239,314	4,237,829	4,040,811	3,400,000
Fair value of plan assets	(5,993,598)	(5,985,286)	(5,368,825)	(5,138,070)	(4,319,903)
Surplus	(3,119,996)	(1,745,972)	(1,130,996)	(1,097,259)	(919,903)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	1,319,665	122,770	(191,900)	(491,912)	(117,235)
Actuarial gains / (losses) on assets	(137,618)	451,177	211,328	540,483	(1,264,567)

	Gratuity fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,384,215	1,193,848	941,933	766,547	557,547
Fair value of plan assets	(1,082,001)	(918,453)	(849,433)	(593,567)	(304,031)
Deficit	302,214	275,395	92,500	172,980	253,516
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(58,334)	(71,960)	(41,223)	(60,758)	60,479
Actuarial gains / (losses) on assets	(3,400)	(79,625)	125,349	131,570	(216,667)

	Benevolent fund				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	12,992	19,561	22,819	60,968	474,679
Fair value of plan assets	(161,107)	(160,816)	(143,814)	(143,594)	(617,643)
Surplus	(148,115)	(141,255)	(120,995)	(82,626)	(142,964)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(7,777)	1,266	25,350	6,697	94,790
Actuarial gains / (losses) on assets	(4,757)	3,053	(202)	40,916	(153,801)

	Post retirement medical				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,381,400	1,656,505	1,752,683	1,681,204	1,521,833
Fair value of plan assets	-	-	-	-	-
Deficit	1,381,400	1,656,505	1,752,683	1,681,204	1,521,833
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	376,000	238,730	68,829	40,340	153,494

	Leave Encashment				
	2012	2011	2010	2009	2008
	Rupees in '000				
Present value of defined benefit obligation	1,020,459	962,292	872,705	838,005	832,215
Fair value of plan assets	-	-	-	-	-
Deficit	1,020,459	962,292	872,705	838,005	832,215
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, 2013 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	(374,400)	231,309	(8,887)	243,708	183,396

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 9,567 (2011: 9,093) as on December 31, 2012. During the year, employees made a contribution of Rs. 242.066 million (2011: 219.933 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		Independent / Non-Executive Directors		Executive Director		Executives	
		December 31, 2012	December 31 2011	December 31, 2012	December 31 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		Rupees in '000							
Fees	38.1	-	-	7,550	4,225	-	-	125	300
Managerial remuneration		28,028	24,365	-	-	15,353	13,350	1,165,772	1,062,406
Charge for defined benefit plans		1,667	1,614	-	-	913	884	281,380	241,024
Contribution to defined contribution plan		-	-	-	-	1,279	1,112	97,629	88,739
Rent and house maintenance		12,615	10,973	-	-	6,909	6,008	515,413	454,048
Utilities		2,803	2,443	-	-	1,535	1,335	114,611	100,977
Medical		31	360	-	-	190	196	143,997	127,219
Bonus		19,207	17,099	-	-	14,661	13,150	374,195	412,242
Conveyance and others		219	285	-	-	803	511	196,348	157,743
		64,570	57,139	7,550	4,225	41,643	36,546	2,889,470	2,644,698
Number of persons		1	1	4	3	1	1	1,241	1,114

38.1 This represents meeting fees paid to independent / Non-Executive Directors excluding Sponsor Directors for attending meetings of the Board of Directors, Audit Committee and other Board Committees held during the year. During the year Board of Directors in their meeting held on June 04, 2012 recommended an increase in meeting fee from Rs. 50,000 to Rs. 100,000, which was subsequently approved in Extra Ordinary General Meeting held on August 23, 2012.

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.

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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, 2012							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	501,703	3,185,436	39,597,029	55,836,450	592,932	439,877	(36,396,525)	63,756,902
Total expenses	(231,989)	(4,411,095)	(31,348,352)	(51,733,839)	(290,731)	(255,054)	36,396,525	(51,874,535)
Net income / (loss)	269,714	(1,225,659)	8,248,677	4,102,611	302,201	184,823	-	11,882,367
Segment assets (gross)	317,997	9,478,602	120,589,035	521,918,500	336,616	888,576	-	653,529,326
Segment non performing loans	-	-	7,150,202	13,517,359	-	-	-	20,667,561
Segment provision required	-	-	6,168,891	11,636,141	-	-	-	17,805,032
Segment liabilities	272,124	18,599,234	503,837,433	51,781,198	6,505,857	42,306	-	581,038,152
Segment return on net assets (ROA) (%)	84.82%	-12.93%	7.21%	0.80%	89.78%	20.80%	-	-
Segment cost of funds (%)	-0.02%	28.54%	6.87%	9.63%	0.00%	0.00%	-	-

	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%	-	-	-

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.

	December 31, 2012				December 31, 2011			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
	Rupees in '000							
Nature of related party transactions								
Loans								
Loans at the beginning of the year	49,969	-	203,005	-	61,581	-	211,703	16,061,896
Loans given during the year	14,847	2,000,000	91,199	3,185	23,757	-	37,765	464,087
Loans repaid/ adjustment during the year	(20,974)	(166,667)	(117,776)	(2,985)	(35,369)	-	(46,463)	(16,525,983)
Loans at the end of the year	43,842	1,833,333	176,428	200	49,969	-	203,005	-
Deposits								
Deposits at the beginning of the year	17,270	48,985	13,556	230,430	9,821	93,965	16,128	3,042,357
Deposits received during the year	6,532,379	13,700,859	310,582	327,706,930	4,147,530	13,513,467	191,103	14,937,123
Deposits repaid during the year	(6,515,996)	(13,708,833)	(296,498)	(322,261,546)	(4,140,081)	(13,558,447)	(193,675)	(17,749,050)
Deposits at the end of the year	33,653	41,011	27,640	5,675,814	17,270	48,985	13,556	230,430
Nostro balances	-	136,808	-	-	-	131,749	-	-
Borrowings	-	-	-	-	-	1,204,313	-	-
Lending	-	1,479,252	-	-	-	-	-	-
Investments in shares/ open end mutual funds	-	219,130	-	872,122	-	240,969	-	14,075,798
Other receivables	-	-	-	62,563	-	-	-	74,071
Other payable	-	-	-	110	-	-	-	13,630
Rent payable	-	-	-	-	-	-	-	731
Net receivable from :								
staff retirement benefit funds	-	-	-	1,704,067	-	-	-	1,430,976

	December 31, 2012				December 31, 2011			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
	Rupees in '000							
Mark-up earned	1,729	162,624	10,974	-	2,234	-	12,556	256,504
Income on Placements	-	118	-	-	-	4	-	-
Income on lendings	-	1,775	-	-	-	111	-	-
Dividend Income	-	-	-	6,066,277	-	-	-	1,204,410
Capital Gain/ (Loss)	-	-	-	(899,779)	-	-	-	(60,225)
Sales Commission	-	-	-	1,531	-	-	-	12,251
Management fee sharing expense	-	-	-	110	-	-	-	4,809
Management fee income	-	-	-	418,563	-	-	-	305,338
Mark-up expense on deposits	2,032	6	224	176,366	559	29	82	220,873
Fee commission/ bank charges	19	1,062	15	168	-	-	-	-
Interest expense on borrowings	-	-	-	-	-	2,578	-	-
Directors' meeting fee	7,550	-	-	-	4,225	-	-	-
Remuneration	-	-	246,176	-	-	-	243,361	-
NIFT charges	-	-	-	80,720	-	-	-	81,337
Rent Expense	-	16,482	-	-	-	14,624	-	-
Charge / (reversal) in respect of :								
staff retirement benefit funds	-	-	-	195,262	-	-	-	345,571

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.

* Associated company on the basis of common directorship.

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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

Group'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)	2,494,000	2,996,400
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

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

The required capital is achieved by the Group through:

(a) enhancement in the risk profile of asset mix at the existing volume level;
(b) ensuring better recovery management; and
(c) maintain acceptable profit margins.

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

	December 31, 2012	December 31, 2011
	Rupees in '000	
Tier I Capital		
Shareholders' equity /Assigned Capital	9,463,421	8,603,110
Share premium	-	201,856
Reserves	10,896,052	8,560,889
Unappropriated profits (Net of Losses)	22,906,178	20,395,717
Total Tier I Capital	43,265,651	37,761,572
Less: Book value of intangibles	(987,070)	(854,041)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(1,939,887)	(1,698,881)
Reciprocal investment	-	-
Other deductions (represents 50% of investment in subsidiary)	-	-
	(2,926,957)	(2,552,922)
Eligible Tier I Capital	40,338,694	35,208,650
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,946,964	3,293,365
General Provisions subject to 1.25% of Total Risk Weighted Assets	52,090	32,647
Foreign Exchange Translation Reserves	10,198	-
Revaluation Reserve (upto 45%)	3,993,665	2,815,138
Total Tier II Capital	7,002,917	6,141,150
Less: Investment in a subsidiary company (50%)	-	-
Eligible Tier II Capital	7,002,917	6,141,150
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	47,341,611	41,349,800

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. 9 billion free of losses by the end of financial year 2012. 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 Group stands at Rs. 9.463 billion and 16.34% of its risk weighted exposure as at December 31, 2012.

The Group 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, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	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	392,497	162,461	3,924,967	1,624,605
(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	168,313	102,129	1,683,131	1,021,286
(h) Claims on Banks	338,034	261,066	3,380,340	2,610,657
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	40,226	58,114	402,264	581,144
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	78,877	12,545	788,772	125,455
(k) Claims on Corporates (excluding equity exposures)	11,877,544	13,602,452	118,775,444	136,024,521
(l) Claims categorized as retail portfolio	1,700,008	2,169,600	17,000,084	21,696,004
(m) Claims fully secured by residential property	223,781	177,504	2,237,812	1,775,042
(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.	48,495	73,146	484,947	731,459
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	280,234	271,692	2,802,338	2,716,919
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,473	55	24,734	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.	2,098,441	672,602	20,984,411	6,726,015
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	390,049	281,868	3,900,485	2,818,678
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,889,471	1,724,108	18,894,711	17,241,083
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	515,862	546,185	5,158,618	5,461,854
	20,044,305	20,115,527	200,443,058	201,155,270

	Capital Requirements		Risk Weighted Assets	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	Rupees in '000			
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	2,546,572	2,959,326	25,465,724	29,593,260
Performance related contingencies	141,285	-	1,412,847	-
Trade Related contingencies/Other Commitments with original maturity of one year or less	355,963	302,600	3,559,626	3,025,998
	3,043,820	3,261,926	30,438,197	32,619,258
Off- Balance Sheet - Market related Exposures	33,869	56,159	338,691	561,588
Total Credit Risk (A)	23,121,994	23,433,612	231,219,946	234,336,116
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	152,881	1,811,373	1,528,814	18,113,732
	152,881	1,811,373	1,528,814	18,113,732
Capital requirement for portfolios subject to internal models approach				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	93,291	38,017	932,914	380,172
	93,291	38,017	932,914	380,172
Total Market Risk (B)	246,172	1,849,390	2,461,728	18,493,904
Operational Risk				
Basic Indicator Approach-Total of operational risk (C)	5,608,547	5,172,713	56,085,463	51,727,126
TOTAL of A + B + C	28,976,713	30,455,715	289,767,137	304,557,146

		December 31, 2012	December 31, 2011
Capital Adequacy Ratio			
Total eligible regulatory capital held (Note 42.2)	(a)	47,341,611	41,349,800
Total Risk Weighted Assets (Note 42.4)	(b)	289,767,137	304,557,146
Capital Adequacy Ratio	(a) / (b)	16.34%	13.58%

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 maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of Risk

The Bank generates most of its 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 fulfill 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 behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.

- The BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) or ALCO (Assets and Liability Committee) which discharges various responsibilities assigned to it by the BRMC.

- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. Independent supervision of risk management activities is provided by the Audit Committee.

- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

Risk Management Group Organization

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

43.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk, Commercial and Retail Risk, and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

The Bank manages 3 principal sources of credit risk:

i) Sovereign credit risk on its public sector advances
ii) Non-sovereign credit risk on its private sector advances
iii) Counterparty credit risk on interbank limits

Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

Non-Sovereign Credit Risk

When the Bank lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk. Financial analysis is further strengthened through use of separate financial spreadsheet templates that have been designed for manufacturing/trading concerns, financial institutions and insurance companies.

Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market, interest and currency rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is A-.

Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes Export Credit Assessment (ECA) Scores published by The Organization for Economic Co-operation and Development (OECD) as well as 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 ECA Scores and 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 quarterly 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 2012, the specific provisioning rate was 85.93% 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 2012, 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 increase by 10.21%, 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, 2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	2,559,243	0.89%	23,119,213	4.49%	842,382	0.61%
Basic metals (iron, steel)	2,535,624	0.88%	3,543,778	0.69%	786,616	0.57%
Beverages	423,153	0.15%	61,538	0.01%	77,916	0.06%
Cement / clay & ceramics	9,371,536	3.24%	1,626,253	0.32%	1,449,678	1.05%
Chemical & pharmaceutical	20,428,684	7.07%	1,019,857	0.20%	837,597	0.60%
Construction	4,401,714	1.52%	25,000,280	4.86%	10,415,008	7.52%
Education	40,367	0.01%	11,639,094	2.26%	3,727	0.00%
Financial	5,738,824	1.99%	4,847,216	0.94%	45,885,687	33.11%
Finishing of Textile	10,953,823	3.79%	2,355,769	0.46%	459,140	0.33%
Fishing	16,996	0.01%	-	0.00%	-	0.00%
Footware & leather garments	455,457	0.16%	287,124	0.06%	71,063	0.05%
Furniture & sports goods	567,305	0.20%	1,164,671	0.23%	102,785	0.07%
Grains & related	6,844,285	2.37%	4,766,924	0.93%	-	0.00%
Health & social welfare	44,708	0.02%	3,199,003	0.62%	24,788	0.02%
Hotel, restaurant & clubs	768,465	0.27%	2,930,115	0.57%	-	0.00%
Machinery & equipment	2,629,838	0.91%	2,847,663	0.55%	5,450,854	3.93%
Manufacture of made up & ready made garments	3,153,672	1.09%	836,698	0.16%	13,026	0.01%
Manufacture of transport equipment	452,360	0.16%	294,525	0.06%	170,911	0.12%
Paper & paper boards	8,889,859	3.08%	20,503	0.00%	364,062	0.26%
Petroleum products	1,976,112	0.68%	6,649,988	1.29%	825,322	0.60%
Power, gas, water & sanitary	45,508,739	15.75%	3,615,350	0.70%	5,076,852	3.66%
Printing, publishing & allied	118,821	0.04%	44,752	0.01%	53,245	0.04%
Real estate, renting, and business activities	3,421,312	1.18%	83,416,781	16.21%	9,202	0.01%
Rubber & plastic	458,701	0.16%	1,580,473	0.31%	297,634	0.21%
Spinning	26,304,775	9.10%	9,732,133	1.89%	318,062	0.23%
Sugar	5,511,440	1.91%	2,390,525	0.46%	334,000	0.24%
Transport, storage & communication	5,553,689	1.92%	2,048,743	0.40%	1,065,651	0.77%
Weaving	4,132,666	1.43%	4,632,180	0.90%	75,228	0.05%
Wholesale & retail trade	11,021,755	3.81%	46,836,911	9.10%	1,795,936	1.30%
Individuals	7,657,669	2.65%	131,635,979	25.58%	6,964,275	5.03%
Others	96,979,123	33.57%	132,558,405	25.75%	54,796,468	39.55%
	288,920,715	100.00%	514,702,444	100.00%	138,567,115	100.00%

43.1.1.2 Segments by sector

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	77,366,348	26.78%	57,904,113	11.25%	25,222,611	18.20%
Private	211,554,367	73.22%	456,798,331	88.75%	113,344,504	81.80%
	288,920,715	100.00%	514,702,444	100.00%	138,567,115	100.00%

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

	December 31, 2012		December 31, 2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry and Hunting	350,569	249,890	191,594	117,701
Food & Beverages	412,574	408,880	742,356	677,453
Spinning	2,041,246	1,823,545	3,124,538	2,306,832
Weaving	1,466,767	857,692	9,040	9,040
Finishing of Textile	6,011,402	5,389,845	1,936,749	2,050,251
Footware & leather garments	131,685	96,238	55,964	55,964
Paper & paper boards	21,508	21,508	2,559	2,559
Printing, publishing & allied	5,846	5,846	31,677	31,677
Petroleum products	5,497	4,248	6,062	4,939
Chemical & pharmaceutical	405,028	341,872	373,525	353,898
Rubber & plastic	42,146	38,900	2,680	2,403
Cement/clay & ceramics	39,880	19,940	119,625	31,156
Basic metals (iron, steel)	20,383	20,383	866,035	816,727
Machinery & equipment	1,274,679	1,274,679	1,292,141	1,283,410
Power, gas, water & sanitary	239,916	239,916	839,515	839,515
Manufacture of transport equipment	246,449	236,949	83,410	75,118
Financial	81,516	40,759	343,808	233,925
Real estate, renting, and business activities	155,724	155,724	1,745,401	1,659,885
Transport, storage & communication	6,100	6,100	361,199	350,232
Hotel, restaurant & clubs	7,414	7,167	63,319	59,532
Construction	103,478	90,888	625,067	590,694
Furniture & sports goods	73,409	72,059	215,210	112,077
Wholesale & retail trade	478,295	448,307	2,206,086	1,988,895
Individuals	358,248	347,126	36,966	36,966
Others	6,687,802	5,554,481	5,177,939	3,980,221
	20,667,561	17,752,942	20,452,465	17,671,070

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

	December 31, 2012		December 31, 2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public / Government	138,681	138,681	144,565	72,283
Private	20,528,880	17,614,261	20,307,900	17,598,787
	20,667,561	17,752,942	20,452,465	17,671,070

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43.1.1.5 Geographical Segment Analysis

	December 31, 2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operations	15,925,655	628,108,485	48,501,183	138,076,927
Middle East	13,094	1,376,126	120,662	487,691
Karachi Export Processing Zone	207,692	2,817,095	2,641,709	2,497
	220,786	4,193,221	2,762,371	490,188
	16,146,441	632,301,706	51,263,554	138,567,115

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, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

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, 2012

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

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Credit exposures subject to Standardized Approach

		December 31, 2012			December 31, 2011		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	26,936,369		26,936,369	54,954,120	-	54,954,120
	2	46,847,514		46,847,514	20,593,018	-	20,593,018
	3 , 4	-		-	609,742	-	609,742
	5 , 6	3,023,898		3,023,898	3,460,473	-	3,460,473
Claims on banks with original maturity of 3 months or less	-	29,480,864	25,197,253	4,283,611	31,576,266	30,563,891	1,012,375
Retail	-	29,288,020	4,743,104	24,544,916	35,433,013	2,718,177	32,714,836
Public sector entities	1	9,223,044	-	9,223,044	6,596,571	-	6,596,571
Others	-	380,502,342	-	380,502,342	269,806,220	-	269,806,220
Unrated	-	174,280,055	64,640,525	109,639,530	173,364,585	27,840,637	145,523,948

43.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Group has adopted the Simple Approach of Credit Risk Mitigation for the Grouping Book. Since, the trading book of the Group 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 Group's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Group 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 Group accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Group 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 Group 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 Group 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 Group'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.

Composition of equity investments

	Held for Trading	Available for Sale	Investment in Subsidiary
		Rupees in '000	
Equity Investments - Publicly Traded	-	19,047,083	-
Equity Investments - Others	-	1,842,993	-
Total Value	-	20,890,076	-

The cumulative realized gain arose of Rs. 1,267.827 million (2011: 738.180 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of 5,073.212 million (2011: Rs. 2,292.489 million) was recognized in the statement of financial position in respect of "AFS" securities.

43.2.1 Market Risk

The Group 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 Group 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 Group's trading book includes securities classified as 'Held for Trading'. These positions are actively managed by the Group and are exposed to all forms of market risks.

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 & Non 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 Group's portfolio of equity securities categorized under 'Available for Sale' and 'Strategic Investments' are parked in the banking book. These investments expose the Group to equity price risk.

Stress Testing

The Group also conducts Stress Testing of the Group's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Group. 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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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, 2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	614,339,190	537,503,520	(10,626,746)	66,208,924
United States Dollar	17,016,159	38,604,175	6,601,389	(14,986,627)
Great Britain Pound	360,136	2,938,989	2,604,233	25,380
Japanese Yen	21,035	6,267	(22,887)	(8,119)
Euro	536,416	1,981,270	1,459,852	14,998
Other Currencies	28,770	3,931	(15,841)	8,998
	17,962,516	43,534,632	10,626,746	(14,945,370)
	632,301,706	581,038,152	-	51,263,554

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net 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

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.

43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2012											
	Effective Yield/ Interest rate	Total	Exposed to Yield / Interest risk									Not exposed to Yield/ Interest Risk
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	43,351,703	5,702,231	-	-	-	-	-	-	-	-	37,649,472
Balances with other banks		1,029,292	-	-	-	-	-	-	-	-	-	1,029,292
Lendings to financial institutions	9.27%	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-	-
Investments - net	11.63%	267,682,679	33,963,046	38,858,271	57,269,851	88,386,337	5,808,990	-	22,005,676	-	-	21,390,508
Advances - net	12.61%	271,115,683	43,148,220	184,577,546	27,537,138	3,291,012	6,036,289	870,182	1,700,802	1,039,875	-	2,914,619
Other assets - net		11,112,516	-	-	-	-	-	-	-	-	-	11,112,516
		605,012,808	91,890,807	225,079,442	84,806,989	91,677,349	11,845,279	870,182	23,706,478	1,039,875	-	74,096,407
Liabilities												
Bills payable		6,203,051	-	-	-	-	-	-	-	-	-	6,203,051
Borrowings	8.69%	38,916,192	22,269,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-	250,000
Deposits and other accounts	5.86%	514,702,444	20,438,757	36,287,855	250,023,465	9,139,658	5,390,952	1,651,785	819,712	685,104	44,553,794	145,711,362
Sub-ordinated loan	11.39%	5,490,400	-	2,996,400	2,494,000	-	-	-	-	-	-	-
Other liabilities		12,718,870	-	-	-	-	-	-	-	-	-	12,718,870
		578,030,957	42,708,080	44,595,176	260,323,243	9,391,976	5,895,594	2,156,427	1,828,996	1,694,388	44,553,794	164,883,283
On-balance sheet gap		26,981,851	49,182,727	180,484,266	(175,516,254)	82,285,373	5,949,685	(1,286,245)	21,877,482	(654,513)	(44,553,794)	(90,786,876)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		35,605,257	17,808,898	12,574,288	4,654,141	567,930	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(9,400,993)	(3,758,713)	(2,477,231)	(1,387,007)	(1,778,042)	-	-	-	-	-	-
Off-balance sheet gap		26,204,264	14,050,185	10,097,057	3,267,134	(1,210,112)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		53,186,115	63,232,912	190,581,323	(172,249,120)	81,075,261	5,949,685	(1,286,245)	21,877,482	(654,513)	(44,553,794)	
Cumulative yield / interest risk sensitivity gap		53,186,115	63,232,912	253,814,235	81,565,115	162,640,376	168,590,061	167,303,816	189,181,298	188,526,785	143,972,991	

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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.

	December 31, 2011											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	36,479,765	5,336,771	-	-	-	-	-	-	-	-	31,142,994
Balances with other banks		1,679,121	-	-	-	-	-	-	-	-	-	1,679,121
Lendings to financial institutions	11.90%	1,361,754	1,361,754	-	-	-	-	-	-	-	-	-
Investments - net	12.69%	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	12.73%	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	2,484,225	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	9.90%	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	5.81%	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	14.42%	5,492,600	-	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	

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

Reconciliation to total assets	December 31, 2012	December 31, 2011	Reconciliation to total liabilities	December 31, 2012	December 31, 2011
	Rupees in '000			Rupees in '000	
Balance as per Statement of Financial Position	632,301,706	515,888,612	Balance as per Statement of Financial Position	581,038,152	472,409,254
Less : Non financial assets			Less: Non financial liabilities		
Operating fixed assets	19,882,246	18,095,123			
Deferred tax asset	-	750,972	Deferred tax liability	65,419	-
Other assets	7,406,652	4,656,992	Other liabilities	2,941,776	2,022,266
	27,288,898	23,503,087		3,007,195	2,022,266
Total financial assets	605,012,808	492,385,525	Total financial liabilities	578,030,957	470,386,988

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, 2012									
	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	43,351,703	43,351,703	-	-	-	-	-	-	-	-
Balances with other banks	1,029,292	1,029,292	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,682,679	31,070,929	35,033,215	55,841,409	104,532,036	3,191,077	696,276	26,671,428	10,646,309	-
Advances - net	271,115,683	69,459,061	26,165,518	34,419,689	34,403,125	20,654,314	18,902,648	29,551,511	33,408,859	4,150,958
Operating fixed assets	19,882,246	212,761	425,519	638,278	1,276,556	1,731,155	747,086	963,510	1,077,313	12,810,068
Deferred tax assets	-									
Other assets - net	18,519,168	2,371,789	4,195,346	7,804,634	1,177,148	1,157,968	1,401	2,802	-	1,808,080
	632,301,706	156,572,845	67,463,223	98,704,010	141,388,865	26,734,514	20,347,411	57,189,251	45,132,481	18,769,106
Liabilities										
Bills payable	6,203,051	6,203,051	-	-	-	-	-	-	-	-
Borrowings	38,916,192	22,519,324	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,283	-
Deposits and other accounts	514,702,444	376,895,890	36,287,854	39,277,692	9,139,659	5,390,952	1,651,785	819,713	685,104	44,553,795
Deferred tax liabilities	65,419	15,518	32,424	48,636	(231,390)	(114,695)	(264,873)	(107,848)	555,104	132,543
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,660,646	4,965,398	6,577,529	340,872	655,402	378,938	451,811	717,800	1,572,896	-
	581,038,152	410,599,181	48,209,328	48,096,478	11,064,789	6,784,537	2,344,565	5,430,549	3,822,387	44,686,338
Net assets / (liabilities)	51,263,554	(254,026,336)	19,253,895	50,607,532	130,324,076	19,949,977	18,002,846	51,758,702	41,310,094	(25,917,232)
Share capital	9,463,421									
Reserves	10,906,250									
Unappropriated profit	22,906,178									
	43,275,849									
Surplus on revaluation of assets										
- net of tax	7,987,705									
	51,263,554									

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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	36,479,765	-	-	-	-	-	-	-	-
Balances with other banks	1,679,121	1,679,121	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-
Investments	195,789,638	2,883,954	17,311,551	30,116,727	105,103,387	3,263,498	3,994,922	25,261,062	7,854,537	-
Advances	244,439,837	79,731,322	21,130,178	32,934,922	27,925,869	12,143,846	11,695,073	15,840,296	39,304,013	3,734,318
Operating fixed assets	18,095,123	145,423	290,837	436,255	872,511	912,717	475,840	447,698	694,314	13,819,528
Deferred tax assets	750,972	(9,292)	(54,589)	(42,519)	131,118	758,304	415,678	(5,580)	(442,148)	-
Other assets	17,292,402	9,193,213	2,591,199	2,123,996	265,187	(546,622)	2,374	45,318	2,055,405	1,562,332
	515,888,612	131,465,260	41,269,176	65,569,381	134,298,072	16,531,743	16,583,887	41,588,794	49,466,121	19,116,178
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	399,560,790	303,385,731	37,540,947	30,360,889	20,617,771	4,643,369	948,625	1,205,348	526,447	331,663
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loan	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-
Other liabilities	13,347,347	3,696,495	5,646,645	358,340	705,028	355,025	419,171	674,774	1,491,869	-
	472,409,254	344,881,394	48,212,973	38,104,552	21,616,187	6,831,170	3,200,572	4,222,027	5,008,716	331,663
Net assets / (liabilities)	43,479,358	(213,416,134)	(6,943,797)	27,464,829	112,681,885	9,700,573	13,383,315	37,366,767	44,457,405	18,784,515
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									

43.3.1.1 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.

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

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

	December 31, 2012									
	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	43,351,703	34,852,663	197,835	23,335	-	2,759,290	2,759,290	2,759,290	-	-
Balances with other banks	1,029,292	1,029,292	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,682,679	31,070,929	35,033,215	55,841,409	104,532,036	3,191,077	696,276	26,671,428	10,646,309	-
Advances - net	271,115,683	43,076,965	26,166,793	34,420,443	34,403,973	29,447,837	27,695,606	38,344,249	33,408,859	4,150,958
Operating fixed assets	19,882,246	212,761	425,519	638,278	1,276,556	1,731,155	747,086	963,510	1,077,313	12,810,068
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	18,519,168	2,371,789	4,195,346	7,804,634	1,177,148	1,157,968	1,401	2,802	-	1,808,080
	632,301,706	121,691,709	67,662,333	98,728,099	141,389,713	38,287,327	31,899,659	68,741,279	45,132,481	18,769,106
Liabilities										
Bills payable	6,203,051	4,177,269	171,028	315,118	-	513,212	513,212	513,212	-	-
Borrowings	38,916,192	22,519,324	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,283	-
Deposits and other accounts	514,702,444	65,717,260	81,561,603	83,594,972	53,457,209	27,549,719	23,810,586	30,364,793	59,775,274	88,871,028
Deferred tax liabilities	65,419	15,518	32,424	48,636	(231,390)	(114,695)	(264,873)	(107,848)	555,104	132,543
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,660,646	4,965,398	6,577,529	340,872	655,402	378,938	451,811	717,800	1,572,896	-
	581,038,152	97,394,769	93,654,105	92,728,876	55,382,339	29,456,516	25,016,578	35,488,841	62,912,557	89,003,571
Net assets	51,263,554	24,296,940	(25,991,772)	5,999,223	86,007,374	8,830,811	6,883,081	33,252,438	(17,780,076)	(70,234,465)
Share capital	9,463,421									
Reserves	10,906,250									
Unappropriated profit	22,906,178									
	43,275,849									
Surplus on revaluation of assets										
- net of tax	7,987,705									
	51,263,554									

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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

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

	December 31, 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	39,262,527	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
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loan	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-
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									

43.5 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.

During 2012, the Bank Achieved permission from SBP to initiate Parallel Run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 14, 2013 has proposed a cash dividend in respect of 2012 of Rs. 2 per share (2011: cash dividend Rs. 2.5 per share). In addition, the directors have also announced a bonus issue of 10 (2010: 10%). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank for the year ended December 31, 2012 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2013.

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.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2013 by the Board of Directors of the Bank.

Chief Financial Officer	President and Chief Executive	Director
Director	Chairman	

Pattern of Shareholding
Allied Bank Limited

Information for annual financial statement as on December 31, 2012.

1 Issued, Subscribed and Paid-up Capital:

ORDINARY SHARES	As on December 31, 2012		As on December 31, 2011	
	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	522,013,365	5,220,133,650	435,982,273	4,359,822,730
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
TOTAL :	946,342,009	9,463,420,090	860,310,917	8,603,109,170

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	185,164,586	19.57
Muhammad Waseem Mukhtar	185,150,072	19.56
Sheikh Mukhtar Ahmad	163,736,714	17.30
Ibrahim Fibres Limited.	226,365,220	23.92
State Bank of Pakistan	95,264,414	10.07
TOTAL:	855,681,006	90.42

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
6,491	1	100	250,189
9,127	101	500	2,254,059
1,606	501	1,000	1,217,313
1,795	1,001	5,000	3,954,670
358	5,001	10,000	2,577,556
351	10,001	100,000	8,873,890
30	100,001	1,000,000	9,639,902
3	1,000,001	2,000,000	4,776,241
1	6,000,001	7,000,000	6,759,474
2	8,000,001	9,000,000	16,150,371
1	11,000,001	12,000,000	11,958,080
1	13,000,001	14,000,000	13,227,384
1	20,000,001	21,000,000	20,979,954
1	83,000,001	84,000,000	83,306,334
1	163,000,001	164,000,000	163,736,714
2	185,000,001	186,000,000	370,314,658
1	226,000,001	227,000,000	226,365,220
19,772			946,342,009

Categories of Shareholders		No.of Shares Held	Percentage
Associated Companies, undertaking and related parties.			
Ibrahim Fibres Limited.	1	226,365,220	23.92
Trustees of ABL Employees Superannuation Funds	1	20,979,954	2.22
Sub Total:	2	247,345,174	26.14
Executives	32	127,775	0.01
Sub Total:	32	127,775	0.01
Directors, Chief Executive Officer, their Spouses and Minor Children			
Mohammad Neem Mukhtar	1	185,164,586	19.57
Muhammad Waseem Mukhtar	1	185,150,072	19.56
Sheikh Mukhtar Ahmad	1	163,736,714	17.30
Abdul Aziz Khan	1	22,000	0.00
Jalees Ahmed	1	11,489	0.00
Mubashir A.Akhtar	1	4,455	0.00
Pervaiz Iqbal Butt	1	4,392	0.00
Sub Total:	7	534,093,708	56.44
Banks,DFIs, Financial Institutions, NBFIs			
State Bank of Pakistan	2	95,264,414	10.07
Standard Chartered Bank (Pak) Limited	1	19,926	0.00
Escorts Investment Bank Limited	2	258,477	0.03
Habib Metropolitan Bank Limited	2	429,722	0.05
Pak-Oman Investment Company Limited	1	386,499	0.04
The Bank Of Punjab Trustee Division	1	526,500	0.06
Trust Leasing Corporation Limited	1	166	0.00
Askari Bank Limited	1	675,772	0.07
National Bank Of Pakistan	5	8,249,964	0.87
MCB Bank Limited	1	6,759,474	0.71
M/S. Al-Faysal Invesment Bank	1	46	0.00
Bank Al Falah Limited	1	455,000	0.05
Sub Total:	19	113,025,960	11.94
NIT and ICP			
National Bank of Pakistan	1	1,957,595	0.21
Industrial Development Bank of Pakistan	4	13,148	0.00
Sub Total:	5	1,970,743	0.21
Insurance Companies			
EFU General Insurance Limited	1	265,000	0.03
EFU Life Asurance Limited	1	830,000	0.09
Adamjee Insurance Company Limited	1	1,731,346	0.18
State Life Insurance Corp. Of Pakistan	1	285,908	0.03
Atlas Insurance Limited	1	86,272	0.01
Asia Care Health & Life Insurance Co. Limited	1	52,308	0.01
Jubilee Life Insurance Co.Limited	1	339,186	0.04
Habib Insurance Company Limited	1	100,000	0.01
Century Insurance Company Limited	1	70,000	0.01
The Crescent Star Insurance Co. Limited	1	887	0.00
M/S. Orient Insurance Co. Limited	1	335	0.00
Gulf Insurance Company Limited	1	599	0.00
Sub Total:	12	3,761,841	0.40

Categories of Shareholders		No.of Shares Held	Percentage
Modarabas And Mutual Funds			
First Tawakal Modaraba	1	288	0.00
First Fadlity Leasing Modaraba	1	509	0.00
NAFA Trustee Assets Allocation Fund	1	105,393	0.01
Trustee Pak Strategic Allocation Fund	1	696	0.00
NAFA Trustee Stock Fund	1	790,521	0.08
AKD Trustee Index Tracker Fund	1	22,949	0.00
Trustee Askari Asset Allocation Fund	1	152,500	0.02
Trustee Askari Equity Fund	1	78,800	0.01
Trustee Lakson Equity Fund	1	72,000	0.01
Equity Sub Fund	1	10,078	0.00
NIT Trustee Equity Market Opportun	1	21,450	0.00
First Capital Mutual Fund Limited	1	29,500	0.00
HBL Trustee First Stock Fund	1	36,086	0.00
HBL Trustee Equity Fund PF	1	28,330	0.00
M/S. Modaraba Al Mali	1	97	0.00
Trustee IGI Stock Fund	1	73,000	0.01
Sub Total:	16	1,422,197	0.15
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
Sub Total:	Nil	Nil	Nil
Foreign Investors.			
The Bank Of New York Mellon	1	1	0.00
Polunin Discovery Funds- Frontier Markets	1	734,600	0.08
Tundra Pakistan Fond	1	1,087,300	0.11
Public Employee Retirement Assc. Of New Mexico	1	40,232	0.00
Habib Bank AG Zurich, Switzerland	1	13,310	0.00
BNP Paribas Arbitrage	1	157	0.00
Mohammad Tahir Butt	1	3,161	0.00
Ashiq Ali Kanji	1	16,490	0.00
Syed Asghar Ali Shah	1	5,000	
Sub Total:	9	1,900,251	0.20
General Public - Individuals	19,555	25,505,577	2.70
- Others	113	3,961,370	0.42
a) Federal Government of Pakistan	1	13,227,384	1.40
b) Security & Exchange Commission of Pakistan	1	29	0.00
Sub Total:	115	17,188,783	1.82
Total :	19,772	946,342,009	

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

Name	Sale	Purchased
Mohammad Naeem Mukhtar	-	21,700,000
Muhammad Waseem Mukhtar	-	21,700,000
Sheikh Mukhtar Ahmed	-	21,600,000

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.

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.

Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

Cash Equivalents

Short–term highly liquid investments that are readily convertible to known amounts of cash.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bankof Pakistan and Basel Committee.

Call Money Rate

Interbank clean (without collateral) lending/ borrowing rates are called Call Money Rates

Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paidon biannual basis.

Call Deposits

These include short notice and special notice deposits

Current Deposits:

Non-remunerative Chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the accountholders.

Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

CAGR

An abbreviation for Compound Annual Growth Rate.

Corporate Governance

It is "the system by which companies are directed and controlled" by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

Defined Contribution

A postemployment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets.
- Requires no or very little initial net investment
- It is settled at a future date.

Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

Deferred Taxation

Sum set aside for tax in financial statements that will become payable / receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

Discount rate

Discount is the rate at which SBP provides three-day repo facility to banks, acting as the lender of lastresort.

Earnings Per Share

Profit after taxation divided by the weighted average number of ordinary shares in issue

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Finance Lease

Finance lease is the one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

Fixed Deposits:

Deposits having fixed maturity dates and a rate of return.

Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

Guarantees:

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

Historical Cost Convention

Recording transactions at the actual value received or paid.

Impairment

Impairment of a fixed asset is an abrupt decrease of its fair value and measured in accordance with application regulations.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest in Suspense

Interest suspended on non–performing loans and advances.

KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at the any cut-off date.year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements

Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become nonperforming in accordance with provision of prudential regulations issued by SBP.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilitiessuch as deposits, refinance funds and inter–bank borrowings.

Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

Pakistan Investment Bonds (Pibs)

They are the long term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors..

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date andspecified price.

Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the otherparty in making financial and operating decisions.

Revenue Reserve

Reserves set aside for future distribution and investment.

Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

AGM

On March 27,
2013 at 11:00 am
Hotel Avari, Lahore.

Form of Proxy
67th 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 67th Annual General Meeting of the Bank to be held on Wednesday, the March 27, 2013 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 __________ 2013.

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 ______________

Name ______________

Address ______________

CNIC # ______________

Folio No. ______________

CDC A/c No. ______________

Sub A/c. No. ______________

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 valid 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

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New Garden Town
Lahore - Pakistan.
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