EXPANDING THE POSSIBILITIES...

Allied Bank

CONTENTS

PERFORMANCE 2014

DEPOSITS — UP BY 10%
Rs. 667.9 billion (2013: Rs.608.4 billion)

LOANS & INVESTMENTS — UP BY 17%
Rs. 734.8 billion (2013: Rs. 630.4 billion)

TOTAL ASSETS — UP BY 15%
Rs.842.3 billion (2013: Rs. 734.2 billion)

PROFIT (AFTER TAX) — 15 BILLION
(2013: Rs. 14.6 billion)

EPS — 13.11
(2013: Rs. 12.79)

ROE — 26%
(2013: 30%)

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

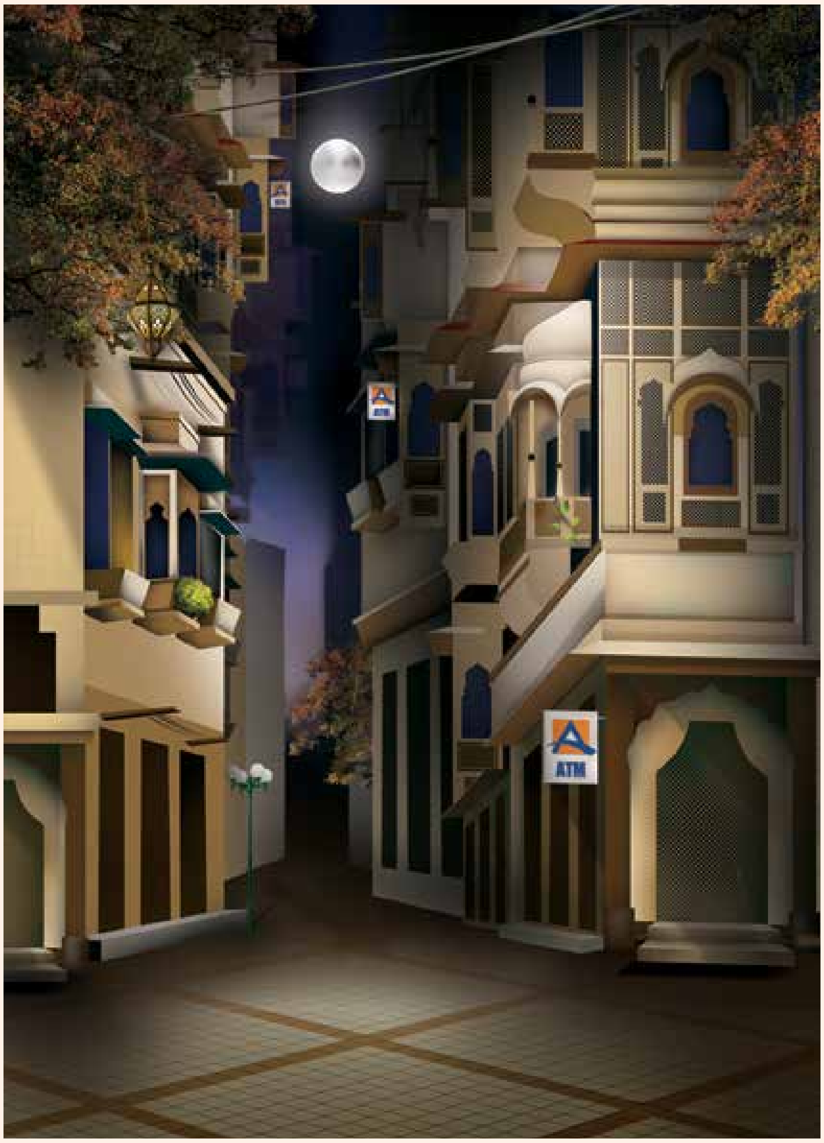
HIGH PERFORMANCE

INNOVATION AND GROWTH

STRATEGIC OBJECTIVES

- Enhancing brand image and creating shareholders' value through sustainable performance, while optimizing return against acceptable risk appetite.
- Augmenting Financial inclusion of unbanked population through innovative and diversified technologies, building customers' confidence through convenient delivery channels and product designs.
- Continuous re-engineering of policies, procedures, SOPs, SLAs and TATs, ensuring operational efficiencies through effective management of key resources.
- Instilling a culture of ethics and responsibility among human resource and becoming an 'Employer of Choice' for the Top Professionals.

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
Tariq Mahmood

Audit Committee of the 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
Tariq Mahmood

Company Secretary
Muhammad Raffat

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Adviser
Mandviwalla & Zafar Advocate.

Shares Registrar
Technology Trade (Pvt.) Limited

Registered & Head Office
3 Tipu Block
New Garden Town
Lahore - Pakistan
(9242) 35880043
Postal Code 54000

Website & Email
www.abl.com
info@abl.com

U.A.N Number
(+92 42) 111-110-110

PROFILE OF THE DIRECTORS

Mohammad Naeem Mukhtar
Chairman / Non Executive Sponsor Director

He is Chairman of the Board of Allied Bank since 2004. He is MBA from Cardiff Business School U.K, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATI) from The Textile Institute in Manchester U.K. He has 29 years of experience of finance and industry. Besides Chairman of Board of Directors of Allied Bank, he is also Chief Executive Officer, Ibrahim Fibres Limited, Director of Ibrahim Agencies (Pvt.) Limited and ABL Asset Management Company Limited respectively and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS).

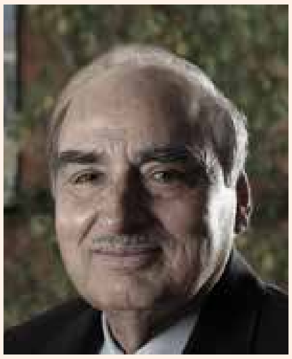
Sheikh Mukhtar Ahmad
Non Executive Sponsor Director

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 53 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.

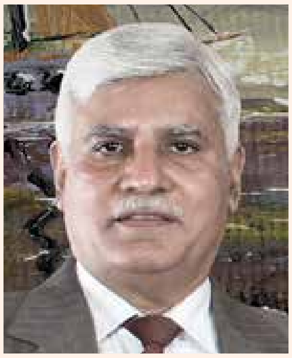
Muhammad Waseem Mukhtar
Non Executive Sponsor Director

He is an Executive MBA from the University of Chicago Booth School of Business, Illinois, USA. He also holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, U.K., and has 17 years of diversified 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 Director on the Boards of M/s. Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited, Arabian Sea Country Club and Faisalabad Industrial Estate Development Company (FIEDMC).



Abdul Aziz Khan
Independent Director

He has enriched and diversified experience of more than 51 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.

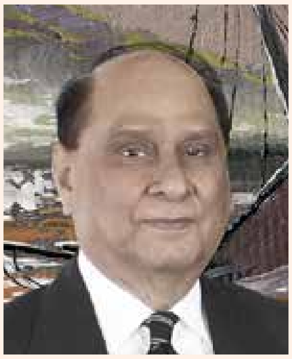


Pervaiz Iqbal Butt

Independent Director

He is an Electrical Engineer and has 45 years of experience in marine engineering and other heavy Industries. His extensive and diversified exposure of Industrial Management effectively complements the decision making process at the Board level.

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



Mubashir A. Akhtar

Independent Director

He is a law graduate and has 48 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 is also fellow of Institute of Bankers, Pakistan (1989), Institute of Chartered Secretaries and Managers (1993) and Institute of Marketing Management (1999).

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.

A. Akbar Sharifzada

Government Nominee Director

He has 28 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 an Additional Finance Secretary in the Ministry of Finance Islamabad. He holds a Masters degree in English Literature and Economics. He has also attended various courses/workshops/seminars 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.

Tariq Mahmood

Chief Executive Officer

He is one of the senior most bankers in the country having more than 40 years of experience. He has a post graduate degree in commerce and has attended various leadership and strategy workshops/certifications. He has held senior management positions in Habib Bank Limited, Middle East Bank and Askari Bank Limited before he joined ABL in 2007. At ABL he served as Group Chief Operations and Banking Systems implementation. He has been instrumental in the transformation of ABL from Unibank to state of the art core banking system -Temenos T24.

He was appointed as CEO by the BOD in June 2013.

BOARD COMMITTEES

Audit Committee of the Board

Constitution:

Mubashir A. Akhtar
Chairman

Pervaiz Iqbal Butt

A. Akbar Sharifzada

Terms of Reference

Primary responsibilities of the Audit Committee of the 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. The Committee is inter-alia responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. The other function of the Committee 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

Tariq Mahmood

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. The Committee also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. The Committee approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding write-offs above certain limits. In term of Bank's recovery policy, the BRMC considers and approves Debt-Asset-Swap proposals. Overseeing of certain management committees and groups is also undertaken by the BRMC. The Committee also monitors the initiatives pertaining to Basel and up gradation of Risk Management Systems.

e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar
Chairman

Muhammad Waseem Mukhtar

Mubashir A. Akhtar

Tariq Mahmood

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 within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking adoption keeping in view the Bank's requirements. It also oversees performance of Information Technology Group.

Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar
Chairman

Abdul Aziz Khan

Tariq Mahmood

Terms of Reference

The Strategic Planning and Monitoring Committee (SPMC) is responsible to review rolling long term strategic plans, operational plan and budget of the Bank before their consideration by the Board. The Committee also monitors progress against above referred plans and budget. SPMC is also responsible to approve capital expenditure over Rs. 15 Million and donations of over Rs. 1 Million up to Rs. 5 Million. As per ToRs, 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

Tariq Mahmood

Terms of Reference

The Committee defines the organizational structure and functional responsibilities of each group. It approves staff strength, key appointments, salary revisions, bonuses and special allowances and recommends to the Board appointment, remuneration bonuses/ performance awards, terms and conditions of employment and other benefits of the key position holders. It nominates the Bank's directors and management personnel on the boards of other companies / subsidiaries. It also recommends amendments in Human Resources Policy to the Board, besides monitoring performance of Human Resource Committee and Human Resources Group.

Board of Directors and Board's Committees Attendance during 2014

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	6/6	×	×	×	4/4	×
Sheikh Mukhtar Ahmad	6/6	×	5/5	×	×	×
Muhammad Waseem Mukhtar	3/6	×	4/5	5/5	2/4	5/5
Abdul Aziz Khan	6/6	×	5/5	5/5	×	5/5
Mubashir A. Akhtar	6/6	7/7	×	×	4/4	×
Pervaiz Iqbal Butt	5/6	7/7	×	×	×	5/5
A.Akbar Sharifzada	6/6	7/7	×	×	×	×
Sheikh Jalees Ahmed*	5/5	×	×	3/4	×	×
Tariq Mahmood	6/6	×	4/5	5/5	4/4	5/5
Total Number of meetings held 2014	6	7	5	5	4	5

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

× Not a member.

* Sheikh Jalees Ahmed resigned on November 20, 2014.

CHAIRMAN'S MESSAGE

Global economic outlook remains challenging despite sudden drop in oil prices towards the end of 2014. Though lack of private sector credit appetite owing mainly to persistent energy shortages, fragile security situation and infrastructural development amidst fiscal revenue shortfalls continue to suppress domestic economic growth, certain key macroeconomic indicators including rising foreign exchange reserves supported by continuous growth in home remittances, improving balance of payment position, low inflation levels and constant growth in KSE-100 index reflects positive market sentiments.

Your Bank faced multi-faceted challenges including lowering interest rate scenario towards the end of 2014. The Bank remained vigilant towards an ever evolving competitive business environment and continued to follow a strategy of steady growth focusing on earning assets mix diversification, while augmenting risk management framework, emphasizing on upgrading the state-of-the-art technology platform and above all optimizing efficiencies through rationalization of processes and capacity building to continuously remove redundancies, duly reflected in the improving efficiency ratio of the Bank. As a result, 2014 marked a healthy growth in quality assets, earnings and equity. The total asset base of the Bank crossed Rs 800 billion or US$ 8.4 billion during the year.

The trend of resource deployment towards risk free and low risk investment avenues continued during the year owing to Government fiscal needs and energy crises. Despite this unwarranted shift in earning assets mix, the Bank continued its efforts towards further strengthening assets quality, based on a robust risk culture and well-articulated risk appetite. Your Bank has adopted a two pronged strategy not only to ensure continuous improvements in risk management based governance within the organization but also to assist obligors in enhancing their corporate governance culture. That strategic initiative of extending assistance through conducting periodical interactive seminars paved the way to increase awareness in improving corporate governance culture of the obligors. Your Bank would further enhance focus on obligors' awareness level by increasing the number of such seminars in the future.

In order to achieve operational efficiencies and further improve service quality levels, the core banking solution implementation in the entire bank was the need of the hour. During the year, Your Bank has successfully achieved the milestone and migrated its entire operations to state-of-the-art Temenos T-24 core banking solution. The core banking solution has enabled the Bank to launch products best suited to customers' needs, strengthen control environment and assisted in enhanced market positioning with improved Brand Image.

Your Bank is continuously making strides in deepening client relationships in each business segments by delivering a comprehensive suite of financial products and services. Ongoing mystery shopping and customer experience surveys assist in providing superior services in line with best industry practices.

Your Bank continued to follow its strategy to expand its outreach. During the year the Bank has surpassed the milestone of opening the 1000th branch. In addition, internet banking, 890 ATMs and mobile banking played a pivotal role in establishing your bank as a first choice bank for its customers.

As part of business strategy to offer Islamic Banking Your Bank has successfully launched Islamic Banking operations. At the same time, Commercial and Retail Businesses were split into two separate business lines to fully penetrate into these distinct market segments and facilitate growth of funded and non-funded lending businesses on the commercial side, while contributing towards the growth momentum in the low cost deposit mobilization from the retail segment.

Your Bank's international presence in Bahrain continues to remain a profitable venture. Significant focus was also made during the year to divert higher foreign remittances through our international footprint in Middle East including Representative office in Dubai, UAE.

The Bank's continuous investment in Human Capital with focus on developing workforce with diversified capabilities and specialization is bearing results with strong management teams across various businesses and support functions. Strong Impetus to the training of workforce was given through a robust e-learning portal which facilitated development of Human Resource skill sets, duly acknowledged at the International level when Your Bank was awarded the prestigious "Optimas Award 2014" by Workforce Magazine, USA for its e-learning initiatives.

Apart from successful operations, Your Bank as a corporate citizen is cognizant to play its due role in Corporate Social Responsibility initiatives and remain engaged in community service initiatives including partnerships with leading educational, healthcare, poverty alleviation and charitable organizations across the country.

Pakistan Credit Rating Agency (PACRA) maintained its long term rating at "AA+" and short term highest possible rating of "A1+"; while also maintaining "AA" rating of the Bank's TFC; while Japan Credit Rating Agency's (JCR-VIS) maintained "CGR-9" Corporate Governance rating.

Your Bank also completed 10-years since re-capitalization in 2004 that resulted in its total transformation from a loss making entity with no focused approach to its progression into one of the largest banks in the country. This transformation was duly acknowledged when the Government of Pakistan divested 11.5% shares in Allied Bank resulting in oversubscription of divested shares by 1.4 times and generation of US$ 32.4 million demand from foreign investors and over US$ 140 million from local investors.

Future Outlook

Despite challenges on multiple fronts, major economic indicators are showing gradual yet positive signs of stable growth, mainly owing to improved foreign exchange reserves, rising workers' remittances and controlled fiscal deficit. Going forward Pakistan's growth potential hinges on need to capitalize on this recent stability. Improvements in structural bottlenecks, especially in the energy sector, shall be required to spur the sustainable economic growth. In this regard, strategic planning is required for the next 10-15 years to address the critical areas of Energy, Unemployment and Industrial Growth through establishing integrated Industrial Parks, Education and Healthcare. Dynamic "Think Tanks" comprising of the top human capital within the country are needed to facilitate this strategic planning process. Banking sector also has to play its role in industrial growth of the Country as is being performed in our neighboring countries. The regulatory requirements need to be aligned in providing opportunities to lending institutions to come forward in contributing towards nation's progress and prosperity. The Banking Industry should further enhance its focus to bring the large unbanked population within the mainstream banking fold through innovative solutions including higher focus on branchless banking initiatives.

Pakistan is on track for recovery after struggling with muted growth over the past few years. Better access to finance, lower barriers to markets, improvement in ease of conducting business operations, improving corporate governance among entrepreneurs and skill set among the worker class is required to compliment overall growth potential.

Value creation through utilization of technological advancements, enhancement in risk management framework, managing costs and enhancing delivery channels remains at the forefront in achieving Bank's strategic objectives. Attracting, developing and retaining the best human resources and inculcating the culture of service excellence should facilitate in the realization of our future strategic goals.

Your Bank remains confident in its ability to serve evolving needs of our customers and at the same time contribute to nation building. I thank all the management team members and staff for their dedication, our customers who trust us to assist in their financial well-being and to our shareholders for their continued support. Lastly, I also express my gratitude to our Board of Directors for their knowledge, guidance and invaluable insight. At the same time, continuous support and guidance from State Bank of Pakistan and Securities & Exchange Commission of Pakistan is also highly commendable.

I am confident that the initiatives that we are pursuing to optimize our balance sheet and business mix, deepen client relationships, investment in technology and outreach and improving efficiency levels are the right ones. We have demonstrated progress already and will endeavor to continue that momentum in 2015.

Mohammad Naeem Mukhtar

Chairman

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of Your Bank for the year ended December 31, 2014. 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. 6.50 per share including interim dividend). This, together with the interim dividend declared during 2014, will be approved in the forthcoming annual general meeting.

Performance Review

The Year 2014 remained challenging marked by slow economic growth, persistent energy crisis, worsening law and order situation, fiscal imbalances, stagnant tax base, trade deficit and rising population with high unemployment levels. However, on the back of significant fall in international oil prices, economic fundamentals slightly improved especially towards the end of 2014 with falling inflation and interest rates, stable currency, rising home remittances and record growth in the Stock Markets.

Your Bank performed well despite the challenges and our strategy of diversifying business mix contributed towards solid growth across all business lines. Together with sustained focus on serving customers through integrated banking solutions, evolving risk management framework, consistent investment in technology and optimal management of operational efficiencies to bring about cost rationalization has helped deliver another year of consistent performance. Your Bank's performance during 2014 demonstrated resilience in a persistently challenging environment. This was also acknowledged during the year, when Government of Pakistan divested its 11.5% holding through offer for sale of shares to investors. The

	Year ended December 31,		
	2014	2013	Growth
	Rs. In million		%
Profit after tax for the year	**15,015**	14,643	3%
Accumulated profits brought forward	**30,856**	23,688	30%
Effect of remeasurement of defined benefit plans - net of tax	**60**	678	-91%
Transfer from surplus on revaluation of fixed assets - net of tax	**46**	53	-14%
Profit available for appropriation	**45,977**	**39,062**	**18%**
Final cash dividend for the year ended December 31, 2013 at Rs. 1.50 per share (2013: Year ended December 31, 2012 at Rs. 2. per share)	**(1,561)**	(1,893)	-18%
1st interim cash dividend for the year ended December 31, 2014 at Rs. 1.25 per share (2013: Year ended December 31, 2013 at Rs. 1.25 per share)	**(1,431)**	(1,301)	10%
2nd interim cash dividend for the year ended December 31, 2013 at Rs. 1.5 per share (2013: Year ended December 31, 2013 at Rs. 1.25 per share)	**(1,718)**	(1,301)	32%
3rd interim cash dividend for the year ended December 31, 2014 at Rs. 1.25 per share (2013: Year ended December 31, 2013 Re. 1.25 per share)	**(2,004)**	(1,301)	54%
Bonus shares for the year ended December 31, 2013 @ 10%* (2013: Year ended December 31, 2012 @ 10%)	**(707)**	(946)	-25%
Transfer to statutory Reserves	**(1,502)**	(1,464)	3%
Accumulated profits carried forward	**37,054**	**30,856**	**20%**
Earnings Per Share (EPS) (Rs.)	**13.11**	**12.79**	**3%**

* Appropriation out of Share Premium Account

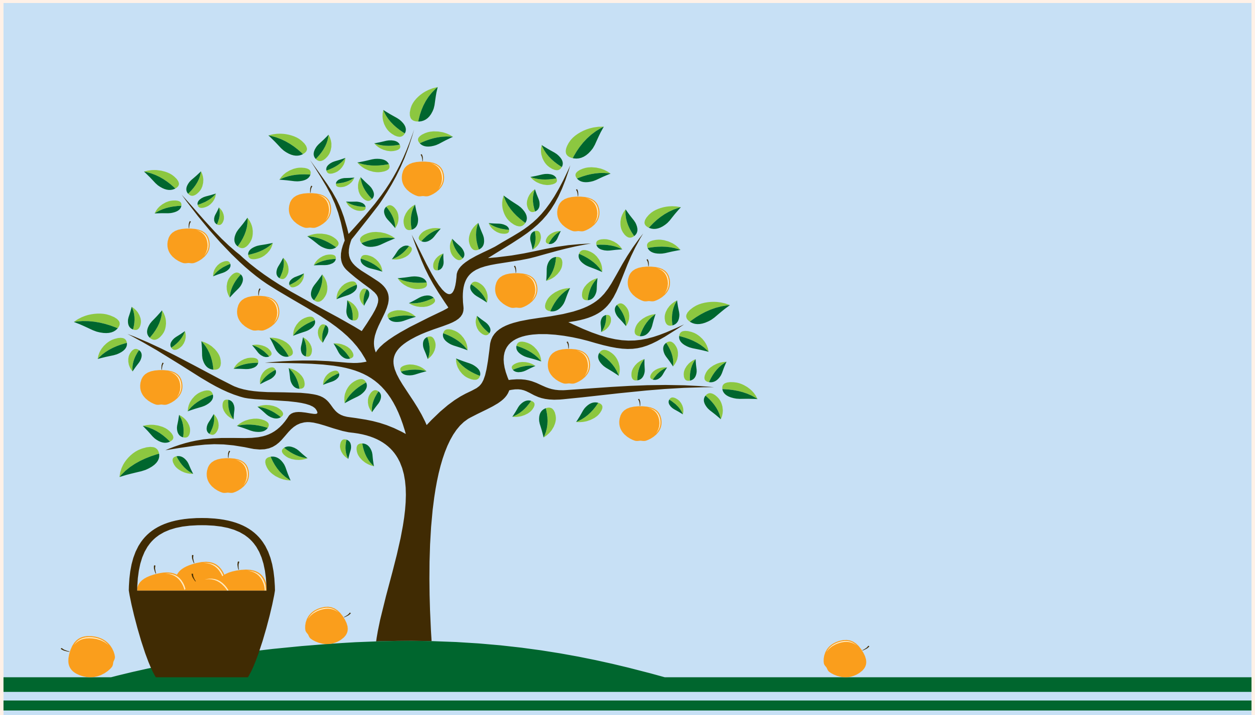
overwhelming response by the investors through oversubscription by 1.4 times at Rs 110 per share, reiterated the confidence of local and international investors in the performance and management of the Bank.

Your Bank posted profit before tax of Rs.22,202 million during 2014 compared to Rs.14,761million in 2013, registering an impressive growth of 50%. Profit after tax for the same year grew by 3% to reach Rs.15,015 million compared to Rs.14,643 million in the corresponding year. Excluding the impact of one-off reversal in provision for tax aggregating to Rs.4,086 million during 2013, the after tax profits grew by 42% during 2014.

As a result, Bank's EPS increased to Rs.13.11 in 2014 compared to Rs.12.79 in 2013. Despite tough business environment, ROA and ROE during 2014 remained impressive at 1.90% and 25.94% respectively well above the industry average returns.

During 2014, State Bank of Pakistan (SBP) placed greater emphasis on Capital Adequacy Ratio (CAR) within banking sector. Your Bank is fully compliant with CAR requirements of SBP. CAR on standalone and consolidated basis under BASEL III stood at 19.75% and 19.88% respectively, against required percentage of 10%; While the Common Equity Tier (CET) ratio and Tier 1 ratio of the Bank stood at 16.34% against the requirement of 5.5% and 7% respectively.

Despite competitive operating environment and pressure on growth of Broad Money (M2), deposits increased to Rs.667,878 million as at December 31, 2014 compared to Rs. 608,412 million as at December 31, 2013, registering a YoY growth of 10%. Investments increased to Rs.428,791 million as at December 31, 2014, a rise of 18% over December 31, 2013 balance of Rs.363,379 million. In line with industry wide diversification in Government Securities portfolio due to maturity re-profiling of local currency debt by the Federal Government, Pakistan Investment Bond (PIB) portfolio of the Bank increased



by Rs.235,194 million. Bank also focused on gross advances growth during 2014, which grew by 14%, to Rs.325,825 million as at December 31, 2014 compared to Rs.285,376 million as at December 31, 2013. The Balance Sheet Size stood at Rs.842,269 million as at December 31, 2014, a YoY growth of 15%. Total Equity of Bank increased by Rs.14,692 million to Rs.80,890 million as at December 31, 2014 compared to Rs.66,198 million as at December 31, 2013.

Net Mark-up/interest Income during 2014 increased by 30% over 2013 to reach Rs.28,186 million compared to Rs.21,670 in end December 2013. The positive impact in Net Interest Margin (NIM) growth is driven by aforementioned growth in advances and change in investment mix.

Your Bank continued its strategy of diversifying income stream. As a result, Non Interest based income increased to Rs.12,736 million during 2014 as compared to Rs.9,603 million in corresponding year, depicting an increase of Rs.3,132 million or 32.6%. The increase is mainly attributable to higher Dividend and Capital Gain Income of Rs.3,205 million. An income of Rs.907 million was booked during the year ended December 31, 2014 as compared to Rs.1,066 million in respect of compensation for delayed tax refunds, under section 171 of the Income Tax Ordinance 2001. The overall administrative expenses increased by Rs.1,163 million or 7.3% over last year in view of the prevalent inflation and continuous enhancement of the Bank's outreach.

The net provision charge against advances and investments for the year amounted to Rs.1,610 million compared to Rs.565 million in 2013. The charge includes provision against advances of Rs.2,112 million and net reversal of Rs.502 million against investments. During the year, the Bank complying with SBP letter dated September 3, 2014 classified the exposure of Rs.2,741 million, being part of the syndicated facility extended to Byco Petroleum Pakistan Limited (BPPL). The aforementioned letter allows deferment against provisioning subject to receipt of payment as per restructuring agreement till June 29, 2015. As disclosed in note 10.3.1 of the accounts, the Bank however adopting a prudent approach downgraded the exposure to "Doubtful" category; while taking 50% provisioning against BPPL's exposure. The Bank is fully geared to withstand and absorb the risk associated with the remaining exposure.

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. Your Bank's loan loss coverage and NPL ratio stood at 86.4% and 7% as at December 31, 2014; which remains much better than the industry average.

Statement under Code of Corporate Governance

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

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies for Conventional and Islamic banking, since June 2014, 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 and explained 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 value of investments of Pension Fund, Provident Fund and Gratuity Fund is Rs.6,828 million, Rs.5,591 million and Rs.1,581 million respectively, as per audited accounts of these funds for the year ended December 31, 2014.
- 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.
- Nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company is approved by the Human Resource & Remuneration Committee of the Board.
- 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 the Bank's performance for the year ended December 31, 2014.

Statement of Internal Controls

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Control 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

The Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring processes. The Risk Management Group (RMG) is mandated to implement this framework as a function independent of commercial lines of business, working under the guidance of Board's Risk Management Committee (BRMC). RMG took several steps in 2014 to further strengthen the Risk Management Framework, for example:

- Developed an in-house Automated System that evaluates the obligors' financials, account behavior, production patterns and other key qualitative characteristics based on defined triggers, and flags the problematic relationships enabling Bank to effectively monitor and take timely corrective measures so as to ensure quality and health of the portfolio.
- Upgraded the Risk Assessment & Management System (RAMS) by automating the Call Reports and Plant Visit Report recording mechanism as well as launched approval workflows for Financial Institutions Interbank Lines to enhance the efficiency and effectiveness of the credit assessment process.
- Developed a comprehensive database for major Plant & Machineries, covering their make, models, suppliers and estimated prices to ensure accurate technology assessment and verification of fixed asset valuations.
- Continued the trend of engaging with the Obligors to provide them with latest insight on Leadership Strategies and Business Management; and accordingly organized series of interactive Seminars titled "Challenges & Solutions for Sustainable Growth" for Commercial and SME Obligors.

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

Entity & TFC Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term rating of Allied Bank at "AA+" (Double A Plus). The short term rating of the Bank is 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 maintained at "AA" (Double A). The ratings denote very low expectation of credit risk

DIRECTORS' REPORT (CONTD.)

emanating from a very strong capacity for timely payment of financial commitments. The Bank's earlier TFC Issue of Rs. 2,500 million (Issue Date: December 06, 2006) has been fully paid off during the year.

Corporate Governance Rating

JCR – VIS Credit Rating Company has reaffirmed Corporate Governance Rating of Allied Bank Limited as 'CGR-9', The rating denotes 'very 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.

Board of Directors

As more fully explained in the Director profiles, all the members of the Board of Directors are 'Certified Directors' from Pakistan Institute of Corporate Governance except for one Director who is in the process of getting this certification and two Directors who have the prescribed education and experience required for exemption from training programs of Directors pursuant to clause xi of CCG.

The Board of Directors would like to place on record its sincere appreciation to the outgoing Director Sheikh Jalees Ahmed, who tendered his resignation on November 20, 2014. This casual vacancy will be filled by the Board within prescribed period under the Code of Corporate Governance.

Performance evaluation Mechanism for the Board

Board of Directors (BOD) is vested with the fiduciary responsibility on behalf of the shareholders for protection of Bank's interests, providing strategic direction and monitoring the achievement of strategic objectives while ensuring regulatory compliance. The Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and SBP's Prudential Regulations describes the role of the Board along with the Code of Corporate Governance (The Code) in which responsibilities and functions of the Board are well defined.

As required under the Code, the Board has put in place an effective mechanism for monitoring of its performance. The Board evaluates its performance by looking at the overall performance of the Bank. The Board has defined Key Performance Indicators (KPIs) against which actual performance is measured; relevant disclosure is appended in the Annual Report 2014.

Performance criteria also focuses on following areas:

- A system of sound internal controls is established, which is effectively implemented and maintained at all levels within the Bank.
- Ensuring that a vision and mission statement and corporate values are prepared and adopted.
- A Code of Conduct is developed and implemented that defines acceptable behavior, promotes professional standards and integrity for the board, senior management and other employees.
- All business plans are approved and performance is monitored against these plans
- All the powers and functions of BOD and its sub committees are exercised as per the statutory requirements
- Ensuring that significant policies have been formulated
- The bank is compliant with all regulatory requirements

In addition, during the year self-assessment questionnaires covering broad scope of the functioning of the Board were filled by each Director and the results were deliberated upon to further strengthen the performance of the Board.

Auditors

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years.

The Board of Directors, on the recommendation of the Audit Committee, has recommended M/s KPMG Taseer Hadi & Co, Chartered Accountants, as Statutory Auditors for the next term; in place of retiring auditors 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, I 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

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2015
Place: Lahore

CALENDAR OF MAJOR EVENTS

Incorporation of Australasia Bank Limited	1942
Reconstruction of Allied Bank of Pakistan Limited and handing over of its Management to 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
Implementation/ upgradation of Oracle Financials Enterprise (Version R-12)	2013
Completed implementation of Oracle Hyperion Planning (EPM/BI)	2013
Launched "Allied SMS Banking" Services	2013
Achieved milestone of opening 1,000th branch during the year	2014
Launched Islamic Banking	2014
Launched smartphone application	2014
Successfully migrated all branches to state of the art Temenos T-24 core banking software – Recognized by Temenos as largest in the region	2014

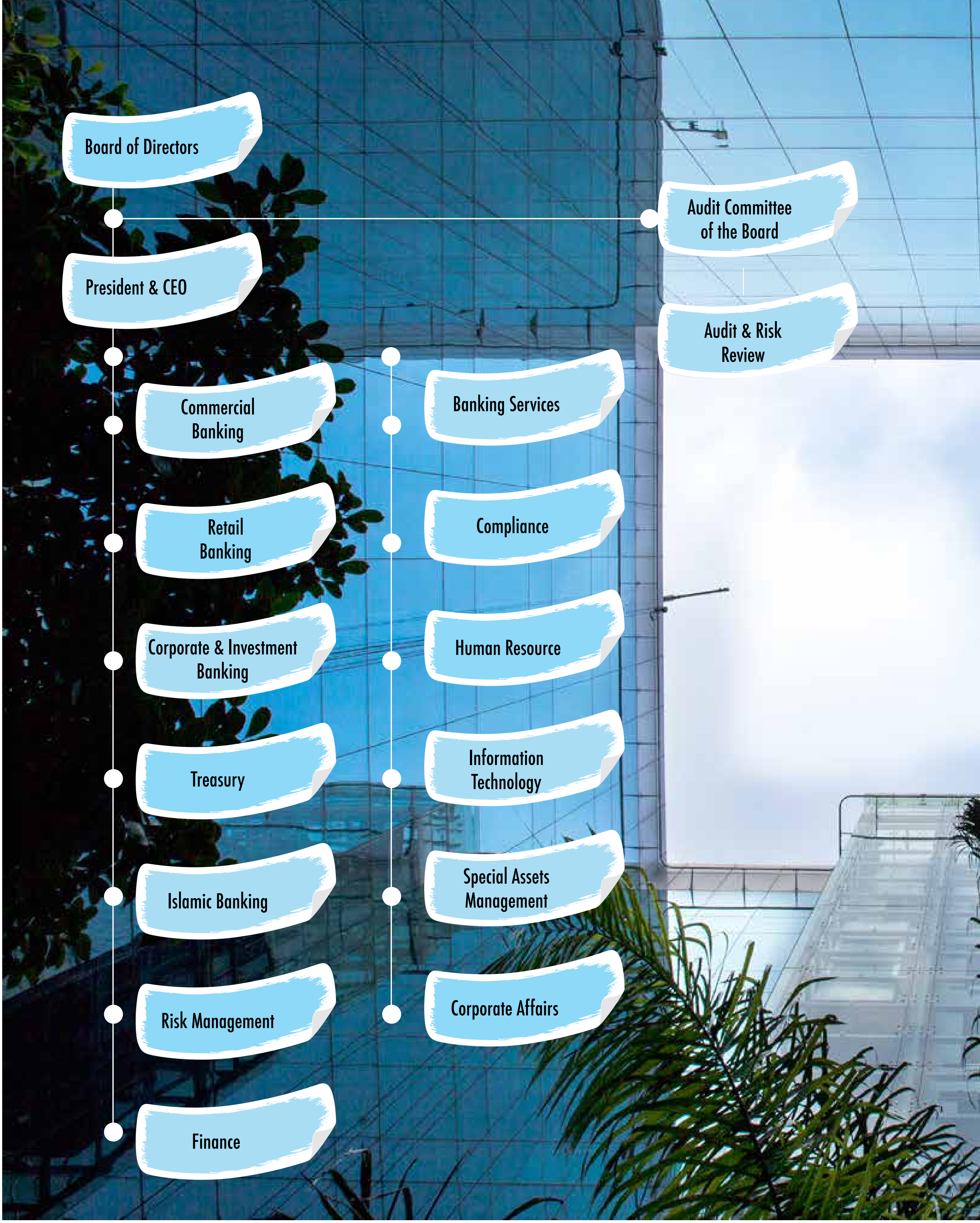
Financial Calendar - 2014

1st Quarter results issued on	April 25, 2014
2nd Quarter results issued on	August 05, 2014
3rd Quarter results issued on	October 23, 2014
Recommendation of Annual Results by the BOD	February 10, 2015
69th AGM Scheduled for Approval of Annual Results	March 26, 2015

Financial Calendar - 2013

1st Quarter results issued on	April 24, 2013
2nd Quarter results issued on	August 21, 2013
3rd Quarter results issued on	October 22, 2013
Recommendation of Annual Results by the BOD	February 11, 2014

CORPORATE STRUCTURE



MANAGEMENT & COMMITTEES

Management Committee

- Strategy & Business Development Committee
- Operations & Services Committee
- Human Resource Committee
- Central Administrative Action Committee
- Risk Management Committee

Asset Liability Committee

Tariq Mahmood	President/Chief Executive Officer
Tahir Yaqoob Bhatti	Chief, Commercial Banking
Tariq Javed Ghumman	Chief, Retail Banking
Owais Shahid	Chief, Corporate & Investment Banking
Ahmad Faheem Khan	Chief, Treasury
Muhammad Idrees	Chief, Islamic Banking
Muhammad Shahzad Sadiq	Chief, Risk Management
Tahir Hassan Qureshi	Chief Financial Officer
Saif ul Islam	Chief, Banking Services
Fareed Vardag	Chief, Compliance
Shafique Ahmed Uqaili	Chief, Human Resource
Mujahid Ali	Chief, Information Technology
Muhammad Mohsin	Chief, Audit & Risk Review
Asif Bashir	Chief, Special Assets Management
Muhammad Raffat	Company Secretary

Economic Review

Global economic outlook despite significant reduction in oil prices is expected to remain under pressure. World economy grew by 3.3% in 2014 and is expected to grow by just 3.5% in 2015 despite 55% fall in oil prices since September 2014. The major factor impacting the growth forecast remains the uncertainty surrounding the oil prices, weaker activity in major oil exporters and stable growth trend in emerging economies. Domestically, after prolonged stagnant GDP growth, 4.1% in 2013-14 remains the highest growth in last seven years.

The macro-economic outlook is showing gradual signs of stability and positive sentiments partly driven by the low inflation levels on the back of the aforementioned dip in oil prices. However, major geo-political challenges continue to engulf the country including weak governance and persistent security threats; whereas economic issues ranging from fiscal imbalance, low tax base and stagnant fiscal revenues, high unemployment and poverty levels along with persistent power shortages continue to impede sustained economic growth. The country needs concrete measures to tackle the aforementioned issues to benefit from nascent recovery signs.

Amongst the major macroeconomic indicators; foreign exchange reserves improved to US$ 15,268 million by end December 2014 while 5% appreciation was also witnessed in PKR's exchange parity with USD, total investment to GDP ratio decreased marginally to 13.99% in 2013-14 as compared to 14.57% in 2012-13. However, total investments improved from Rs.3,276 billion in 2012-13 to Rs.3,554 billion in 2013-14 indicating gradual improvement in investor confidence.

Large Scale Manufacturing (LSM) growth in 2013-14 largely remained unchanged at approximately 4%. The country's main industrial base beset with energy crisis either witnessed a slowdown in growth, or a fall in production compared to the previous year. The bulk of LSM growth this year came from three sub-sectors fertilizer, sugar and beverages.

One of the highlights of the year was receding inflationary pressures. Inflation for Fiscal Year 2013-14 averaged at 8.6%, closer to lower end of State Bank of Pakistan's (SBP) expected inflation range of 8.5%-9.5%. However, later half of 2014 witnessed greater decrease with July 14-December14 inflation averaging at 6% prompted by reduction in POL prices in response to sharp decline in global oil prices. With positive real rates of 2%-3%, SBP re-initiated monetary easing with reduction in Policy Rate by 50 basis points to reach 9.5% in November 14 and a further monetary easing of 100 basis points in January 2015.

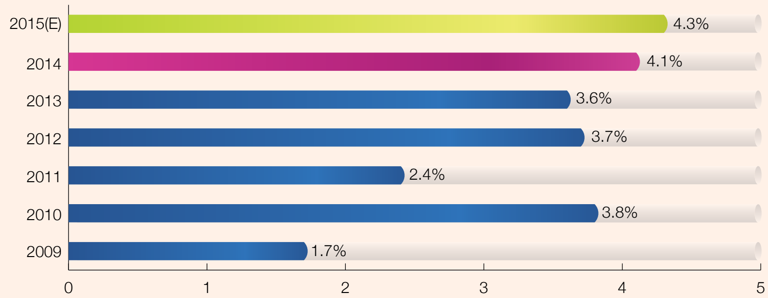
Energy crisis remains the single biggest challenge to the economy and continued to burden the economy through wide demand and supply gap of around 4,000 megawatts. Although, partially paid-off in 2013, Circular Debt inflated to over Rs.500 billion during 2014 due to insufficient planning and lack of development of energy infrastructure as well as lack of reforms in production and distribution channels.

Improved Balance of Payment (BoP) position was largely supported by robust growth in remittances that reached US$15.8 billion in 2013-14 and falling oil import bill towards the end of 2014; In addition, BoP also experienced a favorable impact from foreign inflows augmented through multilateral arrangements with International Monetary Fund (IMF), Asian Development Bank (ADB) and World Bank. Moreover, proceeds from sale of 3G/4G licenses, Eurobonds, floatation of Islamic Sukuks and government divestment in private sector entities contributed to fiscal consolidation and kept External Account deficit at manageable level.

During 2014, Broad Money (M2) supply expanded by just 10% (2013:14.5%). Growth levels plummeted to as low as 3.1% during July-December 14. In line with M2 expansion rate, deposits of scheduled banks increased to Rs.8,342 billion at end-December 14, increasing by 10.7% year-on-year (YoY). Adjusting to regulatory changes set by SBP in 2013 resulting in higher cost of funds, the banking industry continued to focus on mobilization of low cost or current accounts. Advances of the scheduled banks increased to Rs.4,458 billion, up 9.5% from previous year reflecting signs of reversal in the stagnant credit cycle; Amidst limited appetite for private sector borrowing, the growth in advances was mainly supported by lending to public sector entities especially in Power Sector and commodity operations of the Government. With limited credit expansion opportunities, bulk of the surplus liquidity was diverted towards Investments by the banking sector with volumetric growth primarily in government securities. In line with GoP's debt-reprofiling during the year, the investment mix remained concentrated towards the long term Pakistan Investment Bonds (PIBs). Total investment at end-December 2014 increased to Rs.5,108 billion (2013: Rs.4,070 billion) a substantial increase of over 25%. Non-Performing Loans (NPLs) of banking system remained relatively same, marginally increasing to Rs.608 billion as of September 14 compared to Rs.604 billion in September 2013.

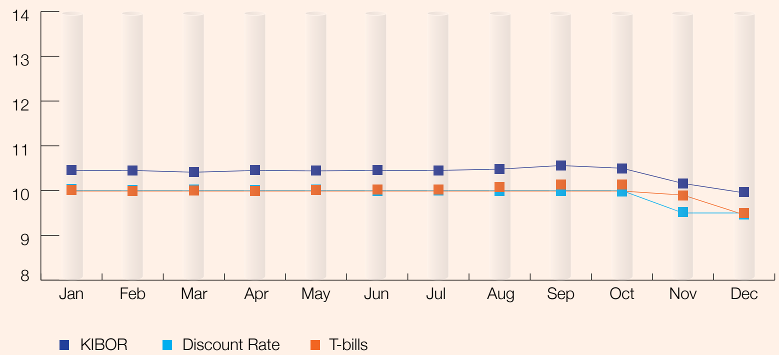
Your Bank while remaining cognizant of ever evolving economic scenario and the challenging business environment continued to follow strategy of steady and quality growth.

GDP Growth
(Percentage)



* Source: State Bank of Pakistan

Interest Rate
(2014) - Percentage



Business Performance

The macroeconomic indicators started to stabilize towards the end of 2014 while the operating environment remained challenging for most part of the year. Your Bank withstood the above challenges and maintained its momentum while posting stable growth in balance sheet size and earnings; major growth drivers remained the strong performance in deposit mobilization in our retail and commercial segment along with proactive strategy towards earnings asset mix which was complimented by robust risk management framework geared towards continuously enhancing the asset quality of the Bank, state of the art technology platform facilitating enriched customer experience through provision of innovative products and services and planned growth in conventional network and alternate delivery channels enabling expansion in outreach.

Your Bank has a comprehensive risk management framework to ensure that the risks taken while conducting its business activities are consistent with its risk appetite; ensuring that an appropriate balance exists between risk and return. Effective risk management is fundamental to the success of the Bank and is recognized as a core deliverable in the Bank's strategic goals. The Bank's risk management framework provides the foundation for achieving these goals and is subject to constant evaluation to ensure that it meets the challenges and requirements of the domestic and international markets in which the Bank operates, including regulatory standards and industry best practices. As part of strategy to further strengthen Risk Assessment and Management System (RAMS), an Automated System was developed to detect, monitor and evaluate obligors' financial and non-financial characteristics and flag out any problematic areas for timely corrective measures. RAMS was further upgraded by automating the Call Reports and Plant Visit Report recording mechanism. Comprehensive databases for major Plant & Machineries, covering their make, models, suppliers and estimated prices were developed to ensure accurate technology assessment and verification of fixed asset valuations. The unique initiative launched by the Bank to impart insight in to Leadership, Best Corporate Practices, Business Management etc. was well received by obligors. Interactive seminars on "Challenges and Solutions for Sustainable Growth" were conducted for Commercial and SME obligors across Pakistan.

With the sustained underlying constraints limiting private sector credit growth, the Bank continued to adopt a cautious approach towards the extension of fund based limits across business lines; the cautious lending approach geared towards top tier corporate, commercial and retail clients, assures enhanced quality of the overall advances portfolio; following prudent provisioning approach, the Bank subjectively classified and downgraded the Byco Petroleum Pakistan Limited's (BPPL) exposure of Rs.2,741 million under the restructured syndicated facility to "Doubtful" category and provided for 50% there against despite exemption from provisioning accorded by SBP till June 29, 2015, through its letter dated September 3, 2014. As a result, the infection ratio marginally increased to 7.0% as at December 31, 2014 from 6.8% as at December 31, 2013. Meanwhile, the loan loss coverage stood at 86.4% as at December 31, 2014; which remains well above the industry average despite the aforementioned subjective classification of BPPL.

In the wake of limited private sector credit appetite, the Bank pro-actively managed the earning assets mix by concentrating the volumetric growth in higher yielding assets particularly in the investment portfolio in line with industry trend whereby significant deployment of surplus funds were diverted in Pakistan Investment Bonds (PIB) portfolio of the Bank which increased by Rs.235,194 million, duly facilitated by the maturity re-profiling of local currency debt undertaken by the Federal Government during 2014.

Your Bank also commenced its fully Shariah compliant Islamic Banking operations in June 2014. Venturing in the Islamic Banking segment will expand outreach of Your Bank, enabling penetration in previously unexplored niche market. During six months of operations, 4 branches were converted into Islamic Banking Branches and the profit before tax of Islamic Banking operations stood at Rs.23 million. Another significant strategic initiative of the Bank involved focused bifurcation of Commercial and Retail Banking Group, which was split into separate and independent Retail and Commercial Banking Groups; the critical driver behind this strategic shift was to inculcate a focused approach to expand our retail business while at the same time enhance the trade and funded asset volumes of the commercial clientele of the Bank. Going forward, the impact of this strategic split will be a gradual source of competitive advantage for the Bank.

Despite intense competition within the banking industry Your Bank successfully managed to expand its deposits base. The strategic focus remained on improving the low cost (CASA) deposits mix to absorb the full year impact of regulatory changes in PLS deposits rate calculation. To achieve this target YoY CASA was improved from 69% in 2013 to 73% in 2014. The network franchise of the Bank witnessed another milestone during 2014 with the opening of 1,000th branch. In conjunction with expansion in conventional banking channels, 96 new ATMs were added to the existing network to increase the number of ATMs to 890. In 2014, the number of registered customers for SMS and Internet Banking also grew at a rapid pace. It is important to mention here that due to effective automated monitoring; the Bank maintained one of the highest ATM uptime in the industry which remained over 97% and dispensed over 240 Billion rupees in 2014.

In addition, the Bank being in sync with growing trend in mobile technology launched Android/iOS based Smartphone App for banking, enabling fast and easy access to your account from the convenience of your smartphone. The ever expanding footprint and utilization of state of the art technology platform enabled Your Bank to maintain its deposits market share of 8% even in the wake of intense competition.

One of the major highlights of 2014 was successful migration of all branches to Temenos T-24 core banking software. This migration represents major progress towards enhanced customer service with full suite of innovative products and services. In order to fully capitalize on the Core Banking Solution, the Bank also made significant headway in the implementation of Temenos Insight during 2014, which is a fully integrated Business Intelligence (BI) tool of T-24 facilitating the implementation of Fund Transfer Pricing (FTP) and customer profitability. With its expected implementation in 2015, the customer analytics and decision making shall be further streamlined in sync with internationally adopted models. This Core Banking implementation was also recognized by Temenos as one of largest T-24 implementations in the region. Our strategic initiative facilitating investment in dual connectivity across our branch network yielded results during the year when ABL was the only Bank successful in extending full services to its customers despite a major breakdown in a local telephone exchange.

In line with the Bank's strategic direction, processes are being continually identified for re-engineering and automation which is not only facilitating optimum customer services but also assisting in the rationalization of the associated costs.

Allied Phone Banking under the ambit of dedicated Service Quality (SQ) function played a pivotal role in delivering uninterrupted services over the phone to 1.6 million satisfied customers during 2014. The Service Excellence team remained actively involved in acquiring customer experience regarding Bank's products and services through various surveys and video mystery shopping exercise with the aim to measure customer satisfaction and preferences.

Your Bank recognizes its Human Resource as a valuable asset to derive success. During 2014 two pronged strategy was adopted whereby 398 fresh post-graduates were inducted in the Management Trainee Officers (MTOs) Program of the Bank from across the country; while simultaneous emphasis was placed on automation of HR function. State-of-the-art Harmony Employee Self Service web-based system was implemented during the year to not only facilitate functioning of the Human Resources Group but to also assist employees in managing and accessing HR-related information anytime at the click of a button. Extensive formal and in-formal training was imparted to the batch of MTOs through the Bank's Management Development Centers across Pakistan. Special training sessions were conducted by the Group Chiefs for the MTO batch, highlighting senior managements' keen interest in molding the future workforce of Your Bank. The e-learning portal launched by Your Bank was extensively utilized for imparting trainings across the country which also resulted in significant cost savings. The success of this unique initiative by Your Bank was recognized internationally and Allied Bank was awarded "Optimas Award – 2014" for Learning & Talent Development by Workforce Magazine (USA).

Female employment ratio of Your Bank also reached 15.1% in 2014, reflecting Your Bank's continuous commitment towards gender equality.

Various technology driven and innovative cost rationalization initiatives were executed by General Services during the year. In view of persistent energy crisis facing the country, pilot project of installing solar power systems was expanded during 2014 to 23 branches. Inverter based energy solutions also proved successful in pilot phase and as a result 234 units were

installed in 2014. These initiatives together with vigilant monitoring and centralized fuel management yielded 10% saving on consumption of electricity and fuel during 2014.

During 2014, Your Bank's process to comply with Foreign Account Tax Compliance Act (FATCA) regulations as per directives of SBP was initiated and support with regards to regulations was also extended to the Bank's wholly owned subsidiary ABL AMC and Bahrain based operations. Utilizing the technology platform, online Anti Money Laundering (AML) and Know Your Customer (KYC) trainings were developed and launched during 2014 to impart training to field staff with regards to AML/KYC policies.

Your Bank's international operations continued to expand and show growth in profitability during 2014. Continuous focus on new arrangements with reputed international money transfer companies and renowned exchange companies within Middle-East also yielded results. Key relationships with foreign banks and exchange companies were established during 2014 to achieve this strategic objective.

Recognizing the consistent performance in the Investment Banking operations, Your Bank was acknowledged through various awards including "Best Investment Bank in Pakistan – 2014" by the Euromoney

Magazine (UK) and "Best Domestic Investment Bank – 2014" by The Asset Triple A Magazine (HK)

Ratings

Entity Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Allied Bank Limited at "AA+" (Double A Plus) and highest possible "A1+" (A One Plus), respectively. The ratings reflect demonstrated efficacy of ABL's strategy aimed at ensuring consistent profitability without compromising quality of other key variables.

TFCs Issues

Rating of the Bank's second TFC Issue (Issue date: August 28, 2009) of Rs.3,000 million has also been maintained at "AA (Double A)" by PACRA. The rating denotes 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. During the year the Bank's 1st TFC Issue (issue date: December 06, 2006) matured after the redemption of principal and payment of profit.

Corporate Governance Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the corporate governance rating of Allied Bank Limited (ABL) at CGR-9, denoting 'very high level of corporate governance'. This rating is based on a scale ranging from CGR-1 (lowest) to CGR-10 (highest). Corporate governance ratings are based on evaluation of key governance areas of the rated institution, which include regulatory compliance; board oversight; management profile; self-regulation; financial transparency and relationship with stakeholders.

Moody's Investors Service maintained Your Banks' deposit rating at B3/Not Prime level while changing the outlook from "negative" to "stable"; the ratings are at par with Tier-I banks in Pakistan.

ABL Asset Management Company

ABL Asset Management Company (ABL AMC) closed the year with an assets under management (AUM) size of Rs.28,700 million, showing a YoY growth of 11%. Despite challenging operating environment ABL AMC maintained its market share at 6.8%. During the year, capitalizing on its acquisition of Pension Fund license ABL AMC diversified its product portfolio; launching three new funds, including ABL Pension Fund, ABL Islamic Pension Fund and ABL Principal Preservation Fund II.

JCR-VIS while recognizing the management and operations reaffirmed the rating of ABL AMC at 'AM2' (AM-Two) with a 'Stable' Outlook.

ABL AMC is also an ISO/IEC 27001:2005 certified company and holds the distinction of being one of the select few companies in Pakistan that have adopted Global Investment Performance Standards (GIPS).

Financial Analysis

Balance Sheet Growth & Mix

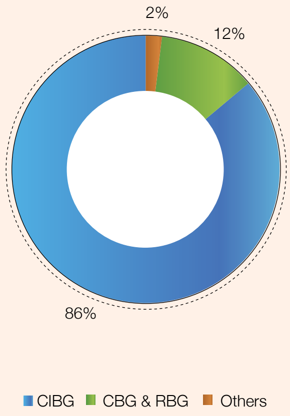
Allied Bank's continuous focus on technology driven products and services enables us to serve our customers while reducing costs. The concurrent strategy of building strong asset mix, under the evolving risk management framework, along with sustained focus on maintaining healthy deposit mix assisted the Bank to deliver solid and consistent performance in 2014, with net income of Rs.15,015 million despite persistent economic and operational challenges.

Despite tough business environment, Your Bank's total asset base registered a healthy YoY growth of 14.7% to reach at Rs.842,269 million as at December 31, 2014. Equity base increased by 22.2% to Rs.80,890 million as at December 31, 2014 compared to Rs.66,198 million as at December 31, 2013, reflecting the strong equity support to the future growth of the Bank. The total equity to asset ratio of the Bank stood at 9.4% at December 31, 2014 compared to 9% as at December 31, 2013. In compliance with Basel III framework, the regulatory standalone Capital Adequacy Ratio of the Bank improved to a healthy 19.75% during 2014 against 17.85% in 2013; which is well above the regulatory benchmark of 10%.

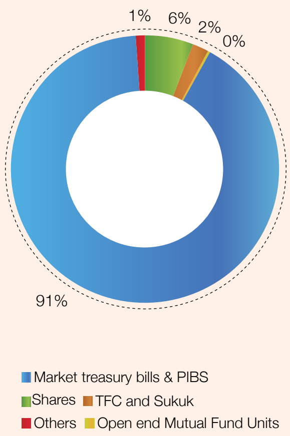
Balance Sheet growth remains primarily dependent on the expansion in deposit base which remained constrained in view of the pressure on Broad Money (M2) growth. Total deposit base grew by 10% during 2014 to reach at Rs.667,878 million as at December 31, 2014 compared to Rs.608,412 million as at December 31, 2013. Despite tough competition in the market, the Bank remained vigilant in curtailing the rising cost of funding by adopting a consistent strategy to further solidify the mix of the stable deposit base. The CASA mix improved to 73% as at December 31, 2014, as compared to 69% at December 31, 2013.

Persistent energy crisis continues to suppress private sector credit appetite; limited credit expansion was driven by public sector borrowings. Diversion of bulk of the surplus funding towards investment activities was sustained. The investment portfolio, thus, increased to Rs.428,790 million as at December 31, 2014, a YoY growth of 18%. In line with maturity re-profiling of local currency debt by Federal Government, long term risk

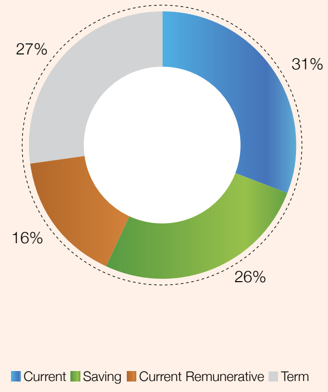
Segmental Advances – Performing
(Percentage)



Investments
(Percentage)



Average Deposit Compostion
(Percentage)



free government securities i.e. Pakistan Investment Bonds now constitute 64% of investments portfolio. The Bank diversified Balance Sheet mix without compromising on the risk profile, whereby net advances grew by 14.6% during 2014 to stand at Rs.306,014 million as at December 31, 2014. Apart from subjective classification of Syndicated Term Finance Facility extended to Byco Petroleum Pakistan Limited (BPPL), as explained in note 10.3.1 of the accounts, the Bank controlled increase in Non-Performing Portfolio through adoption of innovative and robust risk management techniques and focused approach towards the recovery efforts.

Profitability

Persistent multi-faceted challenges and intense competition continued to engulf the operating business environment during 2014. Lack of quality expansion in private sector credit appetite, rising cost of funding amidst curtailed growth in Broad Money (M2), YoY impact of regulatory change in PLS deposit costs and lowering of benchmark interest rates towards the end of the 2014 adversely impacted the earnings of the Banking sector. However, the low interest rate scenario boosted the capital markets during 2014. The low inflation levels particularly towards the end of 2014, driven by global reduction in oil prices, also partially off-set the costs of doing business.

Your bank weathered these challenges and managed significant Net Interest Margin (NIM) growth of 30%; Despite 99 bps increase in PLS deposits cost during the year under review, major factor impacting NIM growth was re-profiling of risk free Government securities from short term to long term Pakistan Investment Bonds (PIBs), in line with the change in GoP strategy towards its debt management, which assisted in off-setting the impact of higher rates on PLS deposits.

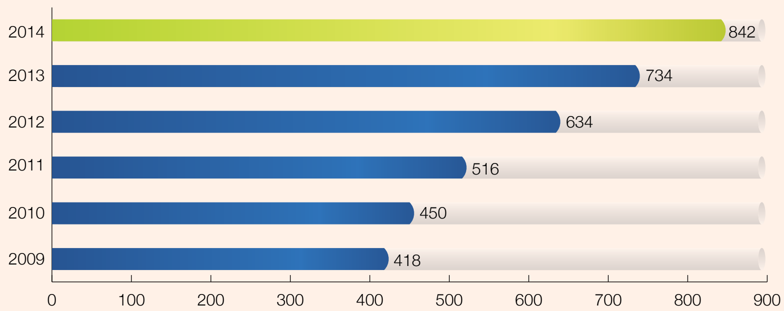
Non Mark-up/Interest Income increased by 33% over 2013 to reach at Rs.12,736 million during 2014, including Capital Gains and dividend income, which surged by an impressive 65% and stood at Rs.7,679 million. The major contributor to growth remained the capital gains as a result of continuing bullish trend in the Capital Markets during 2014 and one-off divestment from strategic investments in Fauji Fertilizer Company Limited and investments in Open Ended Mutual Funds (OEMF). Fee income from branch banking services, alternate delivery channels, advisory/structuring fee from Investment banking activities, trade finance, income from home remittances initiatives and dealing in foreign exchange activities remained the main contributors in overall non funded income stream of the Bank. The Bank also recognized an income of Rs.907 million during 2014 as compared to Rs.1,066 million in 2013 in respect of compensation for delayed tax refunds, under section 171 of the Income Tax Ordinance 2001. 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.

The Bank's Administrative Expenses increased by 9.3% during 2014 to Rs.16,951 million. This increase is mainly driven by the prevalent inflation and ongoing expansion in our outreach including the Bank's alternate delivery channels which not only increased the IT related expenses but also significantly enhanced the depreciation/amortization charge on the fixed assets of the Bank including information technology infrastructure.

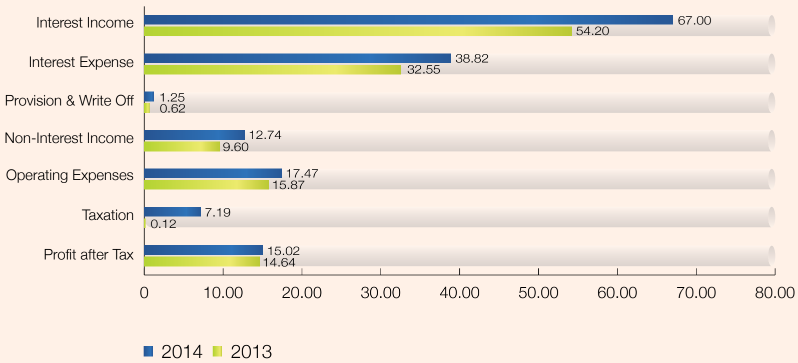
The increase was partially offset by savings in utility expenses and advertisement expenses. Bank's investment in inverter based and solar based energy products along with centralized fuel consumption

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTD.)

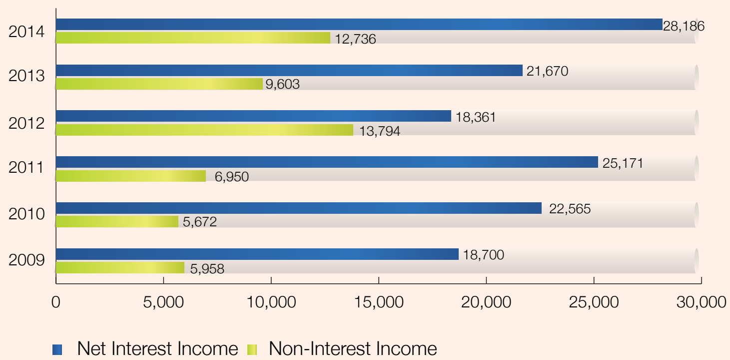
Size of Financial Position
(Rs. in billion)



Profit and Loss Composition
(Rs. in billion)



Gross Income Composition
(Rs. in Million)



monitoring, facilitated by drop in fuel costs towards the end of 2014, contributed towards savings on account of utility expenses.

The provisions against Non-Performing Loans (NPLs) and advances increased by Rs.1,460 million during 2014 as compared to the previous year. The major factor remained the subjective classification of Syndicated Term Finance Facility of BPPL and related prudent provisioning of Rs.1,370 million during 2014. No benefit of FSV has been taken while determining the provision against NPLs in 2014 as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010. Moreover an amount of Rs.397 million was reversed during 2014 from provisioning already held against off balance sheet obligation of M/s DHA Cogen upon conversion of facility to funded exposure; whereby the related provision against advances for the same exposure was duly transferred.

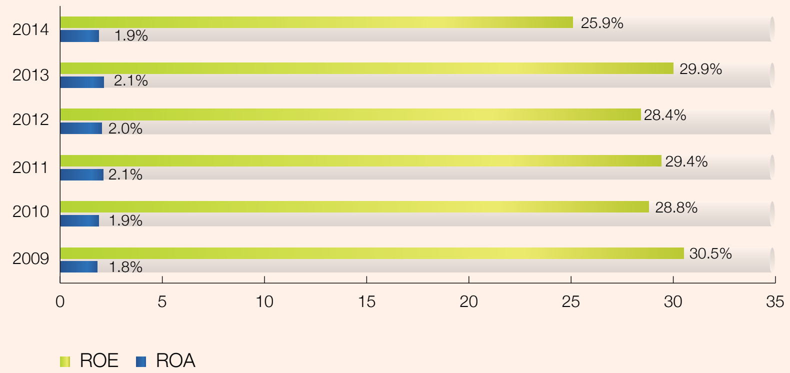
Despite economic and operating challenges, Your Bank maintained its focus on optimizing the funding mix, adopting prudent lending framework geared towards assets of high quality and rationalizing operating costs through process automation and technology driven initiatives enabling the Bank to post a Profit Before Tax of Rs.22,201 million during 2014 compared to Rs.14,761 million in 2013, showing a growth of 50%. The Profit After Tax (PAT) of Rs.15,015 million in 2014 is 3% higher than Rs.14,643 million earned during 2013, despite booking of a one-off reversal of excess tax provisions aggregating to Rs.4,086 million during 2013. Excluding this one-off reversal, the YoY growth in PAT comes to 42%. Accordingly, EPS of Rs.13.11 in 2014 shows improvement from Rs.12.79 which reduces to Rs.9.22, excluding the aforementioned reversal in 2013.

Future Outlook

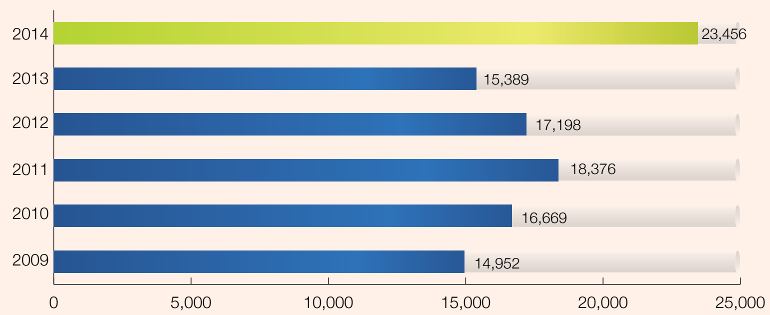
Despite challenges on multiple fronts, major economic indicators are showing signs of gradual improvement, mainly owing to improved foreign exchange reserves, rising workers' remittances and investments. Going forward, the decline in global oil and commodity prices, if sustained, may further bolster foreign exchange reserves position of the country. Moreover, the aforementioned decline in oil prices besides positively influencing the market expectations is expected to narrow the trade gap, which remained the major contributor to external current account deficit.

The continuation of IMF's extended funded facility and resumption of aid/loan programs with World Bank and Asian Development Bank are expected to lend

ROE & ROA
(Percentage)



Operating Income Before Provision & Tax
(Rs. in Million)



support to economy going forward.

With stable macroeconomic indicators and a declining interest rate scenario, the capital markets are expected to perform well in near future. In turn, Privatization of Public Sector Enterprises (PSEs) is expected to continue to be source of inflows for the Government. With recent renewal of Coalition Support Fund, related inflows are expected to further bolster the foreign exchange reserves of the country and may bring the external current account deficit below the historical low levels.

The real GDP growth is projected to be in the range of 4 to 5 percent in FY15. Achieving and sustaining this growth requires favorable environment for investment and increased focus on value added export. Major impediments to growth in the form of fragile law and order situation and prevalent energy crisis persist; posing significant challenges in achieving targets for 2015.

In view of the above situation, profitability of banking sector in Pakistan will remain relatively stable with significant portion of liquidity within banking sector parked in fixed rate long term PIBs. The growth momentum within banking sector is contingent on various factors including surge in aggregate demand, performance of LSM sector, control over energy situation, trend of government borrowing from banking sector etc.

Going forward, Your Bank shall continue to leverage its banking franchise. The strategic initiative to segregate the Commercial and Retail banking functions will enhance the focus on respective market segments. The segregation shall facilitate in achieving strategic objectives of improving deposits volume and mix as well as focusing on mid-tier clients with emphasis on capturing previously limited non-funded business. In addition, the Islamic Banking operations will be strengthened to gradually expand in this previously untapped market. Capitalizing on the Bank's established alternative delivery channels will continue in future. Considering the large unbanked population in the country, the Bank is also evaluating the prospects of entering into branchless banking. Your Bank's strategic course of action is to remain proactive against evolving market dynamics and derive growth through leveraging its retail franchise. Delivering value through utilization of Your Bank's advance technological platform, evolving risk management framework, enhanced delivery channels and footprint along with superior service quality and cost rationalization will remain the cornerstone of overall strategy. I remain confident that the aforementioned initiatives supplementing our strong balance sheet, robust franchise and professional team should enable the Bank to withstand any challenges in future and maintain our stable growth profile going forward.

Acknowledgement

On behalf of Allied Bank Limited I would like to extend my earnest gratitude to our customers and shareholders for their benefaction, State Bank of Pakistan and other regulatory authorities for their unwavering support and to our employees for their loyalty and commitment.

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2015

Commercial Banking

Commercial Banking Group's (CBG) formation has been driven by the strategic objective of the Bank focused on enhancing the penetration in middle market segment. CBG's core function is to provide full suite of innovative products including tailor made solutions with convenience of quality service to meet the specific customer preferences and requirements through strategically located country wide 243 branches, in addition to alternate delivery channels.

Despite stiff competition institutional deposits comprising of SMEs and commercial clients continues to flourish and showed marked growth in 2014. Cross selling of SME and Trade Financing products to existing liability customers has enabled further deepening of relationships; while also paving the way in boosting the generation of non-remunerative deposits, resulting in healthy growth in CASA deposits of 11% (YoY) keeping our overall cost of deposits under check.

CBG offers full range of advances products from general to specific and tailor made solutions to meet the borrowers' needs. Considering needs of the target borrowers, we offer unique products including Business Finance, Agriculture Finance and Personal Loans. ABL also offers a wide range of Funded, Non-Funded and trade related products and services, meeting credit needs of various types of SME and Commercial Businesses. It has also designed tailor made product programs to cross sell for its retail commercial borrowers catering to their specific financial needs.

The Bank continues to be selective towards consumer lending segment and markets its products to existing customers having sound track record. In addition "Allied Personal Finance" is offered to employees of corporate customers including government and public sector organizations, semi government organizations, multinational and reputable local organizations.

In order to increase interaction and strengthen mutual relationships with our valued customers, CBG in collaboration with Risk Management Group of the Bank organized seminars at Karachi, Lahore and Multan. With participation from renowned scholars/ academicians, representatives of various trade associations and chambers and Your Bank's senior management, these seminars were aimed at offering "Solutions for Sustainable Growth" imparting guidelines to increase business sustainability and growth while adopting the best corporate practices.

The Bank continues to expand its service delivery channels. We have added 96 new ATMs this year including a few drive-thru ATMs, growing the network to 890 ATMs all over the country. By capitalizing on Allied SMS Banking service, bank launched the Allied SMS Banking Smartphone App to complement user experience for smart and tech-savvy customers. This Smartphone App is the latest addition to E-Banking suite of services and contributes to the development of our multi-channel offering; giving customers 24/7 access to their account for various financial/non-financial transactions. Your bank also maintains a very active presence on social media networks, both Facebook and Twitter, with focus on building the relevant fan following and with higher engagement rate. These technology driven services have been instrumental in bolstering our customer base resulting in healthy deposit growth during 2014.

Retail Banking

Formation of Retail Banking Group (RBG) as a separate business segment is another step towards Bank's quest for a more customer centric approach aimed at focused growth in the Bank's strong retail franchise. Outreach to the niche customers, state of the art technology platform and competitive team of well-versed bankers shall result in increasing the Bank's agility to respond to changing customer needs.

RBG has a clear focus on providing quality services to the individual customers and small businesses; aspiring to become the leader in retail banking business in Pakistan through innovative products range fully leveraging the state-of-the-art technology platform and maintaining superior service standards, ably supported by a 700+ real-time online branch network.

Capitalizing on its ever growing footprint, RBG continues to build deep and enduring relationships that deliver real value to customers by offering full suite of tailor made financial products and services to the core individual customers of the Bank. Our multi-channel offering is steadily developing with expansion in our ATM network and other alternative delivery channels. Healthy YoY growth of over 14% in CASA deposits among Retail branches is a testament of the success of Bank's effective business strategy.

In line with the Bank's vision, mission and core values, Service Quality continues to create service awareness across all customer touch points, striving to deliver service with care and empathy, leading towards strengthening our customer relationships.

Service Quality's dedicated Quality Assurance team plays an important role in facilitating business and support segments, where they have designed branch service standards, focusing on the service recipients, their business needs and objectives. Allied Phone Banking and Complaint Management Unit (CMU) are also playing a pivotal role to strengthen customer relationship and build customer loyalty.

RBG's continuous focus on high levels of customer services has further strengthened Your Bank's brand. This includes various service quality initiatives taken during the year, including holding of "Customer Engagement Programs" across branches, implementation of Issue Log System (ILS) for improvement in dispute lodgment process and Video Mystery Shopping surveys.

RBG's Marketing & Communications team serves as an important bridge between the Bank and its customers. Understanding the need for a strong brand identity and uplifting of the Bank's image the Marketing and Communications Department utilizes all available media channels to educate and inform the customers about available and upcoming products and services.

Treasury

Core function of ABL's Treasury is to manage interest rate and exchange rate risk emanating from bank's balance sheet. Moreover, treasury is tasked with managing bank's liquidity while optimizing business activities and ensuring that the Bank remains financially secure, stable and able to function effectively to service its clients. Treasury Group is also responsible to liaise with the SBP with regards to financial market activities and its impact on bank's capital and liquidity.

Year 2014 was another challenging year for Treasury Group as domestic and international factors remained in constant play making the task of forecasting interest rates and exchange rate very difficult. Sharp appreciation of the rupee from record lows, maturity extension of GOP debt and sharp decline in headline inflation coupled with improved economic outlook on the back of massive drop in international oil prices in the second half of 2014 were the major drivers in formation of investment and trading strategies.

The Bank successfully managed the duration profile of its fixed income portfolio with the objective to improve and hedge bank's interest margin. Treasury Group was able to build a fixed income portfolio with attractive yield and an overall duration that commensurate with bank's liquidity needs and risk appetite.

ABL Treasury is an active player in the secondary market of fixed income securities and trading portfolio, making a significant contribution to Bank's bottom line. In FX markets, ABL treasury is one of the most active players in the interbank foreign exchange market (both FX spot and FX swaps). We strive to provide the best FX prices to our valued clients with an objective to grow the trade and home remittances business and to strengthen commitment to a mutually beneficial long term relationship.

Going forward, Treasury Group will work towards further enhancing synergies with other business groups to provide better execution for our customers and also grow ABL's share in home remittance and trade business. Treasury Group shall also continue to focus on improving systems and policies so that all relevant risks are efficiently managed and returns are justifiably attributed to relevant risks.

Corporate and Investment Banking

Corporate and Investment Banking Group (CIBG) maintained its position as one of the leading corporate finance houses in Pakistan. CIBG's success can be attributed to strong understanding of its customer relationships and its ability to provide tailor made solutions with superior customer service. CIBG boasts a portfolio of top corporate borrowers, offering all types of funding facilities together with assistance in trade, cash management and investment banking solutions among other products. CIBG is also an active player in the capital markets, maintaining a sound and highly profitable investment portfolio.

In wake of limited credit opportunities available in the past few years, CIBG has adopted a very cautious lending strategy, by extending financing facilities to high quality select borrowers, while maintaining one of the highest asset quality in the industry. Corporate Banking (CB) is also financing to the Public Sector, extending finance for commodity operations to the government and its agencies. During the year 2014, Corporate loan book grew by Rs.42 billion. Going forward, CB will continue to focus on the top-tier/Blue Chip corporate relationships while simultaneously exploring mid-tier corporate relationships within acceptable risk profile of the bank.

Investment Banking (IB) offers a wide range of investment banking products and solutions to its corporate customers. IB's success is based on its proven track record, strength of Your Bank's corporate business relationships and understanding of structured finance and local regulations. In the past, Structured Finance Unit has successfully executed big ticket debt transactions, offered a wide range of advisory services/products ranging from advising on Initial Public Offerings (IPOs), Underwritings, Privatization and Merger & Acquisition deals. Project Finance unit also actively pursues offering services to credit worthy projects with acceptable levels of risk.

ABL offers value added Cash Management products to customers ranging from mid-tier companies to multinational corporates. International Banking team has ongoing support of leading regional and global correspondents, as well as important multilateral agencies. Bahrain branch with the support of Dubai representative office continues to build its assets portfolio and remains a profitable unit.

With a team comprising of experienced investment specialists having thorough understanding of capital market dynamics, Capital Markets Division has continued to generate high returns on its equity portfolio during previous few years. While maintaining a well-diversified exposure, the Bank's equity portfolio has consistently outperformed benchmark returns. Capital gain and dividend income increased from Rs.4,647 million in 2013 to Rs.7,679 million, showing a YoY growth of 65.2%. Whereas the surplus on revaluation of equities portfolio, aggregated to Rs.11,197 million against Rs.9,919 million as at December 31, 2013.

Home Remittance business of ABL has posted significant growth in number of transactions based on high volumes with international partners. ABL was also successful in building significant new relationships, which helped drive growth. ABL continues to streamline its processes, upgrade its systems and maintain efficient control parameters and tracking tools, which will enable continued long term growth.

CIBG success is corroborated by numerous national and international awards received over last few years. During the outgoing year, ABL won Best Corporate Finance House of the Year - Equity & Advisory and Best Corporate Finance House of the Year - Fixed Income Awards by CFA Society Pakistan, Best Investment Bank in Pakistan 2014 by Euromoney Magazine, UK and Best Domestic Investment Bank in Pakistan, Best Debt House In Pakistan, Best Equity House in Pakistan and Best Domestic Bond House in Pakistan by The Asset Magazine, Hong Kong.

Going forward, CIBG team intends to maintain preference towards high quality borrowers in its cautious approach in lending. As large corporate segment reaches saturation levels, CIBG is actively pursuing mid-tier segment for growth in its portfolio of earning assets to help sustain and diversify revenue streams. CIBG seeks to augment income by focusing on cross selling of cash management and financial institutions products to corporate customers while gradually expanding non-fund business avenues. Further, ABL continues to evaluate international markets and aims to prudently increase its international footprint in due course.

Islamic Banking

Overall Islamic banking industry has expanded to become a distinctive and fast growing segment of the banking and capital markets of Pakistan. Islamic Banking aligns the functionality of trade and commerce with guidance provided by Shariah and focuses on the promotion of real trade and economic activity based on Islamic concept of equitable distribution of wealth and social justice.

The Bank has started Islamic Banking from June, 2014 with four branches at the end of the year 2014; with an aim to steadily contribute in the overall growth of Islamic banking industry with full commitment and devotion towards accomplishing our vision of "To be the first choice Sharia Compliant Financial Services Provider for the customers".

The Bank is gradually enhancing its diverse range of Shariah Compliant Products and Services catering to the corporate, commercial, SME, retail and agriculture sector(s) with a long term strategy to expand Islamic banking outreach and become a major player in this niche business segment.

Risk Management

The goal of Risk Management is to manage risk through a framework of sound risk principles supported by optimal organizational structure, robust risk assessment models and effective monitoring systems in a proactive IT enabled environment.

The specialized functions of Risk Management Group i.e. Corporate & FI Risk, Commercial & Retail Risk, Credit Administration, Technical Appraisal and Enterprise Risk are operating in tandem to achieve the overall goal by constantly improving the risk monitoring and assessment architecture thereby ensuring the health of the lending portfolio and keeping the aggregate risks well within the Bank's overall risk appetite.

The Risk Management at Allied Bank continued its tradition to bring innovation through use of technology and accordingly took several initiatives in 2014 to further strengthen risk monitoring and assessment processes, as under:

- Developed an automated system which is the latest addition to the Bank's Risk Assessment & Management System (RAMS). This system evaluates the obligors' financials, account behavior, production patterns and other key qualitative characteristics based on defined triggers and flags the problematic relationships enabling Bank to effectively monitor and take timely corrective measures so as to ensure quality and health of the portfolio. This system will prove instrumental in further strengthening and improving the overall risk control environment of the Bank in coming years.
- Upgraded the Loan Origination System (LOS) by automating credit approval workflows for interbank lines to Financial Institutions with embedded Obligor Risk Rating Models, as well as Back to Back Guarantees.
- Upgraded the Portfolio Monitoring System (PMS) of the Bank by

automating the Call Report and Plant visit report recording mechanism. Further, a linkage was established between the database of Bank's Core banking System and RAMS through which Credit Personnel can directly fetch Account Behavior information of Obligors without any manual intervention.

- Developed and implemented a Treasury Dealer Limit Assessment Model, through which limits are now assigned to Chief Dealer, as well as MM / FX Dealers based on systematic evaluation of their education, skill set and relevant experience.
- Developed a comprehensive Database for major Plant & Machineries, covering their make, models, suppliers and estimated prices to ensure accurate technology assessment and verification of valuations.
- Introduced the concept of sector specialization in credit risk evaluation and monitoring areas, whereby corporate and commercial credit risk analysts as well as post disbursement credit monitoring officers were assigned specific sectors for focused risk analysis and monitoring.
- The Bank continued with the initiative of launching its own Warehouses for Pledge Financing in selected locations to mitigate the inherent risks involved in financing against pledge of seasonal commodities. During 2014, one more warehouse was made operational thus taking the total count to three.
- Continued the trend of engaging with the Obligors to provide them with Latest Insight on Leadership Strategies and Business Management; and accordingly during 2014 organized 3 interactive Seminars for Commercial & SME Obligors on the topic, "Challenges & Solutions for Sustainable Growth".

Our aim is to continue the pace of initiatives in 2015 through significant investments in human resources, technology and training. Numerous initiatives have been planned for future that will enable Risk Management to implement its ultimate goal of fostering an effective risk management framework.

Human Resource

Allied Bank recognizes the importance of human capital and considers it as an essential driver of growth strategy. The dynamic workforce comprising of best talent has made significant contribution towards Bank's consistent business growth over the years. Allied Bank employs close to 10,000 permanent staff across the Bank. The Bank remains focused in attracting and retaining the best talent by providing them a challenging work environment, career growth prospects through job rotation and enabling them through provision of modern learning and development opportunities.

Human Resource Group remains committed in augmenting the quality of employee base by inducting high quality talent pool. During 2014, more than 800 employees including Management Trainee Officers (MTOs), Business Development Officers (BDOs) and Tellers were inducted in batches. In addition to the batch recruitment, Bank also inducted, on need basis, resources having prior technical experience in specialized functions.

Allied Bank has been following the philosophy of 'pay for performance' and pays competitive remuneration including rewarding the best and consistent performers. We have an elaborate performance evaluation system based on clearly defined objectives. Our aim is to extend enabling work environment and nurture a performance driven culture.

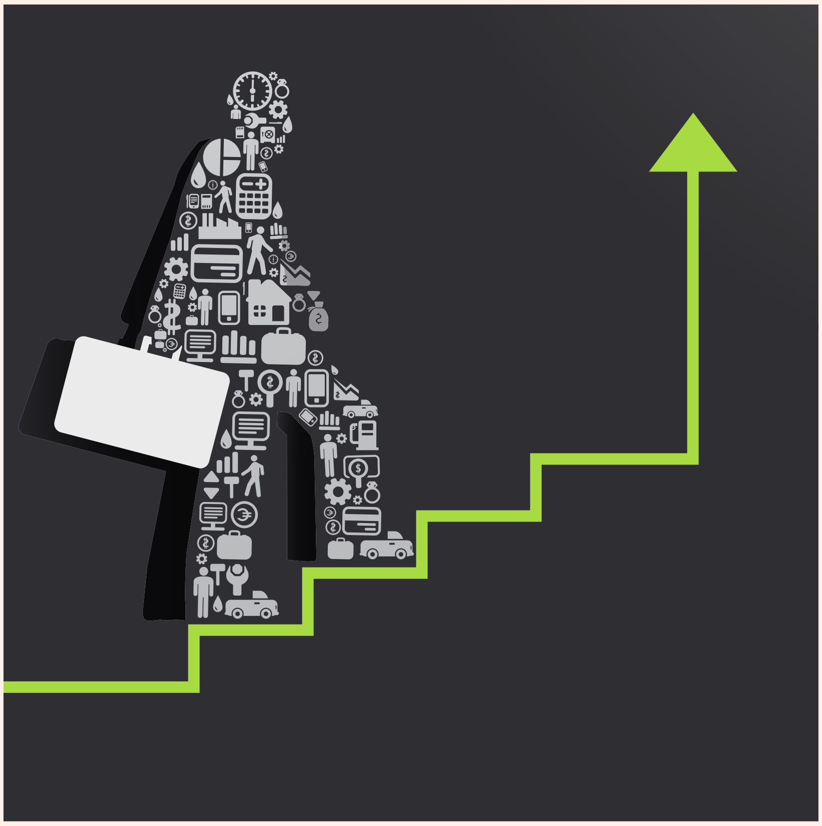
As part of the continuing strategy to be a first choice organization, Your Bank has introduced improved 'Career Paths' for various key positions in the Bank. These positions include Management Trainee Officers (MTOs), Tellers and Business Development Officers (BDOs).

During 2014, Human Resource Group successfully changed its existing client server based Human Capital Management (HCM) software to web based application enabling direct access of employee information. Availability of web based Employee Self Service (ESS) and Manager Self Service (MSS) modules in new HCM, has enabled the employees, as well as the managers to readily access and update relevant information. The entire leave application management, as well as, performance appraisal process, is online, through process work flows, within the system. As part of an ongoing strategy to keep on strengthening controls, by following best standards, HR related workflows have also been improved. Post successful implementation of new core banking system (T-24), Manpower Plan (MPP) of branches was realigned taking into account the changing functional roles of different positions at branches.

During 2014, Commercial and Retail Banking Group was segregated into two separate business groups, i.e., Commercial Banking Group (CBG) and Retail Banking Group (RBG), to enable higher focus on market penetration, functional specialization and increase efficiency to further bolster the balance sheet of the Bank.

Employees were facilitated by providing best health care facilities on pan Pakistan basis; continuously expanding the network of panel hospitals. To further promote a disciplined culture and professional work environment, rules of 'Corporate Dress Code' and 'Office Discipline' have been revisited.

Instructional design and delivery has been revamped in the wake of emerging business needs, changing learning concepts including the establishment of virtual learning environment. In house capacity to meet the stated challenges has been enhanced by developing faculty members through 'Train the Trainer Program'. These initiatives have helped the Bank design in-house customized certification programs for different functional roles and strengthen the classroom training. Management Trainee Officers (MTOs) and Tellers' training program have been designed, using internationally renowned ISD model of content design of American Society for Training & Development. Bank's central online library has made it possible for the employees across the Bank to read the latest management concepts and literature. Staff was imparted training on different technical, personal development, management development and leadership. Employees trained to total employees ratio increased by 10% during the year. Training outreach not only increased horizontally but also made strides vertically covering all Regional Heads of Business. A record 900 plus employees received comprehensive training on ATM Operations, assisting the Bank to improve up-time of Allied Bank's ATM network. The Bank believes in nurturing and developing leadership from within. During the year 2014, 402 mid-tier management staff were provided training on different aspects of leadership as part of the leadership development initiative. Similarly a well-coordinated programme focused on further strengthening skills of business development managers (BDMs) as well as banking services managers (BSMs) was undertaken. Training outreach increased through mobile trainings and e-learning initiatives. Year 2014 also marked completion of a rigorous training program of all employees on Bank's core banking solution Temenos T-24. Human Resource Development efforts of the Bank have been internationally recognized whereby US based 'Workforce' magazine declared Allied Bank as Silver Winner for 'International Optimas Award for Training for year 2014'.



390 students from over 70 universities across Pakistan attended 6-8 weeks internship program at Allied Bank. Automated 'Internships program' of the Bank helps track their activity effectively.

Human Resource Group (HRG), complying with the key strategic objectives of the Bank, is inculcating a culture of positive mindset and focused attitude within the organization with an enabling work environment; this is critical to facilitate the effective partnership of various businesses and support functions within the Bank, assist in overall goal congruence and resultantly enable the accomplishment of value creation for the shareholders.

In addition, the General Services function with HRG introduced phase wise implementation of Regional Maintenance Teams for maintenance and upkeep of electrical and mechanical equipment as well as building and furniture/fixture infrastructure, keeping in view the importance of upkeep and grandeur of branches. Under these arrangements, 588 branches at major locations will have efficient in-house repair and maintenance facility for swift support and improved upkeep. Monthly monitoring of fuel consumption at branches, installation of inverters at more than 234 branches/ locations, installation of Solar Systems at 23 branches, centralization of fuel delivery and video con meetings with high consumption branches has resulted in substantial reduction in electricity and fuel consumption.

Information Technology

Information technology in Banking has created unprecedented value; the traditional landscape of banking seems gone forever and the banks that succeed will do more than just manage money they will build lasting and relevant relationships with their customers. Smarter banking means banks have to re-imagine everything about the way customers connect, transact and engage with their banks. Banking technology therefore is a critical driver for expanding business opportunities and customer base of the banks. However, despite many efforts of the Banking industry, particularly in Pakistan, to transform from paper and branch banks to' digitized and networked banking services, today's digital world is having widespread effects on an array of consumer behaviors, including how we handle our finances. Electronics and mobility are key trends for financial institutions to keep track of, but consumers aren't ready to break all ties with their local bank branches just yet.

Allied Bank is aware of this fact and to complement the mindset of the majority of the consumers, the Bank has also been focusing on expanding the bricks and mortar branch infrastructure duly supported by State-of-the-art technologies for software, hardware and connectivity across the Bank.

Year 2014 was a memorable year for the Bank as roll out of the Temenos T-24 core banking system was completed across the domestic branches of the Bank. All branches are real time online, linked with the Tier-3+ datacenters through independent dual, active-active communication links enabling the customers to have uninterrupted banking experience. Temenos has duly acknowledged the implementation at ABL as the largest implementations of T-24 in the region.

Besides the growth in conventional branches, the Bank has continuously been focusing on expanding and strengthening its alternate delivery channels. In this context Information Technology group on an ongoing basis is endeavoring to facilitate the provision of all desired services through these channels.

In order to maintain uninterrupted seamless customer service experience on 24/7 basis, Information Technology Group has been focusing on further enhancing the automated service monitoring and alert mechanisms. This is done through Enterprise Monitoring System which has been deployed with all the critical systems and services.

Business continuity and disaster recovery remains a high priority to ensure availability of round the clock services. To ensure this, Bank is maintaining an alternate site with matching hardware and software to ensure availability of backup data at a remote location.

Going forward, Information Technology Group is working diligently with Temenos for the technical release up-grade while at the same time deploying state-of-the-art business intelligence module of Temenos Insight to facilitate the business analytics and decision making within the Bank. Islamic Banking Module implementation should also facilitate the growth in the niche Islamic Banking segment. The continuous emphasis and investment in technology as a strategic priority should enable the Bank to reduce costs, comply with regulatory requirements and create value to satisfy demanding, digitally empowered customers.

PERFORMANCE VS. KPIs

Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Maintain profitability trend enabling continuous recognition among the top tier profitable banks of the country	Overall Earnings	ABL has performed well and posted profit before tax of Rs.22,202 million, registering a growth of 50% over last year and profit after tax, excluding one-off reversal of excess tax provision of Rs.4,068 million in 2013 also shows a growth of 42%. The results show that ABL remains among the top tier profitable banks of the country and would maintain its positioning in the peers. Profit before tax growth stemmed from all areas of business activities and containment of the operating cost despite prudent provisioning against subjectively classified portfolio. Net Interest Income increased by 30%, emanating from volumetric growth in better yielding earning assets largely witnessed in investment portfolio in line with Industry trend. Return on Equity (ROE) at 26%, in 2014 compared to 30% in 2013, remains amongst the highest achieved by the top tier banks in the country. The top 10 peers of the Bank had an average ROE of 21% as at September 30, 2014 with ABL being ranked at 1st position.	KPI shall remain relevant for future
Continuous growth in Balance sheet primarily through no/low costs deposits	Deposits Mobilization	The Bank's continuous focus on improving CASA mix in total deposits resulted in an increase from 69% in 2013 to 73% during 2014. Despite intense competition within banking sector and decline in Broad Money (M2) growth rate which dropped to 10% in 2014 compared to 14.5% in 2013, the total deposits increased by 10% to reach Rs. 668 million, against industry average growth of 10.8%. ABL maintained its market share as at December 31, 2014 at approx. 8%. As at September 30, 2014, the Bank's position in terms of market share was 5th.	KPI shall remain relevant for future
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	Strategic objective to manage risk through adoption of robust risk assessment framework in an automated IT enabled environment helped in mitigating all types of long term and short term risks. Despite, the significant classification and 50% provisioning of syndicated exposure of BPPL valuing Rs.2,741 million on prudent basis, the infection ratio marginally increased to 7.0 % as at Dec 31, 2014 from 6.8% as at Dec 31, 2013. The loan loss coverage decreased to 86.4% as at December 31, 2014 from 94.6% as at December 31, 2013. The industry's NPL and coverage ratio as at September 30, 2014 stood at 13% and 78.6% respectively. The Bank has not taken benefit of Forced Sale Value of collaterals, while calculating the provision against non-performing loans.	KPI shall remain relevant for future
Inculcate operational efficiencies through innovative and viable cost controlling measures	Effective and efficient cost controls	Intermediation cost improved to 2.7% compared to 2.8% in 2013. The top 10 peers of the Bank had an average Intermediation cost of 3.3% as at September 30, 2014. Effective cost rationalization measures including greater automation and centralization of processes resulted in keeping operating expenses within budgetary controls with an increase of (YoY) 9% almost in line with inflationary trends and network expansion.	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	ABL's balance sheet is well capitalized with Common Equity Tier (CET) and Tier-1 Capital Ratio of 16.34% against SBP's minimum requirement of 5.5 and 7% respectively as at December 31, 2014. Capital Adequacy Ratio as per Basel III requirements also improved from 17.85% in 2013 to 19.75% in 2014, well above the minimum benchmark stipulated by the State Bank of Pakistan (SBP), reflecting the high quality of the asset portfolio and opportunity to expand in future upon sustained rise in private sector credit appetite. The Banking Industry had an average CAR of 16% as at September 30, 2014.	KPI shall remain relevant for future
Sustainable payout to our Shareholders	Return to Shareholders	ABL continues to maintain healthy dividend streams. Cash Dividend of Rs. 6.5 per share was declared in 2014 as against Rs.5.25 in 2013.	KPI shall remain relevant for future

PERFORMANCE HIGHLIGHTS

Rs. in Millions

December 31	2014	2013	2012	2011	2010	2009
BALANCE SHEET						
ASSETS						
Cash and balances with treasury and other banks	42,128	45,775	44,381	38,159	31,845	27,716
Lending to financial institutions	2,030	12,461	10,721	1,362	11,489	28,123
Investments- Gross	429,597	364,966	269,351	198,398	123,855	96,975
Advances - Gross	325,825	285,376	288,889	262,137	267,776	249,887
Operating Fixed assets	27,250	22,084	19,871	18,087	15,360	12,447
Other assets	36,055	23,496	20,245	18,185	17,719	17,955
Total assets - Gross	**862,886**	**754,158**	**653,458**	**536,328**	**468,044**	**433,103**
Provisions against non-performing advances	(19,811)	(18,375)	(17,805)	(17,704)	(15,431)	(12,543)
Provisions against diminution in value of investment	(807)	(1,587)	(1,948)	(2,704)	(2,682)	(2,186)
Total assets - net of provision	**842,269**	**734,196**	**633,705**	**515,920**	**449,931**	**418,374**
LIABILITIES						
Customer deposits	667,878	608,412	514,707	399,562	371,284	328,875
Inter bank borrowings	66,096	32,952	38,916	49,993	20,774	39,819
Bills payable	4,832	4,879	6,203	4,015	4,119	3,162
Other liabilities	19,579	17,513	16,351	13,325	12,284	11,061
Sub-ordinated loans	2,994	4,242	5,490	5,493	5,495	5,497
Total Liabilities	**761,379**	**667,998**	**581,667**	**472,388**	**413,956**	**388,414**
LIABILITIES	**80,890**	**66,198**	**52,038**	**43,532**	**35,975**	**29,960**
Share capital	11,451	10,410	9,463	8,603	7,821	7,110
Share premium	-	-	-	202	984	1,695
Reserves	13,549	12,438	10,899	8,561	6,533	4,888
Un - appropriated profit / (loss)	37,053	30,855	23,688	20,447	15,829	12,198
Equity - Tier I	62,053	53,703	44,050	37,813	31,167	25,891
Surplus on revaluation of assets	18,837	12,495	7,988	5,719	4,808	4,069
Total Equity	**80,890**	**66,198**	**52,038**	**43,532**	**35,975**	**29,960**
PROFITABILITY						
Markup / Return / Interest earned	67,001	54,222	49,503	51,814	44,993	41,122
Markup / Return / Interest expensed	(38,815)	(32,552)	(31,142)	(26,643)	(22,428)	(22,422)
Net Markup / Interest income	28,186	21,670	18,361	25,171	22,565	18,700
Fee, Commission, Brokerage and Exchange income	3,758	3,711	3,169	3,395	2,910	3,470
Capital gain, Dividend income and Unrealized loss / (gain)	7,850	4,645	10,353	3,507	2,511	2,452
Other income	1,128	1,247	272	48	251	36
Non interest income	12,736	9,603	13,794	6,950	5,672	5,958
Gross income	40,922	31,273	32,155	32,121	28,237	24,658
Operating expenses	(17,390)	(15,804)	(14,853)	(13,684)	(11,529)	(9,609)
Profit before provisions	23,532	15,469	17,302	18,437	16,708	15,049
Donations	(76)	(80)	(104)	(61)	(38)	(97)
Provisions - (charge) / reversal	(1,254)	(628)	(1,362)	(3,267)	(4,326)	(4,416)
Profit before taxation	22,202	14,761	15,836	15,109	12,344	10,536
Taxation	(7,187)	(118)	(4,195)	(4,969)	(4,118)	(3,414)
Profit after taxation	**15,015**	**14,643**	**11,641**	**10,140**	**8,226**	**7,122**
CASH FLOW STATEMENT - SUMMARY						
Cash Flow from Operating Activities	57,504	96,332	75,479	86,807	36,200	10,811
Cash Flow from Investing Activities	(53,293)	(87,993)	(62,854)	(76,727)	(28,822)	(10,000)
Cash Flow from Financing Activities	(7,950)	(7,019)	(6,379)	(3,706)	(2,982)	926
Cash & Cash equivalent at the Beginning of the Year	45,948	44,240	37,944	31,725	27,276	25,190
Effect of Exchange Rate changes on Cash & Cash equivalent	(230)	214	191	26	79	428
Cash & Cash equivalent at the End of the Year	**41,979**	**45,775**	**44,381**	**38,125**	**31,751**	**27,355**

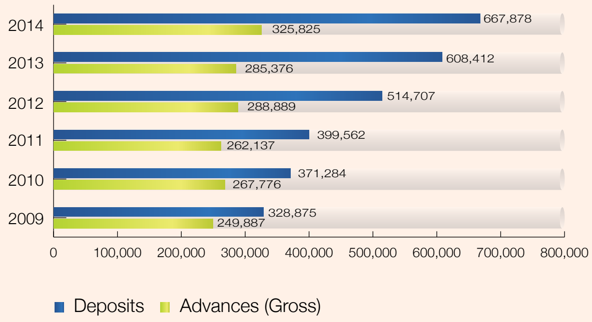
December 31	2014	2013	2012	2011	2010	2009
FINANCIAL RATIOS						
Return on equity	25.9%	30.0%	28.4%	29.4%	28.8%	30.5%
Return on assets	1.90%	2.14%	2.03%	2.10%	1.89%	1.81%
Profit before tax ratio	54.3%	47.2%	49.2%	47.0%	43.7%	42.7%
Gross spread ratio (Net markup income / Gross markup income)	42.1%	40.0%	37.1%	48.6%	50.2%	45.5%
Return on Capital employed	24.9%	27.9%	26.1%	26.7%	25.6%	28.0%
Advances to deposits ratio (ADR) - Gross	48.8%	46.9%	56.1%	65.6%	72.1%	76.0%
Advances to deposits ratio (ADR) - Net	45.8%	43.9%	52.7%	61.2%	68.0%	72.2%
Income / Expense ratio	2.4	2.0	2.2	2.3	2.4	2.6
Cost to revenue ratio	42.5%	50.5%	46.2%	42.6%	40.8%	39.0%
Growth in gross income	30.9%	-2.7%	0.1%	14%	15%	36%
Growth in net profit after tax	2.5%	25.8%	14.8%	23.3%	15%	71%
Total assets to shareholders' funds (Tier 1)	14.6	15.0	15.5	15.0	15.8	17.9
Total assets to shareholders' funds (Tier 2)	11.6	12.4	13.3	12.0	13.7	15.0
Intermediation cost ratio	2.7%	2.8%	3.2%	3.6%	3.3%	3.1%
NPL ratio	7.0%	6.8%	7.2%	7.8%	7.0%	6.5%
Net infection ratio	1.1%	0.4%	1.1%	1.1%	1.3%	1.6%
Weighted average cost of debt	5.84%	5.66%	6.39%	6.35%	6.13%	6.84%
Capital Adequacy ratio	19.75%	17.85%	16.17%	13.43%	13.84%	13.47%
Breakup value per share without Surplus on						
Revaluation of Fixed Assets ** - Rs. per share	64.5	60.3	46.6	38.3	31.9	26.1
Breakup value per share including the effect of Surplus on						
Revaluation of Fixed Assets ** - Rs. per share	70.6	63.6	50.0	41.8	34.6	28.8
Weighted Average cost of deposit	5.18%	5.07%	5.39%	5.38%	5.15%	6.10%
Earning asset to total asset ratio	87.5%	87.6%	86.7%	85.6%	85.6%	86.1%
Gross Yield on Earning Assets	9.0%	8.0%	9.0%	12.0%	12.0%	11.0%
Duo Pont Analysis						
Profit Margin (Net Profit/ Markup and Non Mark up Income)	19.0%	23.0%	18.0%	17.0%	16.0%	15.0%
Assets Turnover (Mark up plus Non Markup/ Total Assets)	0.1	0.1	0.1	0.1	0.1	0.1
Equity Multiplier (Total Assets/ Equity)	14.6	15.0	15.5	15.0	15.8	17.9
SHARE INFORMATION						
Cash Dividend Per Share	6.5	5.25	6.50	5.00	4.00	4.00
Bonus Shares issues	Nil	10%	10%	10%	10%	10%
Dividend Yield Ratio (based on cash dividend)	5.8%	5.8%	8.8%	9.3%	5.7%	6.8%
Dividend payout ratio (Total payout)	50%	44%	61%	51%	48%	50%
Earning Per Share (EPS) *	13.11	12.79	10.18	9.74	7.90	6.84
Price to earning ratio * (PE x)	8.6	7.0	6.0	4.6	6.7	5.9
Price to book value ratio	1.6	1.4	1.3	1.1	1.5	1.4
Market value per share - at the end of the year	113.1	90.0	73.5	53.9	70.5	58.7
Market value per share - highest / lowest during the year	138.0 / 83.0	93.5 / 54.9	76.0 / 52.0	74.0 / 53.3	71.1 / 48.5	66.3 / 19.8
Net assets per share	70.6	63.6	55.0	50.6	46.0	42.1
Market Capitalisation	129,531	93,688	69,547	46,345	55,138	41,757
INDUSTRY SHARE						
Deposits	8.0%	8.1%	7.7%	6.8%	7.2%	7.5%
Advances	7.3%	7.0%	7.7%	7.8%	7.7%	7.5%
Total Assets	7.4%	7.7%	7.1%	6.6%	6.6%	6.9%
OTHER INFORMATION						
Non - performing loans (NPLs) (Rs. in Millions)	22,922	19,424	20,668	20,452	18,688	16,281
Imports and Exports business (Rs. in Millions)	339,330	358,104	279,548	249,573	192,973	196,211
Number of employees - Permanent	9,654	9,675	9,291	9,496	8,947	8,713
Number of employees - Total	10,121	10,213	9,932	13,029	12,588	11,690
Number of branches	1,000	950	875	837	806	779
Number of ATMs	890	794	618	601	574	530

* EPS for prior years has been adjusted to affect bonus shares issue during 2014.

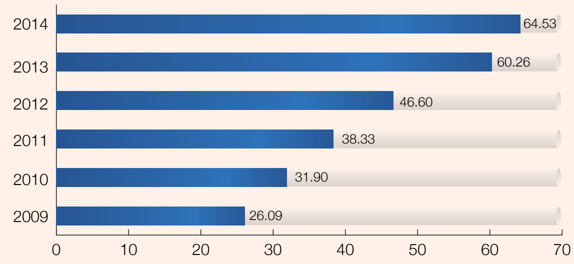
** Adjusted for prior years to affect bonus shares issued during 2014.

PERFORMANCE HIGHLIGHTS (CONTD.)

Advances & Deposits
(Rs in Million)

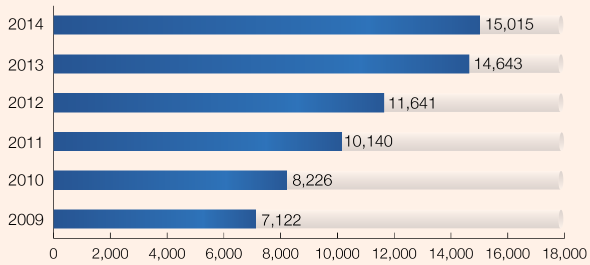


Break-up-Value
(Rupee per share)



CAGR: 19.86 %

Profit after Tax
(Rs in Million)

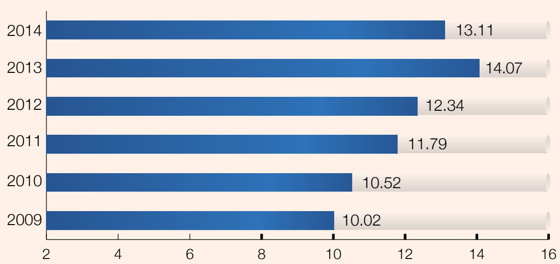


CAGR: 16.09%

ABL Share Price Movement
(Rupees)

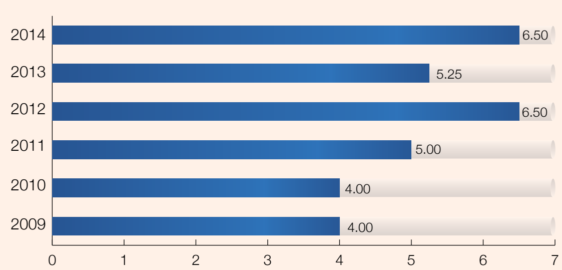
Year	Share Price	+/-%	Highest	Lowest	AVG
2014	113.12	25.69%	138.00	93.00	115.50
2013	90.00	22.47%	93.50	54.92	73.95
2012	73.49	36.42%	76.00	52.00	66.53
2011	53.87	-23.59%	74.00	53.35	62.81
2010	70.50	19.44%	71.24	48.51	59.13
2009	58.73	87.52%	66.30	19.85	43.67

Earning per Share - Historical
(Rupees)

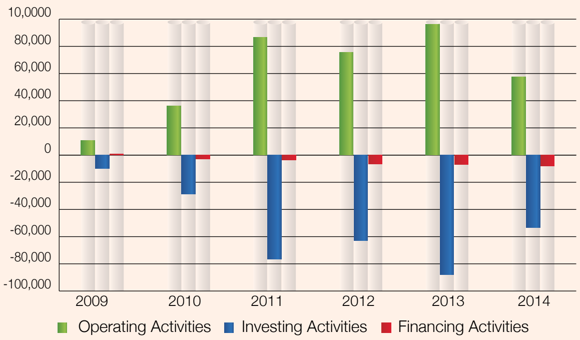


CAGR: 5.52%

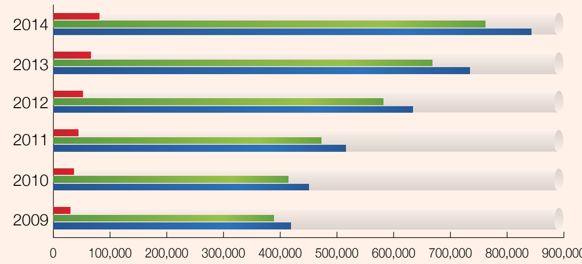
Cash Dividend
(Rupees per share)



Cash Flow Analysis
(Rs. in Million)

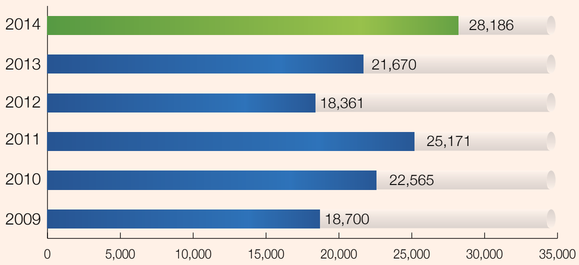


Composition of Statement of Financial Position
(Rs. in Million)



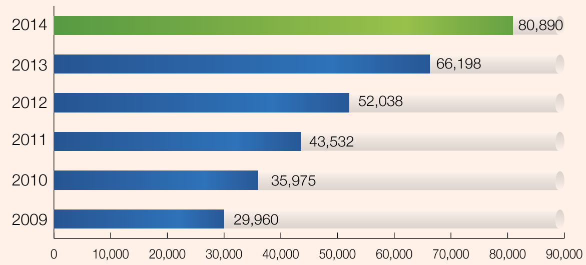
CAGR: Equity 21.97% Liabilities 14.41% Assets 15.02%

Net Interest Income
(Rs. in Million)



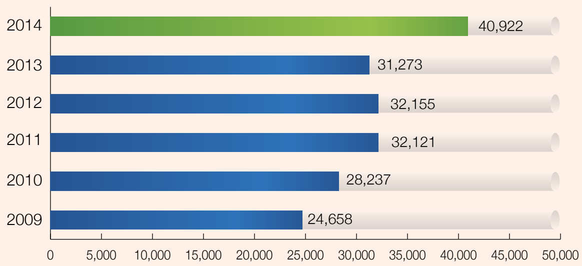
CAGR: 8.55%

Total Shareholder Equity
(Rs. in Million)



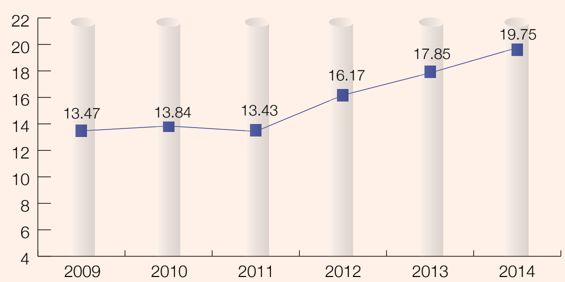
CAGR 21.97%

Gross Income
(Rs. in Million)



CAGR: 10.66%

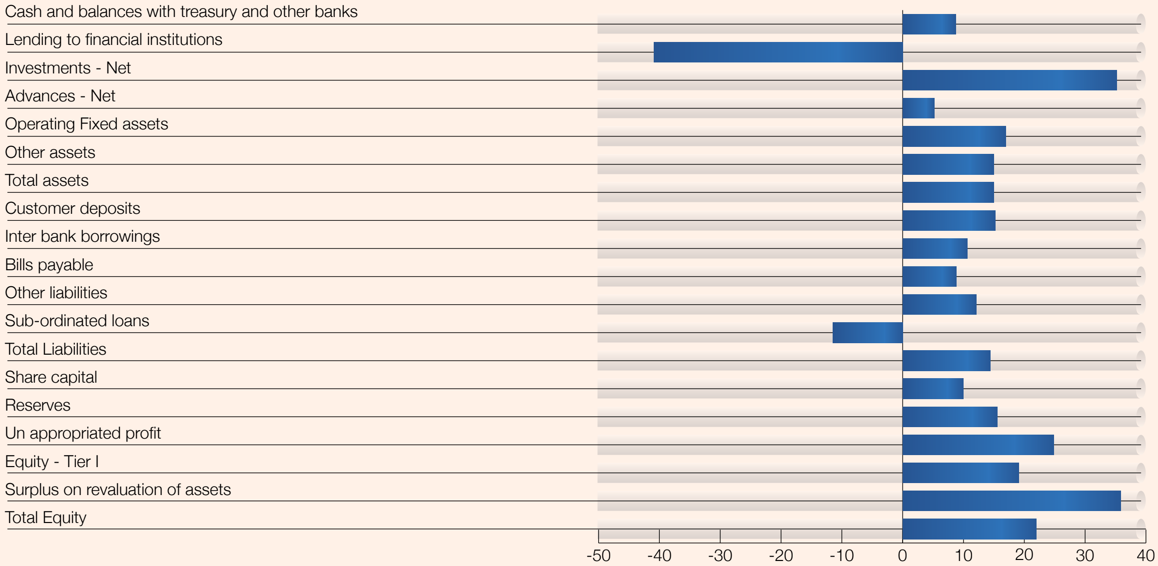
Capital Adequacy Ratio (CAR)
(Percentage)



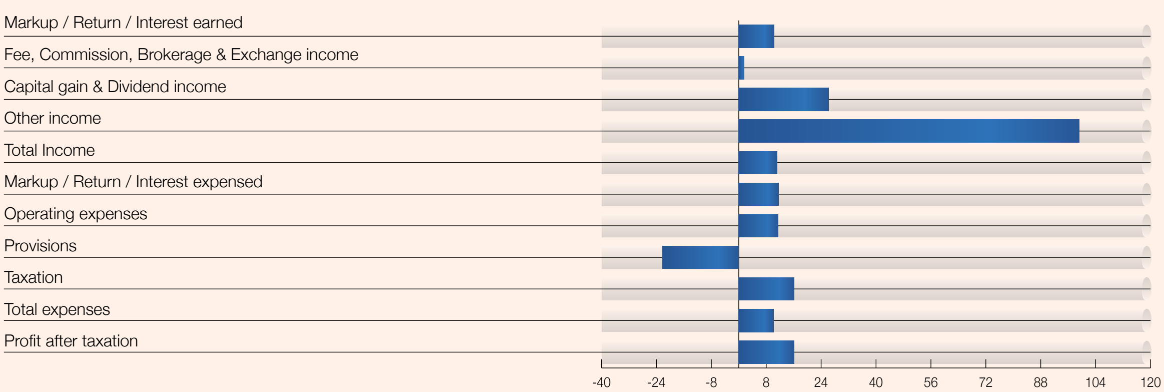
HORIZONTAL ANALYSIS

	2014 Rs. M	14 Vs 13 %	2013 Rs. M	13 Vs 12 %	2012 Rs. M	12 Vs 11 %	2011 Rs. M	11 Vs 10 %	2010 Rs. M	10 Vs 09 %	2009 Rs. M	09 Vs 08 %
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury and other banks	42,128	-8%	45,775	3%	44,381	16%	38,159	20%	31,845	15%	27,716	8%
Lending to financial institutions	2,030	-84%	12,461	16%	10,721	687%	1,362	-88%	11,489	-59%	28,123	78%
Investments - Net	428,791	18%	363,379	36%	267,403	37%	195,694	61%	121,173	28%	94,789	15%
Advances - Net	306,014	15%	267,001	-2%	271,084	11%	244,433	-3%	252,345	6%	237,344	11%
Operating Fixed assets	27,250	23%	22,084	11%	19,871	10%	18,087	18%	15,360	23%	12,447	12%
Other assets	36,055	54%	23,496	16%	20,245	11%	18,185	3%	17,719	-1%	17,955	-2%
Total assets	**842,269**	**15%**	**734,196**	**16%**	**633,705**	**23%**	**515,920**	**15%**	**449,931**	**8%**	**418,374**	**14%**
LIABILITIES & EQUITY												
Customer deposits	667,878	10%	608,412	18%	514,707	29%	399,562	8%	371,284	13%	328,875	11%
Inter bank borrowings	66,096	101%	32,952	-15%	38,916	-22%	49,993	141%	20,774	-48%	39,819	43%
Bills payable	4,832	-1%	4,879	-21%	6,203	54%	4,015	-3%	4,119	30%	3,162	7%
Other liabilities	19,579	12%	17,513	7%	16,351	23%	13,325	8%	12,284	11%	11,061	-19%
Sub-ordinated loans	2,994	-29%	4,242	-23%	5,490	0%	5,493	0%	5,495	0%	5,497	120%
Total Liabilities	**761,379**	**14%**	**667,998**	**15%**	**581,667**	**23%**	**472,388**	**14%**	**413,956**	**7%**	**388,414**	**13%**
Share capital	11,451	10%	10,410	10%	9,463	10%	8,603	10%	7,821	10%	7,110	10%
Reserves	13,549	9%	12,438	14%	10,899	24%	8,763	17%	7,517	14%	6,583	13%
Un - appropriated profit / (loss)	37,053	20%	30,855	30%	23,688	16%	20,447	29%	15,829	30%	12,198	43%
Equity - Tier I	62,053	16%	53,703	22%	44,050	17%	37,813	21%	31,167	20%	25,891	24%
Surplus on revaluation of assets	18,837	51%	12,495	56%	7,988	40%	5,719	19%	4,808	18%	4,069	163%
Total Equity	**80,890**	**22%**	**66,198**	**27%**	**52,038**	**20%**	**43,532**	**21%**	**35,975**	**20%**	**29,960**	**34%**
PROFIT & LOSS ACCOUNT												
Interest / Return / Non Interest Income earned												
Markup / Return / Interest earned	67,001	24%	54,222	10%	49,503	-5%	51,814	15%	44,993	9%	41,122	35%
Fee, Commission, Brokerage and Exchange income	3,758	1%	3,711	17%	3,169	-7%	3,395	17%	2,910	-16%	3,470	6%
Capital gain & Dividend income	7,850	69%	4,645	-55%	10,353	195%	3,507	40%	2,511	2%	2,452	56%
Other income	1,128	-10%	1,247	358%	272	467%	48	-81%	251	597%	36	-39%
Total Income	**79,737**	**25%**	**63,825**	**1%**	**63,297**	**8%**	**58,764**	**16%**	**50,665**	**8%**	**47,080**	**33%**
Markup / Return / Non Interest Expense												
Markup / Return / Interest expensed	(38,815)	19%	(32,552)	5%	(31,142)	17%	(26,643)	19%	(22,428)	0%	(22,422)	30%
Operating expenses	(17,466)	10%	(15,884)	6%	(14,957)	9%	(13,745)	19%	(11,567)	19%	(9,706)	14%
Provisions	(1,254)	100%	(628)	-54%	(1,362)	-58%	(3,267)	-24%	(4,326)	-2%	(4,416)	24%
Taxation	(7,187)	6014%	(118)	-97%	(4,195)	-16%	(4,969)	21%	(4,118)	21%	(3,414)	74%
Total expense - percentage of total income	**(64,722)**	**32%**	**(49,182)**	**-5%**	**(51,656)**	**6%**	**(48,624)**	**15%**	**(42,439)**	**6%**	**(39,958)**	**28%**
Profit after taxation	**15,015**	**3%**	**14,643**	**26%**	**11,641**	**15%**	**10,140**	**23%**	**8,226**	**16%**	**7,122**	**71%**

Statement of Financial Position Horizontal Analysis
(Compound average growth rate for the last five years - annualised) - Percentage



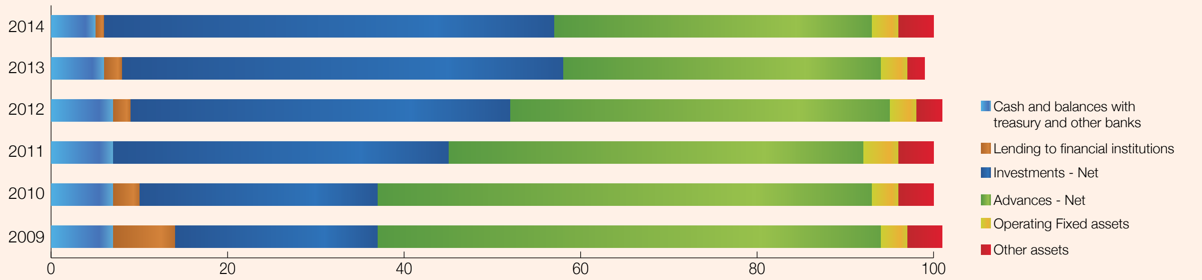
Profit and Loss Horizontal Analysis
(Compound average growth rate for the last five years - annualised) - Percentage



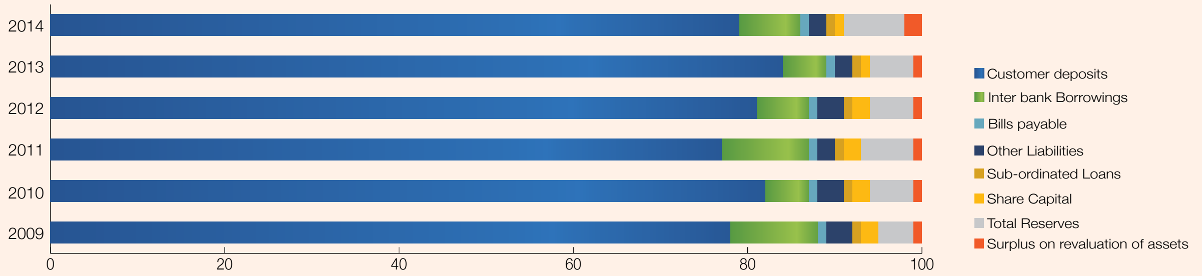
VERTICAL ANALYSIS

	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury and other banks	42,128	5%	45,775	6%	44,381	7%	38,159	7%	31,845	7%	27,716	7%
Lending to financial institutions	2,030	1%	12,461	2%	10,721	2%	1,362	0%	11,489	3%	28,123	6%
Investments - Net	428,791	51%	363,379	49%	267,403	42%	195,694	38%	121,173	27%	94,789	23%
Advances - Net	306,014	36%	267,001	36%	271,084	43%	244,433	47%	252,345	56%	237,344	57%
Operating Fixed assets	27,250	3%	22,084	3%	19,871	3%	18,087	4%	15,360	3%	12,447	3%
Other assets	36,055	4%	23,496	3%	20,245	3%	18,185	4%	17,719	4%	17,955	4%
Total assets	**842,269**	**100%**	**734,196**	**100%**	**633,705**	**100%**	**515,920**	**100%**	**449,931**	**100%**	**418,374**	**100%**
LIABILITIES & EQUITY												
Customer deposits	667,878	79%	608,412	83%	514,707	81%	399,562	77%	371,284	82%	328,875	79%
Inter bank borrowings	66,096	7%	32,952	4%	38,916	6%	49,993	10%	20,774	5%	39,819	9%
Bills payable	4,832	1%	4,879	1%	6,203	1%	4,015	1%	4,119	1%	3,162	1%
Other liabilities	19,579	2%	17,513	%	16,351	3%	13,325	3%	12,284	3%	11,061	3%
Sub-ordinated loans	2,994	1%	4,242	1%	5,490	1%	5,493	1%	5,495	1%	5,497	1%
Total Liabilities	**761,378**	**90%**	**667,998**	**91%**	**581,667**	**92%**	**472,388**	**92%**	**413,956**	**92%**	**388,414**	**93%**
Net assets	**80,890**	**10%**	**66,198**	**9%**	**52,038**	**8%**	**43,532**	**8%**	**35,975**	**8%**	**29,960**	**7%**
Represented by												
Share capital	11,451	1%	10,410	1%	9,463	1%	8,603	1%	7,821	2%	7,110	2%
Reserves	13,549	3%	12,438	2%	10,899	2%	8,763	2%	7,517	2%	6,583	1%
Un - appropriated profit / (loss)	37,053	4%	30,855	4%	23,688	4%	20,447	4%	15,829	3%	12,198	3%
Equity - Tier I	62,053	8%	53,703	7%	44,050	7%	37,813	7%	31,167	7%	25,891	6%
Surplus on revaluation of assets	18,837	2%	12,495	2%	7,988	1%	5,719	1%	4,808	1%	4,069	1%
Total Equity	**80,890**	**10%**	**66,198**	**9%**	**52,038**	**8%**	**43,532**	**8%**	**35,975**	**8%**	**29,960**	**7%**
PROFIT & LOSS ACCOUNT												
Interest / Return / Non Interest Income earned												
Markup / Return / Interest earned	67,001	84%	54,222	85%	49,503	78%	51,814	88%	44,993	89%	41,122	88%
Fee, Commission, Brokerage and Exchange income	3,758	5%	3,711	6%	3,169	5%	3,395	6%	2,910	6%	3,470	7%
Capital gain, Dividend income and Unrealized loss	7,850	10%	4,645	7%	10,353	17%	3,507	6%	2,511	5%	2,452	5%
Other income	1,128	1%	1,247	2%	272	0%	48	0%	251	0%	36	0%
Total	**79,737**	**100%**	**63,825**	**100%**	**63,297**	**100%**	**58,764**	**100%**	**50,665**	**100%**	**47,080**	**100%**
Markup / Return / Interest and Non Interest Expense												
Markup / Return / Interest expensed	(38,815)	48%	(32,552)	51%	(31,142)	49%	(26,643)	45%	(22,428)	44%	(22,422)	48%
Operating expenses	(17,466)	22%	(15,884)	25%	(14,957)	24%	(13,745)	23%	(11,567)	23%	(9,706)	21%
Provisions	(1,254)	2%	(628)	1%	(1,362)	2%	(3,267)	6%	(4,326)	9%	(4,416)	9%
Taxation	(7,187)	9%	(118)	0%	(4,195)	7%	(4,969)	8%	(4,118)	8%	(3,414)	7%
Total expense - percentage of total income	(64,722)	81%	(49,182)	77%	(51,656)	82%	(48,624)	83%	(42,439)	84%	(39,958)	85%
Profit after taxation	**15,015**	**19%**	**14,643**	**23%**	**11,641**	**18%**	**10,140**	**17%**	**8,226**	**16%**	**7,122**	**15%**

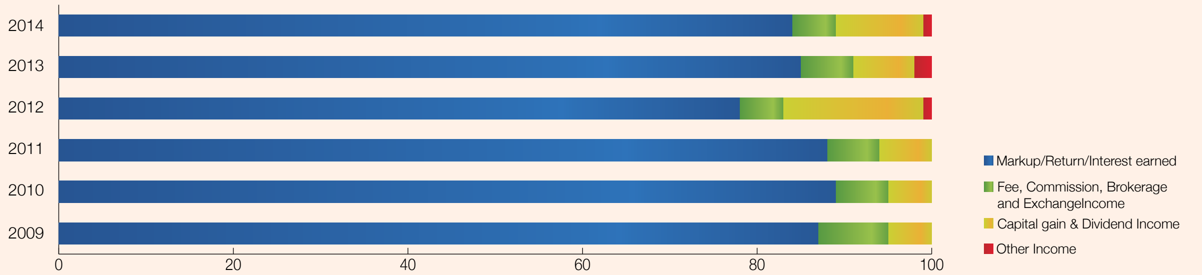
Statement of Financial Position Vertical Analysis - Assets
(Composition for the last six years) - Percentage



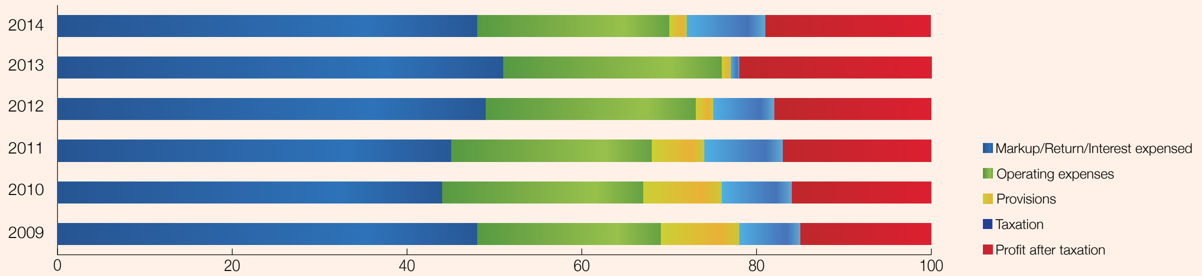
Statement of Financial Position Vertical Analysis – Liabilities & Equity
(Composition for the last six years) - Percentage



Profit and Loss Vertical Analysis – Income
(Composition for the last six years) - Percentage



Profit and Loss Vertical Analysis – Expense
(Composition for the last six years) - Percentage

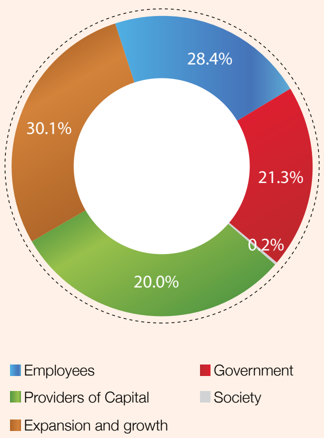


STATEMENT OF VALUE ADDITION

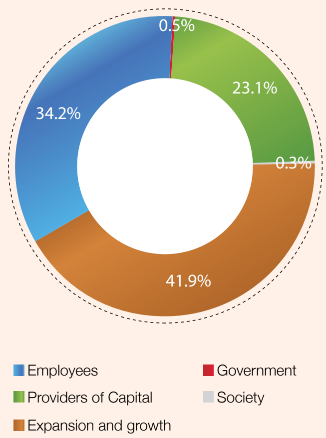
(Rs. in "000")

Value Added	2014	%	2013	%
Income from banking services	40,854,578		31,245,471	
Cost of services	(5,953,904)		(5,516,251)	
Value added by banking services	34,900,674		25,729,220	
Non - banking income	67,331		27,363	
Provision against non-performing assets	(1,254,414)		(627,898)	
Total Value Added	**33,713,591**		**25,128,685**	
Value Allocated:				
to employees				
Salaries, allowances and other benefits	9,570,416	28.4%	8,590,360	34.2%
to Government				
Income tax	7,186,665	21.3%	117,537	0.5%
to providers of capital				
as dividends	6,714,297	19.9%	5,796,344	23.1%
to Society				
as donation	75,900	0.2%	80,183	0.3%
to expansion and growth				
Depreciation / Amortization	1,865,518	5.5%	1,697,245	6.7%
Retained in business	8,300,795	24.6%	8,847,016	35.2%
	10,166,313	**30%**	**10,544,261**	**41.9%**
	33,713,591	**100%**	**25,128,685**	**100%**

2014



2013



CASH FLOW - DIRECT METHOD

	2014	2013
	Rupees in '000	
Cash flow from operating activities		
Mark-up / return / interest and commission receipts	62,726,399	61,082,708
Mark-up / return / interest payments	(39,422,713)	(33,414,742)
Cash payments to employees, suppliers and others	(14,625,096)	(14,047,183)
	8,678,590	13,620,783
Decrease / (increase) in operating assets		
Lendings to financial institutions	10,431,341	(1,740,468)
Held for trading securities	(6,489,025)	(2,983,343)
Advances	(41,125,068)	3,431,766
Other assets (excluding advance taxation)	(1,077,269)	(874,771)
	(38,260,021)	(2,166,816)
(Decrease) / increase in operating liabilities		
Bills payable	(46,793)	(1,324,457)
Borrowings	32,995,441	(5,963,786)
Deposits	59,465,945	93,704,615
Other liabilities (excluding current taxation)	184,843	1,489,224
	92,599,436	87,905,596
Cash flow before tax	63,018,005	99,359,563
Income tax paid	(5,513,796)	(3,027,063)
Net cash flow from operating activities	57,504,209	96,332,500
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	101,202,861	(85,692,505)
Net investments in 'held-to-maturity' securities	(155,044,297)	(2,376,057)
Dividend income received	3,601,469	3,957,572
Investments in operating fixed assets	(3,198,870)	(3,952,984)
Proceeds from sale of fixed assets	145,476	70,663
Effect of translation of net investment in foreign wholesale branch	(56,448)	74,543
Net cash used in investing activities	(53,349,809)	(87,918,768)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(1,248,200)	(1,248,200)
Dividends paid	(6,701,666)	(5,771,161)
Net cash used in financing activities	(7,949,866)	(7,019,361)
Increase in cash and cash equivalents during the year	(3,795,466)	1,394,371
Cash and cash equivalents at beginning of the year	45,947,890	44,240,449
Effect of exchange rate changes on opening cash and cash equivalents	(172,580)	140,490
Cash and cash equivalents at end of the year	41,979,844	45,775,310

CONCENTRATION OF ADVANCES

DEPOSITS AND OFF-BALANCE SHEET ITEMS - DECEMBER 31, 2014

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	7,269	2.23%	440	1.92%	28,411	4.25%	1,058	0.54%
Basic metals (iron, steel)	3,072	0.94%	284	1.24%	5,935	0.89%	2,605	1.33%
Grains, food & beverages	12,855	3.95%	1,708	7.45%	6,225	0.93%	63	0.03%
Cement / clay & ceramics	7,405	2.27%	72	0.31%	2,089	0.31%	346	0.18%
Chemical & pharmaceutical	18,283	5.61%	824	3.60%	855	0.13%	4,406	2.24%
Construction	3,822	1.17%	499	2.18%	40,003	5.99%	5,156	2.63%
Education	657	0.20%	-	0.00%	14,069	2.11%	-	0.00%
Financial	19,663	6.03%	72	0.32%	2,962	0.44%	105,085	53.51%
Finishing of Textile	11,136	3.42%	5,605	24.45%	3,265	0.49%	3,951	2.01%
Fishing	18	0.01%	-	0.00%	-	0.00%	-	0.00%
Footwear & leather garments	1,171	0.36%	129	0.56%	1,876	0.28%	358	0.18%
Furniture & sports goods	2,169	0.67%	264	1.15%	1,238	0.19%	36	0.02%
Health & social welfare	42	0.01%	-	0.00%	3,362	0.50%	99	0.05%
Hotel, restaurant & clubs	1,593	0.49%	8	0.03%	2,159	0.32%	122	0.06%
Machinery & equipment	3,271	1.00%	1,378	6.01%	2,949	0.44%	857	0.44%
Manufacture of made up & ready made garments	10,553	3.24%	-	0.00%	988	0.15%	-	0.00%
Manufacture of transport equipment	670	0.21%	351	1.53%	252	0.04%	-	0.00%
Paper & paper boards	6,445	1.98%	257	1.12%	79	0.01%	1,700	0.87%
Petroleum products	24,863	7.63%	2,782	12.14%	10,402	1.56%	13,418	6.83%
Power, gas, water & sanitary	76,477	23.47%	637	2.78%	3,737	0.56%	11,325	5.77%
Printing, publishing & allied	43	0.01%	18	0.08%	55	0.01%	193	0.10%
Real estate, renting, and business activities	836	0.26%	413	1.80%	87,585	13.11%	-	0.00%
Rubber & plastic	371	0.11%	367	1.60%	2,497	0.37%	-	0.00%
Spinning	16,682	5.12%	1,493	6.51%	14,603	2.19%	-	0.00%
Sugar	6,382	1.96%	-	0.00%	4,169	0.62%	-	0.00%
Transport, storage & communication	3,095	0.95%	399	1.74%	1,610	0.24%	7,308	3.72%
Weaving	5,374	1.65%	1,299	5.67%	13,968	2.09%	-	0.00%
Wholesale & retail trade	9,198	2.82%	1,684	7.34%	60,090	9.00%	17,743	9.03%
Individuals	7,428	2.28%	481	2.10%	147,835	22.14%	3,318	1.69%
Others	64,982	19.94%	1,457	6.36%	204,609	30.64%	17,246	8.78%
Total	**325,825**	**100%**	**22,922**	**100%**	**667,878**	**100%**	**196,394**	**100%**

Maturities of Assets and Liabilities - December 31, 2014

(Rupees in '000)

	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	41,254,975	29,990,025	39,427	7,483,682	3,741,841	-
Balances with other banks	873,494	873,494	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-
Investments - net	428,790,733	66,610,492	70,965,356	177,541,871	113,673,014	-
Advances - net	306,014,402	78,479,265	74,985,193	70,446,831	74,497,551	7,605,562
Operating fixed assets	27,250,482	858,605	2,575,827	2,124,769	2,695,634	18,995,647
Deferred tax assets	-	-	-	-	-	-
Other assets - net	36,054,979	13,283,278	17,471,581	829,557	-	4,470,563
Liabilities						
Bills payable	4,831,801	3,464,734	-	911,378	455,689	-
Borrowings	66,096,472	53,020,285	7,785,062	1,763,708	3,527,417	-
Deposits and other accounts	667,877,615	146,957,747	138,732,436	54,158,540	826,983	327,201,909
Deferred tax liabilities	3,622,651	64,416	(319,408)	1,633,568	1,117,675	1,126,400
Sub-ordinated loan	2,994,000	600	1,800	2,400	2,989,200	-
Other liabilities	15,956,263	9,797,467	2,868,276	887,624	2,402,896	-

* 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

	2014				2013			
	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	18,662	16,569	16,780	14,990	14,134	13,936	13,423	12,728
Mark-up expensed	(10,300)	(9,606)	(9,677)	(9,232)	(8,823)	(7,967)	(8,042)	(7,720)
Net mark-up income	8,362	6,963	7,103	5,758	5,311	5,969	5,381	5,008
Provision & write off	(1,270)	(37)	64	(11)	(256)	(312)	(90)	31
Non-mark-up income	2,676	3,894	3,373	2,793	2,349	2,353	2,382	2,519
Non-mark-up expenses	(4,834)	(4,434)	(4,185)	(4,013)	(4,361)	(4,170)	(3,761)	(3,592)
Profit before taxation	4,934	6,386	6,355	4,527	3,043	3,840	3,912	3,966
Taxation	(1,507)	(2,006)	(2,364)	(1,310)	3,258	(1,025)	(1,212)	(1,139)
Profit after taxation	**3,427**	**4,380**	**3,991**	**3,217**	**6,301**	**2,815**	**2,700**	**2,827**
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	41,255	48,065	54,247	42,805	44,673	48,295	50,328	41,249
Balances with other banks	874	1,474	1,238	1,487	1,102	807	1,379	774
Lendings to financial institutions	2,030	24,257	14,615	51,809	12,461	23,270	41,577	20,725
Investments	428,791	381,368	395,621	339,691	363,379	323,106	288,405	258,493
Advances	306,014	282,728	285,501	265,569	267,001	243,725	261,632	269,726
Operating fixed assets	27,250	22,277	22,027	22,296	22,084	20,834	20,397	20,307
Deferred tax assets	-	-	-	-	-	-	-	28
Other assets	36,055	29,238	34,519	26,542	23,496	21,003	19,858	18,265
	842,269	**789,407**	**807,768**	**750,199**	**734,196**	**681,040**	**683,576**	**629,567**
Liabilites								
Bills payable	4,832	5,464	11,060	5,380	4,879	5,860	10,538	4,131
Borrowings	66,096	44,151	58,872	41,135	32,952	23,786	25,364	19,452
Deposits and other accounts	667,878	643,372	645,872	610,621	608,412	570,852	570,222	529,882
Sub-ordinated loans	2,994	3,618	3,618	4,242	4,242	4,866	4,866	5,490
Deferred tax liabilities	3,623	2,466	2,094	1,921	1,808	249	391	-
Other liabilities	15,956	17,674	15,271	19,115	15,705	15,661	14,139	16,734
	761,379	**716,745**	**736,787**	**682,414**	**667,998**	**621,273**	**625,520**	**575,689**
Net assets	**80,890**	**72,662**	**70,981**	**67,785**	**66,198**	**59,767**	**58,056**	**53,878**
Represented by:								
Share Capital	11,451	11,451	11,451	11,451	10,410	10,410	10,410	10,410
Reserves	13,549	13,239	12,743	12,356	12,438	11,790	11,471	11,194
Unappropriated profit	37,054	35,878	33,560	31,508	30,855	26,364	25,125	23,961
Surplus on revaluation of assets - net of tax	18,836	12,094	13,227	12,470	12,495	11,203	11,050	8,313
	80,890	**72,663**	**70,981**	**67,785**	**66,198**	**59,767**	**58,056**	**53,878**
Summary of Cash Flows								
Cash flows from operating activities	28,435	(17,368)	67,592	(21,155)	34,408	33,944	38,194	(10,214)
Cash flows from investing activities	(73,246)	52,990	(54,237)	21,200	(35,722)	(35,231)	(26,296)	9,256
Cash flows from financing activities	(2,654)	(1,662)	(2,162)	(1,528)	(1,916)	(1,227)	(2,230)	(1,572)
Cash and cash equivalents at beginning of the year	89,445	55,485	44,292	45,775	49,005	51,519	44,851	44,381
Cash and cash equivalents at end of the year	41,980	89,445	55,485	44,292	45,775	49,005	51,519	41,851

PRODUCTS AND SERVICES

Allied Bank Limited (the 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 including customers just beginning a banking relationship to those with more sophisticated banking needs.

Branch Banking

With a vast network of over 1000 branches and 890 ATMs, the Bank is committed to provide real time online banking solutions to its customers in an efficient and convenient manner.

Banking on Saturday & Extended Hours Banking

The Bank is amongst few banks in Pakistan to offer its customers the added convenience of "full service" Saturday Banking. The extended week of banking operations, is currently available in 263 branches; each offers a full array of personal and business banking services (except FX Transactions) from 10:00 AM to 02:00 PM. Extended Hours Banking facility is also offered at selected branches to enable our customers to do banking at their convenience.

Current Account/PLS Saving Account

The Bank offers both Current & PLS Saving Deposit Accounts to various customer segments, who can avail a range of free/ discounted services by maintaining certain minimum monthly average balances.

Allied Business Account

Allied Business current account has 'No Balance Requirement' and allows free facilities like issuance/duplicate-issuance/ cancellation of banker's cheques, Demand Draft, intercity clearing and Nationwide Real Time online banking business.

Allied Express Account

The Bank also fulfills the banking needs of Pakistanis receiving remittances from abroad through Allied Express Account, with free features like free cheque book, ATM card, internet banking, phone banking, insurance coverage of remitter coupled with no minimum balance requirement, no zakat deduction and non-deduction of withholding tax on any cash withdrawals.

Allied Rising Star – Youth's 1st Bank Account

Allied Rising Star is an exclusive profit based deposit account product, designed for children under 18 for instilling the habit of savings amongst them.

Allied Term Plus Deposit

The Allied Term Plus Deposit scheme offers various investment options in Term deposits. The customers can invest with the choice of tenure and profit frequency.

Third Party Products: Bancassurance & Mutual Funds

ABL also offers distinctive third party products, which include Bancassurance (comprehensive Investment and Protection plans) and Mutual Funds (investment plans and competitive return oriented funds of Allied Asset Management Company; a wholly owned subsidiary of ABL).

Theme Branches

In the quest to evolve into a customer-friendly bank in the retail industry, the Bank is adopting modern technology and signature themes. Accordingly, the Bank has launched Women branches, Youth branches and Village branch.

Allied Direct (Internet Banking)

Allied Direct offers convenience from the desk to manage your bank account from anywhere, anytime with enhanced security controls. It offers an array of features like fund transfers, Utility bill payments, Mobile top-ups, Donations, Pay Anyone, e-shopping and much more.

Mobile Banking

Banking on an SMS - Whenever… Wherever! Allied SMS Banking is a unique e-Banking service that puts your finances as close as your mobile phone. The service offers customers a secure way of performing various financial and non-financial transactions by sending SMS to Allied Bank's short code 9080 using any mobile phone, without requiring internet or GPRS.

Banking on your Smartphone! Allied SMS Banking Smart Phone App is the latest addition to the Bank's suite of e-Banking services. Our secure smart phone App compliments the user experience and gives you fast and easy access to your accounts from the convenience of your smart phone. With lots of useful feature like balance inquiry, funds transfer, bills payments and mobile top-ups, build into a user-friendly design, it offers you the freedom to take care of your everyday banking needs on the move.

ATMs and CCDMs (Cash & Cheque Deposit Machines)

Our vast network of 890 ATMs all over the country gives ATM/ Debit Card Customers 24/ 7 access to cash, mini statements, bill payments, fund transfers and much more. ABL has 4 CCDMs installed at selected branches, offering customers the facility to deposit cash & cheques anytime.

Allied Cash+Shop VISA Debit Card

This distinctive product gives our customers access to their bank accounts at over 34,000 retailers in Pakistan and over 27 million retailers all over the world. It also gives our cardholders' access to over 1 million ATMs worldwide and over 8,000 ATMs in Pakistan, including ABL's own network of 890 ATMs.

Allied Bank Visa Credit Card

Allied Bank's Gold and Platinum Visa Credit Card offers world of privileges, benefits and savings, together with attractive service charge and a free credit period of up to 50 days.

Allied Personal Finance

Allied Personal Finance, targets employees of bank's current and potential corporate /institutional customers. With a low mark-up rate, the product offers smart financial solutions to the customers for their immediate personal needs.

Allied Pay anyone

A unique product in which the Bank's 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 Touch-point

https://www.abl.com- is an interactive electronic touch-point that further improves end-user experience and provides a wealth of information as well as online assistance through facility called "Allied Live Chat".

SME
The Bank has realigned its focus towards SME Business with a vision to capitalize on the bank's countrywide footprint and longstanding customer loyalty to become a preferred and prudent provider of a "Total Banking Solution". The Bank offers a wide range of funded and non-funded products and services to meet 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. The Bank offers speedy loan approval at 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
The Bank is also involved in agricultural financing across the country and offers vast range of agricultural financial facilities through more than 150 Agri designated branches. The 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 customer's valuables. Lockers of different capacities are available nationwide at conveniently located 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. 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. 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.

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

Cash Management
Cash Management is a state-of-the art real-time product for our customers providing them with efficient Liquidity Management Solutions, across the entire network of the Bank.

ISLAMIC BANKING

Deposit Products
Followings are key Islamic Banking deposit products offered by the Bank:

Allied Islamic Current Account
This is a chequing account that works on the basis of "Qard" and provides the convenience of conducting day-to-day transactions. There is no restriction on withdrawals or numbers of transactions. Account can be opened separately in both local and foreign currencies.

Allied Islamic Saving Account
This is a regular chequing account on the basis of "Mudaraba" with no minimum balance requirement. Profit is calculated on monthly average balance and credited into the account on six monthly basis. Account can be opened separately in both local and foreign currencies and offers a large number of free services on maintaining a minimum average monthly balance.

Allied Islamic Anmol Plus Account
This is a "Mudaraba" deposit product for individuals available in local currency. Profit is calculated on monthly average balance and credited into the account on six monthly basis. The customers can avail a large number of free services on maintaining an average monthly balance as per defined slabs starting from Rupees 250,000.

Allied Islamic Business Plus Account
This is a savings account with several unique features that make it very suitable for use as a business account. On maintaining daily minimum balance of Rupees 50,000, the customer can avail a large number of free services. Account can be opened in local currency only.

Allied Islamic Khalis Munafa Account
This is a tier based savings account specially designed for saving purposes that offers higher expected profits to encourage and promote the higher savings. The minimum investment required for opening an account is Rupees 1,000 only.

Allied Islamic Investment Certificates
Islamic Investment Certificates are Term Deposit certificates for investment periods ranging from period of 1 month to 5 years with profit payment options of monthly, quarterly, half yearly or at maturity. Investment certificates are issued in the multiples of minimum Rs.25,000 with no maximum limit. Pre-mature withdrawal can be made as per the product features.

Financing Products
Going forward, the Bank intends to offer a full range of Shariah compliant financing products, including Istisna, Murabaha, Ijarah, Diminishing Musharakah and Salam.

CORPORATE SUSTAINABILITY

Our Philosophy of CSR

At Allied Bank, we have clearly defined Corporate Social Responsibility objectives delineated in our Corporate Social Responsibility Policy; which provides guidelines, so that entity's business objectives and its role as responsible corporate citizen can be accomplished in harmony.

ABL's CSR vision is "To be a socially responsible corporate citizen".

Your Bank's approach to CSR is to focus on "Workplace", "Environment", "Community" and "Customer Relations" to achieve overall "Brand image" as a community caring organization, complementing our slogan "Aap kai dil main hamara account".

Workplace

ABL places special emphasis on healthy work environment, for which we strive to establish a workplace which promotes balanced work life along with provision of health care facilities; maintenance of high ethical standards with equal employment opportunities; supports social interaction among employees and encourage employment of special persons.

Currently at ABL 1,365 females representing 15.1% of total staff members are diligently performing their duties and 300 special persons are honorably contributing towards the growth of the Bank.

Investment in staff is paramount for future growth of any entity. Recognizing its importance Your Bank has spent Rs.34.3 million towards employees' education during the year, comprising of education allowance as part of salary for clerical & non clerical staff member and education subsidy for executive employees.

Health of the employees is also among the priorities of the Bank. During the year 1,871 staff members benefited from the Bank's medical expense policy.

Your Bank not only takes the health of the current employees seriously but ex-employees are also provided medical facility. During the year, the Bank, from the platform of "Postretirement Medical Fund" contributed Rs.143.4 million towards the health of its ex-employees. 998 employees benefited from the said facility.

Safety of personnel is of paramount importance to the Bank. The Bank ensures that maximum safety standards are met at all premises and encourages employees to promote the safety of their fellow team members. Emergency lights, fire detection alarm system, portable fire extinguishers, evacuation drills, emergency exit doors etc. are some of the measures that have been taken by the Bank assuring safety and security of its stakeholders.

Clerical and non-clerical staff members having humble backgrounds are also recognized for their services. Your Bank provides a helping hand to such staff members, in their hour of need, whether it is a time of celebration or sorrow. During the year the Bank through its platform of "Staff Welfare Fund" spent Rs.22.9 million

to assist 108 employees enabling facilitating in the marriage ceremony of their daughters and to meet the burial expense of their loved ones.

The management also considers employees' physical and spiritual wellbeing at all times. Inter-departmental Cricket Tournaments as part of the "Staff Engagement Program", were organized for employees in Lahore, Karachi, Multan and Islamabad. These tournaments were distinctive in the sense that the female colleagues participated as players, side by side with their male colleagues and families of staff members also participated as spectators, making the tournaments truly family events. The Bank, selected 23 fortunate individuals through ballot process for the holy journey to Mecca to perform Hajj; while contributing Rs.10.9 million towards this noble cause.

Your Bank advocates a culture of excellence, good governance, transparency, integrity and accountability. Controls and Compliance is an integral internal function. We strive to ensure that all activities are carried out in accordance with prevailing regulations so that the interests of all stakeholders are protected. Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice. Central Administration Action Committee (CAAC) takes action on any violation of policies & procedures, act of fraud & forgery, breach of discipline and code of conduct, ethics and business practices. Appeal of the staff against whom CAAC has already taken disciplinary action is reviewed by Human Resource Committee.

Environment

We strive towards a working style which has a positive impact on the environment. Use of renewable energy sources, reduction of carbon emissions, plantation and reduction of consumption of paper are one of the Bank's priorities. The Bank, has invested Rs.139.5 million towards installation of 174 invertors during the year, which replaced generators at offline times thus reducing carbon emissions and use of fossil fuel. Amid energy crises being faced by the country, the Bank, has contributed by investing Rs.50.5 million towards installation of solar panels at our 27 branches. Various administrative measures including early closure of branches and proper maintenance of electrical equipment carried out during the year resulted in reduced power consumption both in electricity and fossil fuel.

Community

The Bank endeavors to establish its presence not only by business interactions but also by sharing and caring; especially during the times of adversities and natural calamities.

Education is another critical area within the country, which has not attracted the attention that it deserves. Recognizing its importance in Nation building, Your Bank is supporting leading educational institutions which play pivotal roles in the enlightenment of our young generation. During the year, the Bank contributed Rs.37.7 million directly to this cause and Rs.4.5 million through sponsorship to various educational institutions. Health is also another area which lacks due attention. During the year, the Bank contributed Rs.13.9 million towards various health institutions in the shape of direct donations

and sponsorships, thereby easing the predicament of underprivileged patients.

Allied Bank has always answered the call in times of crises on national level, be it the earthquake of 2005 in the northern areas of Pakistan, the floods in 2010 or the devastating rains that crippled the agriculture sector of Sindh in 2011.

This year, country was badly affected by floods. Standing crops and livestock was washed away by high intensity of floods, whereas thousands of families were rendered homeless. The Bank employees came together and donated part of their salaries to help their countrymen by channeling the collected funds towards distribution of essential food items amongst the affected population.

The recent operations to eradicate the insurgents in North Waziristan Area of Pakistan has resulted in a mass migration of civilian population comprising men, women, children and the elderly; leaving behind their homes and livelihood. In order to arrest that problem and help repatriate the affected families, Your Bank donated Rs.10 million to the Chief Minister of the Punjab Fund for Internally Displaced Persons.

Widespread drought in the Tharparkar region of Sindh, for the second consecutive year, resulted in a severe famine like situation and led to unfortunate deaths of the poor people of the affected area. Shortages of essential food stuff aside, the residents were deprived of clean drinking water. The Bank, has initiated the installation of 16 solar water pumps in various parts of the region.

During the year, Your Bank spent Rs.16.3 million on general welfare, which covered Sadqa for feeding the poor and donations to other welfare organizations.

The Bank also paid Rs.5,513.8 million as Income Tax to Government Treasury during 2014. Furthermore, Your Bank collected Rs.6,172.5 million, as withholding tax agent and Rs.498.1 million, on account of Federal Excise Duty / Sales Tax on behalf of the national exchequer.

Your Bank has also generated direct and indirect employment for a large number of people over the years; thereby positively impacting the staff and their extended families.

During the year, the Bank initiated Islamic Banking operations, by converting its 4 conventional branches to cater to this niche market segment within the society.

Customer Relations:

Strengthening customer relations by ensuring satisfaction and privacy is of utmost importance for a service oriented organization. Your Bank is committed to provide quality products and services to its customers. The Bank has a dedicated Service Quality function, with the objective to improve Bank's service culture and competitiveness by working closely with other functions.

We have a passion for excellence and we take pride in our ability to solve customers' problems, focusing on delivering innovative solutions in a timely manner. During the year, 4,942 complaints were received and the Bank achieved 95.4% resolution rate. The Bank, also engaged the services of an independent agency to gauge its service standards for further improvement and also initiated the exercise of video mystery shopping.

The Bank considers SME as a strategic segment for growth in advances and has assumed the responsibility to create awareness among this segment on the importance of key growth elements such as professional management, financial planning including access to cheaper funding from banks and benefits of information sharing. Accordingly, the Bank conducted three interactive sessions for its Commercial & SME obligors on the topic "Challenges and Solutions for Sustainable Growth".

Your Bank also has 193 rural branches to enhance financial inclusion, enhance knowledge and understanding of banking business.

Notice of 69th Annual General Meeting

Notice is hereby given that the 69th Annual General Meeting of Allied Bank Limited will be held at Emerald Hall , Pearl Continental Hotel Lahore on Thursday, March 26, 2015 at 11:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm minutes of the 68th AnnualGeneral Meeting of Allied Bank Limited held on March 27, 2014.

2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2014 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve Final Cash Dividend @ 20% (i.e. Rs. 2.00 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 45% Interim Cash Dividend (aggregating Rs.4.50 per share) already paid for the year ended December 31, 2014.

4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2015 and fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed the maximum period of five (5) Years in accordance with the Clause xxxvii of the Code of Corporate Governance; hence are not eligible for re-appointment. The Board of Directors of the Bank on the suggestion of the Audit Committee has recommended appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants, as auditors of the Bank for the year ending December 31, 2015. The audit firm appointed will hold office till conclusion of the next AGM to be held in 2016.

5. To appoint and fix remuneration of auditors for audit of Bank's Bahrain Branch for the year 2015. M/s. KPMG, Bahrain being eligible have offered themselves for the appointment in place of retiring auditors M/s. Ernst & Young, Bahrain.

Other Business:

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

Date: March 04, 2015
Place: Lahore
Registered Office:
3 Tipu Block,
New Garden Town,
Lahore

By Order of the Board

Muhammad Raffat
Company Secretary

Note:

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 notarized 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 20th March, 2015 to 26th March, 2015 (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 19th March, 2015 will be treated as being in time for the purpose of entitlement of cash dividend to the transferees.

v) Members are requested to immediately notify the changes, if any, in their registered addresses to the Bank's Shares Registrar M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement, if any, be dispatched at the correct address.

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

A. For Attending the Meeting:

i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his /her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (if it has not been submitted 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 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 submitted earlier) along with the proxy form of the Company.

Attention Shareholders

Deduction of Income Tax from dividends:

Pursuant to the provision of Finance Act, 2014 the rates of Income tax deduction from dividend payment under section 150 of the Income Tax Ordinance, 2001 have been revised as under:

- For filers-10%
- For non-filers-15%

All members may check their status from the Active Tax Filers list available on FBR web site through following link: http://www.fbr.gov.pk/CategoryLayoutList.aspx?view=Category[Documents]%20With%20List%20Layout&ActionID=742&ArticleID=

Please note that the Shares Registrar will check status of the members (Filer or Non Filer) from the Active Tax Payers list on the basis of valid CNIC / NTN numbers and would deduct tax as per provisions of the law therefore, all shareholders are requested to make it sure that copy of their valid CNIC/NTN should be available with the Shares Registrar as in case of non-availability of CNIC/NTN the Share Registrar could not check their status and would constrain to apply tax rate prescribed for non-filers.

As required under SECP SRO 634(I)/2014, the Financial Statement of the Bank have been uploaded on the website of the Bank which can be downloaded from following link:
https://abl.com/services/downloads/?cat_id=1

CNIC Submission (Mandatory):

Please note that as per SECP directives the dividend warrants of the shareholders whose valid CNICs, are not available with the Share Registrar could be withheld; some companies are already withholding Dividend Warrant in such case. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs, if already not provided, to the Bank's Share Registrar at the above mentioned address. In case CNIC number not mentioned on the Dividend Warrants issued earlier means that CNIC of the shareholder is not available with the Shares Registrar.

Bank Mandate / e-Dividend:

Under the law Shareholders are entitled to receive their cash dividend directly in their bank accounts instead of receiving the same physically. Shareholders having physical holding and desire to avail this option may submit their requests to the Bank's Share Registrar. The shareholders having CDC account may approach CDC for availing this option. The Bank is also making arrangements in phased manner for online credit of Dividend amount (e-dividend) in the respective accounts of the Shareholders.

Electronic Transmission of Financial Statements and Notices:

Securities and Exchange Commission of Pakistan through SRO 787 (I)/2014 dated 8th September 2014 allowed the companies to circulate their Annual Audited Financial Statements along with company's notice of Annual General Meeting to its membersthrough e-mail. Those shareholders who desire to receive the company's Annual Report through e-mail are requested to fill the requisite form posted on ABL website, the direct link for downloading the said form is https://abl.com/wp-content/uploads/2014/10/ABL-Request-Letter.pdf. In case any member who has provided consent to receive audited financial statements and notice through e-mail subsequently request for hard copy of audited financial statements the same shall be provided free of cost within 7 days of the receipt of such request.

Deposit of Physical Shares in to CDC Account:

The Shareholders having physical shareholding may open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchanges.

Merger of Different Folios into one Folio:

As per record, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two different folios may be hassle for the shareholders to reconcile and receiving different benefits in the shape of dividends / bonus. In order to provide better services and convenience such shareholders are requested to send requests to the Bank's Registrar to merge their folios into one folio.

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 Regulation No. 35, of Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges Limited 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 applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The Bank encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board of Directors, in case anyone from that class desire to contest the election he would be facilitated by the Bank as per detail given in clause I (a) of the CCG. At present the board includes:

Category	Names
Independent Directors	1. Mr. Abdul Aziz Khan
	2. Mr. Mubashir A. Akhtar
	3. Mr. Pervaiz Iqbal Butt
Non-Executive Directors	1. Mr. Mohammad Naeem Mukhtar
	2. Mr. Sheikh Mukhtar Ahmad
	3. Mr. Muhammad Waseem Mukhtar
	4. Mr. A. Akbar Sharifzada (GoP Nominee)

The Independent Directors meet the criteria of independence under clause i (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including the Allied Bank Limited.

3. All the Directors of the Bank are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFC or being a member of a stock exchange, has been declared as a defaulter by the Stock Exchanges.

4. A Casual vacancy has arisen on the Board during the year due to resignation of Sheikh Jalees Ahmed as on 20.11.2014. Casual vacancy will be filled by the Board within prescribed period of 90 days.

5. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.

6. The Board has developed Vision/Mission statement, overall corporate strategy and significant policies of the Bank. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and Non-Executive Directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Pakistan Institute of Corporate Governance (PICG) had awarded five of the Board members (including the CEO) title of "Certified Director". Whereas two Directors are exempted from such course on account of the experience and qualification and one Director (GoP Nominee) is in process of completion of course. The Bank also encourages participation of members of Board to attend seminars / workshops conducted by various forums.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.

13. The Directors, CEO 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 CCG.

15. The Board has formed an Audit Committee. It comprises of three members, one of them is Non-Executive (GOP Nominee) Directors and two are Independent Directors including the Chairman of the committee .

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference (Charter) of the committee have been formulated and advised to the committee for compliance.

Statement of Compliance with Code of Corporate Governance

17. The Board has formed Human Resource & Remuneration Committee. It comprises of four members including the CEO, two including the Chairman are Independent Directors, whereas one is Non-Executive Director.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to Directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board.

Tariq Mahmood
Chief Executive Officer
Place & Date: Lahore, February 10, 2015

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

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 2014.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Naseem Akbar

Lahore
Date: February 10, 2015

Statement of Ethics and Business Practices

Code of Ethics

All employee s 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 unauthorized 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 judgment in the best interest of the Bank and its clients. The Human Resource Group must be informed in case an employee:
- Holds and 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 abovementioned 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 from 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.
- Treasury Dealers should not relay any information which they know to be false and should take great care when discussing unsubstantiated information which they suspect to be inaccurate and refrain from passing on any information which they know to be untrue.

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 beyond prescribed 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.
  - Gambling/Betting between market participant is prohibited.
  - Employees of Treasury are strongly cautioned against making frivolous quotes which they have no intention of honoring and which are designed merely to mislead market participants.

Other Key Legal/Compliance Rules and Issues

- Employees are strictly prohibited to engage in insider trading, buying or selling company 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 Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System is being constantly evolved and continuously reviewed, refined and improved on an ongoing basis to minimize risks which are inherent in banking business and operations.

Audit & Risk Review (ARR), works under direct supervision of Audit Committee of the Board (ACOB). ARR assists ACOB and Board of Directors (BoD) in discharge of their responsibility in respect of Internal Control System i.e. ARR reviews, assesses adequacy, monitors the ongoing effectiveness of control systems. All significant and material findings of the auditors, both internal and external, are reported to the ACOB. ARR, in accordance with requirement of Internal Control Guidelines of SBP, presents quarterly report of internal controls to ACOB. ACOB actively monitors implementations to ensure that identified risks are mitigated to safeguard the interest of the Bank. The Board, acting through ACOB, provides supervision and overall guidance in improving the effectiveness of the Internal control system.

Compliance Group is entrusted with the responsibility to minimize compliance risk and oversees rectification of irregularities and control lapses in branches' operations and various controlling offices pointed out through audit reviews. Concerted efforts are made by each Group to improve the Control Environment at grass root level by continuous review and streamlining of procedures to prevent and rectify control lapses.

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. 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 an ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

As part of Internal Control Framework relating to financial reporting, the Bank has mapped and documented As-Is processes and controls, Identified gaps and requisite recommendations, developed remediation and management testing plans. In addition, the Bank is formulating guidelines for adherence to COSO framework on continuing basis. In view of SBP directives in OSED Circular No.1 of 2014 dated February 07, 2014, Long Form Report for the year ended December 31, 2013 has been submitted and the Bank continues to comply with the SBP guidelines on Internal Controls.

Based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would be continuously evaluating processes to enhance and further strengthen the internal control system of the Bank.

Based on the above, the Board of Directors has duly endorsed the management's evaluation of internal controls including ICFR in the attached Director's report.

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2015
Place: Lahore

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 fraudulent, immoral, unethical or malicious 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 Whistle blowers

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

In case the Whistle blower 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, management may consider on his / her request to transfer him / her to another suitable place subject to verification by Audit and Risk Review Group and Human Resources Group.

Incentives for Whistle Blowing

On the recommendation of the ACOB, the Whistle blower, who brings to the notice of the management or report any fraudulent, immoral, unethical or malicious activities, which may lead 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

The Whistle blower 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 2014:four (04).

Unconsolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2014

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Mall View Building
4 - Bank Square
Lahore

Auditors' Report
to the Members

We have audited the annexed unconsolidated statement of financial position of Allied Bank Limited ("the Bank") as at 31 December 2014 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 42 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 sixty percent 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 2014 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement partner:
Naseem Akbar

Date: February 10, 2015
Place: Lahore

Unconsolidated Statement of Financial Position

as at December 31, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
		ASSETS			
410,566	444,583	Cash and balances with treasury banks	6	41,254,975	44,673,079
8,693	10,969	Balances with other banks	7	873,494	1,102,231
20,203	124,015	Lendings to financial institutions	8	2,030,062	12,461,403
4,267,292	3,616,320	Investments	9	428,790,733	363,378,998
3,045,431	2,657,173	Advances	10	306,014,402	267,001,028
271,195	219,774	Operating fixed assets	11	27,250,482	22,083,612
–	–	Deferred tax assets	12	–	–
358,816	233,826	Other assets	13	36,054,979	23,495,595
8,382,196	7,306,660			842,269,127	734,195,946
		LIABILITIES			
48,086	48,551	Bills payable	15	4,831,801	4,878,594
657,787	327,940	Borrowings	16	66,096,472	32,952,406
6,646,666	6,054,865	Deposits and other accounts	17	667,877,615	608,411,670
29,796	42,218	Sub-ordinated loans	18	2,994,000	4,242,200
–	–	Liabilities against assets subject to finance lease		–	–
36,052	17,997	Deferred tax liabilities	12	3,622,651	1,808,405
158,795	156,291	Other liabilities	19	15,956,263	15,704,648
7,577,182	6,647,862			761,378,802	667,997,923
805,014	658,798	**NET ASSETS**		80,890,325	66,198,023
		REPRESENTED BY			
113,957	103,597	Share capital	20	11,450,739	10,409,763
134,842	123,784	Reserves		13,549,355	12,438,158
368,755	307,072	Unappropriated profit		37,053,691	30,855,565
617,554	534,453			62,053,785	53,703,486
187,460	124,345	Surplus on revaluation of assets - net of tax	21	18,836,540	12,494,537
805,014	658,798			80,890,325	66,198,023
		CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and annexures I to IV 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, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
666,794	539,609	Mark-up / return / interest earned	24	67,001,497	54,221,577
386,288	323,954	Mark-up / return / interest expensed	25	38,815,342	32,551,922
280,506	215,655	Net mark-up / interest income		28,186,155	21,669,655
21,016	6,483	Provision against non-performing loans and advances - net	10.4	2,111,694	651,481
(5,000)	(861)	Reversal for diminution in the value of investments - net	9.3	(502,387)	(86,538)
–	–	Bad debts written off directly	10.5	–	–
16,016	5,622			1,609,307	564,943
264,490	210,033	Net mark-up / interest income after provisions		26,576,848	21,104,712
		NON MARK-UP / INTEREST INCOME			
32,853	30,645	Fee, commission and brokerage income	26	3,301,188	3,079,338
34,955	33,847	Dividend income		3,512,429	3,401,019
4,544	6,288	Income from dealing in foreign currencies		456,592	631,858
41,471	12,398	Gain on sale of securities	27	4,167,097	1,245,773
		Unrealized gain / (loss) on revaluation of investments			
1,698	(19)	classified as held for trading - net	9.11	170,616	(1,907)
11,224	12,417	Other income	28	1,127,832	1,247,698
126,745	95,576	Total non-markup / interest income		12,735,754	9,603,779
391,235	305,609			39,312,602	30,708,491
		NON MARK-UP / INTEREST EXPENSES			
168,699	154,365	Administrative expenses	29	16,951,414	15,511,063
346	478	Provision against other assets	13.2	34,816	48,000
(3,878)	149	(Reversal) / provision against off-balance sheet obligations - net	19.1	(389,709)	14,955
4,529	2,938	Workers welfare fund	31	455,044	295,218
590	780	Other charges	30	59,280	78,358
170,286	158,710	Total non-markup / interest expenses		17,110,845	15,947,594
–	–	Extra-ordinary / unusual items		–	–
220,949	146,899	**PROFIT BEFORE TAXATION**		22,201,757	14,760,897
		Taxation			
73,775	40,598	Current		7,413,119	4,079,460
–	(40,660)	Prior years		–	(4,085,622)
(2,254)	1,231	Deferred		(226,454)	123,699
71,521	1,169		32	7,186,665	117,537
149,428	145,730	**PROFIT AFTER TAXATION**		15,015,092	14,643,360
307,072	235,737	Unappropriated profit brought forward		30,855,565	23,687,566
591	532	Transfer from surplus on revaluation of fixed assets - net of tax		59,380	53,471
307,663	236,269			30,914,945	23,741,037
457,091	381,999	**PROFIT AVAILABLE FOR APPROPRIATION**		45,930,037	38,384,397
In US$				In Rupees	
					Restated
0.13	0.13	**Earnings per share - Basic and Diluted**	33	13.11	12.79

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

Chief Financial Officer | President and Chief Executive | Director

Director | Chairman

Unconsolidated Statement of Other Comprehensive Income

for the year ended December 31, 2014

December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
US $ in '000			Rupees in '000	
149,429	145,729	Profit after taxation for the year	15,015,092	14,643,360
		Other comprehensive income to be reclassified to profit and loss account in subsequent periods:		
		Exchange differences on translation of net investment		
(562)	742	in foreign wholesale branch	(56,448)	74,543
		Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:		
923	10,384	Actuarial gain relating to defined benefit plans	92,734	1,043,370
(323)	(3,635)	Related deferred tax charge	(32,457)	(365,180)
600	6,749		60,277	678,190
		Comprehensive income not reflected in equity		
43,852	48,159	Net change in fair value of available for sale securities	4,406,364	4,839,117
(15,832)	(2,776)	Related deferred tax charge	(1,590,837)	(278,887)
28,020	45,383		2,815,527	4,560,230
177,487	198,603	**Total comprehensive income for the year**	17,834,448	19,956,323

The annexed notes 1 to 46 and annexures I to IV 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, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
220,950	146,899	Profit before taxation		22,201,757	14,760,897
(34,955)	(33,847)	Less: Dividend income		(3,512,429)	(3,401,019)
185,995	113,052			18,689,328	11,359,878
		Adjustments for non-cash items:			
18,565	16,891	Depreciation / amortization		1,865,518	1,697,245
21,015	6,483	Provision against non-performing loans, advances and general provision - net		2,111,694	651,481
(5,000)	(861)	Reversal for diminution in the value of investments - net		(502,387)	(86,538)
(1,698)	19	Unrealized (gain) / loss on revaluation of held for trading securities		(170,616)	1,907
(3,878)	149	(Reversal) / provision against off balance sheet obligations - net		(389,709)	14,955
346	478	Provision against other assets - net		34,816	48,000
–	338	Operating fixed assets written off		–	33,959
4,529	2,938	Provision for Workers' Welfare Fund		455,044	295,218
(670)	(272)	Gain on sale of fixed assets		(67,331)	(27,363)
33,209	26,163			3,337,029	2,628,864
219,204	139,215			22,026,357	13,988,742
		(Increase) / Decrease in operating assets			
103,813	(17,321)	Lendings to financial institutions		10,431,341	(1,740,468)
(64,578)	(29,690)	Net investment in 'held for trading' securities		(6,489,025)	(2,983,343)
(409,273)	34,153	Advances - net		(41,125,068)	3,431,766
(144,203)	(1,556)	Other assets (excluding advance taxation) - net		(14,489,939)	(156,385)
(514,241)	(14,414)			(51,672,691)	(1,448,430)
		Increase / (Decrease) in operating liabilities			
(466)	(13,181)	Bills payable		(46,793)	(1,324,457)
328,368	(59,351)	Borrowings from financial institutions		32,995,441	(5,963,786)
591,800	932,541	Deposits and other accounts		59,465,945	93,704,615
2,485	4,009	Other liabilities		249,746	402,879
922,187	864,018			92,664,339	86,819,251
627,150	988,819			63,018,005	99,359,563
(54,873)	(30,125)	Income tax paid - net		(5,513,796)	(3,027,063)
572,277	958,694	**Net cash flow generated from operating activities**		57,504,209	96,332,500
		CASH FLOW FROM INVESTING ACTIVITIES			
1,007,163	(852,805)	Net investments in 'available-for-sale' securities		101,202,861	(85,692,505)
(1,542,989)	(23,646)	Net investments in 'held-to-maturity' securities		(155,044,297)	(2,376,057)
35,842	39,385	Dividend income received		3,601,469	3,957,572
(31,835)	(39,340)	Investments in operating fixed assets		(3,198,870)	(3,952,984)
1,448	703	Proceeds from sale of fixed assets		145,476	70,663
(530,371)	(875,703)	**Net cash used in investing activities**		(53,293,361)	(87,993,311)
		CASH FLOW FROM FINANCING ACTIVITIES			
(12,422)	(12,422)	Repayment of sub-ordinated loan		(1,248,200)	(1,248,200)
(66,694)	(57,434)	Dividends paid		(6,701,666)	(5,771,161)
(79,116)	(69,856)	**Net cash used in financing activities**		(7,949,866)	(7,019,361)
(562)	742	Effect of translation of net investment in foreign branch		(56,448)	74,543
(37,772)	13,877	**(Decrease) / increase in cash and cash equivalents during the year**		(3,795,466)	1,394,371
457,270	440,277	**Cash and cash equivalents at the beginning of the year**		45,947,890	44,240,449
(1,718)	1,398	**Effect of exchange rate changes on opening cash and cash equivalents**		(172,580)	140,490
417,780	455,552	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	34	41,979,844	45,775,310

The annexed notes 1 to 46 and annexures I to IV 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, 2014

		Reserves								
	Share Capital	Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
	Rupees in '000									
Balance as at January 01, 2013	9,463,421	–	10,198	–	67,995	333,864	10,481,222	6,000	23,687,566	44,050,266
Changes in equity during the year ended December 31, 2013										
Total comprehensive income for the year ended December 31, 2013										
Net profit for the year ended December 31, 2013	–	–	–	–	–	–	–	–	14,643,360	14,643,360
- Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses net of deferred tax referred	–	–	–	–	–	–	–	–	678,190	678,190
- Effect of translation of net investment in foreign wholesale bank branch	–	–	74,543	–	–	–	–	–	–	74,543
	–	–	74,543	–	–	–	–	–	15,321,550	15,396,093
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2012 @ 10%	–	–	–	946,342	–	–	–	–	(946,342)	–
Issue of bonus shares	946,342	–	–	(946,342)	–	–	–	–	–	–
Final cash dividend for the year ended December 31, 2012 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	–	(1,892,684)	(1,892,684)
First interim cash dividend for the year ended December 31, 2013 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,301,220)	(1,301,220)
Second interim cash dividend for the year ended December 31, 2013 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,301,220)	(1,301,220)
Third interim cash dividend for the year ended December 31, 2013 (Re. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,301,220)	(1,301,220)
	946,342	–	–	–	–	–	–	–	(6,742,686)	(5,796,344)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	–	–	53,471	53,471
Transfer to statutory reserve	–	–	–	–	–	–	1,464,336	–	(1,464,336)	–
Transfer to share premium reserve	–	333,864	–	–	(67,995)	(333,864)	67,995	–	–	–
Balance as at December 31, 2013	10,409,763	333,864	84,741	–	–	–	12,013,553	6,000	30,855,565	53,703,486
Changes in equity during the year ended December 31, 2014										
Total comprehensive income for the year ended December 31, 2014										
- Net profit for the year ended December 31, 2014	–	–	–	–	–	–	–	–	15,015,092	15,015,092
- Effect of translation of net investment in foreign wholesale bank branch	–	–	(56,448)	–	–	–	–	–	–	(56,448)
- Effect of remeasurement of defined benefit plan-net of deferred tax	–	–	–	–	–	–	–	–	60,277	60,277
	–	–	(56,448)	–	–	–	–	–	15,075,369	15,018,921

Unconsolidated Statement of Changes in Equity
for the year ended December 31, 2014

	Share Capital	Reserves							Un-appropriated Profit	Total
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve		
	Rupees in '000									
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2013 @ 10%	–	(333,864)	–	1,040,976	–	–	–	–	(707,112)	–
Issue of bonus shares	1,040,976	–	–	(1,040,976)	–	–	–	–	–	–
Final cash dividend for the year ended December 31, 2013 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	–	–	(1,561,464)	(1,561,464)
First interim cash dividend for the year ending December 31, 2014 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,431,342)	(1,431,342)
Second interim cash dividend for the year ending December 31, 2014 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	–	–	(1,717,611)	(1,717,611)
Third interim cash dividend for the year ending December 31, 2014 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	1,040,976	(333,864)	–	–	–	–	–	–	(7,421,409)	(6,714,297)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	–	–	45,675	45,675
Transfer to statutory reserve	–	–	–	–	–	–	1,501,509	–	(1,501,509)	–
Transfer to share premium reserve	–	–	–	–	–	–	–	–	–	–
Balance as at December 31, 2014	11,450,739	–	28,293	–	–	–	13,515,062	6,000	37,053,691	62,053,785

* This represented reserve created by 20% of profit after tax of Ibrahim Leasing Limited (ILL) before its amalgamation with the Bank, as required under the Non Banking Finance Companies (NBFC) Rules, 2003. Being Statutory Reserve in nature, same has been transferred to Statutory Reserve of the Bank in 2013.

** These were created as a result of merger of Ibrahim Leasing Limited and First Allied Mordaraba into Allied Bank Limited. This has been transferred in 2013 to Share Premium Reserve with the approval of Securities and Exchange Commission of Pakistan vide letter number EMD/233/673/2002-965 dated April 15, 2013.

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

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 998 (2013: 948) branches in Pakistan including 4 (2013: Nil) Islamic banking branches, 1 branch (2013:1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2013: 1) 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 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.
- The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure IV to these financial statements.
- These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the bank as well. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in the statement of financial position, profit and loss account, statement of other 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 100.4831 per US Dollar has been used for 2014 and 2013, 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 for the following which are stated at revalued amounts / fair values:

- Investments (Note 5.3);
- Certain operating fixed assets (Note 5.5); and
- Fair value of derivatives (Note 4-V)

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 State Bank of Pakistan. 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 requirements 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

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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 IFRS 8, ‘Operating Segments’ is effective for the Bank’s accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, ‘Revised Forms of Annual Financial Statements’, effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP’s requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.4 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:

IFAS 3 - Profit and Loss Sharing on Deposits
IAS 32 - Financial Instruments : Presentation - (Amendment)
- Offsetting Financial Assets and Financial Liabilities
IAS 36 - Impairment of Assets - (Amendment)
- Recoverable Amount Disclosures for Non-Financial Assets
IFRIC 21 - Levies

The adoption of the above did not have any effect on the financial statements for the current year.

3.5 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, 2015. 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, when they will become effective.

Standard	IASB effective date (annual periods beginning on after)
IFRS 10 - Consolidated Financial Statements	January 01, 2015

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses 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 judgement 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. Based on the preliminary analyses performed, IFRS 10 is not expected to have material impact on the currently held investments of the Bank.

IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change 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 that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

IAS 16 & 38 - Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 - Property, Plant and Equipment & Agriculture - (Amendment) - Agriculture: Bearer Plants	January 01, 2016

The bank expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Bank's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

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	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as "held-to-maturity" the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

- The investments which are not classified as "held for trading" or "held to maturity" are classified as "available for sale".

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

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the 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.

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for the year ended December 31, 2014

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

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

vii) **Defined benefits plan**

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

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, 2013 except as stated in Note 5.9. 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 amortized 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 arrived to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Mark-up on such lending is accrued 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, other than investment in subsidiary, into the following categories:

(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 Investments are initially recognized at fair value which, in case of investments other than held for trading, includes transaction cost associated with the investments. Transaction cost on investments 'Held For Trading' are expensed as incurred.

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.

5.3.3 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 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 realized 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. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks 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.

5.3.4 Investments in subsidiaries are stated at cost less impairment.

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 other directives issued by SBP and charged to the profit and loss account. General provision is maintained on consumer and small entity 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 in accordance with the requirements of prudential regulations issued by the SBP.

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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 changed, 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 by independent professionally qualified valuers, 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 finalized 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 realized.

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;

- During the year, the beneficiary employees were given an option to settle their monthly pension with a lump sum payment. Those who will not opt for the lump sum option, will continue to receive pension (defined benefit scheme).

- 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. The beneficiary employees as on that date 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 recognized in other Comprehensive Income in the period of occurrence.

5.7.2 Other long term benefit

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. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit & Loss account in the period of occurrence.

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5.8 Assets acquired in satisfaction of claims

The assets acquired in settlement of certain advances, are stated at lower of the carrying value 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 accrued to the profit and loss account on accrual basis. However, the Bank has adopted new accounting policy relating to deposits mobilized under Islamic Banking operations. Such deposits are generated under two modes i.e. “Qard” and “Modaraba”. Deposits taken on Qard basis are classified as ‘Current accounts’ and Deposits generated on Modaraba basis are classified as ‘Saving deposits / Fixed deposits’.

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 accrued 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 exchange rate.

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. Regular translation gains and losses are taken to profit & loss account.

d) Commitments

Commitments for outstanding forward 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, 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.

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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) including 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, 2014	December 31, 2013
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		8,514,853	7,422,195
Foreign currencies		672,759	737,623
		9,187,612	8,159,818
Remittances in transit		1,052,463	999,593
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	9,369,334	16,487,185
Foreign currency current account	6.2	83,165	2,746
		9,452,499	16,489,931
Foreign currency deposit accounts			
- Non remunerative	6.3	3,211,415	2,969,548
- Remunerative	6.3 & 6.4	9,634,244	8,908,644
		12,845,659	11,878,192
With National Bank of Pakistan in			
Local currency current accounts		8,631,088	7,080,875
National Prize Bonds		85,654	64,670
		41,254,975	44,673,079

6.1 Deposits with the SBP are maintained to comply with the cash reserve requirement under section 22 of the Banking Company Ordinance, 1962 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 maintained with the SBP. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2014, carries mark-up at the rate of 0% (2013: 0%) per annum.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
On current accounts	7.1	445,167	801,732
On deposit accounts		428,327	300,499
		873,494	1,102,231

7.1 Included in Nostro accounts are balances, aggregating to Rs. 69.595 million (2013: Rs. 148.691 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	919,646	11,661,403
Certificates of investment	8.2	70,000	70,000
Call money lendings	8.3	1,110,416	800,000
	8.4	2,100,062	12,531,403
Provision against lendings to financial institutions	8.6	(70,000)	(70,000)
		2,030,062	12,461,403

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8.1 These are short-term lendings to financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rate of 9.7% (2013: 10.00% to 10.40%) per annum and will mature on, latest by January 16, 2015.

8.2 This represents a classified certificate of investment amounting to Rs. 70 million (2013: Rs. 70 million).

8.3 These call money lendings carry mark-up at rates ranging from 9.4% to 9.7% (2013: 9.5% to 10.25%) for local currency, and at rate of 0.40% (2013: Nil) for foreign currency lending per annum maturing on various dates, latest by Jan 05, 2015.

	December 31, 2014	December 31, 2013
	Rupees in '000	
8.4 Particulars of lending		
In local currency	1,597,647	12,531,403
In foreign currencies	502,415	–
	2,100,062	12,531,403

8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2014			December 31, 2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	919,646	–	919,646	11,661,403	–	11,661,403
	919,646	–	919,646	11,661,403	–	11,661,403

	December 31, 2014	December 31, 2013
	Rupees in '000	
8.6 Particulars of provision		
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2014 Held by Bank	December 31, 2014 Given as collateral	December 31, 2014 Total	December 31, 2013 Held by Bank	December 31, 2013 Given as collateral	December 31, 2013 Total
		Rupees in '000					
9.1 Investments by types							
Held-for-trading securities							
Market Treasury Bills		2,474,557	–	2,474,557	2,983,343	–	2,983,343
Pakistan Investment Bonds		6,997,811	–	6,997,811	–	–	–
		9,472,368	–	9,472,368	2,983,343	–	2,983,343
Available-for-sale securities							
Market Treasury Bills		81,149,936	31,696,602	112,846,538	272,873,099	2,304,528	275,177,627
Pakistan Investment Bonds		72,370,892	–	72,370,892	148,387	–	148,387
Ordinary shares of listed companies / certificates of close ended mutual funds		20,088,582	–	20,088,582	17,602,295	–	17,602,295
Preference shares		136,855	–	136,855	149,355	–	149,355
Pre IPO shares		–	–	–	199,996	–	199,996
Units of open ended mutual funds		250,000	–	250,000	5,588,989	–	5,588,989
Ordinary shares of unlisted companies		2,223,838	–	2,223,838	1,992,014	–	1,992,014
Investment in related parties							
- Listed shares		–	–	–	4,053,509	–	4,053,509
- Unlisted shares		456,155	–	456,155	281,816	–	281,816
- Units of open ended mutual funds		458,299	–	458,299	5,500,000	–	5,500,000
Sukuk bonds		2,233,278	–	2,233,278	2,469,955	–	2,469,955
Term finance certificates (TFCs)		2,837,451	–	2,837,451	2,046,694	–	2,046,694
		182,205,286	31,696,602	213,901,888	312,906,109	2,304,528	315,210,637
Held-to-maturity securities							
Pakistan Investment Bonds		184,587,797	–	184,587,797	28,613,646	–	28,613,646
GOP Ijara Sukuk		151,602	–	151,602	–	–	–
Foreign currency bonds (US$)		4,570,147	–	4,570,147	4,660,597	–	4,660,597
TFCs, Bonds and PTCs		2,094,732	–	2,094,732	3,085,738	–	3,085,738
		191,404,278	–	191,404,278	36,359,981	–	36,359,981
Subsidiary							
ABL Asset Management Company Limited		500,000	–	500,000	500,000	–	500,000
Investment at cost		383,581,932	31,696,602	415,278,534	352,749,433	2,304,528	355,053,961
Provision for diminution in the value of investments	9.3	(977,183)	–	(977,183)	(1,585,458)	–	(1,585,458)
Investment (net of provisions)		382,604,749	31,696,602	414,301,351	351,163,975	2,304,528	353,468,503
Surplus / (deficit) on revaluation of held-for-trading securities		170,616	–	170,616	(1,907)	–	(1,907)
Surplus / (deficit) on revaluation of available-for-sale securities	21.2	14,245,549	73,217	14,318,766	9,915,485	(3,083)	9,912,402
Total investments at market value		397,020,914	31,769,819	428,790,733	361,077,553	2,301,445	363,378,998

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	115,321,095	278,160,970
- Pakistan Investment Bonds	9.2.1	263,956,500	28,762,033
- Foreign Currency Bonds (US$)	9.2.1 & 9.2.4	4,570,147	4,660,597
- GOP Ijara Sukuk	9.2.1	151,602	–
Fully paid up ordinary shares of listed companies / certificates of close ended mutual funds	9.4	20,088,582	21,855,800
Fully paid up ordinary shares of unlisted companies	9.5	2,679,993	2,273,830
Investment in units of open ended mutual funds	9.6	708,299	11,088,989
Fully paid up preference shares	9.7	136,855	149,355
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
Term Finance Certificates			
-Listed	9.8	1,183,053	830,101
-Unlisted	9.8	1,821,346	1,397,610
Sukuk Bonds	9.9	4,161,062	5,374,676
Subsidiary	9.5	500,000	500,000
Total investments at cost		415,278,534	355,053,961
Less: Provision for diminution in the value of investments	9.3	(977,183)	(1,585,458)
Investments (net of provisions)		414,301,351	353,468,503
Unrealized gain / (loss) on revaluation of held-for-trading securities	9.11	170,616	(1,907)
Surplus on revaluation of available-for-sale securities	21.2	14,318,766	9,912,402
Total investments at market value		428,790,733	363,378,998

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills (MTB)	February, 2015 To November, 2015	9.71% - 9.98%	On maturity	At maturity
Foreign Currency Bonds (US$)	March , 2016 To June, 2017	6.875% - 7.125%	On maturity	Half Yearly
Pakistan Investment Bonds	19 May 2016 To 17 July, 2024	9.6% - 12.0%	On maturity	Half Yearly
GOP Ijara Sukuk	28 March 2015 To 25 June 17	6M MTB minus (0.30% to 2.0%)	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 31,518.674 million (2013: Rs. 1,964.728 million), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a book value of Rs. 177.927 million (2013: 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 Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Purchase	Date of Maturity	Coupon Due	Redemption Period	December 31, 2014	December 31, 2013
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-15	6.5 Years	292,184	299,333
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-15	5.9 Years	316,560	328,048
Euro Dollar Bond ($16,257,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-15	10 Years	1,573,904	1,605,496
Euro Dollar Bond ($7,500,000)	6.875%	31-May-07	01-Jun-17	30-May-15	10 Years	671,285	674,625
Euro Dollar Bond ($8,000,000)	6.875%	31-May-07	01-Jun-17	30-May-15	10 Years	761,230	782,207
Euro Dollar Bond ($9,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-15	10 Years	954,984	970,888
						4,570,147	4,660,597

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
9.3 Particulars of provision			
Opening balance		1,585,458	1,947,781
Charge for the year		175,339	2,473
Reversals		(677,726)	(89,011)
Net charge		(502,387)	(86,538)
Reversal on disposal of shares		(105,888)	(179,289)
Amounts written off		–	(96,496)
Closing balance	9.3.1	977,183	1,585,458
9.3.1 Particulars of provision in respect of type and segment			
By type			
Available-for-sale securities			
Ordinary shares / certificates of listed companies		389,481	394,992
Ordinary shares of unlisted companies		79,685	56,509
Preference shares		136,855	149,355
Sukuk Bonds		7,241	–
		613,262	600,856
Held-to-maturity securities			
TFCs, Debentures, Bonds and PTCs		363,921	984,602
		977,183	1,585,458
By Segment			
Fully Paid up Ordinary Shares:			
- Listed companies		389,481	394,992
- Unlisted companies		79,685	56,509
- Preference Shares		136,855	149,355
		606,021	600,856
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Bonds		207,241	876,180
Term Finance Certificates		163,921	108,422
		371,162	984,602
		977,183	1,585,458

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificates	2014 No. of shares / certificates	2014 Total Cost	2013 No. of shares / certificates	2013 Total Cost
	Rupees		Rupees in ‘000		Rupees in ‘000
Available-for-Sale					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	419.20	1,338,450	561,076	1,242,950	509,864
D.G.Khan Cement Limited	–	–	–	8,676,141	339,906
Engro Corporation Limited	–	–	–	3,200,000	410,164
Engro Fertilizers- Pre IPO	–	–	–	7,079,500	199,996
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	44,639,500	964,127
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	32,329,275	2,640,388
First Equity Modaraba	–	–	–	519,914	645
Habib Bank Limited	–	–	–	1,614,300	265,078
Hub Power Company Limited	36.51	112,000,000	4,089,011	112,000,000	4,092,396
Kot Addu Power Company Limited	46.06	88,000,000	4,053,509	88,000,000	4,053,509
Lucky Cement Limited	–	–	–	2,052,100	318,454
Namco Balanced Fund	–	–	–	2,450,154	9,640
Nishat (Chunian) Limited	–	–	–	3,185,163	104,671
Nishat Chunian Power Limited	10.00	30,000,000	300,000	36,500,000	483,191
Nishat Mills Limited	–	–	–	5,900,000	498,158
Nishat Power Limited	10.00	30,000,000	300,000	34,813,894	373,875
Pakistan Oil field Limited.	404.83	9,106,350	3,686,501	8,876,000	3,376,508
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	324.51	1,486,500	482,384	2,000,000	658,048
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	28,227,717	385,430
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	–	–
Trust Investment Bank Limited	10.00	1,250,000	12,500	–	–
United Bank limited	158.01	6,064,800	958,277	–	–
			20,088,582		21,855,800

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	Dec. 31, 2014 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	4.39	10	5,000	30-Jun-13	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	16.79	10	355,000	30-Jun-14	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	6.56	10	148,333	31-Dec-13	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	36.25	10	40,300	30-Jun-14	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	5.18%	7,734,926	10.94	10	21,200	31-Dec-13	Ms. Tahira Raza
Habib Allied International Bank - related party	9.30%	3,304,418	259.25	£1	449,628	31-Dec-13	Mr. Anwar M. Zaidi
Islamabad Stock Exchange*	0.83%	3,034,603	10.78	10	30,346	30-Jun-14	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.63	10	8,440	30-Jun-14	Mr. Aftab Ahmad Ch
National Institutional Facilitation Technologies							
(Pvt) Limited (NIFT) - related party	9.07%	1,478,228	63.20	10	1,527	30-Jun-14	Mr. Muzaffar M khan
Nishat Hotels and Properties Limited	9.84%	53,154,590	10.24	10	531,546	30-Jun-14	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services							
Corporation Limited (PASSCO)	3.33%	1,000	–	10	1,000	31-Mar-13	Capt (R) Tariq Masud
Security General Insurance Life	18.22%	12,401,871	116.18	10	1,075,653	31-Dec-13	Ms. Nabiha Shahnawaz
SME Bank Limited.	0.32%	774,351	4.20	10	5,250	31-Dec-13	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial							
Telecommunication	9.00%	10	425,863	€1	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
Eastern Capital Limited	–	500,000	–	–	5,000		Under liquidation
					2,679,993		
ABL Assets Management Company- subsidiary	100.00%	50,000,000	23.49	10	500,000	31-Dec-14	Mr. Farid Ahmed Khan
					3,179,993		

*These shares have been transferred as per the requirements of The Stock Exchanges (Corporation, Demutualization and integration) Act, 2012.

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2014	No. of Units 2013	Paid-up value per Certificate	Total Cost 2014	Total Cost 2013
			Rupees	Rupees in '000	
ABL Cash Fund- related party	24,599,871	529,737,531	10	223,299	5,000,000
ABL Government Securities Fund- related party	–	40,019,076	10	–	400,000
ABL Stock Fund- related party	10,000,000	10,000,000	10	100,000	100,000
HBL Money Market Fund	–	12,381,619	100	–	1,250,000
HBL Islamic Stock Fund	579,833	–	100	100,000	–
KASB Cash Fund	–	1,164,545	100	–	119,676
ABL AMC Islamic Stock Fund- related party	11,206,388	–	10	135,000	–
MCB Cash Management Optimizer	–	12,506,176	100	–	1,250,000
AL Ameen Shariah Stock Fund	1,483,838	–	100	150,000	–
NAFA Government Securities Liquid Fund	–	124,602,269	10	–	1,250,000
NAFA Income Opportunity Fund	–	49,464,433	10	–	469,313
UBL Liquidity Plus Fund	–	12,444,200	100	–	1,250,000
				708,299	11,088,989

9.7 Detail of Investment in Preference Shares - fully provided

Name of Company	Note	Percentage of Holding	No. of certificates	Paid-up Value per certificate	Total paid-up value	Total Cost December 31, 2014	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	Mr. Rasheed Y. Chinoy
Trust Investment Bank Limited	9.7.2	12.23%	3,750,000	10	37,500	37,500	Mr. Asif Kamal
						136,855	

9.7.1 These preference shares issued in June 2009, 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 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 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 2014	No. of Units 2013	Paid-up value per Certificate	Total Cost 2014	Total Cost 2013
			Rupees	Rupees in '000	
Listed					
Faysal Bank Limited	70,000	70,000	5,000	349,440	349,580
United Bank Limited-TFC III	10,000	10,000	5,000	–	16,633
Azgard Nine Limited	1,300	1,300	5,000	1,573	1,573
Telecard Limited	75,888	75,888	5,000	125,221	139,290
NIB Bank TFC II	76,800	–	5,000	383,923	–
Bank Al Falah Limited - TFC V	49,000	49,000	5,000	322,896	323,025
				1,183,053	830,101
Unlisted					
Askari Bank Limited TFC II	20,000	20,000	5,000	99,780	99,840
(Chief Executive: Mr. Syed Majeedullah Husaini)					
Escorts Investment Bank Limited	–	20,000	5,000	–	9,993
(Chief Executive: Ms. Shazia Bashir)					
Financial Receivable Securitization Company Limited - A	–	14,579	5,000	–	6,072
(Chief Executive: Mr. Munaf Ibrahim)					
Financial Receivable Securitization Company Limited - B	–	6,421	5,000	–	4,008
(Chief Executive: Mr. Munaf Ibrahim)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	30,274
(Chief Executive: Mr. Dewan Abdul Baqi Farooqui)					
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	454
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	10,999
Bank Al-Habib TFC III	–	60,000	5,000	–	298,920
(Chief Executive: Mr. Abbas D. Habib)					
Bank Al-Habib TFC IV	90,000	90,000	5,000	449,370	449,550
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank TFC III	75,000	75,000	5,000	375,000	375,000
(Chief Executive: Mr. Mohsin Ali Nathani)					
Jahangir Siddiqi & Company Limited	30,000	30,000	5,000	75,000	112,500
(Chief Executive: Mr. Suleman Lalani)					
Askari Bank Limited TFC V	120,000	–	5,000	600,000	–
(Chief Executive: Mr. Syed Majeedullah Husaini)					
JS TFC II	37,500	–	5,000	180,469	–
(Chief Executive: Mr. Khalid Imran)					
Total				1,821,346	1,397,610

9.9 Detail of Investment in Sukuk Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Purchase	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2014	Cost 2013
						Rupees in '000	
Sukuk Bonds							
K.S. Sulemanji Esmailji & Sons Limited	3M K+2.4%	30-Jun-08	30-Jun-18	1-Jan-15	Quarterly	–	38,285
Liberty Power Tech. Limited	3M K+3%	31-Mar-09	1-Jan-21	1-Jan-15	Half Yearly	1,982,816	2,152,612
Liberty Power Tech. Limited	3M K+3%	30-Nov-10	1-Jan-21	1-Jan-15	Half Yearly	221,497	240,437
Quetta Textile Mills Limited	6M K+1.5%	27-Sep-08	27-Sep-15	27-Mar-15	Half Yearly	28,966	38,621
Shahraj Fabrics Pvt Limited	6M K+2.10%	8-Mar-08	8-Mar-14	8-Mar-14	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3M K+1.0%	3-Dec-07	3-Dec-18	3-Mar-15	Quarterly	1,727,783	2,704,721
						4,161,062	5,374,676

9.10 Quality of Available for Sale Securities

Name of Security	2014 Market value / Book Value	2014 Rating	2013 Market value / Book Value	2013 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	113,003,550	Un Rated	274,774,851	Un Rated
Pakistan Investment Bonds	75,283,629	Un Rated	144,854	Un Rated
Listed TFCs				
Azgard Nine Limited	1,479	D	1,479	D
Faysal Bank Limited	353,807	AA-	353,949	AA-
United Bank Limited- TFC III	–	AA	16,877	AA
NIB Bank TFC-II	378,971	–	–	–
Bank Alfalah	321,140	AA-	330,097	AA-
Unlisted TFCs				
Askari Bank Limited TFC II	99,780	AA-	99,840	AA-
Escorts Investment Bank Limited	–	BB	9,992	BB
Financial Receivable Securitization Company Limited-A	–	A+	6,072	A+
Financial Receivable Securitization Company Limited-B	–	A+	4,008	A+
Jahangir Siddiqi & Company Limited	75,000	AA+	112,500	AA+
Bank Al-Habib Limited TFC III	–	AA	298,920	AA
Bank Al-Habib Limited TFC III	449,370	AA	449,550	AA
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited TFC V	600,000	AA	–	–
Jahangir Siddiqi & Company Limited	180,469	–	–	–
Shares Unlisted				
Arabian Sea Country Club Limited- related party	5,000	**	5,000	**
Atlas Power Limited*	355,000	A+&A1	355,000	A+&A1
Burj Bank Limited	148,333	A&A-1	148,333	A&A-1
Central Depository Committee	40,300	**	40,300	**
Eastern Capital Limited	5,000	**	5,000	**
First Women Bank Limited	21,200	BBB+ &A2	21,200	A-&A2
Habib Allied International Bank Limited- related party	449,628	**	275,289	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,440	**	8,440	**
NIFT*- related party	1,527	**	1,527	**

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Name of Security	2014 Market value / Book Value	2014 Rating	2013 Market value / Book Value	2013 Rating
	Rupees '000		Rupees '000	
Nishat Hotels and Properties Limited*	531,546	A- &A2	299,722	**
PASSCO	1,000	**	1,000	**
Security General Insurance Life	1,075,653	AA-1	1,075,653	A+
SME Bank Limited	5,250	BBB-&A3	5,250	BBB&A-3
Society for Worldwide Interbank Financial Telecommunication	1,770	**	1,770	**
Shares / Certificates Listed				
Agritech Limited	108,204	D	176,897	D
Attock Petroleum Limited	722,201	**	621,090	**
D.G. Khan Cement Limited	–	**	743,806	**
Engro Corporation Limited	–	A & A1	506,816	AA-&A1+
Fatima Fertilizer Company Limited	2,242,779	AA-&A1+	1,274,904	A+&A1
Fauji Fertilizer Company Limited*	–	**	1,306,257	**
Fauji Fertilizer Company Limited	1,813,050	**	2,313,329	**
First Equity Modaraba	–	**	3,400	**
Habib Bank Limited	–	AAA&A-1+	268,991	AAA&A1+
Hub Power Company Limited*	4,772,124	AA+&A1+	3,697,848	AA+&A1+
Hub Power Company Limited	4,004,196	AA+&A1+	3,102,792	AA+&A1+
Kot Addu Power Company Limited	6,946,720	AAA&A-1+	5,434,000	AA+&A1+
Lucky Cement Limited	–	**	615,363	**
Namco Balanced Fund	–	**	15,901	**
Nishat (Chunian) Limited	–	A-&A2	191,747	A-&A2
Nishat Chunian Power Limited*	1,486,500	A&A-2	1,043,400	A&A-2
Nishat Chunian Power Limited	–	A+&A2	226,070	A+&A2
Nishat Mills Limited	–	AA&A1+	750,716	AA-&A1+
Nishat Power Limited*	1,368,000	A+&A1	901,800	A+&A1
Nishat Power Limited	–	A+&A1	144,706	A+&A1
Pakistan Oilfield Limited*	1,338,761	**	1,756,419	**
Pakistan Oilfield Limited	2,115,823	**	2,661,255	**
Pakistan Petroleum Limited*	1,688,015	**	2,046,044	**
Pakistan State Oil Company Limited	532,033	AA+&A1+	664,440	AA+&A1+
PICIC Growth Mutual Fund	164,606	**	707,951	**
Pioneer Cement Limited	9,142	**	4,090	**
Saif Power Limited	512,782	A+&A1	–	––
United Bank Limited	1,071,711	AA+&A-1+	–	–
Trust Investment Bank Limited	1,688	unrated	–	–
Pre IPO Investments				
Engro Fertilizers	–	A+&A1	199,996	AA-&A1+
Preference Shares				
Trust Investment Bank Limited	37,500	**	50,000	**
First Dawood Investment Bank	99,355	**	99,355	**

	2014		2013	
Name of Security	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Investment in Mutual Funds				
ABL Cash Fund- related party	257,315	AA(f)	5,299,971	AA(f)
ABL Government Securites Fund- related party	–	–	400,423	**
ABL Stock Fund- related party	130,200	MFR 5-Star	126,754	**
HBL Money Market Fund	–	AA(f)	1,251,662	AA(f)
HBL Islamic Stock Fund	80,208	AA(f)	–	–
KASB Cash Fund	–	AA(f)	119,103	AA(f)
MCB Cash Optimizer Fund	–	AA(f)	1,251,259	AA(f)
ABL AMC Islamic Stock Fund - related party	129,434	A(f)	–	–
NAFA Government Securities Liquid Fund	–	**	1,251,293	AAA(f)
AL Ameen Shariah Stock Fund	165,047	AAA(f)	–	–
UBL Liquidity Plus Fund	–	AA+(f)	1,251,570	AA+(f)
Sukuk Bonds				
K.S.Sulemanji Esmailji & Sons	–	**	38,285	**
Liberty Power Tech Limited-I	1,982,816	AA&A1+	2,152,612	A+
Liberty Power Tech Limited-II	221,497	AA&A1+	240,437	A+
Quetta Textile Mills Limited	28,966	**	38,621	**

* Strategic Investments of the Bank

** Ratings are not available

		December 31, 2014	December 31, 2013
		Rupees in '000	
9.11	**Unrealized loss on revaluation of investments classified as held for trading**		
	Market Treasury Bills	(249)	(1,907)
	Pakistan Investment Bonds	170,865	–
		170,616	(1,907)

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
10.	**ADVANCES**			
	Loans, cash credits, running finances, etc. - in Pakistan		318,381,086	277,235,883
	Net investment in finance lease - in Pakistan	10.2	2,041,392	1,904,028
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		1,963,256	1,319,500
	Payable outside Pakistan		3,439,232	4,916,169
			5,402,488	6,235,669
	Advances - gross		325,824,966	285,375,580
	Provision for non-performing advances	10.4	(19,694,645)	(18,242,365)
	General provision	10.4	(115,919)	(132,187)
			(19,810,564)	(18,374,552)
	Advances - net of provision		306,014,402	267,001,028
10.1	**Particulars of advances (Gross)**			
10.1.1	In local currency		309,546,419	267,077,663
	In foreign currencies		16,278,547	18,297,917
			325,824,966	285,375,580
10.1.2	Short term (for up to one year)		157,426,569	158,883,614
	Long term (for over one year)		168,398,397	126,491,966
			325,824,966	285,375,580

10.2 Net investment in Finance Lease

	December 31, 2014				December 31, 2013			
	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	674,979	1,031,494	116,946	1,823,419	344,018	759,912	590,041	1,693,971
Residual value	73,494	294,534	144,708	512,736	75,970	285,995	122,294	484,259
Minimum lease payments	748,473	1,326,028	261,654	2,336,155	419,988	1,045,907	712,335	2,178,230
Financial charges for future periods	(76,634)	(92,422)	(125,707)	(294,763)	(66,351)	(95,790)	(112,061)	(274,202)
Present value of minimum lease payments	671,839	1,233,606	135,947	2,041,392	353,637	950,117	600,274	1,904,028

10.3 Advances include Rs. 22,921.542 million (2013: Rs. 19,423.896 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	157,086	–	157,086	4,335	–	4,335	4,335	–	4,335
Substandard	1,708,825	–	1,708,825	425,860	–	425,860	425,860	–	425,860
Doubtful	3,582,362	–	3,582,362	1,791,181	–	1,791,181	1,791,181	–	1,791,181
Loss	17,473,269	–	17,473,269	17,473,269	–	17,473,269	17,473,269	–	17,473,269
	22,921,542	–	22,921,542	19,694,645	–	19,694,645	19,694,645	–	19,694,645

Category of Classification	December 31, 2013								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	82,766	–	82,766	3,288	–	3,288	3,288	–	3,288
Substandard	647,912	–	647,912	160,315	–	160,315	160,315	–	160,315
Doubtful	1,228,912	–	1,228,912	614,456	–	614,456	614,456	–	614,456
Loss	17,464,306	–	17,464,306	17,464,306	–	17,464,306	17,464,306	–	17,464,306
	19,423,896	–	19,423,896	18,242,365	–	18,242,365	18,242,365	–	18,242,365

10.3.1 This includes an exposure of Rs. 2,740.287 million against the syndicated facility of Byco Petroleum Pakistan Limited (BPPL), which has been prudently classified in "Doubtful" category by the Bank, although, State Bank of Pakistan vide its letter BPRD/BRD-03/2014/16233 dated September 03, 2014 has deferred the provisioning against classified exposure of BPPL till June 30, 2015.

10.3.2 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans although it is allowed under BSD circular No. 02 dated June 03, 2010.

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2014			December 31, 2013		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
	Charge for the year		3,554,105	–	3,554,105	2,627,045	80,097	2,707,142
	Reversals		(1,426,143)	(16,268)	(1,442,411)	(2,055,661)	–	(2,055,661)
	Charged to profit and loss account		2,127,962	(16,268)	2,111,694	571,384	80,097	651,481
	Amounts written off	10.5.1	(675,682)	–	(675,682)	(81,961)	–	(81,961)
	Closing balance		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
10.4.1	In local currency		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
	In foreign currencies		–	–	–	–	–	–
			19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		675,682	81,961
	Directly charged to Profit and Loss account		–	–
			675,682	81,961
10.5.2	Write Offs of Rs. 500,000 and above	10.6	675,641	81,361
	Write Offs of Below Rs. 500,000		41	600
			675,682	81,961

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, 2014 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
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			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		6,367,039	5,959,612
	Loans granted during the year		2,256,997	2,041,395
	Repayments		(1,821,062)	(1,633,968)
	Balance at end of the year		6,802,974	6,367,039
	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	2,076,027	2,250,864
	Property and equipment	11.2	24,209,331	18,724,213
	Intangible assets	11.3	965,124	1,108,535
			27,250,482	22,083,612
11.1	**Capital work-in-progress**			
	Civil works		1,307,574	1,608,352
	Equipment		583,060	393,278
	Advances to suppliers and contractors		185,393	249,234
			2,076,027	2,250,864

11.2 Property and equipment

		Cost / Revaluation					Accumulated Depreciation						
Description	Note	At January 1, 2014	Additions / (Deletions) / Adjustment	Revaluation Surplus	Write–off	At December 31, 2014	At January 1, 2014	Charge for the year / (depreciation on deletion)	Revaluation deficit / (Surplus)	Write–off	At December 31, 2014	Net book value at December 31, 2014	Annual rate of depreciation %
						Rupees in '000							
Land–Freehold	11.4	7,021,201	464,744	1,880,422	–	9,329,747	–	–	–	–	–	9,329,747	–
			(24,000)										
			(12,620)										
Land–Leasehold	11.4	1,964,383	351,018	916,544	–	3,219,245	–	–	–	–	–	3,219,245	–
			(12,700)										
			–										
Buildings–Freehold	11.4	4,427,083	606,335	–	–	4,983,827	595,475	201,488	(346,739)	–	442,857	4,540,970	5
			(35,302)					(7,367)					
			(14,289)										
Buildings–Leasehold	11.4	2,135,625	333,487	340,818	–	2,758,763	443,858	74,882	(518,740)	–	–	2,758,763	5
			–					–					
			(51,167)										
Building improvements		1,365,986	375,292	–	–	1,737,601	860,969	234,966	–	–	1,094,686	642,915	20
(rented premises)			(3,677)					(1,249)					
			–										
Furniture		886,070	157,643	–	–	1,032,252	376,531	93,767	–	–	466,597	565,655	10
and fixtures			(11,461)					(3,701)					
			–										
Electrical, office		6,530,605	891,501	–	–	7,364,170	3,609,807	945,876	–	–	4,506,005	2,858,165	14.28 – 50
and computer			(57,936)					(49,678)					
equipments			–										
Vehicles		506,840	125,601	–	–	570,218	226,940	103,042			276,347	293,871	20
			(62,223)					(53,635)					
			–										
Total		24,837,793	3,305,621	3,137,784	–	30,995,823	6,113,580	1,654,021	(865,479)	–	6,786,492	24,209,331	
			(207,299)					(115,630)					
			(78,076) *										

* Represents provision held against certain operating fixed assets as per the directives of State Bank of Pakistan.

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

Description	Note	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2013	Annual rate of depreciation %
		At January 1, 2013	Additions / (Deletions) /	Revaluation Surplus	Write-off	At December 31, 2013	At January 1, 2013	Change for the year / (depreciation on deletion)	Revaluation deficit / (Surplus)	Write-off	At December 31, 2013		
		Rupees in '000											
Land-Freehold	11.4	5,895,517	1,155,684	–	–	7,021,201	–	–	–	–	–	7,021,201	–
			(30,000)										
Land-Leasehold	11.4	1,964,136	247	–	–	1,964,383	–	–	–	–	–	1,964,383	–
Buildings-Freehold	11.4	4,225,377	201,706	–	–	4,427,083	400,124	195,351	–	–	595,475	3,831,608	5
Buildings-Leasehold	11.4	2,128,310	7,315	–	–	2,135,625	354,214	89,644	–	–	443,858	1,691,767	5
Building improvements		1,225,592	140,431	–	–	1,365,986	633,126	227,873	–	–	860,969	505,017	20
(rented premises)			(37)					(30)					
Furniture		784,944	103,107	–	–	886,070	298,031	79,629	–	–	376,531	509,539	10
and fixtures			(1,981)					(1,129)					
Electrical, office		5,196,056	1,335,997	–	–	6,530,605	2,772,235	838,786	–	–	3,609,807	2,920,798	14.28 - 50
and computer			(1,448)					(1,214)					
equipments													
Vehicles		543,597	52,333	–	–	506,840	217,916	85,907	–	–	226,940	279,900	20
			(89,090)					(76,883)					
Total		21,963,529	2,996,820	–	–	24,837,793	4,675,646	1,517,190	–	–	6,113,580	18,724,213	
			(122,556)					(79,256)					

11.3 Intangible assets

Description	Cost			Accumulated Amortization			Net book value at December 31, 2014	Rate of amortization %
	At January 1, 2014	Additions	At December 31, 2014	At January 1, 2014	Amortization	At December 31, 2014		
	Rupees in ' 000							
Computer software	1,484,886	68,086	1,552,972	376,351	211,497	587,848	965,124	14.28

Description	Cost			Accumulated Amortization			Net book value at December 31, 2013	Rate of amortization %
	At January 1, 2013	Additions	At December 31, 2013	At January 1, 2013	Amortization	At December 31, 2013		
	(Rupees in ' 000)							
Computer software	1,181,708	303,178	1,484,886	196,296	180,055	376,351	1,108,535	14.28

11.4 Bank arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers {Akbani & Javed ,Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. 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. 4,003 million. Previously the revaluation exercise was carried out as at December 31, 2011. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2014	December 31, 2013
	Rupees in '000	
- Land	6,429,662	5,663,220
- Building	3,873,242	3,303,181

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

11.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	37,484	39,457
11.7	Restriction / discrepancy in the title of property having a net book value of		67,151	68,691
11.8	Carrying amount of temporarily idle property and equipment		–	12,000
11.9	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		165,185	141,530
	Electrical, office and computer equipments		2,016,372	1,651,035
	Vehicles		53,870	92,779
	Intangible assets - software		74,856	56,560
	Amount of fully depreciated assets includes depreciation of Rs. 29.6 million of under Rs.10,000 items which are fully depreciated in the month of purchase.			
11.10	The carrying amount of property and equipment that have retired from active use and are held for disposal		274,738	355,243

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

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

Notes to the Unconsolidated Financial Statements
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	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
12. DEFERRED TAX (LIABILITY) / ASSET - NET			
Deferred debits arising in respect of:			
Provision against:			
Investments		19,093	19,093
Other assets		38,959	38,959
Off balance sheet obligations		14,824	14,824
Advances		1,025,312	1,058,233
Post retirement medical benefits		42,980	42,980
Worker's welfare fund		568,933	409,668
		1,710,101	1,583,757
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(665,889)	(262,486)
Surplus on revaluation of investments		(2,480,539)	(889,702)
Actuarial gains		(1,020,658)	(988,202)
Accelerated tax depreciation / amortization		(1,152,460)	(1,238,566)
Excess of investment in finance lease over written down value of leased assets		(13,206)	(13,206)
		(5,332,752)	(3,392,162)
	12.1	(3,622,651)	(1,808,405)

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2014
	(Rupees in '000)						
Deferred debits arising in respect of:							
Compensated leave absences	697	(697)	–	–	–	–	–
Provision against:							
Investments	71,971	(52,878)	–	19,093	–	–	19,093
Other assets	166,694	(127,735)	–	38,959	–	–	38,959
Off balance sheet obligations	92,039	(77,215)	–	14,824	–	–	14,824
Advances	1,297,868	(239,635)	–	1,058,233	(32,921)	–	1,025,312
Post retirement medical benefits	165,146	(122,166)	–	42,980	–	–	42,980
Worker's welfare fund	306,342	103,326	–	409,668	159,265	–	568,933
	2,100,757	(517,000)	–	1,583,757	126,344	–	1,710,101
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(276,296)	13,810	–	(262,486)	14,004	(417,407)	(665,889)
Surplus on revaluation of investments	(610,815)	–	(278,887)	(889,702)	–	(1,590,837)	(2,480,539)
Actuarial gains	(623,022)	–	(365,180)	(988,202)	–	(32,456)	(1,020,658)
Accelerated tax depreciation / amortization	(1,267,539)	28,973	–	(1,238,566)	86,106	–	(1,152,460)
Excess of investment in finance lease over written down value of leased assets	(10,691)	(2,515)	–	(13,206)	–	–	(13,206)
	(2,788,363)	40,268	(644,067)	(3,392,162)	100,110	(2,040,700)	(5,332,752)
	(687,606)	(476,732)	(644,067)	(1,808,405)	226,454	(2,040,700)	(3,622,651)

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, 2014	December 31, 2013
			Rupees in '000	
13.	**OTHER ASSETS**			
	Income / mark-up accrued on advances, investments and lending to financial institutions:			
	- in local currency		21,619,570	8,308,093
	- in foreign currencies		515,532	225,301
	Advances, deposits, advance rent and other prepayments		438,372	598,689
	Advance taxation (payments less provisions)		6,454,342	7,446,285
	Stationery and stamps on hand		186,402	160,743
	Due from the employees' retirement benefit schemes			
	- Benevolent fund	36.4	93,496	163,509
	- Pension fund	36.4	4,374,701	3,781,464
	- Gratuity fund	36.4	2,369	–
	Receivable from SBP - customers encashments		58,417	1,959
	ATM / POS settlement account		633,819	887,479
	Non banking assets acquired in satisfaction of claims	13.1	2,282,689	2,520,310
	Suspense account		678,274	721,735
	Excise duty		11	11
	Others		101,608	66,825
			37,439,602	24,882,403
	Less: Provision held against other assets	13.2	(1,384,623)	(1,386,808)
	Other assets (net of provision)		36,054,979	23,495,595
13.1	Market value of non banking assets acquired in satisfaction of claims		2,874,380	2,366,892
13.2	**Provision against Other Assets:**			
	Opening balance		1,386,808	1,404,807
	Charge for the year		58,512	48,000
	Reversals		(23,696)	–
	Net charge		34,816	48,000
	Reversal on transfer to Non Banking Assets		(34,031)	–
	Written off / adjusted		(2,970)	(65,999)
	Closing balance		1,384,623	1,386,808

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2014 and December 31, 2013.

15. BILLS PAYABLE

In Pakistan	4,831,801	4,878,594

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
16.	**BORROWINGS**			
	In Pakistan		55,276,579	23,759,675
	Outside Pakistan		10,819,893	9,192,731
			66,096,472	32,952,406
16.1	**Particulars of borrowings with respect to currencies**			
	In local currency		54,956,812	23,439,770
	In foreign currencies		11,139,660	9,512,636
			66,096,472	32,952,406
16.2	**Details of borrowings (Secured / Unsecured)**			
	Secured			
	Borrowings from State Bank of Pakistan			
	Under export refinance scheme	16.3	12,190,540	11,781,485
	Long term financing facility - Export oriented projects	16.4	179,120	468,546
	Long term financing facility	16.5	5,993,860	2,600,000
	Modernization of SMEs	16.6	2,780	20,000
	Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	44,360	58,330
	Revival of SMEs & Agricultural activities in flood affected areas		–	700
			18,410,660	14,929,061
	Repurchase agreement borrowings	16.8	31,581,822	1,970,489
	Unsecured			
	Call borrowings	16.9	15,907,040	16,012,636
	Overdrawn nostro accounts		148,625	–
	Other borrowings		48,325	40,220
			16,103,990	16,052,856
			66,096,472	32,952,406

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 the rate of 7.5% (2013: 8.20% to 8.40%) 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% (2013: 5%) per annum.

16.5 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The loan carries mark-up at rates ranging from 6% to 7.50% (2013: 8.40% to 8.80%) per annum.

16.6 These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported/local Plant & Machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import/local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The loan carries mark-up at the rate of 6.25% (2013: 5.50% to 7.00%) per annum.

16.7 These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 7 years. The mark-up rates on these facilities are ranging from 5.50% to 6.50% (2013: 5.50% to 6.50%) per annum.

16.8 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rate of 9.50% (2013: 9.15% to 9.50%) per annum maturing on various dates, latest by January 09, 2015.

16.9 These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 9.05% to 9.50% (2013: 9% to 10%) for local currency borrowing , and at rates ranging from 0.75% to 3.50% (2013: 0.40% to 3.65%) for foreign currency borrowing per annum maturing on various dates, latest by June 01, 2015.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Fixed deposits		182,112,271	191,182,134
	Savings deposits		170,718,426	145,443,182
	Current accounts - Remunerative		106,833,615	83,463,328
	- Non - remunerative		205,251,059	182,757,363
			664,915,371	602,846,007
	Financial Institutions			
	Remunerative deposits		2,431,085	5,114,383
	Non - remunerative deposits		531,159	451,280
			667,877,615	608,411,670
17.1	**Particulars of deposits**			
	In local currency		606,741,363	547,905,391
	In foreign currencies		61,136,252	60,506,279
			667,877,615	608,411,670
18.	**SUB-ORDINATED LOANS**			
	Term Finance Certificates - I	18.1	–	1,247,000
	Term Finance Certificates - II	18.2	2,994,000	2,995,200
			2,994,000	4,242,200

18.1 Term Finance Certificate-I has been redeemed during the year 2014.

18.2 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 issue are as follows:

	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	2,994,000
Issue date	Friday, August 28, 2009
Total issue (Rs. in '000')	3,000,000
Rating	AA
Listing	Karachi Stock Exchange Limited
Mark up repayment	Payable semi annually
Rate	- Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	10 Years (2009 - 2019)

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for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
19.	**OTHER LIABILITIES**			
	Mark-up / return / interest payable in local currency		4,087,890	4,633,080
	Mark-up / return / interest payable in foreign currency		238,842	301,023
	Accrued expenses		2,517,018	1,541,894
	Branch adjustment account		119,866	801,193
	Unrealized loss on forward foreign exchange contracts		710,905	608,165
	Provision for:			
	- gratuity	36.4	–	48,066
	- employees' medical benefits	36.4	970,059	951,480
	- employees' compensated absences	36.4	755,785	820,067
	Unclaimed dividends		120,553	112,043
	Dividend payable		18,063	13,942
	Provision against off-balance sheet obligations	19.1	509,735	899,444
	Provision against fixed assets		–	80,879
	Retention money payable		102,831	136,159
	Security deposits against lease		514,737	486,262
	Sundry deposits		1,363,307	1,104,004
	Workers welfare fund payable		1,641,327	1,186,283
	Others		2,285,345	1,980,664
			15,956,263	15,704,648
19.1	**Provision against off-balance sheet obligations**			
	Opening balance		899,444	884,489
	Charge for the year		7,389	24,955
	Reversals		(397,098)	(10,000)
	Net charge		(389,709)	14,955
	Closing balance		509,735	899,444

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

			December 31, 2014	December 31, 2013
19.2	**Particulars of other liabilities**			
	In local currency		15,717,421	15,403,625
	In foreign currencies		238,842	301,023
			15,956,263	15,704,648

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
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, 2014	December 31, 2013	Ordinary shares	December 31, 2014	December 31, 2013
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	616,647,565	Issued as bonus shares	7,207,452	6,166,476
1,127,525,280	1,023,427,659		11,275,253	10,234,277
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
1,145,073,830	1,040,976,209		11,450,739	10,409,763

Ibrahim Fires Limited, related party of the Bank, holds 194,041,916 (16.95%) [December 31, 2013: 176,401,742 (16.95%)] ordinary shares of Rs 10 each, as at reporting date.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
21.	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**			
	Surplus arising on revaluation of:			
	- operating fixed assets	21.1	6,998,313	3,471,837
	- securities	21.2	11,838,227	9,022,700
	Surplus on revaluation of assets - net of tax		18,836,540	12,494,537
21.1	**Surplus on revaluation of operating fixed assets**			
	Surplus on revaluation as at January 1, 2014		3,734,323	3,801,604
	Surplus on revaluation during the year		4,003,263	–
	Surplus realised on disposal of revalued properties		(35,900)	(27,824)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(23,480)	(25,647)
	Related deferred tax liability	12.1	(14,004)	(13,810)
		11.6	(37,484)	(39,457)
	Surplus on revaluation as at December 31, 2014		7,664,202	3,734,323
	Less: Related deferred tax liability on :			
	Revaluation surplus as at January 1, 2014		(262,486)	(276,296)
	Deferred tax liability on revaluation surplus of operating fixed assets		(417,407)	–
	Incremental depreciation charged during the year transferred to profit and loss account	12.1	14,004	13,810
			(665,889)	(262,486)
			6,998,313	3,471,837

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for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
21.2	**Surplus / (deficit) on revaluation of available-for-sale securities**			
	Federal Government Securities			
	Market Treasury Bills		157,012	(402,777)
	Pakistan Investment Bonds		2,912,738	(3,533)
	Term Finance Certificates		(2,435)	11,590
	Shares / Certificates - Listed		11,197,546	9,919,218
	Open end mutual funds		53,905	387,904
		9.1	14,318,766	9,912,402
	Less : related deferred tax (liability)	12.1	(2,480,539)	(889,702)
			11,838,227	9,022,700

22. CONTINGENCIES AND COMMITMENTS

		December 31, 2014	December 31, 2013
22.1	**Direct credit substitutes**		
	Guarantees in favour of:		
	Banks and financial institutions	11,283,919	8,032,470
22.2	**Transaction-related contingent liabilities**		
	Guarantees in favor of:		
	Government	523,334	414,982
	Others	24,829,746	24,196,288
		25,353,080	24,611,270
22.3	**Trade-related contingent liabilities**	59,779,998	71,322,325
22.4	**Claims against the bank not acknowledged as debt**	5,674,919	5,740,843

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, 2014	December 31, 2013
		Rupees in '000	
22.6	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	65,524,611	97,308,562
	Sale	26,343,223	62,218,028
22.7	**Commitments in respect of forwards**		
	Forward purchase of Federal government securities	200,000	–
	Forward sale of Federal government securities	750,000	–
22.8	**Commitments in respect of:**		
	Civil works	663,398	1,064,715
	Acquisition of operating fixed assets	758,854	794,367
		1,422,252	1,859,082
22.9	**Commitments in respect of lease financing**	59,394	100,000
22.10	**Commitments in respect of operating lease**	2,814	3,160

22.11 Other Contingencies

22.11.1 The income tax assessments of the Bank have been finalized up to and including tax year 2014 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2014, income tax authorities made certain add backs with aggregate tax impact of Rs. 19,048 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 forums against unfavorable decisions. Pending finalization of appeals/references, no provision has been made by the Bank on aggregate sum of Rs.19,048 million. The management is confident that the outcome of these appeals/references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2005, 2006 and tax year 2008 to 2014 and created aggregate arbitrary demand of Rs. 1,218 million. The Bank's appeals before appellate authorities are pending for adjudication. The management is confident that these appeals will be decided in favor of the Bank; therefore, no provision has been made against the said demand of Rs. 1,218 million.

Tax authorities have issued orders under Federal Excise Act, 2005 for the year 2008 to 2011 and 2014 thereby creating arbitrary aggregate demand of Rs. 573 million. The Bank's appeals before appellate authorities are pending for adjudication. The management is confident that aforesaid demand will be decided in favor of the Bank; therefore no provision has been made against the said demand of Rs. 573 million.

22.11.2 As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honourable High Court of Sindh, 16,376,106 shares of ABL were sold in accordance with section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, after complying with the due and complete transparent process. Sealed bids were invited from interested parties. The bidding process was scheduled for July 23, 2004 and the Rs. 25 per share was fixed reserve price. 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 filed suit in the High Court of Sindh challenging the above sale of shares. The High Court had not granted a stay order against the said sale. The sale of shares was, therefore; concluded.

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 Contracts for Government Securities

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 unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable 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, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
24.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances:			
	Customers		30,044,307	27,442,696
	On investments in:			
	Available for sale securities		19,925,295	21,221,795
	Held to maturity securities		16,009,049	4,176,138
	Held for Trading		84,839	47,448
			36,019,183	25,445,381
	On deposits with financial institutions		8,709	3,547
	On securities purchased under resale agreements		890,003	1,185,443
	On certificates of investment		–	14,457
	On call money lending		39,295	130,053
			67,001,497	54,221,577
25.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		30,586,721	26,896,609
	Long term borrowing		397,041	236,945
	Securities sold under repurchase agreements		2,880,158	1,608,487
	Call money borrowing		1,516,952	174,301
	Brokerage and commission		141,789	149,606
	Mark-up on sub-ordinated loans		427,924	550,572
	Other short term borrowings		2,864,757	2,935,402
			38,815,342	32,551,922
26.	**FEE, COMMISSION AND BROKERAGE INCOME**			
	Core fees, commission and brokerage		3,190,097	2,964,246
	Account maintenance charges		111,091	115,092
			3,301,188	3,079,338
27.	**GAIN / (LOSS) ON SALE OF SECURITIES**			
	Shares - listed		3,307,595	1,133,840
	Open ended Mutual Funds		792,699	109,886
	Market Treasury Bills		41,990	769
	Pakistan Investment Bonds		24,813	–
	Sukuk Bonds		–	1,278
			4,167,097	1,245,773
28.	**OTHER INCOME**			
	Gain on sale of operating fixed assets		67,331	27,363
	Profit on sale of other assets		5,025	42,504
	Recovery from written off loans / others		107,125	110,426
	Rent Received on Bank's Property		40,971	600
	Compensation on delayed tax refund	28.1	907,380	1,066,805
			1,127,832	1,247,698

28.1 This represents compensation on delayed refunds under section 171 of the Income Tax Ordinance 2001 pertaining to Assessment Year/Tax Years 1997-98, 1999-00, 2000-01, 2003 to 2007 & 2009 to 2011. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	29.3	9,215,685	8,300,894
Charge for defined benefit plan - net	29.3 & 36	90,155	26,104
Contribution to defined contribution plan - provident fund		257,576	255,462
Non-executive directors' fees, allowances and other expenses		7,000	7,900
Rent, taxes, insurance, electricity, etc.		2,057,386	2,075,710
Legal and professional charges		72,616	75,504
Communications		349,342	322,544
Repairs and maintenance		447,531	368,047
Stationery and printing		228,881	209,500
Advertisement and publicity		233,005	325,856
Auditors' remuneration	29.1	13,694	12,645
Depreciation / Amortization	11.2 & 11.3	1,865,518	1,697,245
Security service charges		794,716	705,785
Travelling, conveyance and fuel expenses		160,765	145,507
Entertainment		122,840	112,800
Computer expenses		797,820	663,152
Subscription		95,459	94,439
Donations	29.2	75,900	80,183
Others		65,525	31,786
		16,951,414	15,511,063

29.1 Auditors' remuneration

	December 31, 2014			December 31, 2013		
	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	–	5,850	5,850	–	5,850	5,850
Annual audit oversees business unit*	–	2,499	2,499	–	2,590	2,590
Half year review	–	2,360	2,360	–	2,360	2,360
Special certifications and miscellaneous services	–	2,035	2,035	–	335	335
Out-of-pocket expenses	–	950	950	510	1,000	1,510
	–	13,694	13,694	510	12,135	12,645

* This include audit fee amounting to Bahraini Dinar 8,000 (2013: 8,000) relating to wholesale Bahrain Branch.

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

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Acumen Fund Pakistan		10,000	–
Al-Mustafa Trust		1,000	1,000
Chief Minister Fund For IDPS'		10,000	–
Bakhtawar Amin Memorial Trust Hospital		2,000	3,000
Construction of Houses at Flood Effected Areas		4,098	–
Falah Foundation - Chakwal		100	–
Karachi School Of Business And Leadership		25,000	–
Khushal Khan Khattak University		500	–
Mrie Adelaide Leprosy Center		850	–
Custom Public School - Lahore		–	500
Institute of Business Administration		–	15,000
Karachi Education Initiative		–	30,400
Namal Education Foundation		10,000	5,000
National University of Science and Technology		1,000	–
Nishtar Hospital Multan		800	–
Progressive Education Network		1,000	–
Solar Pumps for People of Tharparkar (Schneider Electric)		1,552	–
SOS Children'S Villages Of Pakistan		500	–
Sundas Foundation		1,500	–
Pakturk International CAG Educational Foundation		–	500
Public Interest Law Association of Pakistan		–	200
Prime Minister Earthquake Relief Fund 2013 For Balochistan		–	10,000
Shaukat khanum Memorial Cancer Hospital & Research Centre		–	500
Suleman Dawood School of Business		–	10,000
Tamir Welfare Organization		1,000	1,000
Tehzeeb Social Welfare Organization		200	200
Anjuman Himayat-i-Islam	29.2.1	4,800	2,883
		75,900	80,183

29.2.1 This represents charitable expenses on account of sadqa & poor feeding.

29.3 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Hundred (100) employees (2013: 80) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 246.6 million (2013: Rs. 135.8 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2014	December 31, 2013
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	30,898	16,259
Penalties imposed by other regulatory authorities	146	31
SBP prism service charges	10,236	7,612
Education cess	16,564	16,415
Provision against fixed assets	–	33,959
Other assets written off	1,436	4,082
	59,280	78,358

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, 2014	December 31, 2013
			Rupees in '000	
32.	**TAXATION**			
	Current - for the year		7,413,119	4,079,460
	- for prior years	32.1	–	(4,438,656)
			7,413,119	(359,196)
	Deferred - current		(226,454)	123,699
	- for prior years	32.1	–	353,034
			7,186,665	117,537
32.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		22,201,757	14,760,897
	Tax on income @ 35% (2013: 35%)		7,770,615	5,166,314
	Effect of permanent differences		5,171	33,735
	Adjustments in respect of tax at reduced rates		(1,120,110)	(1,012,019)
	Others		530,989	(4,070,493)
	Tax charge for the year		7,186,665	117,537
33.	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation		15,015,092	14,643,360
			Number of Shares	
				Restated
	Weighted average number of ordinary shares outstanding during the year	33.1	1,145,073,830	1,145,073,830
			Rupees	
				Restated
	Earnings per share - basic and diluted	33.1	13.11	12.79

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, 2014	December 31, 2013
			Rupees in '000	
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	6	41,254,975	44,673,079
	Balances with other banks	7	873,494	1,102,231
	Overdrawn nostro accounts	16.2	(148,625)	–
			41,979,844	45,775,310
35.	**STAFF STRENGTH**		Numbers	
	Permanent		9,654	9,675
	Temporary / on contractual basis / trainee		250	229
	Bank's own staff strength at the end of the year		9,904	9,904
	Outsourced	35.1	217	309
	Total staff strength		10,121	10,213
	Average number of employees		10,167	10,073

35.1 This excludes outsourced security guards and tea services staff.

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.

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

		December 31, 2014	December 31, 2013
		Numbers	
36.2	**Number of Employees under the schemes**		
	The number of employees covered under the following defined benefit scheme / plans are:		
	- Gratuity fund	9,996	9,983
	- Pension fund	6,075	6,428
	- Benevolent fund	136	185
	- Employees' compensated absences	9,735	9,653
	- Post retirement medical benefits	9,735	9,653

36.3 The actuarial valuations were carried out on December 31, 2014 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2014	December 31, 2013
Withdrawal rate:			
Gratuity fund		Low	Low
Pension fund		Low	Low
Benevolent fund		Moderate	Moderate
Employees' compensated absences		Low	Low
Post retirement medical benefits		Low	Low
Mortality rate		Adjusted SLIC	Adjusted SLIC
		2001-2005	2001-2005
Discount rate	Yield on investments in Government Bonds	11.25%	12.50%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	11.25%	12.50%
Gratuity fund	Yield on investments in Government Bonds	11.25%	12.50%
Benevolent fund	Yield on investments in Government Bonds	11.25%	12.50%
Expected rate of salary increase	Rate of salary increase	9.25%	10.50%

36.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2014				
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,877,345	1,725,573	10,469	970,059	755,785
Fair value of plan's / scheme's assets	36.7	(7,252,046)	(1,727,942)	(197,461)	–	–
Net (asset) / liability		(4,374,701)	(2,369)	(186,992)	970,059	755,785
Benefit of the surplus not available to the Bank		–	–	93,496	–	–
Net (asset) / liability		(4,374,701)	(2,369)	(93,496)	970,059	755,785

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2013				
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,810,086	1,486,417	10,894	951,480	820,067
Fair value of plan's / scheme's assets	36.7	(6,591,550)	(1,438,351)	(174,403)	–	–
Net (asset) / liability		(3,781,464)	48,066	(163,509)	951,480	820,067
Benefit of the surplus not available to the Bank		–	–	–	–	–
Net (asset) / liability		(3,781,464)	48,066	(163,509)	951,480	820,067

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, 2014				
		Rupees in '000				
Opening balance		(3,781,464)	48,066	(163,509)	951,480	820,067
(Reversal) / charge for the year	36.9	(431,420)	204,896	(20,439)	144,589	192,529
Other Comprehensive Income		(161,817)	(43,300)	90,452	21,931	–
Contribution to the fund / benefits paid		–	(212,031)	–	(147,941)	(256,811)
Closing balance		(4,374,701)	(2,369)	(93,496)	970,059	755,785

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2013				
		Rupees in '000				
Opening balance		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459
Charge / (reversal) for the year	36.9	(346,447)	224,700	(17,774)	169,128	1,211
Other Comprehensive Income		(315,021)	(247,539)	2,380	(483,190)	–
Contribution to the fund / benefits paid		–	(231,309)	–	(115,858)	(201,603)
Closing balance		(3,781,464)	48,066	(163,509)	951,480	820,067

36.6 Reconciliation of present value of defined benefit obligations

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2014				
	Rupees in '000				
Opening balance	2,810,086	1,486,417	10,894	951,480	820,067
Current service cost	–	206,023	–	33,247	37,744
Interest cost	313,527	170,933	1,127	109,689	86,458
Benefits paid	(603,744)	(237,901)	(3,755)	(147,941)	(256,811)
VRS loss / Settlement Loss	41,263	6,117	–	1,653	21,019
Actuarial (gains) / losses	316,213	93,984	2,203	21,931	47,308
Closing balance	2,877,345	1,725,573	10,469	970,059	755,785

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2013				
	Rupees in '000				
Opening balance	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Current service cost	–	195,045	–	35,035	56,349
Interest cost	318,679	156,245	957	132,970	110,359
Benefits paid	(435,886)	(164,342)	(10,028)	(115,857)	(201,603)
VRS loss	27,952	7,268	–	1,124	20,569
Actuarial (gains) / losses	25,739	(92,014)	6,973	(483,192)	(186,066)
Closing balance	2,810,086	1,486,417	10,894	951,480	820,067

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36.7 Reconciliation of fair value of plan assets

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	6,591,550	1,438,351	174,403	–	–
Expected return on plan assets	786,210	178,177	21,566	–	–
Bank's contribution	–	212,031	–	–	–
Benefits paid	(603,744)	(237,901)	(3,755)	–	–
Actuarial gains / (losses)	478,030	137,284	5,247	–	–
Closing balance	7,252,046	1,727,942	197,461	–	–

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,993,598	1,082,001	161,107	–	–
Expected return on plan assets	693,078	133,858	18,731	–	–
Bank's contribution	–	231,308	–	–	–
Benefits paid	(435,886)	(164,342)	(10,028)	–	–
Actuarial gains / (losses)	340,760	155,526	4,593	–	–
Closing balance	6,591,550	1,438,351	174,403	–	–

36.8 Composition of fair value of plan assets

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	–	–	–	–	–
Listed shares *	3,662,275	692,269	31,490	–	–
TDR's	3,165,346	888,817	122,390	–	–
Bank balances *	424,425	146,856	43,581	–	–
	7,252,046	1,727,942	197,461	–	–
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	3,662,275	692,269	31,490	–	–
Bank balances with ABL	424,425	146,856	43,581	–	–
	4,086,700	839,125	75,071	–	–

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	6,003	–	–	–	–
Listed shares *	1,847,189	498,681	36,140	–	–
TDR's	4,725,092	920,717	117,711	–	–
Bank balances *	13,266	18,953	20,552	–	–
	6,591,550	1,438,351	174,403	–	–
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	1,513,327	498,681	22,684	–	–
Bank balances with ABL	13,266	18,953	20,552	–	–
	1,526,593	517,634	43,236	–	–

36.9 Charge for defined benefit plan

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	–	206,023	–	33,247	37,744
Interest cost	–	–		109,689	–
Net interest	(472,683)	(7,244)	(20,439)		86,458
Actuarial (gains) / losses recognised	–	–	–	–	47,308
VRS Loss	41,263	6,117	–	1,653	21,019
	(431,420)	204,896	(20,439)	144,589	192,529

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	–	195,044	–	35,035	56,349
Interest cost	–	–	–	132,970	–
Net interest	(374,399)	22,388	(17,774)	–	110,359
Actuarial (gains) / losses recognised	–	–	–	–	(186,066)
VRS Loss	27,952	7,268	–	1,123	20,569
	(346,447)	224,700	(17,774)	169,128	1,211

	December 31, 2014	December 31, 2013
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	1,264,239	1,033,838
- Gratuity fund	315,461	289,384
- Benevolent fund	26,813	23,324

36.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	2,877,345	2,810,086	2,873,602	4,239,314	4,237,829
Fair value of plan assets	(7,252,046)	(6,591,550)	(5,993,598)	(5,985,286)	(5,368,825)
Surplus	(4,374,701)	(3,781,464)	(3,119,996)	(1,745,972)	(1,130,996)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(316,213)	(25,739)	1,319,665	122,770	(191,900)
Actuarial gains / (losses) on assets	478,030	340,760	(137,618)	451,777	211,328

	Gratuity fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	1,725,573	1,486,417	1,384,215	1,193,848	941,933
Fair value of plan assets	(1,727,942)	(1,438,351)	(1,082,001)	(918,453)	(849,433)
(Surplus) / deficit	(2,369)	48,066	302,214	275,395	92,500
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(93,984)	92,014	(58,334)	(71,960)	(41,223)
Actuarial gains / (losses) on assets	137,284	155,526	(3,400)	(79,625)	125,349

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	Benevolent fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	10,469	10,894	12,992	19,561	22,819
Fair value of plan assets	(197,461)	(174,403)	(161,107)	(160,816)	(143,814)
Surplus	(186,992)	(163,509)	(148,115)	(141,255)	(120,995)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(2,203)	(6,973)	(7,777)	1,266	25,350
Actuarial gains / (losses) on assets	5,247	4,593	(4,757)	3,053	(202)

	Post retirement fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	970,059	951,480	1,381,400	1,656,505	1,752,683
Fair value of plan assets	–	–	–	–	–
Deficit	970,059	951,480	1,381,400	1,656,505	1,752,683
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(21,931)	483,192	376,000	238,730	68,829

	Leave Encashment				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	755,785	820,067	1,020,459	962,292	872,705
Fair value of plan assets	–	–	–	–	–
Deficit	755,785	820,067	1,020,459	962,292	872,705
Experience adjustments on plan obligations					
Actuarial (losses)/gains on obligation	(47,308)	186,066	(39,331)	(42,113)	(20,838)

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. 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, 2015 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	(492,154)	217,783	(21,037)	137,746	123,724

36.13 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Pension Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	+10% Death Rate	-10% Death Rate
	Rupees in 000'								
Pension fund	2,553,067	3,197,017	–	–	3,170,833	2,878,106	2,876,580	2,888,930	2,865,971
Gratuity fund	1,561,228	1,920,348	1,927,941	1,551,440	–	1,727,867	1,723,253	1,725,573	1,725,573
Benevolent fund	9,561	11,429	–	–	–	–	–	10,507	10,423
Post retirement medical	860,733	1,077,833	1,040,193	901,776	–	973,964	966,224	970,550	969,569
Leave encashment	667,584	825,089	676,880	844,437	–	–	–	–	–

37 DEFINED CONTRIBUTION PLANS

The Bank has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
37.1	**Employee provident fund**			
	Size of the fund		5,922,796	5,168,034
	Cost of investment made	37.2	5,208,975	4,952,024
	Percentage of investment made		87.95%	95.82%
	Fair value of investment		5,590,621	5,094,739
37.2	**Breakup of investment**			
	Investment in shares (Listed securities)		1,550,012	1,284,238
	Term deposit receipts		–	3,626,780
	Pakistan investment bonds		3,641,931	24,006
	Open ended mutual funds		17,032	17,000
			5,208,975	4,952,024
37.3	**Number of employees - Employees provident fund**		Numbers	
	Number of employees at the end of the year		8,782	8,768
	Average number of employees during the year		8,775	8,785

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President / Chief Executive		Independent / Non-Executive Directors		Executive Director		Executives	
		December 31, 2014	December 31 2013	December 31, 2014	December 31 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
		Rupees in '000							
Fees	38.1	–	–	7,000	7,900	–	–	–	–
Managerial remuneration		11,719	19,699	–	–	8,509	16,423	1,215,517	1,233,782
Charge for defined benefit plans		766	1,395	–	–	556	1,163	210,581	181,160
Contribution to defined contribution plan		976	497	–	–	709	1,368	102,846	107,380
Rent and house maintenance		6,622	9,071	–	–	4,276	7,787	529,404	477,366
Utilities		1,179	2,277	–	–	1,540	2,404	229,740	208,087
Medical		1,179	751	–	–	29	206	236,907	228,914
Bonus		17,500	18,000	–	–	14,000	14,000	422,885	453,534
Conveyance and others		3,335	1,932	–	–	63	391	616,705	611,331
		43,276	53,622	7,000	7,900	29,682	43,742	3,564,585	3,501,554
Number of persons	38.2*	1	1	4	4	0*	1	1,292	1,321

38.1 This represents meeting fee paid to independent / non-executive directors other than sponsor directors for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Each director was paid Rs. 100,000 during the year for each meeting attended.

38.2 Executive director retired from his position in June 2014.

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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 43.2.4 and 43.3.1 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:-

2014	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total income	376,952	3,702,013	38,835,030	71,149,893	1,016,725	(35,343,362)	79,737,251
Total expenses	(171,842)	(4,445,789)	(31,701,165)	(63,255,869)	(490,856)	35,343,362	(64,722,159)
Net income / (loss)	205,110	(743,776)	7,133,865	7,894,024	525,869	–	15,015,092
Segment assets (gross)	242,581	11,034,675	122,209,706	729,841,208	1,183,327	–	864,511,497
Segment non performing loans	–	–	6,101,617	16,819,925	–	–	22,921,542
Segment provision required	–	–	5,388,690	14,421,874	–	–	19,810,564
Segment liabilities	208,212	47,555,825	530,802,954	177,449,397	5,362,414	–	761,378,802
Segment return on net assets (ROA) (%)*	84.55%	-6.74%	6.11%	1.10%	44.44%	–	–
Segment cost of funds (%)*	0.02%	5.70%	4.34%	6.88%	0.00%	–	–

2013	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total income	403,392	1,797,730	39,234,644	54,616,489	974,354	(33,201,853)	63,824,756
Total expenses	(100,630)	(3,229,899)	(30,639,963)	(48,126,994)	(285,763)	33,201,853	(49,181,396)
Net income / (loss)	302,762	(1,432,169)	8,594,681	6,489,495	688,591	–	14,643,360
Segment assets (gross)	369,234	13,917,310	126,232,576	614,299,239	794,405	–	755,612,764
Segment non performing loans	–	–	5,429,945	13,993,951	–	–	19,423,896
Segment provision required	–	–	5,538,705	12,835,847	–	–	18,374,552
Segment liabilities	277,806	17,315,821	528,516,489	116,379,888	5,507,919	–	667,997,923
Segment return on net assets (ROA) (%)*	82.00%	-10.29%	7.12%	1.08%	86.68%	–	–
Segment cost of funds (%)*	0.06%	3.77%	6.13%	7.22%	0.00%	–	–

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

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, 2014					December 31, 2013				
	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	68,906	–	–	226,005	4,383,941	43,842	1,833,333	–	162,016	200
Loans given during the year	24,967	34,475	–	74,860	38,920,987	91,890	–	–	162,658	54,583,758
Loans repaid/ adjustment during the year	(46,588)	(32,490)	–	(95,610)	(43,304,794)	(66,826)	(1,833,333)	–	(98,669)	(50,200,017)
Loans at the end of the year	47,285	1,985	–	205,255	134	68,906	–	–	226,005	4,383,941
Deposits										
Deposits at the beginning of the year	66,134	14,829	7,166	18,527	14,606,555	33,653	41,011	5,680	27,640	5,675,814
Deposits received during the year	10,238,173	13,627,731	855,935	774,621	94,676,833	5,146,560	7,144,875	902,796	795,509	98,198,169
Deposits repaid during the year	(10,269,611)	(13,617,063)	(849,357)	(700,215)	(102,430,249)	(5,114,079)	(7,171,057)	(901,310)	(804,622)	(89,267,428)
Deposits at the end of the year	34,696	25,497	13,744	92,933	6,853,139	66,134	14,829	7,166	18,527	14,606,555
Nostro balances	–	69,595	–	–	–	–	148,691	–	–	–
Investments in shares/ open end mutual funds*	–	454,628	500,000	–	518,517	–	279,650	500,000	–	11,262,674
Other receivables	607	–	1,637	41,996	–	–	–	2,356	–	–
Net receivable from staff retirement benefit funds	–	–	–	–	4,470,566	–	–	–	–	3,896,907

	December 31, 2014					December 31, 2013				
	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	3,016	182	–	11,130	347,093	2,273	–	–	11,151	368,455
Income on Placements	–	1,979	–	–	–	–	1,665	–	–	–
Dividend Income	–	–	–	–	307,713	–	–	–	–	464,052
Capital Gain	–	–	–	–	527,687	–	–	–	–	119
Sales commission	–	–	7,310	–	–	–	–	6,074	–	–
Mark-up expense on deposits	3,865	865	2,006	3,209	702,593	2,098	17	1,423	2,272	734,524
Fee commission/ bank charges	31	95	19	67	510	23	50	8	56	1,964
Interest expense on borrowings	–	–	–	–	–	–	115	–	–	–
Directors' meeting fee	7,000	–	–	–	–	7,900	–	–	–	–
Remuneration	–	–	–	282,705	-	–	–	–	268,403	–
Other charges	–	3,410	–	–	98,110	–	–	–	–	78,001
Rent Expense**	–	7,625	–	–	–	–	7,966	–	–	–
Rent Income	–	1,200	–	–	–	–	600	–	–	–
Charge in respect of staff retirement benefit funds	–	–	–	–	10,613	–	–	–	–	114,284

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, 36 and 38 to these unconsolidated financial statements.

* Associated company on the basis of common directorship.

** Rent sharing expense of ABL Branch with associate company (Ibrahim Agencies Pvt. Ltd) was carried out on terms other than that of arm's length with prior permission of State Bank of Pakistan.

*** Rent Free ATMs are placed at Ibrahim Fibers Limited (Textile Mills & Polyester Plant).

- During the year bank also subscribed Rs. 174.340 million to right shares in associated company i.e. Habib Allied International Bank (HAIB).
- Bank also purchased Software from its associated company i.e. 1Link (Guarantee) Limited against the consideration of Rs. 1.98 million.
- During the year the outgoing Executive Director was given laptop of book value under bank's policy against consideration of Rs. 32,382

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42. CAPITAL ASSESSMENT AND ADEQUACY

42.1.1 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.

42.1.2 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. 10 billion free of losses.

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis till December 31, 2014. Subsequently, a phase in arrangement has been put in place whereby the minimum CAR requirement is being raised to 12.5% till December 31, 2019.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 19.75% of its risk weighted exposure as at December 31, 2014.

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

42.1.3 Scope of Applications

The Basel 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.

42.1.4 Capital Structure - Basel III transition

State Bank of Pakistan vide BPRD Circular # 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

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, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities 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). Bank has also implemented transitional standards of Basel III up to the extent of 20% as at 31 Dec 2014 as per road map laid down by SBP through BPRD Circular #6 dated August,15, 2013.

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 II was obtained in August 2009.

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits. 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-II
Outstanding Amount- (Rupees in thousand)	2,994,000
Issue date	Friday, August 28, 2009
Total issue	3,000,000
Rating	AA
Listing	Karachi Stock Exchange Limited
Rate	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	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	10 Years (2009 - 2019)

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.

Term Finance Certificate-I has been redeemed during the year 2014.

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

42.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

		December 31, 2014	December 31, 2013
		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		11,450,739	10,409,763
Balance in Share Premium Account		–	333,864
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		13,521,062	12,019,553
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profits/ (losses)		37,053,691	30,855,565
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		62,025,492	53,618,745
Common Equity Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments applied to CET1 (Note 42.2.1)		(2,824,132)	(1,545,323)
Common Equity Tier 1	a	59,201,360	52,073,422
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital (Note 42.2.2)		(200,000)	(250,000)
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy	b	–	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	59,201,360	52,073,422
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III			
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		2,395,200	2,696,484
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		–	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		115,919	132,187
Revaluation Reserves		10,548,462	5,622,542
of which: Revaluation reserves on Property		3,919,055	1,562,327
of which: Unrealized Gains/Losses on AFS		6,629,407	4,060,215
Foreign Exchange Translation Reserves		28,293	84,741
Undisclosed/Other Reserves (if any)		–	–
T2 before regulatory adjustments		13,087,874	8,535,954
Total regulatory adjustment applied to T2 capital (Note 42.2.3)		(755,195)	(626,298)
Tier 2 capital (T2) after regulatory adjustments		12,332,679	7,909,656
Tier 2 capital recognized for capital adequacy		12,332,679	7,909,656
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy	(d)	12,332,679	7,909,656
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	71,534,039	59,983,078
Total Risk Weighted Assets	(f)	362,271,232	336,001,663
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	16.34%	15.50%
Tier-1 capital to total RWA	(c/f)	16.34%	15.50%
Total capital to RWA	(e/f)	19.75%	17.85%
Bank specific buffer requirement (minimum CET1 requirement plus			

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	December 31, 2014	December 31, 2013
	Rupees in '000	
capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	–	–
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	16.34%	15.50%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

		Regulatory Adjustments and Additional Information	December 31, 2014 Amount	December 31, 2014 Amounts subject to pre-basel III treatment	December 31, 2013 Amount	December 31, 2013 Amounts subject to pre-basel III treatment
			Rupees in '000			
42.2.1		**Common Equity Tier 1 capital: Regulatory adjustments**				
	1	Goodwill (net of related deferred tax liability)				
	2	All other intangibles (net of any associated deferred tax liability)	(1,170,084)	–	(1,187,892)	–
	3	Shortfall in provisions against classified assets				
	4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	–	–
	5	Defined-benefit pension fund net assets	(874,940)	(3,499,761)	–	(3,781,464)
	6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(579,108)	–	(107,431)	–
	7	Cash flow hedge reserve	–	–	–	–
	8	Investment in own shares/ CET1 instruments	–	–	–	–
	9	Securitization gain on sale	–	–	–	–
	10	Capital shortfall of regulated subsidiaries	–	–	–	–
	11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	–	–	–	–
	12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
	13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	–	–
	14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	–	–
	15	Amount exceeding 15% threshold	–	–	–	–
	16	of which: significant investments in the common stocks of financial entities	–	–	–	–
	17	of which: deferred tax assets arising from temporary differences	–	–	–	–
	18	National specific regulatory adjustments applied to CET1 capital	–	–	–	–
	19	Investments in TFCs of other banks exceeding the prescribed limit	–	–	–	–
	20	Any other deduction specified by SBP (mention details)	–	–	–	–
	21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(200,000)	–	(250,000)	–
	22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	(2,824,132)	–	(1,545,323)	–
42.2.2		**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
	23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–	–	–
	24	Investment in own AT1 capital instruments	–	–	–	–
	25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–	–	–
	26	Investments in the capital instruments of banking, financial and				

Regulatory Adjustments and Additional Information	December 31, 2014 Amount	December 31, 2014 Amounts subject to pro-basel III treatment	December 31, 2013 Amount	December 31, 2013 Amounts subject to pro-basel III treatment
	Rupees in '000			
insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–	–
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	(200,000)	–	(250,000)	–
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–	–
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	(200,000)	–	(250,000)	–
42.2.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(200,000)	–	(250,000)	–
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(555,195)	–	(376,298)	–
33 Investment in own Tier 2 capital instrument	–	–	–	–
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–	–
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(755,195)	–	(626,298)	–

	December 31, 2014	December 31, 2013
	Rupees in '000	
42.2.4 Additional Information		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	269,620,073	275,301,560
(i) of which: deferred tax assets	–	–
(ii) of which: Defined-benefit pension fund net assets	3,499,761	3,781,464
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	–	–
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	–	–
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	3,789,633	2,889,773
39 Significant investments in the common stock of financial entities	1,211,610	1,075,653
40 Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	115,919	132,187
42 Cap on inclusion of provisions in Tier 2 under standardized approach	–	–
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
42.3 Capital Structure Reconciliation			
42.3.1 Step 1			
Assets			
Cash and balances with treasury banks	41,254,975	41,254,975	
Balances with other banks	873,494	873,494	
Lendings to financial institutions	2,030,062	2,030,062	
Investments	428,790,733	428,790,733	
Advances	306,014,402	306,014,402	
Operating fixed assets	27,250,482	27,250,482	
Deferred tax assets	–	–	
Other assets	36,054,979	36,054,979	
Total assets	842,269,127	842,269,127	
Liabilities & Equity			
Bills payable	4,831,801	4,831,801	
Borrowings	66,096,472	66,096,472	
Deposits and other accounts	667,877,615	667,877,615	
Sub-ordinated loans	2,994,000	2,994,000	
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	3,622,651	3,622,651	
Other liabilities	15,956,263	15,956,263	
Total liabilities	761,378,802	761,378,802	
Share capital/ Head office capital account	11,450,739	11,450,739	
Reserves	13,549,355	13,549,355	
Unappropriated/ Unremitted profit/ (losses)	37,053,691	37,053,691	
Minority Interest	–	–	
Surplus on revaluation of assets	18,836,540	18,836,540	
Total liabilities & equity	842,269,127	842,269,127	
42.3.2 Step 2			
Assets			
Cash and balances with treasury banks	41,254,975	41,254,975	
Balances with other banks	873,494	873,494	
Lending to financial institutions	2,030,062	2,030,062	
Investments	428,790,733	428,790,733	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	–	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	–	–	b
of which: Mutual Funds exceeding regulatory threshold	–	–	c
of which :Reciprocal cross holdings in CET1	–	579,108	d
of which :Reciprocal cross holdings in Tier2	–	555,195	e
of which: others (mention details)	–	–	f
Advances	306,014,402	306,014,402	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	g
general provisions reflected in Tier 2 capital	–	115,919	h
Fixed Assets	27,250,482	27,250,482	
of which: Intangibles	–	1,194,318	i
Deferred Tax Assets	–	–	
of which: DTAs excluding those arising from temporary differences	–	–	j
of which: DTAs arising from temporary differences exceeding regulatory threshold	–	–	k
Other assets	36,054,979	36,054,979	
of which: Goodwill	–	–	l
of which: Defined-benefit pension fund net assets	–	4,374,701	m
Total assets	842,269,127	842,269,127	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
Liabilities & Equity			
Bills payable	4,831,801	4,831,801	
Borrowings	66,096,472	66,096,472	
Deposits and other accounts	667,877,615	667,877,615	
Sub-ordinated loans	2,994,000	2,994,000	
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	2,395,200	o
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	3,622,651	3,622,651	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	24,234	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	15,956,263	15,956,263	
Total liabilities	761,378,802	761,378,802	
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	–	11,450,739	t
of which: amount eligible for AT1	–	–	u
Reserves	13,549,355	13,549,355	
of which: portion eligible for inclusion in CET1:Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	–	13,521,062	w
of which: portion eligible for inclusion in Tier 2	–	28,293	x
Unappropriated profit/ (losses)	37,053,691	37,053,691	y
Minority Interest			
of which: portion eligible for inclusion in CET1	–	–	z
of which: portion eligible for inclusion in AT1	–	–	aa
of which: portion eligible for inclusion in Tier 2	–	–	ab
Surplus on revaluation of assets	18,836,540	18,836,540	
of which: Revaluation reserves on Property	–	3,919,055	ac
of which: Unrealized Gains/Losses on AFS	–	6,629,407	
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
Total liabilities & Equity	80,890,325	80,890,325	

		Component of regulatory capital reported by bank	Source reference number from step 2
		Rupees in '000	
42.3.3	**Step 3**		
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	11,450,739	(t)
2	Balance in Share Premium Account	–	(v)
3	Reserve for issue of Bonus Shares	–	
4	General/ Statutory Reserves	13,521,062	(w)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated/unremitted profits/(losses)	37,053,691	(y)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	–	(z)
8	**CET 1 before Regulatory Adjustments**	62,025,492	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	–	(l) - (p)
10	All other intangibles (net of any associated deferred tax liability)	1,170,084	(i) - (q)
11	Shortfall of provisions against classified assets	–	(g)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	{(j) - (s} * x%

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	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
13 Defined-benefit pension fund net assets	874,940	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	579,108	(d)
15 Cash flow hedge reserve	–	
16 Investment in own shares/ CET1 instruments	–	
17 Securitization gain on sale	–	
18 Capital shortfall of regulated subsidiaries	–	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	–	(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	(k)
23 Amount exceeding 15% threshold	–	
24 of which: significant investments in the common stocks of financial entities	–	
25 of which: deferred tax assets arising from temporary differences	–	
26 National specific regulatory adjustments applied to CET1 capital	–	
27 Investment in TFCs of other banks exceeding the prescribed limit	–	
28 Any other deduction specified by SBP (mention details)	–	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	200,000	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	2,824,132	
Common Equity Tier 1	59,201,360	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	–	
32 of which: Classified as equity	–	(u)
33 of which: Classified as liabilities	–	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
36 **AT1 before regulatory adjustments**	–	
Additional Tier 1 Capital: regulatory adjustments	–	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
38 Investment in own AT1 capital instruments	–	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(200,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
44 Total of Regulatory Adjustment applied to AT1 capital	–	
45 Additional Tier 1 capital	–	

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
46 Additional Tier 1 capital recognized for capital adequacy		
Tier 1 Capital (CET1 + admissible AT1)	59,201,360	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	–	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	2,395,200	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	–	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	–	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	115,919	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	3,919,055	portion of (ac)
54 of which: portion pertaining to AFS securities	6,629,407	
55 Foreign Exchange Translation Reserves	28,293	(x)
56 Undisclosed/Other Reserves (if any)	–	
57 T2 before regulatory adjustments	13,087,874	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	200,000	
59 Reciprocal cross holdings in Tier 2 instruments	555,195	(e)
60 Investment in own Tier 2 capital instrument	–	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	–	
64 Tier 2 capital (T2)	–	
65 Tier 2 capital recognized for capital adequacy	–	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	12,332,679	
TOTAL CAPITAL (T1 + admissible T2)	71,534,039	

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42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument - 2
1	Issuer	Allied Bank Limited	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL	ABLTFC2
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan
	Regulatory treatment		
4	Transitional Basel III rules	N/A	The bank intends to Phase out the above instrument till 2019
5	Post-transitional Basel III rules	N/A	N/A
6	Eligible at solo/ group/ group&solo	Group and standalone	Group and standalone
7	Instrument type	Ordinary Shares	Other Tier 2
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739	2,395,200
9	Par value of instrument	10	5,000
10	Accounting classification	Shareholders equity	Liability - amortized cost
11	Original date of issuance	N/A	August 28, 2009
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	August 28, 2019
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Issuer has the right to seek redemption after the eleventh redemption of the entire TFC issue, prior to its stated maturity
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	N/A	Floating
18	coupon rate and any related index/ benchmark	N/A	"- 6M KIBOR + 0.85% for first 5 years - 6M KIBOR +1.3% from 6th year"
19	Existence of a dividend stopper	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Rank inferior to all debt instruments	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Note: Bank's TFC-I has been redeemed during the year 2014.

42.5 Risk Weighted Exposures

The capital requirement for the Bank as per the major risk categories are indicated below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and Cash Equivalents	–	–	–	–
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–		
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,193,048	710,029	11,930,477	7,100,285
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
Claims on Multilateral Development Banks	–	–	–	–
Claims on Public Sector Entities in Pakistan	563,773	237,682	5,637,727	2,376,815
Claims on Banks	580,209	504,038	5,802,091	5,040,380
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	27,204	54,850	272,042	548,499
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	26,076	51,040	260,758	510,404
Claims on Corporates (excluding equity exposures)	12,933,791	12,945,598	129,337,913	129,455,979
Claims categorized as retail portfolio	1,666,365	1,950,207	16,663,650	19,502,070
Claims fully secured by residential property	221,705	210,200	2,217,049	2,101,998
Past Due loans:	1,060,880	122,127	10,608,799	1,221,271
Investments in premises, plant and equipment and all other fixed assets	2,608,040	2,089,572	26,080,398	20,895,720
Claims on all fixed assets under operating lease	–	–	–	–
All other assets	690,030	751,396	6,900,297	7,513,958
	21,571,121	19,626,739	215,711,201	196,267,379
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	2,302,735	3,011,768	23,027,348	30,117,680
Performance related contingencies	443,920	228,031	4,439,201	2,280,307
Trade Related contingencies/Other Commitments with original maturity of one year or less	521,682	608,947	5,216,820	6,089,471
	3,268,337	3,848,746	32,683,369	38,487,458

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Market related Exposures	126,455	144,982	1,264,551	1,449,815
Equity Exposure Risk in the Banking Book				
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	301,249	–	3,012,487
Unlisted equity investments (other than that deducted from capital) held in banking book	293,913	268,913	2,939,133	2,689,133
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	1,492,264	3,150,399	14,922,634	31,503,994
Unlisted equity investments (other than that deducted from capital) held in banking book	209,918	189,129	2,099,184	1,891,294
Investments in venture capital	–	–	–	–
	1,996,095	3,909,690	19,960,951	39,096,908
Total Credit Risk (A)	26,962,008	27,530,157	269,620,073	275,301,560
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	230,963	112,834	2,309,625	1,128,342
Equity position risk etc.	2,678,981	169,406	26,789,814	1,694,062
Foreign exchange risk	261,196	40,951	2,611,963	409,507
Operational Risk				
Capital Requirement for operational risks	6,093,976	5,746,819	60,939,758	57,468,192
Total Risk Weighted Assets	36,227,124	33,600,167	362,271,231	336,001,663

	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	5.5%	16.34%	5.0%	15.5%
Tier-1 capital to total RWA	7.0%	16.34%	6.5%	15.5%
Total capital to total RWA	10.0%	19.75%	10.0%	17.85%

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.

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

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

Risk Responsibilities

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

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

- The BRMC recommends for approval to the Board of Directors, the policies proposed by RMC (Risk Management 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., Risk 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, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity 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 spread sheet 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-.

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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), Moody's country ratings as well as country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. 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 is also undertaking an initiative to validate the implemented models as per the Basel guidelines.

Stress Testing

The Bank conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. On a quarterly basis, an extensive stress testing activity is conducted by giving shocks to all assets of the Bank in line with SBP requirements and assessing its resulting affect on capital adequacy. The major shock being applied relate to the deterioration in internal ratings of the obligors, adverse shift of regular borrowers to non-performing status, default by large borrowers or group of borrowers and their resultant impact on the provisioning requirements and capital adequacy.

Automated System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an automated 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 2014, the coverage ratio was 85.9% 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 2014, 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. The advances show an overall increase by 14.2%.

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. Power, Gas and Water, Petroleum products, Chemical and Pharmaceuticals are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

43.1.1 Segmental Information

43.1.1.1 Segments by class of business

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry and hunting	7,268,761	2.23%	28,411,259	4.25%	1,058,048	0.54%
Basic metals (iron, steel)	3,071,830	0.94%	5,934,985	0.89%	2,605,481	1.33%
Grains, food & beverages	12,855,667	3.95%	6,225,075	0.93%	63,537	0.03%
Cement / clay & ceramics	7,405,452	2.27%	2,088,995	0.31%	345,550	0.18%
Chemical & pharmaceutical	18,283,039	5.61%	855,333	0.13%	4,406,223	2.24%
Construction	3,822,036	1.17%	40,002,678	5.99%	5,155,856	2.63%
Education	656,911	0.20%	14,069,042	2.11%	–	0.00%
Financial	19,662,773	6.03%	2,962,244	0.44%	105,084,731	53.51%
Finishing of textile	11,136,396	3.42%	3,265,331	0.49%	3,950,768	2.01%
Fishing	18,016	0.01%	–	0.00%	–	0.00%
Footwear & leather garments	1,170,829	0.36%	1,875,501	0.28%	358,366	0.18%
Furniture & sports goods	2,169,055	0.67%	1,237,965	0.19%	35,699	0.02%
Health & social welfare	42,262	0.01%	3,361,647	0.50%	98,785	0.05%
Hotel, restaurant & clubs	1,593,425	0.49%	2,158,603	0.32%	122,431	0.06%
Machinery & equipment	3,271,256	1.00%	2,949,400	0.44%	857,072	0.44%
Manufacture of made up & ready made garments	10,553,114	3.24%	988,104	0.15%	–	0.00%
Manufacture of transport equipment	669,935	0.21%	251,889	0.04%	–	0.00%
Paper & paper boards	6,444,595	1.98%	79,254	0.01%	1,699,533	0.87%
Petroleum products	24,862,759	7.63%	10,402,058	1.56%	13,418,190	6.83%
Power, gas, water & sanitary	76,476,969	23.47%	3,737,020	0.56%	11,324,606	5.77%
Printing, publishing & allied	43,130	0.01%	55,440	0.01%	193,440	0.10%
Real estate, renting, and business activities	836,227	0.26%	87,584,847	13.11%	–	0.00%
Rubber & plastic	370,722	0.11%	2,497,273	0.37%	–	0.00%
Spinning	16,681,607	5.12%	14,603,197	2.19%	–	0.00%
Sugar	6,382,211	1.96%	4,168,777	0.62%	–	0.00%
Transport, storage & communication	3,094,905	0.95%	1,609,756	0.24%	7,308,435	3.72%
Weaving	5,373,893	1.65%	13,968,050	2.09%	–	0.00%
Wholesale & retail trade	9,197,892	2.82%	60,090,231	9.00%	17,743,083	9.03%
Individuals	7,427,618	2.28%	147,835,151	22.14%	3,318,213	1.69%
Others	64,981,681	19.94%	204,608,510	30.64%	17,246,163	8.78%
	325,824,966	100.00%	667,877,615	100.00%	196,394,210	100.00%

43.1.1.2 Segments by sector

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	109,441,357	33.59%	106,948,767	16.01%	33,275,625	16.94%
Private	216,383,609	66.41%	560,928,848	83.99%	163,118,585	83.06%
	325,824,966	100.00%	667,877,615	100.00%	196,394,210	100.00%

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, forestry and hunting	439,885	292,739	535,762	447,092
Food & Beverages	1,707,992	1,028,202	572,368	572,368
Spinning	1,493,212	1,493,212	2,247,836	2,247,823
Weaving	1,299,100	1,299,100	1,324,252	1,293,697
Finishing of Textile	5,605,220	5,589,595	5,607,292	5,317,990
Footwear & leather garments	129,459	129,459	70,902	70,902
Paper & paper boards	257,432	237,057	20,708	20,708
Printing, publishing & allied	18,264	16,660	18,439	18,439
Petroleum products	2,781,964	1,395,585	659	659
Chemical & pharmaceutical	824,052	822,232	481,853	474,728
Rubber & plastic	366,462	310,952	25,478	24,728
Cement/ clay & ceramics	71,591	71,591	234,401	110,944
Basic metals (iron, steel)	284,052	275,060	288,329	288,329
Machinery & equipment	1,378,396	1,259,572	1,310,056	1,308,353
Power, gas, water & sanitary	637,015	637,015	239,916	239,916
Manufacture of transport equipment	351,375	351,375	246,688	246,688
Financial	72,454	72,454	72,954	72,954
Real estate, renting, and business activities	412,595	212,595	16,195	16,195
Transport, storage & communication	398,788	109,437	5,417	5,417
Hotel, restaurant & clubs	7,799	7,582	7,865	7,460
Construction	499,142	496,818	993,785	593,785
Furniture & sports goods	263,719	263,719	88,893	88,893
Wholesale & retail trade	1,683,558	1,472,028	569,648	553,412
Individuals	480,700	432,761	336,765	332,267
Others	1,457,316	1,417,845	4,107,435	3,888,618
	22,921,542	19,694,645	19,423,896	18,242,365

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/ Government	137,180	137,180	137,680	137,680
Private	22,784,362	19,557,465	19,286,216	18,104,685
	22,921,542	19,694,645	19,423,896	18,242,365

43.1.1.5 Geographical Segment Analysis

	December 31, 2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operations	21,714,603	826,440,041	79,370,690	196,391,396
Middle East	233,775	11,517,634	717,057	2,814
Karachi Export Processing Zone	253,379	4,311,452	802,578	–
	487,154	15,829,086	1,519,635	2,814
	22,201,757	842,269,127	80,890,325	196,394,210

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.

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Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC CC C	CCC CC C D	7

Short – Term Rating Grades Mapping

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

Types of exposures and ECAI's used

December 31, 2014

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

Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2014 Amount Outstanding	December 31, 2014 Deduction CRM	December 31, 2014 Net Amount	December 31, 2013 Amount Outstanding	December 31, 2013 Deduction CRM	December 31, 2013 Net Amount
		Rupees in '000					
Corporate	1	39,256,462	–	39,256,462	28,618,574	–	28,618,574
	2	26,077,349	–	26,077,349	40,959,091	–	40,959,091
	3 , 4	1,878,733	–	1,878,733	4,085,424	–	4,085,424
	5 , 6	–	–	–	256,160	–	256,160
Claims on banks with original maturity of 3 months or less	–	33,809,324	32,317,538	1,491,786	14,822,587	11,939,611	2,882,976
Retail	–	28,876,180	5,817,355	23,058,825	34,035,751	5,974,347	28,061,404
Public sector entities	1	23,107,102	–	23,107,102	11,684,897	–	11,684,897
Others	–	544,088,460	–	544,088,460	458,591,162	–	458,591,162
Unrated	–	203,453,195	64,196,501	139,256,694	189,323,457	48,832,354	140,491,103

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 long term 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.

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Composition of equity investments

	Held-for-trading	Available-for-sale	Investment in Subsidiary
		Rupees in '000	
Equity Investments - Publicly Traded	–	31,660,539	–
Equity Investments - Others	–	2,679,992	500,000
Total Value	–	34,340,531	500,000

The cumulative gain of Rs. 4,100.294 million (2013: 1,243.726 million) was realized from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 14,318.766 million (2013: Rs. 9,912.402 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', 'Open Ended Mutual Fund' and non-strategic listed equity placed in 'Available-for-sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

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 - (other than non strategic listed equity)
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 modelling 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 strategic equity securities categorized under 'Available for Sale' are parked in the banking book. These investments expose the Bank to equity price risk.

Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits).

43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any 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, 2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	805,800,129	688,334,409	(39,181,388)	78,284,332
United States Dollar	35,559,262	64,158,069	31,155,748	2,556,941
Great Britain Pound	433,344	5,605,212	5,197,902	26,034
Japanese Yen	12,322	2,584	(9,040)	698
Euro	447,683	3,275,374	2,839,871	12,180
Other Currencies	16,387	3,154	(3,093)	10,140
	36,468,998	73,044,393	39,181,388	2,605,993
	842,269,127	761,378,802	–	80,890,325

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	697,181,988	597,177,749	(35,090,534)	64,913,705
United States Dollar	35,702,250	64,629,248	30,176,877	1,249,879
Great Britain Pound	557,675	3,766,787	3,226,719	17,607
Japanese Yen	43,461	5,110	(38,182)	169
Euro	602,092	2,414,871	1,811,807	(972)
Other Currencies	108,480	4,158	(86,687)	17,635
	37,013,958	70,820,174	35,090,534	1,284,318
	734,195,946	667,997,923	–	66,198,023

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, whereas limit setting with respect to portfolio, sector and scrip wise limits is done by BRMC / BoD to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits whereas limit monitoring is done by Market & Liquidity Risk Division on a daily basis and breaches (if any) are promptly reported with proper reason.

Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Treasury's Capital Market Unit both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.

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43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2014											
	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%	41,254,975	9,634,244	-	-	-	-	-	-	-	-	31,620,731
Balances with other banks		873,494	428,327	-	-	-	-	-	-	-	-	445,167
Lendings to financial institutions	7.97%	2,030,062	2,030,062	-	-	-	-	-	-	-	-	-
Investments - net	10.91%	428,790,733	7,905,033	68,398,002	1,084,056	49,607,115	129,213,775	38,860,300	71,713,411	20,623,232	-	41,385,809
Advances - net	10.66%	306,014,402	52,986,609	203,935,564	37,801,287	735,820	1,438,193	1,357,835	2,639,828	1,793,203	-	3,326,063
Other assets - net		26,765,693	-	-	-	-	-	-	-	-	-	26,765,693
		805,729,359	72,984,275	272,333,566	38,885,343	50,342,935	130,651,968	40,218,135	74,353,239	22,416,435	-	103,543,463
Liabilities												
Bills payable		4,831,801	-	-	-	-	-	-	-	-	-	4,831,801
Borrowings	8.18%	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-	-
Deposits and other accounts	5.53%	667,877,615	104,679,137	138,103,755	65,949,416	23,982,004	6,627,192	507,222	158,684,622	271,080	-	169,073,187
Sub-ordinated loan	11.15%	2,994,000	-	2,994,000	-	-	-	-	-	-	-	-
Other liabilities		13,170,598	-	-	-	-	-	-	-	-	-	13,170,598
		754,970,486	146,693,809	152,103,368	73,293,550	24,422,932	7,509,046	1,389,076	160,448,330	2,034,789	-	187,075,586
On-balance sheet gap		50,758,873	(73,709,534)	120,230,198	(34,408,207)	25,920,003	123,142,922	38,829,059	(86,095,091)	20,381,646	-	(83,532,123)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		65,524,611	17,971,515	30,816,338	15,767,196	969,562	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(26,343,223)	(10,085,847)	(12,000,776)	(3,842,891)	(413,709)	-	-	-	-	-	-
Off-balance sheet gap		39,181,388	7,885,668	18,815,562	11,924,305	555,853	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		89,940,261	(65,823,866)	139,045,760	(22,483,902)	26,475,856	123,142,922	38,829,059	(86,095,091)	20,381,646	-	
Cumulative yield / interest risk sensitivity gap		89,940,261	(65,823,866)	73,221,894	50,737,992	77,213,848	200,356,770	239,185,829	153,090,738	173,472,384	173,472,384	

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, 2013											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk: Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	44,673,079	8,908,644	-	-	-	-	-	-	-	-	35,764,435
Balances with other banks		1,102,231	300,499	-	-	-	-	-	-	-	-	801,732
Lendings to financial institutions	8.82%	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-	-
Investments - net	9.66%	363,378,998	45,313,441	181,171,061	62,256,069	449,550	3,097,208	26,502,033	-	-	-	44,589,636
Advances - net	10.56%	267,001,028	61,048,732	167,070,924	29,057,884	477,450	4,299,907	889,009	1,727,078	1,082,620	-	1,347,424
Other assets - net		13,268,886	-	-	-	-	-	-	-	-	-	13,268,886
		701,885,625	127,932,719	348,341,985	91,313,953	927,000	7,397,115	27,391,042	1,727,078	1,082,620	-	95,772,113
Liabilities												
Bills payable		4,878,594	-	-	-	-	-	-	-	-	-	4,878,594
Borrowings	8.14%	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-	-
Deposits and other accounts	5.43%	608,411,670	105,200,869	127,897,256	19,977,962	32,562,450	9,560,023	541,202	138,890,579	671,053	27,820,116	145,290,160
Sub-ordinated loan	10.59%	4,242,200	-	2,995,200	1,247,000	-	-	-	-	-	-	-
Other liabilities		12,250,587	-	-	-	-	-	-	-	-	-	12,250,587
		662,735,457	117,362,722	140,375,605	29,683,003	32,781,630	9,998,387	979,566	139,767,307	1,547,780	27,820,116	162,419,341
On-balance sheet gap		39,150,168	10,569,997	207,966,380	61,630,950	(31,854,630)	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	(66,647,228)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		97,308,562	32,213,920	47,416,498	17,358,709	319,435	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(62,218,028)	(24,648,975)	(21,219,280)	(15,692,413)	(657,360)	-	-	-	-	-	-
Off-balance sheet gap		35,090,534	7,564,945	26,197,218	1,666,296	(337,925)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		74,240,702	18,134,942	234,163,598	63,297,246	(32,192,555)	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	
Cumulative yield / interest risk sensitivity gap		74,240,702	18,134,942	252,298,540	315,595,786	283,403,231	280,801,959	307,213,435	169,173,206	168,708,046	140,887,930	

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, 2014	December 31, 2013	Reconciliation to total liabilities	December 31, 2014	December 31, 2013
	(Rupees in '000)			(Rupees in '000)	
Balance as per Statement of Financial Position	842,269,127	734,195,946	Balance as per Statement of Financial Position	761,378,802	667,997,923
Less : Non financial assets			Less: Non financial liabilities		
Operating fixed assets	27,250,482	22,083,612	Deferred tax liability	3,622,651	1,808,405
Other assets	9,289,286	10,226,709	Other liabilities	2,785,665	3,454,061
	36,539,768	32,310,321		6,408,316	5,262,466
Total financial assets	805,729,359	701,885,625	Total financial liabilities	754,970,486	662,735,457

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43.3 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. Bank's BOD have delegated the responsibility to ALCO 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, 2014									
	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	41,254,975	41,254,975	-	-	-	-	-	-	-	-
Balances with other banks	873,494	873,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	428,790,733	273,162	66,337,330	74,802	70,890,554	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,014,402	33,395,984	45,083,279	35,903,962	39,081,233	32,698,844	37,747,987	42,982,986	31,514,565	7,605,563
Operating fixed assets	27,250,482	286,199	572,406	858,609	1,717,218	1,488,541	636,228	1,368,330	1,327,304	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,054,979	5,011,794	8,271,484	16,569,781	901,800	829,557	-	-	-	4,470,563
	842,269,127	83,125,670	120,264,499	53,407,154	112,590,805	168,503,321	82,439,707	119,826,796	71,039,403	31,071,773
Liabilities										
Bills payable	4,831,801	4,831,801	-	-	-	-	-	-	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,877,615	546,481,024	41,811,815	59,846,735	17,879,325	524,512	507,222	555,900	271,082	-
Deferred tax liabilities	3,622,651	21,472	42,944	64,416	(383,824)	1,430,854	202,714	405,428	712,247	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	15,956,263	3,780,328	6,017,139	2,409,390	458,886	402,245	485,379	758,772	1,644,124	-
	761,378,802	597,129,297	58,878,111	69,664,675	18,397,115	3,240,665	2,078,369	6,473,008	4,391,162	1,126,400
Net assets / (liabilities)	80,890,325	(514,003,627)	61,386,388	(16,257,521)	94,193,690	165,262,656	80,361,338	113,353,788	66,648,241	29,945,373
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,053,691									
	62,053,785									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	80,890,325									

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

	December 31, 2013									
	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	44,673,079	44,673,079	-	-	-	-	-	-	-	-
Balances with other banks	1,102,231	1,102,231	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-
Investments	363,378,998	43,001,996	177,410,256	59,990,759	32,602,853	551,729	30,650,872	3,705,010	15,465,523	-
Advances	267,001,028	68,645,249	29,647,408	31,586,931	25,329,110	29,235,150	21,307,335	22,617,970	31,809,778	6,822,097
Operating fixed assets	22,083,612	249,716	499,430	749,145	1,498,290	1,664,313	573,311	1,272,575	1,033,336	14,543,496
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	23,495,595	3,630,368	3,680,196	10,604,652	648,522	986,887	-	-	-	3,944,970
	734,195,946	173,664,042	211,337,290	102,931,487	60,078,775	32,438,079	52,531,518	27,595,555	48,308,637	25,310,563
Liabilities										
Bills payable	4,878,594	4,878,594	-	-	-	-	-	-	-	-
Borrowings	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-
Deposits and other accounts	608,411,670	485,511,492	49,193,795	14,026,204	26,610,691	3,608,265	541,202	428,851	671,053	27,820,117
Deferred tax liabilities	1,808,405	(9,055)	(18,110)	(27,165)	(560,277)	263,106	171,272	342,544	1,521,687	124,403
Sub-ordinated loan	4,242,200	-	600	623,500	625,300	1,200	1,200	2,990,400	-	-
Other liabilities	15,704,648	4,037,160	5,050,075	2,822,690	683,070	380,345	458,880	717,500	1,554,928	-
	667,997,923	506,580,044	63,709,509	25,903,270	27,577,964	4,691,280	1,610,918	5,356,023	4,624,395	27,944,520
Net assets / (liabilities)	66,198,023	(332,916,002)	147,627,781	77,028,217	32,500,811	27,746,799	50,920,600	22,239,532	43,684,242	(2,633,957)
Share capital	10,409,763									
Reserves	12,438,158									
Unappropriated profit	30,855,565									
	53,703,486									
Surplus on revaluation of assets										
- net of tax	12,494,537									
	66,198,023									

43.3.1.1 When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

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, 2014									
	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	41,254,975	29,467,252	522,773	39,427	-	3,741,841	3,741,841	3,741,841	-	-
Balances with other banks	873,494	873,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	428,790,733	273,162	66,337,330	74,802	70,890,554	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,014,402	33,395,986	45,083,279	35,903,962	39,081,231	32,698,844	37,747,987	42,982,986	31,514,565	7,605,562
Operating fixed assets	27,250,482	286,199	572,406	858,609	1,717,218	1,488,541	636,228	1,368,330	1,327,304	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,054,979	5,011,794	8,271,484	16,569,781	901,800	829,557	-	-	-	4,470,563
	842,269,127	71,337,949	120,787,272	53,446,581	112,590,803	172,245,162	86,181,548	123,568,637	71,039,403	31,071,772
Liabilities										
Bills payable	4,831,801	3,464,734	-	-	-	455,689	455,689	455,689	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,877,615	104,679,134	42,278,613	90,349,923	48,382,513	31,027,701	23,130,839	555,902	271,081	327,201,909
Deferred tax liabilities	3,622,651	21,472	42,944	64,416	(383,824)	1,430,854	202,714	405,428	712,247	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	15,956,263	3,780,328	6,017,139	2,409,390	458,886	402,245	485,379	758,772	1,644,124	-
	761,378,802	153,960,340	59,344,909	100,167,863	48,900,303	34,199,543	25,157,675	6,928,699	4,391,161	328,328,309
Net assets	80,890,325	(82,622,391)	61,442,363	(46,721,282)	63,690,500	138,045,619	61,023,873	116,639,938	66,648,242	(297,256,537)
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,053,691									
	62,053,785									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	80,890,325									

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, 2013									
	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	44,673,079	31,533,431	730,648	36,457	-	4,124,181	4,124,181	4,124,181	-	-
Balances with other banks	1,102,231	1,102,231	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-
Investments - net	363,378,998	43,001,996	177,410,256	59,990,759	32,602,853	551,729	30,650,872	3,705,010	15,465,523	-
Advances - net	267,001,028	32,786,810	32,789,509	32,147,171	25,329,110	39,953,850	32,026,035	33,336,670	31,809,778	6,822,095
Operating fixed assets	22,083,612	249,716	499,430	749,145	1,498,290	1,664,313	573,311	1,272,575	1,033,336	14,543,496
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	23,495,595	3,630,368	3,680,196	10,604,652	648,522	986,887	-	-	-	3,944,970
	734,195,946	124,665,955	215,210,039	103,528,184	60,078,775	47,280,960	67,374,399	42,438,436	48,308,637	25,310,561
Liabilities										
Bills payable	4,878,594	3,431,685	-	-	-	482,303	482,303	482,303	-	-
Borrowings	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-
Deposits and other accounts	608,411,670	105,200,872	50,025,463	39,231,564	51,816,052	28,813,626	20,652,186	428,851	671,053	311,572,003
Deferred tax liabilities	1,808,405	(9,055)	(18,110)	(27,165)	(560,277)	263,106	171,272	342,544	1,521,687	124,403
Sub-ordinated loan	4,242,200	-	600	623,500	625,300	1,200	1,200	2,990,400	-	-
Other liabilities	15,704,648	4,037,160	5,050,075	2,822,688	683,070	380,345	458,880	717,500	1,554,930	-
	667,997,923	124,822,515	64,541,177	51,108,628	52,783,325	30,378,944	22,204,205	5,838,326	4,624,397	311,696,406
Net assets	66,198,023	(156,560)	150,668,862	52,419,556	7,295,450	16,902,016	45,170,194	36,600,110	43,684,240	(286,385,845)
Share capital	10,409,763									
Reserves	12,438,158									
Unappropriated profit	30,855,565									
	53,703,486									
Surplus on revaluation of assets										
- net of tax	12,494,537									
	66,198,023									

Notes to the Unconsolidated Financial Statements
for the year ended December 31, 2014

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.

In accordance with the BoD approved Operational Risk Policy, 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. Bank has also developed a Business Continuity Plan applicable to all its functional areas.

Further, a detailed list of operational losses is being maintained. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee.

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

The Bank is also 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.

The Bank with permission of SBP is conducting a 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 10, 2015 has proposed a cash dividend in respect of 2014 of Rs. 2 per share (2013: cash dividend Rs. 1.5 per share). In addition, the directors have also announced a bonus issue of Nil (2013: 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, 2014 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2015.

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 10, 2015 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 (1st, JANUARY 2014 TO 31st, DECEMBER 2014)

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
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
1	Jan Agencies C-5A, Phase-1, S.I.T.E., Super Highway, Karachi"	Muhammad Iqbal Qamer Siddiquei	42201-7396938-3	Muhammad Qamer Ud Din	6.885	4.066	-	10.951	-	-	1.157	1.157
2	Mehboob Ali Channa Shams Abad, Mohlla, Dadu	Mehboob Ali Channa (Ex-Staff)	41201-3231457-7	Muhammad Bachal Channa	1.596	0.664	0.030	2.290	-	-	0.694	0.694
3	Imperial Trade Agency P-128, Rehman Market, Circular Road, Faisalabad"	Hina Babar Naveed Munir Perveen Akhtar	33100-0887676-1 33100-0866502-4 33100-0181067-6	Munir Hussain W/O Babar Munir W/O Munir Hussain	1.048	3.089	0.305	4.442	-	-	3.392	3.392
4	Haji Cotton Industries Grain Market, Haroonabad	Ghaffar Ali Khilji	31104-1703814-1	Muhammad Shafi	24.996	12.729	-	37.725	-	-	4.907	4.907
5	Cheema Cotton Industries Vehari Road, Tehsil Hasilpur, Distt: Bahawalpur	Muhammad Afzal Cheema Muhammad Akhtar Ghuman Maqsooda Munawar	31203-3462739-5 34601-4948448-9 31203-3668356-8	Nabi Ahmed Muhammad Iqbal W/O Munawar Ali	2.500	1.495	0.083	4.078	-	-	1.078	1.078
6	Insaf Fabrics Bohra Street, Multan Cantt"	Malik Rang Ali	36302-2285981-5	Malik Bagh Ali	27.000	16.716	-	43.716	-	-	6.913	6.913
7	Rao M. Aslam & Sons Mazharabad Farm Depalpur"	Rao Muhammad Aslam Khan	35301-9882328-7	Roa Muhammad Ilyas Khan	9.999	4.237	-	14.236	-	-	1.698	1.698
8	Delta International 686- Shadman Colony No. 1, Lahore	Mr. Naqeeb Khalid	277-89-237428	Khalid Latif	5.099	4.065	0.163	9.327	-	-	3.152	3.152
9	Bin Dawood Traders Office No. 8 & 9, Street No. 2, Sooter Mandi, Malik Jan Centre, Faisalabad."	Salman Dawood Muhamad Shoaib Haider	33100-0958710-7 35201-1392893-9	Muhammad Dawood Muhammad Asif Saleem	7.481	5.276	0.218	12.975	-	-	4.975	4.975
10	Sadiq & Sons Plot # 9-A, Sector C-2, Allama Iqbal Road, Mirpur, Azad Kashmir.	Mr. Naveed Sadiq	81302-6691543-9	S/O Mohammad Sadiq	14.500	7.571	0.120	22.191	-	-	7.691	7.691
11	Haji Muhammad & Co. Rati Road, Ubauro	Haji Muhammad	413-46-011949	Allahyar	0.800	0.624	0.045	1.469	-	-	0.668	0.668

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2014 TO 31st, DECEMBER 2014)

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
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
12	Abdul Ali & Brothers 19/20, Eidgah, Mecogny Road, Quetta"	Abdul Ali	54400-2009567-1	Abdul Wali	9.498	5.539	0.115	15.152	-	-	3.596	3.596
13	Shamsi Builders 802-803, 8Th Floor, Kashif Centre, Karachi"	Arshad Alam Shamsi Shoaib Alam Shamsi Seem Fareed	42000-2649514-9 42201-7624776-1	S.M.Yousuf Shamsi S.M.Yousuf Shamsi	32.240	15.353	-	47.593	-	-	5.992	5.992
14	Ahsan Shafi & Co. Bunglow # 164/B, Block-C, Unit #.2, Latifabad, Hyderabad.	Ahsan Shafi Sheikh	41304-2662071-7	Muhammad Shafiullah	8.996	3.424	0.100	12.520	-	-	0.996	0.996
15	Al Hayat Plastic Works Cb-175/E, Chaklala Road, Tehmasabad, Rawalpindi	Naseer Ahmed	37405-5007044-1	Haji Muhammad Maskeen	4.989	-	1.131	6.120	-	-	1.131	1.131
16	Dewan Salman Fibre Limited Plot No.1, Dewan Complex, Dewan Farooq Industrial Park, Hattar District, Haripur	Dewan Zia-Ur-Rehman Farooqi Dewan Asim Mushfiq Farooqui Dewan M.Yousuf Farooqui Dewan Ghulam Mustafa Khalid Dewan M. Ayub Khalid Dewan Abdul Rehman Farooqi Dewan Abdullah Ahmed Farooqui	61101-1738570-1 42301-4927684-9 42301-6948978-9 42201-7707647-9 42201-9975110-3 42301-0862043-3 42301-7511974-1	Late Dewan M.umer Farooqui Late Dewan M.Umer Farooqui Late Dewan M.Umer Farooqui Dewan M. Khalid Farooqui Dewan M. Khalid Farooqui Dewan M. Salman Farooqui Late Dewan M.Umer Farooqui	456.611	170.987	1.664	629.262	456.610	-	172.652	629.262
17	Magna Steel (Pvt) Limited 19-Banglore Town,Block-7/8, K.c.h.s., Shahrah-E-Faisal Karachi"	Mr.Abid Ali Mr.M.Tariq Iqbal Mughal Mr.Abdul Ghani	61101-8231241-1 35201-9057040-1 42401-0336246-7	Zain-Ul-Abdeen Bashir Ahmed Mughal Haji Abdul Ghaffar	138.000	52.227	0.800	191.027	138.000	-	53.027	191.027
18	M.Y. Electronics (Pvt) Limited (1) Factory A-69, Gadoon Amazai, Peshawar, KPK. (2) Office: F-524, Site, Karachi	Late Abdul Razzak Mrs.Naseema Abdul Razzak	502-08-9376508 518-56-250086	Mr. Qasim W/O. Abdul Razzak	58.215	6.000	0.510	64.725	58.215	-	6.510	64.725

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2014 TO 31st, DECEMBER 2014)

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
19	Ch. Wire Rope Industries (Pvt) Limited Gt Road Muridke	Ch. Muhammad Qasim Ch. Muhammad Akram Ch. Muhammad Azam	271-45-102927 271-31-024651 271-34105164	Siraj Din Siraj Din Siraj Din	22.816	211.184	5.593	239.593	22.816	-	216.777	239.593
20	- Bhatti Cotton Ind - Bhatti Flour Mills - New Bhatti Flour Mill Kehror Pecca Road, Dunyapur.	Muhammad Saleem Bashir Ahmad Muhammad Azhar Muhammad Tariq	36201-3318622-1 36201-9435924-9 36201-4778684-1 36201-5298654-7	Muhammad Bux Muhammad Bux Muhammad Bux Bashir Ahmad	18.714	7.991	0.382	27.087	-	-	3.500	3.500
21	Al-Qamar Cotton Ginners Grain Market, Haroonabad	Liaqat Ali Muhammad Rehman	31104-4527583-3 31104-1098058-3	Khushi Muhammad Liaqat Ali	-	1.457	-	1.458	-	-	1.172	1.172
22	Rocky Travels (Pvt) Ltd. 40 - 2 New Civil Lines, Faisalabad	Naveed Iqbal	38403-7628638-1	Muzaffar Iqbal	1.975	0.734	0.095	2.804	-	-	0.521	0.521
23	Saqi Computer 10-A Jaffria Colony, Lahore	Qamar Abbas Zaidi	270-60-663241	Abbas Zaidi	1.700	1.247	0.140	3.087	-	-	0.870	0.870
24	Zahid Traders House No.p-112, Street No.7, Sohail Abad, Faisalabad	Zahid Iqbal	33100-5120191-3	Bashir Ahmed	0.992	1.587	0.322	2.901	-	-	1.909	1.909
					856.65	538.263	11.816	1,406.729	675.641	0.000	504.978	1,180.619

ANNEXURE II

As at December 31, 2014

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

DISPOSAL OF FIXED ASSETS

Rupees in '000

Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
11.11						
Land						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Land Freehold	24,000	-	24,000	38,239	As Per Bank Policy	MR. ARSHAD ALI KHOKHAR
Land Leasehold	12,700	-	12,700	13,563	As Per Bank Policy	MR. SIDDIQUE SARWAR
Total	36,700	-	36,700	51,802		
Building						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Building Freehold	18,360	4,132	14,228	17,136	As Per Bank Policy	MR. ABID SHARIF AND MR. MUNIR AHMED
Total	18,360	4,132	14,228	17,136		
Furniture & Fixture						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Furniture & Fixture	814	190	624	595	Insurance Claim	M/S EFU GENERAL INSURANCE
Total	814	190	624	595		
Electrical, Office & Computer Equipments						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Computer Equipment	850	223	627	642	Insurance Claim	M/S EFU GENERAL INSURANCE
Electrical Equipment	920	329	591	695	Insurance Claim	M/S EFU GENERAL INSURANCE
Electrical Equipment	1,659	553	1,106	1,252	Insurance Claim	M/S EFU GENERAL INSURANCE
Total	3,429	1,105	2,324	2,589		
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	1,548	516	1,032	1,547	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,147	344	803	1,151	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,549	568	981	1,490	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,661	637	1,024	1,608	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,042	1,042	-	1,000	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,679	615	1,064	1,679	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,726	374	1,352	1,745	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,005	1,005	-	1,030	As Per Bank Policy	MR. ZAHID QADRI
Motor Vehicle	1,005	1,005	-	995	As Per Bank Policy	MR. KHALID ANWAR
Motor Vehicle	1,679	783	896	1,679	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	1,597	160	1,437	1,539	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	2,750	2,750	-	2,305	As Per Bank Policy	MR. IRFAN MIRZA
Motor Vehicle	1,264	1,264	-	952	As Per Bank Policy	MR. MUHAMMAD DAWOOD
Total	19,652	11,063	8,589	18,720		
Other Disposals	128,344	99,148	29,196	54,634	As Per Bank Policy	MISCELLANEOUS
31 December, 2014	207,299	115,638	91,661	145,476		
11.12						
Items sold to Executives Otherwise Than Through a Regular Auction						
Electrical, Office & Computer Equipments						
Computer Equipment	141	109	32	32	As Per Bank Policy	MR. JALEES AHMED
31 December, 2014	141	109	32	32		

ANNEXURE III

Location of Revalued Properties As On December 31, 2014
Revaluation Date: December 31, 2014

Date of Purchase	Particulars	City Location
28.06.1997	JINNAH COLONY FAISALABAD	FAISALABAD
14.12.1998	REGENCY ARCADE, FAISALABAD	FAISALABAD
03.08.2009	PLOT # 120 JINNAH AVENUE, HOUSING	
	SCHEME NO 1, GDA , GAWADAR	SIALKOT
26.06.2006	CLIMAXABAD , G T ROAD GUJRANWALA	GUJRANWALA
31.07.1996	CIVIC CENTRE, HYDERABAD	HYDERABAD
08.07.1999	CITIZEN COLONY, HYDERABAD 157/E	HYDERABAD
20.03.2007	SHAHRAH E NOOR MUHAMMAD HYDERABAD	HYDERABAD
12.09.2007	BOHRI BAZZAR SADDAR HYDERABAD	HYDERABAD
30.12.1966	BUNGLOW NO.44-D PECHS, KARACHI	KARACHI
17.07.1975	BLDG AT M.W.T. GK-7, KARACHI	KARACHI
20.03.1979	DADABHOY CENTRE KARACHI	KARACHI
09.08.1980	SHOP NO.5,7,8,10,11,12 KDA, SCHEME	
	NO.24, GULSHAN IQBAL KARACHI UNIVERSITY	
	ROAD	KARACHI
01.01.1985	TAJ COMPLEX KARACHI	KARACHI
05.06.1985	AMBER TOWER, KARACHI SHAHRAH-E-FAISAL	KARACHI
08.10.1986	BUFFER ZONE, KARACHI	KARACHI
08.11.1986	AMBER PALACE, KARACHI	KARACHI
17.12.1987	4-SHOPS AT BOATING BASIN, KARACHI	KARACHI
09.10.1988	ZAIBUNISA STREET, KARACHI	KARACHI
24.02.1992	II & III FLOORS TRADE TOWER KARACHI (COK)	KARACHI
24.02.1992	SHOP NO. 9 & 10 TRADE TOWER KARACHI	
	(BRANCH)	KARACHI
08.11.1993	HAIDRY, NORTH NAZIMBAD, BRANCH KARACHI	KARACHI
15.08.1994	ADAM ARCADE BRANCH, BHAHDURABAD,	
	KARACHI	KARACHI
29.12.1994	ZAM ZAMA BUILDING KARACHI	KARACHI
30.09.2005	BATH ISLAND CLIFTON BRANCH KARACHI	
	(BROADWAY CLIFTON)	KARACHI
27.11.1996	KHAYABAN-E-JAMI BRANCH (JAMI ARCADE)	KARACHI
29.12.1996	KHALID BIN WALEED ROAD BRANCH	KARACHI
29.06.1998	MASJID-E-TOOBA KARACHI (DHA)	KARACHI
11.08.1998	BLOCK K NORTH NAZIMABAD KARACHI (SB-4)	KARACHI
19.08.1998	CLOTH MARKET KARACHI (M.A.JINNAH ROAD)	KARACHI
21.12.2005	NEW CHALI-BRANCH, KARACHI	KARACHI
15.09.1998	BABA-E-URDU ROAD, KARACHI	KARACHI
30.09.1998	KHYABAN-E-BADAR, D.H.A. KARACHI	KARACHI
09.09.2005	BROADWAY CLIFTON C.O.K.	KARACHI
12.07.1999	SAIMA TRADE TOWER, I.I. CHUNDRIGAR ROAD,	
	KARACHI	KARACHI
05.08.1999	BUNGLOW NO. 33/4 BLOCK 7&8 BANGLORE	
	TOWN, KARACHI + RARE PORTION	KARACHI
29.09.1999	STARGATE BRANCH (SHOP NO: S-002, S-003)	KARACHI
22.05.2006	NEW SABZI MANDI SUPPER HIGHWAY KARACHI	KARACHI
21.12.2005	SR -7 ALTAF HUSSAIN ROAD NEW CHALLI	KARACHI
21.12.2005	BANK HOUSE, KHAYABAN E KHALID DHA,	
	KARACHI	KARACHI
25.11.2006	KARIMABAD BRANCH KARACHI	KARACHI
19.02.2008	SINDHI MUSLIM H.SOCIETY BR. KARACHI	KARACHI
18.12.2007	KHAYABAN-E-ITTEHAD, DHA, KARACHI	KARACHI
07.01.2008	SUNSET BOULEVARD, KARACHI	KARACHI
26.02.2008	STARGATE BRANCH KARACHI	KARACHI
28.04.2008	RASHID MNHAS ROAD, KARACHI (NEW)	KARACHI
03.05.2008	KHAYABAN-E-TANZEEM, KARACHI	KARACHI
05.05.2008	SALEH MOHAMMAD STREE BRANCH KARACHI	KARACHI
29.08.2008	BINNORI TOWN KARACHI	KARACHI
24.12.2008	SAFOORA GOTH, KARACHI	KARACHI
12.09.2014	OCEAN MALL (SOFITEL TOWER) KHI	KARACHI
19.08.2008	REGENCY APPARTMENT	KARACHI

ANNEXURE III

Location of Revalued Properties As On December 31, 2014
Revaluation Date: December 31, 2014

Date of Purchase	Particulars	City Location
22.05.2009	PLOT NO: 163-C/II, KHAYABAN-E-SHAHEEN,	
	PHASE-VIII, DHA,	KARACHI
27.08.2010	PORT QASIM, KARACHI	KARACHI
30.06.2011	PREEDY STREET, SADDAR, KARACHI	KARACHI
29.09.2014	BAHADURABAD, KARACHI	KARACHI
28.02.2014	146-C, AL-MURTAZA COMMERCIAL LANE	
	# 1-A, DHA KARACHI	KARACHI
28.02.2014	1-E, KHAYABAN-E-SEHAR DHA KARACHI	KARACHI
31.03.2011	8TH FLOOR, M/S. JOFA TOWERS, KARACHI	KARACHI
29.08.1994	SAMANABAD BRANCH LAHORE	LAHORE
27.12.1994	BRANDERTH ROAD BRANCH LAHORE	LAHORE
23.09.1996	BANK SQUARE, MODEL TOWN, LAHORE	LAHORE
21.03.2011	AIRLINE HOUSING SOCIETY,	
	KHYABAN-E-JINNAH, LAHORE	LAHORE
13.10.1973	BUNDER ROAD LARKANA	LARKANA
06.10.2005	ABDALI ROAD MULTAN	MULTAN
31.12.2009	W.H. GROUND & IST FLOOR, MAUZA	
	JAHANGIRABAD , MULTAN	MULTAN
09.05.2008	MASJID ROAD NAWABSHAH	NAWABSHAH
07.05.1990	PLOT AT SMALL INDUSTRIAL AREA SITE,	
	SAHIWAL	SAHIWAL
01.10.1973	30-NAPIER ROAD, LAHORE	LAHORE
22.04.1985	ANARKALI LAHORE	LAHORE
25.01.1987	PLOT NO.7-E, MAIN BOULVARD, GULBERG	
	LAHORE	LAHORE
31.05.1992	B/O QILA GUJAR SINGH LAHORE	LAHORE
16.08.1992	8-KASHMIR EGERTON ROAD LAHORE	LAHORE
09.09.1992	SHAHDMAN COLONY BRANCH LAHORE	LAHORE
11.08.1993	PLOT NO. 8-A, KASHMIR EGERTON ROAD,	
	LAHORE	LAHORE
31.01.2014	G.T.ROAD 1934, 1935, 1942, MOUZA	
	TEHSIL WAZIRABAD, GUJRANWALA	GUJRANWALA
20.12.1999	BANK SQUARE, GUJRANWALA	GUJRANWALA
23.12.1970	GOLE CLOTH FAISALABAD	FAISALABAD
29.12.1997	AKBAR BAZAR SHEIKUPURA	SHEIKHUPURA
26.06.2007	MANDI FAIZABAD JARANWALA ROAD	NANKHANA SHAIB
20.08.2011	SABZ PEER PASTUR SIALKOT	SIALKOT
01.11.2011	SADRA BADRA, DASKA, SIALKOT	SIALKOT
30.12.2010	HEAD OFFICE BUILDING LAHORE	LAHORE
22.06.2007	HYDER ROAD TOWNSHIP LAHORE	LAHORE
04.09.2007	GREEN TOWN LAHORE	LAHORE
25.03.2011	JHANG ROAD, FAISALABAD	FAISALABAD
12.12.2009	MAIN BRANCH, SHALIMAR LINK ROAD	MULTAN
24.12.2013	PLOT # 3, BABAR BLOCK NEW GARDEN	
	TOWN LAHORE	LAHORE
31.12.2013	CHAK # 68/RB, JARANWALA TEHSIL ADDA	
	JOHAL BRANCH (0806)	FAISALABAD
31.12.2013	CHAK # 214/RB, DHUDIWALA JARANWALA	
	ROAD BRANCH (0100)	FAISALABAD
26.12.2009	OPEN PLOT NO:110-D, EME SECTOR DHA,	
	LAHORE	LAHORE
13.07.2009	PLOT NO: 1, BUNGLOW NO:110, AZIZ	
	SHAHEED ROAD, SIALKOT CANTT	LAHORE
03.08.2009	MAIN TUFAIL ROAD BRANCH, LAHORE CANTT.	D.G.KHAN
21.08.2006	OPEN PLOT NO:G-4, MAIN BOULEVARD,	
	PHASE-I, DHA, LAHORE	KARACHI
30.06.2011	MOUZA SAADULLAH PUR TEHSIL PASRUR	
	DISTT SIALKOT	SIALKOT
19.09.1996	AHMEDPUR EAST BRANCH	BAHAWALPUR
07.11.2008	DUBAI CHOWK BAHAWALPUR	BAHAWALPUR

ANNEXURE III

Location of Revalued Properties As On December 31, 2014
Revaluation Date: December 31, 2014

Date of Purchase	Particulars	City Location
19.08.2005	GARHHA CHINIOT, DISTT. JHANG	CHINIOT JHANG
30.06.2005	MONTGOMERY BAZAR, SHOP # 180,WARD	
	# 7 STREET # 3 TEKA GALI YARN	
	MARKET, FAISALABAD	FAISALABAD
27.06.2005	KOTWALI ROAD, FAISALABAD	FAISALABAD
22.10.2005	SATYANA ROAD, FAISALABAD	FAISALABAD
31.12.2005	PEOPLES COLONY “D” GROUND, FAISALABAD	FAISALABAD
01.09.2006	GHULAM MUHAMMAD ABAD, FAISALABAD	FAISALABAD
06.07.2012	FAISALABAD INDUSTRIAL ESTATE VALUE	
	ADDITION CITY	FAISALABAD
24.12.2013	CHAK # 203/RB, MALIKPUR SHEIKHPURA	
	ROAD MANAWALA	FAISALABAD
10.08.2009	DHA PHASE-1 BRANCH, ISLAMABAD	ISLAMABAD
16.05.2007	BAGBANPURA LAHORE	LAHORE
29.06.2007	JOHAR TOWN LAHORE M BLOCK	LAHORE
29.12.2007	PLOT # Z-21, PHASE III DHA LAHORE	LAHORE
22.12.2008	BEADON ROAD, LAHORE	LAHORE
26.12.2008	INDUSTRIAL AREA, BADAMI BAGH (PECO ROAD)	LAHORE
18.12.2013	JOHAR TOWN LAHORE	LAHORE
29.07.1975	PLOT # 631 , MIRPUR A.K	MIRPUR A.K.
19.02.2007	GULGHAST COLONY MULTAN	MULTAN
18.10.2008	CHOWK BCG, MULTAN	MULTAN
31.12.2009	JHANG ROAD, MUZAFFARGARH	LAHORE
30.12.2011	WECHS, WAPDA TOWN, MULTAN	MULTAN
31.12.2009	HOSPITAL ROAD BRANCH, NAROWAL	LAHORE
20.04.1994	NEW SADIQ BAZAR RAHIMYAR KHAN	RAHIM YAR KHAN
01.12.2011	SHAHI ROAD RAHIM YAR KHAN	RAHIM YAR KHAN
20.07.1975	TRUNK BAZAR, RAWALPINDI	RAWALPINDI
05.06.1997	KASHMIR ROAD, RAWALPINDI	RAWALPINDI
11.08.2008	MURREE ROAD SATELLITE TOWN	
	RAWALPINDI (CHANDNI CHOWK RAWALPINDI)	RAWALPINDI
16.03.2012	ADDA NANDI PUR SIALKOT	SIALKOT
19.06.2009	MUHAMMED BIN QASIM PARK BRANCH,	
	SUKKUR	SUKKUR
08.05.1994	GRAIN MARKET VEHARI	VEHARI
30.06.2005	SUSAN ROAD / MADINA TOWN, FAISALABAD	FAISALABAD
22.10.2005	JAIL ROAD, FAISALABAD	FAISALABAD
23.10.2012	PEOPLES COLONY GUJRANWALA	GUJRANWALA
24.11.2008	I-9, ISLAMABAD (BRANCH LAND & BUILDING)	ISLAMABAD
23.07.2011	MARKAZ E 11/2 ISLAMABAD (BRANCH	
	LAND & BUILDING)	ISLAMABAD
02.08.1999	BUNGLOW NO 8-A QUAID-E-AZAM ROAD	
	MULTAN CANTT.	MULTAN
15.08.1996	CAVALARY ROAD, NOWSHERA	NOWSHERA
17.08.1994	PLOT NO: 37, PESHAWER	PESHAWAR
11.12.1997	ASGHAR MALL CHOWK RAWALPINDI	RAWALPINDI
18.09.2008	MAIN MARKET CHAKLALA-III,	RAWALPINDI
08.10.2012	MALL ROAD RAWALPINDI	RAWALPINDI
31.12.2013	PLOT # 52, SECTOR F, DHA PHASE-I,	
	RAWALPINDI	RAWALPINDI
29.07.1975	BLOCK NO.1, SARGODHA	SARGODHA
29.01.2013	MONTGOMERY BAZAR, PROPERTY # 18,	
	KHATOONI NO.1618, KHASRA	
	NO.3829 – 3830, CHAK NO.212/RB FAISALABAD	FAISALABAD
13.07.2011	MANSEHRA ROAD ABBOTTABAD	ABBOTABAD
16.10.2009	MODEL TOWN, D.G.KHAN	D.G.KHAN
31.08.2008	AMIN TOWN, FAISALABAD	FAISALABAD
20.12.2011	G.T.ROAD, HADBUST MOUZA ADOWAL TEHSIL	
	& DISTT GUJRAT	GUJRAT
20.07.1975	BLUE AREA BLDG, ISLAMABAD	ISLAMABAD

ANNEXURE III

Location of Revalued Properties As On December 31, 2014
Revaluation Date: December 31, 2014

Date of Purchase	Particulars	City Location
10.11.2006	F-8 ISLAMABAD	ISLAMABAD
09.05.2006	F-10 ISLAMABAD	ISLAMABAD
29.08.2006	F-11 ISLAMABAD	ISLAMABAD
12.12.2006	SUPER MARKET (F-6) ISLAMABAD	ISLAMABAD
30.10.2006	G - 11 MARKAZ ISLAMABAD	ISLAMABAD
01.02.2011	G 8 ISLAMABAD	ISLAMABAD
22.11.2008	DHA PHASE-II, ISLAMABAD	ISLAMABAD
30.12.2011	ISLAMABAD STOCK EXCHANGE	ISLAMABAD
24.12.2013	PLOT # 19/I-8 MARKAZ ISLAMABAD	ISLAMABAD
24.12.2013	PLOT # 8-D, F-8 MARKAZ ISLAMABAD	ISLAMABAD
09.08.1999	LAKSON SQUARE, 3RD FLOOR, SARWAR	
	SHAHEED ROAD, KARACHI	KARACHI
25.08.1999	SHOP NO. G-5, G-6 AND G-47 KEHKASHAN	
	(JADE GARDEN CLIFTON) KARACHI	KARACHI
26.05.2000	P.I.B. COLONY BRANCH SHOP NO.	
	10-11,47 & 48, KARACHI	KARACHI
10.06.2000	S.I.T.E. BRANCH, B-12,KARACHI	KARACHI
27.08.2003	STOCK EXCHANGE BRANCH KARACHI	KARACHI
09.03.2005	PLOT NO. 12 FT/4 FARERE TOWN, BATH	
	ISLAND CLIFTON KARACHI	KARACHI
29.06.2007	SHAHEEN CENTRE , CLIFTON, SCHON CIRCLE	KARACHI
28.02.2009	SHERSHAH BRANCH KARCHI SITE	KARACHI
11.12.2008	GULSHAN-E-MAYMAR, KARACHI.	KARACHI
09.09.2010	AISHA MANZIL, KARACHI.	KARACHI
17.05.1995	BLDG AT 199 & 199/A UPPER MALL LAHORE	LAHORE
10.09.1999	L.D.A. WASA BRANCH LAHORE	LAHORE
24.05.2006	INDUSTRIAL AREA, BADAMI BAGH	LAHORE
30.12.2006	FAISAL TOWN. LAHORE	LAHORE
17.05.2006	PHASE IV D.H.A LAHORE	LAHORE
24.05.2006	CIRCULAR ROAD, LAHORE	LAHORE
30.06.2006	PLOT PHASE V-C, DHA, LAHORE	LAHORE
14.09.2006	GARDEN TOWN, LAHORE	LAHORE
22.06.2006	WAHDAT COLONY PLAZA, LAHORE	LAHORE
22.08.2006	PLOT # 14 DHA PHASE VI - C, LAHORE	
	(PLOT # 346 BLOCK MB AMALGAMATE IN	
	PLOT # 14)	LAHORE
19.08.2006	PROPERTY AT 200-B, UPPER MALL, LAHORE	LAHORE
05.09.2006	PLOT NO: 24, BLOCK -B, GULBERG-II, LAHORE	LAHORE
30.12.2006	B/O ALLAMA IQBAL TOWN, LAHORE	LAHORE
30.04.2008	PLOT # 130/3, 130/4 QUAID-E-AZAM	
	INDUSTRIAL ESTATE LHR	LAHORE
31.12.2012	OFFICE NO: A-401, CITY TOWER LAHORE	LAHORE
24.10.1984	UPPER CHATTER, MUZAFFARABAD, A.K.	MIRPUR A.K.
08.11.2006	44/F AZIZ SHAHEED ROAD MULTAN	MULTAN
17.05.2007	CHOWK RASHEEDABAD MULTAN	MULTAN
10.11.2008	CHOWK SHAH ABBAS	MULTAN
14.11.1997	PLOT NO.16-B/1, PHASE V, HAYATABAD	
	PESHAWER	PESHAWAR
04.03.1979	SATELLITE TOWN, QUETTA	QUETTA
29.04.1982	SIRKI ROAD, QUETTA	QUETTA
20.07.2007	QANDHARI BAZAR, QUETTA	QUETTA
23.06.1999	PLOT NO.B-7 FRUIT & VEGETABLE COMPLEX	
	HAZAR GANJI QUETTA	QUETTA

ANNEXURE IV

Islamic Banking Business
Shariah Advisor's Report

For the year ended December 31, 2014

By the grace of Almighty Allah, I have reviewed the products and services, policies, procedures and related agreements practiced by the Allied Bank Limited - Islamic Banking Group (ABL IBG) during the Year 2014 since the launch of Islamic Banking Operations. This review function was based on direct review of some number of transactions on test check basis with the assistance of Shariah Compliance Department.

I am of the opinion that business affairs of ABL IBG, especially with reference to transactions performed by the Bank during the Year 2014 and relevant documentation and procedures are, in general, in conformity with the principles and guidelines of Shariah and other guidelines issued by Shariah Advisor and State Bank of Pakistan.

During the year, Management's special attention is observed towards the launching of Islamic Banking Operations through conversion of its existing conventional banking branches, developing the Shariah compliant value added and high tech innovative banking solutions and enhancing the Islamic banking knowledge of its staff through internal and external trainings.

I have also reviewed and approved the conversion process and the monthly allocation of profit, which was in conformity with the Shariah principles and the guidelines of State Bank of Pakistan. During the year no amount was transferred to or disbursed from the Charity Account.

In my opinion, following are some areas which require further improvement:

1. It is recommended that Bank should initiate the Customer's awareness programs with reference to Islamic Banking. This will not only educate the customers but also improve the image of the Bank in the market.

2. Policies / procedures and product development functions should be further enhanced in line with the specific Islamic banking market practices once the IBG starts financing and expands its branch network.

3. The scope of training and development shall be further extended especially for the Islamic Banking Treasury Front and Back Office Desks.

I would like to take this opportunity to offer praise to Almighty Allah and seek His Guidance and to express my wishes for further progress, development and prosperity of Islamic Banking.

Mufti Muhammad Iftikhar Baig
Shariah Advisor
Allied Bank Limited – Islamic Banking Group

Date: January 12, 2015

ANNEXURE IV

Islamic Banking Business

The Bank is operating 4 Islamic banking branches at the end of December 31, 2014 (2013: Nil).

Statement of Financial Position

As at December 31, 2014

	December 31, 2014	December 31, 2013
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	30,636	–
Balances with other banks	–	–
Due from financial institutions	308,000	–
Investments	526,242	–
Islamic financing and receivables	–	–
Operating fixed assets	24,765	–
Deferred tax assets	–	–
Due from Head Office	16,061	–
Other assets	4,279	–
	909,983	–
LIABILITIES		
Bills payable	11,372	–
Borrowings from financial institutions	–	–
Deposits and other accounts		
- Current accounts	144,961	–
- Saving accounts	236,761	–
- Term deposits	500	–
Deposit from Financial Institutions -Remunerative	–	–
Deposits from Financial Institutions-Non-Remunerative	–	–
Deferred tax liability	–	–
Due to Head Office	–	–
Other liabilities	3,528	–
	397,122	–
NET ASSETS	512,861	–
REPRESENTED BY		
Islamic Banking Fund	500,000	–
Reserves	–	–
Unappropriated profit	23,222	–
	523,222	–
Surplus/ (Deficit) on revaluation of assets - net of tax	(10,361)	–
	512,861	–
Remuneration to Shariah Advisor / Board	1,925	–
CHARITY FUND		
Opening balance	–	–
Additions during the year	–	–
Payments/ utilization during the year	–	–
Closing balance	–	–

ANNEXURE IV

Islamic Banking Business

Profit and Loss Account

For the year ended December 31, 2014

	December 31, 2014	December 31, 2013
	Rupees in '000	
Income / return / profit earned	15,386	–
Income / return / profit expensed	3,224	–
Net income / profit	12,162	–
Provision / (reversal) against non-performing loans and advances - net	–	–
Provision / (reversal) against diminution in the value of investments - net	–	–
Bad debts written off directly	–	–
	–	–
Net profit / income after provisions	12,162	–
OTHER INCOME		
Fee, commission and brokerage income	934	–
Dividend income	47,880	–
Income from dealing in foreign currencies	–	–
Gain / (loss) on sale of securities	143	–
Unrealized loss on revaluation of investments classified as held for trading - net	–	–
Other income	1	–
Total other income	48,958	–
	61,120	–
OTHER EXPENSES		
Administrative expenses	37,895	–
Provision against other assets	–	–
Provision against off-balance sheet obligations - net	–	–
Other charges	3	–
Total other expenses	37,898	–
Extra-ordinary / unusual items	–	–
PROFIT BEFORE TAXATION	23,222	–
Taxation		
Current	–	–
Prior years	–	–
Deferred	–	–
	–	–
PROFIT AFTER TAXATION	23,222	–

ANNEXURE IV

Islamic Banking Business

Statement of Cash Flow

For the year ended December 31, 2014

	December 31, 2014	December 31, 2013
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	23,222	–
Less: Dividend income	(47,880)	–
	(24,658)	–
Adjustments for non-cash items:		
Depreciation / amortization	567	–
Provision against non-performing loans, advances and general provision - net	–	–
Reversal for diminution in the value of investments - net	–	–
Unrealized loss on revaluation of held for trading securities	–	–
Provision against off balance sheet obligations - net	–	–
Provision against other assets - net	–	–
Operating fixed assets written off	–	–
Provision for Workers' Welfare Fund	–	–
Gain on sale of fixed assets	–	–
	567	–
	(24,091)	–
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(308,000)	–
Net realizations in 'held for trading' securities	–	–
Advances - net	–	–
Other assets (excluding advance taxation) - net	(4,279)	–
	(312,279)	–
Increase / (Decrease) in operating liabilities		
Bills payable	11,372	–
Borrowings from financial institutions	–	–
Deposits and other accounts	382,222	–
Other liabilities	3,528	–
	397,122	–
	60,752	–
Income tax paid - net	–	–
Net cash flow generated from operating activities	60,752	-
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(385,000)	
Net investments in 'held-to-maturity' securities	(151,602)	
Due from Head Office	(16,061)	
Dividend income received	47,880	
Investments in operating fixed assets	(25,333)	
Proceeds from sale of fixed assets	–	
Net cash used in investing activities	(530,116)	–
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	–	
Dividends paid	–	
Increase in Share Capital	500,000	
Net cash used in financing activities	500,000	–
Effect of translation of net investment in foreign branch	–	–
Increase in cash and cash equivalents during the year	30,636	–
Cash and cash equivalents at beginning of the year	–	–
Effect of exchange rate changes on opening cash and cash equivalents	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30,636	–

ANNEXURE IV

Islamic Banking Business

Notes to the Annexure IV

For the year ended December 31, 2014

A-IV. 1. POOLS MANAGEMENT

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Wakala modes respectively.

Under the general deposits pool, the Bank - IBG accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank - IBG acts as Manager (Mudarib) and invests the funds in the Shariah compliant modes of financings, investments and placements. When utilizing investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources.

Specific pools are operated for funds acquired / accepted from other banks for liquidity management under the Wakala mode.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. The directly related costs comprise of printing / documentation charges and other allowable expenses etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool are passed on to the pool except on the actual loss / write-off of such non-performing asset. The profit of the pool is shared between equity and other members of the pool at gross level (before charging of mudarib fee) as per the investment ratios. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib fee.

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed Ijarah Sukuks.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool.

A-IV. 2. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Profit rate return earned on earning assets	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
General Pool	Monthly	8.20%	50%	2,611	4.83%	22%	579

A-IV. 3. AVENUES / SECTORS OF ECONOMY / BUSINESS WHERE MUDARABA BASED DEPOSITS HAVE BEEN DEPLOYED

	December 31, 2014	December 31, 2013
	Rupees in '000	
GOP Ijarah Sukuk	151,602	–
Others	385,000	–
Total Gross Investments	536,602	–
Due from Financial Institution	308,000	–
Total Invested Funds	844,602	–

Consolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2014

Directors' Report on Consolidated Financial Statement
For the year ended December 31, 2014

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:

	2014	2013	Growth
	Rs. In million		%
Profit after tax for the year	15,202	14,783	3%
Accumulated profits brought forward	31,343	24,035	30%
Effect of remeasurement of defined benefit plan- net of tax	60	678	-91%
Transfer from surplus on revaluation of fixed assets - net of tax	45	53	-15%
Profit available for appropriation	46,650	39,549	18%
Final cash dividend for the year ended December 31, 2013 at Rs. 1.50			
per share (2013: Year ended December 31, 2012 at Rs. 2 per share)	(1,561)	(1,893)	-18%
1st interim cash dividend for the year ended			
December 31, 2014 at Rs. 1.25 per share (2013: Year ended			
December 31, 2013 at Rs. 1.25 per share)	(1,431)	(1,301)	10%
2nd interim cash dividend for the year ended			
December 31, 2014 at Rs. 1.5 per share (2013: Year ended			
December 31, 2013 at Rs. 1.25 per share)	(1,718)	(1,301)	32%
3rd interim cash dividend for the year ended			
December 31, 2014 at Rs. 1.75 per share (2013: Year ended			
December 31, 2013 Rs. 1.25 per share)	(2,004)	(1,301)	54%
Bonus shares for the year ended			
December 31, 2013 @ 10%*(2013: Year ended December 31, 2012 @ 10%)	(707)	(946)	-25%
Transfer to statutory Reserves	(1,501)	(1,464)	3%
Accumulated profits carried forward	37,728	31,343	20%
Earnings Per Share (EPS) (Rs.)	13.28	12.91	3%

* Appropriation out of Share Premium Account

Pattern of Shareholding

The pattern of shareholding as at December 31, 2014 is included in the Annual Report.

For and on behalf of the Board,

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2015
Place: Lahore

Auditors' Report
to the Members

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Mall View Building
4 – Bank Square
Lahore

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 2014 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 42 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 and its subsidiary company namely ABL Asset Management Company Limited. 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 2014 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 10, 2015
Place: Lahore

Consolidated Statement of Financial Position
as at December 31, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
		ASSETS			
410,540	444,584	Cash and balances with treasury banks	6	41,252,303	44,673,129
8,693	10,969	Balances with other banks	7	873,500	1,102,237
20,203	124,015	Lendings to financial institutions	8	2,030,062	12,461,403
4,273,328	3,620,614	Investments	9	429,397,275	363,810,550
3,045,865	2,657,523	Advances	10	306,057,885	267,036,121
271,397	219,905	Operating fixed assets	11	27,270,823	22,096,771
–	–	Deferred tax assets	12	–	–
360,416	234,682	Other assets	13	36,215,718	23,581,604
8,390,442	7,312,292			843,097,566	734,761,815
		LIABILITIES			
48,086	48,551	Bills payable	15	4,831,801	4,878,594
657,787	327,939	Borrowings	16	66,096,472	32,952,406
6,646,529	6,054,815	Deposits and other accounts	17	667,863,871	608,406,629
29,796	42,218	Sub-ordinated loans	18	2,994,000	4,242,200
–	–	Liabilities against assets subject to finance lease		–	–
36,122	18,008	Deferred tax liabilities	12	3,629,645	1,809,501
160,395	157,110	Other liabilities	19	16,116,962	15,786,880
7,578,715	6,648,641			761,532,751	668,076,210
811,727	663,651	**NET ASSETS**		81,564,815	66,685,605
		REPRESENTED BY			
113,957	103,597	Share capital	20	11,450,739	10,409,763
134,842	123,784	Reserves		13,549,355	12,438,158
375,468	311,925	Unappropriated profit		37,728,181	31,343,147
624,267	539,306			62,728,275	54,191,068
187,460	124,345	Surplus on revaluation of assets - net of tax	21	18,836,540	12,494,537
811,727	663,651			81,564,815	66,685,605
		CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and annexures I 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, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
666,810	539,628	Mark-up / return / interest earned	24	67,003,172	54,223,499
386,437	324,058	Mark-up / return / interest expensed	25	38,830,336	32,562,330
280,373	215,570	Net mark-up / interest income		28,172,836	21,661,169
21,016	6,483	Provision against non-performing loans and advances - net	10.4	2,111,694	651,481
(5,000)	(861)	Reversal for diminution in the value of investments - net	9.3	(502,387)	(86,538)
–	–	Bad debts written off directly	10.5	–	–
16,016	5,622			1,609,307	564,943
264,357	209,948	Net mark-up / interest income after provisions		26,563,529	21,096,226
		NON MARK-UP / INTEREST INCOME			
36,134	33,252	Fee, commission and brokerage income	26	3,630,871	3,341,292
34,955	33,847	Dividend income		3,512,429	3,401,019
4,544	6,288	Income from dealing in foreign currencies		456,592	631,858
41,640	12,662	Gain on sale of securities	27	4,184,147	1,272,270
		Unrealized gain / (loss) on revaluation of investments			
2,719	561	classified as held for trading - net	9.11	273,225	56,412
11,224	12,417	Other income	28	1,127,800	1,247,748
131,216	99,027	Total non-markup / interest income		13,185,064	9,950,599
395,573	308,975			39,748,593	31,046,825
		NON MARK-UP / INTEREST EXPENSES			
170,694	156,002	Administrative expenses	29	17,151,876	15,675,537
346	478	Provision against other assets	13.2	34,816	48,000
(3,878)	149	(Reversal) / provision against off-balance sheet obligations - net	19.1	(389,709)	14,955
4,575	2,973	Workers welfare fund	31	459,754	298,695
590	780	Other charges	30	59,280	78,358
172,327	160,382	Total non-markup / interest expenses		17,316,017	16,115,545
–	–	Extra-ordinary / unusual items		–	–
223,246	148,593	**PROFIT BEFORE TAXATION**		22,432,576	14,931,280
		Taxation			
74,139	40,881	Current		7,449,631	4,107,811
15	(40,640)	Prior years		1,501	(4,083,667)
(2,195)	1,234	Deferred		(220,556)	123,961
71,959	1,475		32	7,230,576	148,105
151,287	147,118	**PROFIT AFTER TAXATION**		15,202,000	14,783,175
311,925	239,198	Unappropriated profit brought forward		31,343,147	24,035,333
591	532	Transfer from surplus on revaluation of fixed assets - net of tax		59,380	53,471
312,516	239,730			31,402,527	24,088,804
463,803	386,848	**PROFIT AVAILABLE FOR APPROPRIATION**		46,604,527	38,871,979
In US$				In Rupees	
					Restated
0.13	0.13	**Earnings per share - Basic and Diluted**	33	13.28	12.91

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

Chief Financial Officer — President and Chief Executive — Director

Director — Chairman

Consolidated Statement of Other Comprehensive Income
for the year ended December 31, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
151,289	147,121	Profit after taxation for the year		15,202,000	14,783,175
		Other comprehensive income to be reclassified to profit and loss account in subsequent periods:			
		Exchange differences on translation of net investment			
(562)	742	in foreign wholesale branch		(56,448)	74,543
		Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
923	10,384	Actuarial gain relating to defined benefit plans		92,734	1,043,370
(323)	(3,635)	Related deferred tax charge		(32,457)	(365,180)
600	6,749			60,277	678,190
		Comprehensive income not reflected in equity			
43,852	48,159	Net change in fair value of available for sales securities		4,406,364	4,839,117
(15,832)	(2,776)	Related deferred tax charge		(1,590,837)	(278,887)
28,020	45,383			2,815,527	4,560,230
179,347	199,995	**Total comprehensive income for the year**		18,021,356	20,096,138

The annexed notes 1 to 46 and annexure I 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, 2014

December 31, 2014	December 31, 2013		Note	December 31, 2014	December 31, 2013
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
223,247	148,594	Profit before taxation		22,432,576	14,931,280
(34,955)	(33,847)	Less: Dividend income		(3,512,429)	(3,401,019)
188,292	114,747			18,920,147	11,530,261
		Adjustments for non-cash items:			
18,615	16,928	Depreciation / amortization		1,870,511	1,700,938
21,015	6,483	Provision against non-performing loans, advances and general provision - net		2,111,694	651,481
(5,000)	(861)	Reversal for diminution in the value of investments - net		(502,387)	(86,538)
(2,719)	(561)	Unrealized (gain) / loss on revaluation of held for trading securities		(273,225)	(56,412)
(3,878)	149	(Reversal) / provision against off balance sheet obligations - net		(389,709)	14,955
346	478	Provision against other assets - net		34,816	48,000
–	338	Operating fixed assets written off		–	33,959
4,575	2,973	Provision for Workers' Welfare Fund		459,754	298,695
(670)	(273)	Gain on sale of fixed assets		(67,299)	(27,413)
32,284	25,654			3,244,155	2,577,665
220,576	140,401			22,164,302	14,107,926
		(Increase) / Decrease in operating assets			
103,813	(17,321)	Lendings to financial institutions		10,431,341	(1,740,468)
(65,318)	(30,773)	Net investment in 'held for trading' securities		(6,563,313)	(3,092,169)
(409,357)	34,116	Advances - net		(41,133,458)	3,428,081
(144,867)	(1,747)	Other assets (excluding advance taxation) - net		(14,556,731)	(175,565)
(515,729)	(15,725)			(51,822,161)	(1,580,121)
		Increase / (Decrease) in operating liabilities			
(466)	(13,181)	Bills payable		(46,793)	(1,324,457)
328,368	(59,351)	Borrowings from financial institutions		32,995,441	(5,963,786)
591,714	932,537	Deposits and other accounts		59,457,242	93,704,185
3,219	4,372	Other liabilities		323,503	439,328
922,835	864,377			92,729,393	86,855,270
627,682	989,053			63,071,534	99,383,075
(55,311)	(30,451)	Income tax paid - net		(5,557,788)	(3,059,845)
572,371	958,602	**Net cash flow generated from operating activities**		57,513,746	96,323,230
		CASH FLOW FROM INVESTING ACTIVITIES			
1,007,163	(852,656)	Net investments in 'available-for-sale' securities		101,202,861	(85,677,505)
(1,542,989)	(23,646)	Net investments in 'held-to-maturity' securities		(155,044,297)	(2,376,057)
35,842	39,385	Dividend income received		3,601,469	3,957,572
(31,961)	(39,398)	Investments in operating fixed assets		(3,211,556)	(3,958,841)
1,453	705	Proceeds from sale of fixed assets		145,959	70,791
(530,492)	(875,610)	**Net cash used in investing activities**		(53,305,564)	(87,984,040)
		CASH FLOW FROM FINANCING ACTIVITIES			
(12,422)	(12,422)	Repayment of sub-ordinated loan		(1,248,200)	(1,248,200)
(66,694)	(57,434)	Dividends paid		(6,701,666)	(5,771,161)
(79,116)	(69,856)	**Net cash used in financing activities**		(7,949,866)	(7,019,361)
(562)	742	Effect of translation of net investment in foreign branch		(56,448)	74,543
(37,799)	13,878	**(Decrease) / Increase in cash and cash equivalents during the year**		(3,798,132)	1,394,372
457,270	440,278	**Cash and cash equivalents at the beginning of the year**		45,947,890	44,240,505
(1,718)	1,398	**Effect of exchange rate changes on opening cash and cash equivalents**		(172,580)	140,490
417,753	455,554	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	34	41,977,178	45,775,367

The annexed notes 1 to 46 and annexure I 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, 2014

	Share Capital	Reserves								
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
	Rupees in '000									
Balance as at January 01, 2013	9,463,421	–	10,198	–	67,995	333,864	10,481,222	6,000	24,035,333	44,398,033
Changes in equity during the year ended										
December 31, 2013										
Total comprehensive income for the year ended										
December 31, 2013										
Net profit for the year ended December 31, 2013	–	–	–	–	–	–	–	–	14,783,175	14,783,175
- Effect of retrospective change in accounting policy										
with respect to accounting for actuarial gains and										
losses net of deferred tax referred	–	–	–	–	–	–	–	–	678,190	678,190
- Effect of translation of net investment in foreign										
wholesale bank branch	–	–	74,543	–	–	–	–	–	–	74,543
	–	–	74,543	–	–	–	–	–	15,461,365	15,535,908
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for										
the year ended December 31, 2012 @ 10%	–	–	–	946,342	–	–	–	–	(946,342)	–
Issue of bonus shares	946,342	–	–	(946,342)	–	–	–	–	–	–
Final cash dividend for the year ended December										
31, 2012 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	–	(1,892,684)	(1,892,684)
First interim cash dividend for the year ended										
December 31, 2013 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,301,220)	(1,301,220)
Second interim cash dividend for the year ended										
December 31, 2013 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	-	–	(1,301,220)	(1,301,220)
Third interim cash dividend for the year ended										
December 31, 2013 (Re. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,301,220)	(1,301,220)
	946,342	–	–	–	–	–	–	–	(6,742,686)	(5,796,344)
Transferred from surplus on revaluation of fixed assets										
to un-appropriated profit - net of tax	–	–	–	–	–	–	–	–	53,471	53,471
Transfer to statutory reserve	–	–	–	–	–	–	1,464,336	–	(1,464,336)	–
Transfer to share premium reserve	–	333,864	–	–	(67,995)	(333,864)	67,995	–	–	–
Balance as at December 31, 2013	10,409,763	333,864	84,741	–	–	–	12,013,553	6,000	31,343,147	54,191,068
Changes in equity during the year ended										
December 31, 2014										
Total comprehensive income for the year ended										
December 31, 2014										
- Net profit for the year ended December 31, 2014	–	–	–	–	–	–	–	–	15,202,000	15,202,000
- Effect of translation of net investment in foreign										
wholesale bank branch	–	–	(56,448)	–	–	–	–	–	–	(56,448)
- Effect of remeasurement of defined benefit plan-net										
of deferred tax	–	–	–	–	–	–	–	–	60,277	60,277
	–	–	(56,448)	–	–	–	–	–	15,262,277	15,205,829

Consolidated Statement of Changes in Equity
for the year ended December 31, 2014

	Share Capital	Reserves							Un-appropriated Profit	Total
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve		
	Rupees in '000									
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the										
year ended December 31, 2013 @ 10%	–	(333,864)	–	1,040,976	–	–	–	–	(707,112)	–
Issue of bonus shares	1,040,976	–	–	(1,040,976)	–	–	–	–	–	–
Final cash dividend for the year ended										
December 31, 2013 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	–	–	(1,561,464)	(1,561,464)
First interim cash dividend for the year ending										
December 31, 2014 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	–	–	(1,431,342)	(1,431,342)
Second interim cash dividend for the year ending										
December 31, 2014 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	–	–	(1,717,611)	(1,717,611)
Third interim cash dividend for the year ending										
December 31, 2014 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	1,040,976	(333,864)	–	–	–	–	–	–	(7,421,409)	(6,714,297)
Transferred from surplus on revaluation of fixed assets										
to un-appropriated profit - net of tax	–	–	–	–	–	–	–	–	45,675	45,675
Transfer to statutory reserve	–	–	–	–	–	–	1,501,509	–	(1,501,509)	–
Transfer to share premium reserve	–	–	–	–	–	–	–	–	–	–
Balance as at December 31, 2014	11,450,739	–	28,293	–	–	–	13,515,062	6,000	37,728,181	62,728,275

* This represented reserve created by 20% of profit after tax of Ibrahim Leasing Limited (ILL) before its amalgamation with the Bank, as required under the Non Banking Finance Companies (NBFC) Rules, 2003. Being Statutory Reserve in nature, same has been transferred to Statutory Reserve of the Bank in 2013.

** These were created as a result of merger of Ibrahim Leasing Limited and First Allied Mordaraba into Allied Bank Limited. This has been transferred in 2013 to Share Premium Reserve with the approval of Securities and Exchange Commission of Pakistan vide letter number EMD/233/673/2002-965 dated April 15, 2013.

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

Chief Financial Officer   President and Chief Executive   Director

Director   Chairman

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 998 (2013: 948) branches in Pakistan including 4 (2013: Nil) Islamic banking branches, 1 branch (2013:1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2013: 1) 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.

Subsidiary Company

ABL Asset Management Company Limited (the Company) is a public unlisted company, incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The Company received certificate for commencement of business on December 31, 2007. The 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).The company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005 . The registered office of the Company is situated at 11-B Lalazar, M.T. Khan Road, Karachi. The Company is a wholly owned subsidiary of Allied Bank Limited (the Parent Company). The management quality rating of the Company, as assigned by JCR-VIS Crediting Rating Company Limited, is AM2 (Stable).

ABL Asset Management company is managing following funds:

- ABL Income Fund	Launched on September 20, 2008
- ABL Stock Fund	Launched on June 28, 2009
- ABL Cash Fund	Launched on July 30, 2010
- ABL Islamic Income Fund	Launched on July 30, 2010
- ABL Government Securities Fund	Launched on November 30, 2011
- ABL Islamic Stock Fund	Launched on June 12, 2013
- ABL Islamic Principal Preservation Fund	Launched on December 24, 2013
- ABL Islamic Principal Preservation Fund-II	Launched on March 31, 2014
- ABL Pension Fund	Launched on August 20, 2014
- ABL Islamic Pension Fund	Launched on August 20, 2014

2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company for the year ended December 31, 2014.

- 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 statement of financial position, profit and loss account, statement of other 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 100.4831 per US Dollar has been used for 2014 and 2013, 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

(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);
- Certain operating fixed assets (Note 5.5); and
- Fair value of derivatives (Note 4-V)

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 State Bank of Pakistan. 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 requirements 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 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.4 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:

IFAS 3	-	Profit and Loss Sharing on Deposits
IAS 32	-	Financial Instruments : Presentation - (Amendment)
	-	Offsetting Financial Assets and Financial Liabilities
IAS 36	-	Impairment of Assets - (Amendment)
	-	Recoverable Amount Disclosures for Non-Financial Assets
IFRIC 21	-	Levies

The adoption of the above did not have any effect on the financial statements for the current year.

3.5 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, 2015. 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, when they will become effective.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 10 - Consolidated Financial Statements	January 01, 2015

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses 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 judgement 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. Based on the preliminary analyses performed, IFRS 10 is not expected to have material impact on the currently held investments of the Bank.

IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015

IFRS 12 prescribes disclosures related to consolidated financial statements and an entity's interests in subsidiaries, joint arrangements, associates and structured entities. It is expected that adoption of IFRS 12 will result in enhanced disclosures in the consolidated financial statements of the Group for future periods

IFRS 13 - Fair Value Measurement	January 01, 2015

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change 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 that this standard will have on the financial position and performance, but based on the preliminary analysis, no material impact is expected.

IAS 16 & 38 - Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 - Property, Plant and Equipment & Agriculture - (Amendment) - Agriculture: Bearer Plants	January 01, 2016

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.

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	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading" the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as "held-to-maturity" the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

- The investments which are not classified as "held for trading" or "held to maturity" are classified as "available for sale".

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

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirement set out in Prudential Regulations. These provisions change due to changes in requirements.

Notes to the Consolidated Financial Statements
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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) Operating fixed assets, depreciation and amortization

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

vii) Defined benefits plan

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2013 except as stated in Note 5.9. 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 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 amortized 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 arrived to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Mark-up on such lending is accrued 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, other than investment in subsidiary, into the following categories:

(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, other than those in subsidiary, that do not fall under the "Held For Trading" or "Held To Maturity" categories.

5.3.2 Investments are initially recognized at fair value which, in case of investments other than held for trading, includes transaction cost associated with the investments. Transaction cost on investments "Held For Trading" are expensed as incurred.

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.3.3 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 realized 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. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks 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.

5.3.4 Investments in subsidiaries are stated at cost less impairment.

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 other directives issued by SBP and charged to the profit and loss account. General provision is maintained on consumer and small entity 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 in accordance with the requirements of prudential regulations issued by the SBP.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

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 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 changed, 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 by independent professionally qualified valuers, 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 finalized 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 realized.

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 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;

- The beneficiary employees during the year were also given an option to settle their monthly pension with a lump sum payment. Those who have not opted for the lump sum option will continue to receive pension (defined benefit scheme).

- 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 Group 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. The beneficiary employees as on that date 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 recognized in Comprehensive Income in the period of occurrence.

5.7.2 Other long term benefit

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. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit & Loss account in the period of occurrence.

5.8 Assets acquired in satisfaction of claims

The assets acquired in settlement of certain advances, are stated at lower of the carrying value 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 accrued to the profit and loss account on accrual basis. However, the Bank has adopted new accounting policy relating to deposits mobilized under Islamic Banking operations. Such deposits are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

Notes to the Consolidated Financial Statements
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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 accrued to the profit and loss account on a time proportion basis.

5.11 Impairment

At each reporting date, the Group reviews the carrying amount of its assets (other 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 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 exchange rate.

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. Regular translation gains and losses are taken to profit & loss account.

d) Commitments

Commitments for outstanding forward 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 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, 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.

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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 Group'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) including 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 Group 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 Group by the weighted average number of ordinary shares outstanding during the year.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		8,512,181	7,422,245
Foreign currencies		672,759	737,623
		9,184,940	8,159,868
Remittances in transit		1,052,463	999,593
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	9,369,334	16,487,185
Foreign currency current account	6.2	83,165	2,746
		9,452,499	16,489,931
Foreign currency deposit accounts			
- Non remunerative	6.3	3,211,415	2,969,548
- Remunerative	6.3 & 6.4	9,634,244	8,908,644
		12,845,659	11,878,192
With National Bank of Pakistan in			
Local currency current accounts		8,631,088	7,080,875
National Prize Bonds		85,654	64,670
		41,252,303	44,673,129

6.1 Deposits with the SBP are maintained to comply with the cash reserve requirement under section 22 of the Banking Company Ordinance, 1962 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 maintained with the SBP. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2014, carries mark-up at the rate of 0% (2013: 0%) per annum.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		6	6
Outside Pakistan			
On current accounts	7.1	445,167	801,732
On deposit accounts		428,327	300,499
		873,500	1,102,237

7.1 Included in Nostro accounts are balances, aggregating to Rs. 69.595 million (2013: Rs. 148.691 million), representing balances held with a related party outside Pakistan.

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		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
8.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	919,646	11,661,403
	Certificates of investment	8.2	70,000	70,000
	Call money lendings	8.3	1,110,416	800,000
		8.4	2,100,062	12,531,403
	Provision against lendings to financial institutions	8.6	(70,000)	(70,000)
			2,030,062	12,461,403

8.1 These are short-term lendings to financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rate of 9.7% (2013: 10.00% to 10.40%) per annum and will mature on, latest by January 16, 2015.

8.2 This represents a classified certificate of investment amounting to Rs. 70 million (2013: Rs. 70 million).

8.3 These call money lendings carry mark-up at rates ranging from 9.4% to 9.7% (2013: 9.5% to 10.25%) for local currency, and at rate of 0.40% (2013: Nil) for foreign currency lending per annum maturing on various dates, latest by Jan 05, 2015.

		December 31, 2014	December 31, 2013
		Rupees in '000	
8.4	**Particulars of lending**		
	In local currency	1,597,647	12,531,403
	In foreign currencies	502,415	–
		2,100,062	12,531,403

8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2014			December 31, 2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	919,646	-	919,646	11,661,403	-	11,661,403
	919,646	-	919,646	11,661,403	-	11,661,403

		December 31, 2014	December 31, 2013
		Rupees in '000	
8.6	**Particulars of provision**		
	Opening balance	70,000	70,000
	Charge for the year	–	–
	Reversal	–	–
	Net charge	–	–
	Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2014			December 31, 2013		
		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							
Market Treasury Bills		2,474,557	–	2,474,557	2,983,343	–	2,983,343
Pakistan Investment Bonds		6,997,811	–	6,997,811	–	–	–
Units of open-ended mutual funds / pension funds		1,003,933	–	1,003,933	873,233	–	873,233
		10,476,301	–	10,476,301	3,856,576	–	3,856,576
Available-for-sale securities							
Market Treasury Bills		81,149,936	31,696,602	112,846,538	272,873,099	2,304,528	275,177,627
Pakistan Investment Bonds		72,370,892	–	72,370,892	148,387	–	148,387
Ordinary shares of listed companies /							
certificates of mutual funds		20,088,582	–	20,088,582	17,602,295	–	17,602,295
Preference shares		136,855	–	136,855	149,355	–	149,355
Pre IPO shares		–	–	–	199,996	–	199,996
Units of open ended mutual funds		250,000	–	250,000	5,588,989	–	5,588,989
Ordinary shares of unlisted companies		2,223,838	–	2,223,838	1,992,014	–	1,992,014
Investment in related parties							
- Listed shares		–	–	–	4,053,509	–	4,053,509
- Unlisted shares		456,155	–	456,155	281,816	–	281,816
- Units of open ended mutual funds		458,299	–	458,299	5,500,000	–	5,500,000
Sukuk bonds		2,233,278	–	2,233,278	2,469,955	–	2,469,955
Term finance certificates (TFCs)		2,837,451	–	2,837,451	2,046,694	–	2,046,694
		182,205,286	31,696,602	213,901,888	312,906,109	2,304,528	315,210,637
Held-to-maturity securities							
Pakistan Investment Bonds		184,587,797	–	184,587,797	28,613,646	–	28,613,646
GOP Ijara Sukuk		151,602	–	151,602	–	–	–
Foreign currency bonds (US$)		4,570,147	–	4,570,147	4,660,597	–	4,660,597
TFCs, Bonds and PTCs		2,094,732	–	2,094,732	3,085,738	–	3,085,738
		191,404,278	–	191,404,278	36,359,981	–	36,359,981
Investment at cost		384,085,865	31,696,602	415,782,467	353,122,666	2,304,528	355,427,194
Provision for diminution in the							
value of investments	9.3	(977,183)	–	(977,183)	(1,585,458)	–	(1,585,458)
Investment (net of provisions)		383,108,682	31,696,602	414,805,284	351,537,208	2,304,528	353,841,736
Surplus / (deficit) on revaluation of							
held-for-trading securities		273,225	–	273,225	56,412	–	56,412
Surplus / (Deficit) on revaluation of							
available-for-sale securities	21.2	14,245,549	73,217	14,318,766	9,915,485	(3,083)	9,912,402
Total investments at market value		397,627,456	31,769,819	429,397,275	361,509,105	2,301,445	363,810,550

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
9.2.	**INVESTMENTS BY SEGMENTS:**			
	Federal Government Securities:			
	- Market Treasury Bills	9.2.1 - 9.2.3	115,321,095	278,160,970
	- Pakistan Investment Bonds	9.2.1	263,956,500	28,762,033
	- Foreign Currency Bonds (US$)	9.2.1 & 9.2.4	4,570,147	4,660,597
	- GOP Ijara Sukuk	9.2.1	151,602	–
	Fully paid up ordinary shares of listed companies / certificates of closed ended mutual funds	9.4	20,088,582	21,855,800
	Fully paid up ordinary shares of unlisted companies	9.5	2,679,993	2,273,830
	Investment in units of open ended mutual funds	9.6	1,712,232	11,962,222
	Fully paid up preference shares	9.7	136,855	149,355
	Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
	Term Finance Certificates			
	-Listed	9.8	1,183,053	830,101
	-Unlisted	9.8	1,821,346	1,397,610
	Sukuk Bonds	9.9	4,161,062	5,374,676
	Total investments at cost		415,782,467	355,427,194
	Less: Provision for diminution in the value of investments	9.3	(977,183)	(1,585,458)
	Investments (net of provisions)		414,805,284	353,841,736
	Unrealized gain / (loss) on revaluation of held-for-trading securities	9.11	273,225	56,412
	Surplus on revaluation of available-for-sale securities	21.2	14,318,766	9,912,402
	Total investments at market value		429,397,275	363,810,550

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills	February, 2015 To November, 2015	9.71% - 9.98%	On maturity	At maturity
Foreign Currency Bonds (US$)	March , 2016 To June, 2017	6.875% - 7.125%	On maturity	Half Yearly
Pakistan Investment Bonds	19 May 2016 To 17 July, 2024	9.6% - 12.0%	On maturity	Half Yearly
GOP Ijara Sukuk	28 March 2015 To 25 June 17	6M MTB minus (0.30% to 2.0%)	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 31,518.674 million (2013: Rs. 1,964.728 million), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a book value of Rs. 177.927 million (2013: 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 Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Purchase	Date of Maturity	Coupon Due	Redemption Period	December 31, 2014	December 31, 2013
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-15	6.5 Years	292,184	299,333
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-15	5.9 Years	316,560	328,048
Euro Dollar Bond ($16,257,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-15	10 Years	1,573,904	1,605,496
Euro Dollar Bond ($7,500,000)	6.875%	31-May-07	01-Jun-17	30-May-15	10 Years	671,285	674,625
Euro Dollar Bond ($8,000,000)	6.875%	31-May-07	01-Jun-17	30-May-15	10 Years	761,230	782,207
Euro Dollar Bond ($9,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-15	10 Years	954,984	970,888
						4,570,147	4,660,597

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
9.3	**Particulars of provision**			
	Opening balance		1,585,458	1,947,781
	Charge for the year		175,339	2,473
	Reversals		(677,726)	(89,011)
	Net charge		(502,387)	(86,538)
	Reversal as gain on disposal		(105,888)	(179,289)
	Amounts written off		–	(96,496)
	Closing balance	9.3.1	977,183	1,585,458
9.3.1	**Particulars of provision in respect of type and segment**			
	By type			
	Available-for-sale securities			
	Ordinary shares / certificates of listed companies		389,481	394,992
	Ordinary shares of unlisted companies		79,685	56,509
	Preference shares		136,855	149,355
	Sukuk Bonds		7,241	–
			613,262	600,856
	Held-to-maturity securities			
	TFCs, Debentures, Bonds and PTCs		363,921	984,602
			977,183	1,585,458
	By Segment			
	Fully Paid up Ordinary Shares:			
	- Listed companies		389,481	394,992
	- Unlisted companies		79,685	56,509
	- Preference Shares		136,855	149,355
			606,021	600,856
	Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
	Bonds		207,241	876,180
	Term Finance Certificates		163,921	108,422
			371,162	984,602
			977,183	1,585,458

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificate	2014 No. of shares / certificates	2014 Total Cost	2013 No. of shares / certificates	2013 Total Cost
	Rupees		Rupees in '000		Rupees in '000
Available for Sale					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	419.20	1,338,450	561,076	1,242,950	509,864
D.G.Khan Cement Limited	–	–	–	8,676,141	339,906
Engro Corporation Limited	–	–	–	3,200,000	410,164
Engro Fertilizers- Pre IPO	–	–	–	7,079,500	199,996
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	44,639,500	964,127
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	32,329,275	2,640,388
First Equity Modaraba	–	–	–	519,914	645
Habib Bank Limited	–	–	–	1,614,300	265,078
Hub Power Company Limited	36.51	112,000,000	4,089,011	112,000,000	4,092,396
Kot Addu Power Company Limited	46.06	88,000,000	4,053,509	88,000,000	4,053,509
Lucky Cement Limited.	–	–	–	2,052,100	318,454
Namco Balanced Fund	–	–	–	2,450,154	9,640
Nishat (Chunian) Limited	–	–	–	3,185,163	104,671
Nishat Chunian Power Limited	10.00	30,000,000	300,000	36,500,000	483,191
Nishat Mills Limited	–	–	–	5,900,000	498,158
Nishat Power Limited	10.00	30,000,000	300,000	34,813,894	373,875
Pakistan Oil field Limited.	404.83	9,106,350	3,686,501	8,876,000	3,376,508
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	324.51	1,486,500	482,384	2,000,000	658,048
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	28,227,717	385,430
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	–	–
Trust Investment Bank Limited	10.00	1,250,000	12,500	–	–
United Bank limited	158.01	6,064,800	958,277	–	–
			20,088,582		21,855,800

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	Dec. 31, 2014 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	4.39	10	5,000	30-Jun-13	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	16.79	10	355,000	30-Jun-14	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	6.56	10	148,333	31-Dec-13	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	36.25	10	40,300	30-Jun-14	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	5.18%	7,734,926	10.94	10	21,200	31-Dec-13	Ms. Tahira Raza
Habib Allied International Bank - related party	9.26%	3,304,418	259.25	£1	449,628	31-Dec-13	Mr. Anwar M. Zaidi
Islamabad Stock Exchange*	0.83%	3,034,603	10.78	10	30,346	30-Jun-14	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.63	10	8,440	30-Jun-14	Mr. Aftab Ahmad Ch.
National Institutional Facilitation Technologies							
(Pvt) Limited (NIFT) - related party	9.07%	1,478,228	63.20	10	1,527	30-Jun-14	Mr. Muzaffar M khan
Nishat Hotels and Properties Limited	9.84%	53,154,590	10.24	10	531,546	30-Jun-14	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services							
Corporation Limited (PASSCO)	3.33%	1,000	-	10	1,000	31-Mar-13	Capt (R) Tariq Masud
Security General Insurance Life	18.22%	12,401,871	116.18	10	1,075,653	31-Dec-13	Ms. Nabiha Shahnawaz
SME Bank Limited.	0.32%	774,351	4.20	10	5,250	31-Dec-13	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial Telecommunication	9.00%	10	425,863	€1	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
Eastern Capital Limited	-	500,000	-	-	5,000		Under liquidation
					2,679,993		

*These shares have been transferred as per the requirements of The Stock Exchanges (Corporation, Demutualization and integration) Act, 2012.

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2014	No. of Units 2013	Paid-up value per Certificate	Total Cost 2014	Total Cost 2013
			Rupees	Rupees in '000	
ABL Cash Fund- related party	61,988,781	551,570,766	10	591,416	5,206,713
ABL Government Securities Fund- related party	–	46,825,634	10	–	463,119
ABL Income Fund- related party	27,959,967	26,737,377	10	267,582	257,260
ABL Stock Fund- related party	12,996,439	12,318,381	10	129,387	119,529
HBL Money Market Fund	–	12,381,619	100	–	1,250,000
HBL Islamic Stock Fund	579,833	–	100	100,000	–
KASB Cash Fund	–	1,164,545	10	–	119,676
ABL Islamic Stock Fund - related party	6,205,530	–	10	58,656	–
MCB Cash Management Optimizer	–	12,506,176	100	–	1,250,000
AL Ameen Shariah Stock Fund	1,483,838	–	100	150,000	–
NAFA Government Securities Liquid Fund	–	124,602,269	10	–	1,250,000
NAFA Income Opportunity Fund	–	49,464,433	10	–	469,313
UBL Liquidity Plus Fund	–	12,444,200	100	–	1,250,000
ABL AMC Capital Protected Fund - related party	–	22,898,182	10	–	108,211
ABL AMC Islamic Income Fund - related party	–	6,972,970	10	–	64,774
ABL AMC Islamic Stock Fund - related party	11,206,388	5,362,738	10	135,000	53,627
ABL Islamic Principal Preservation Fund - related party	10,368,391	10,000,000	10	100,191	100,000
ABL Pension Fund - Equity Sub Fund - related party	300,000	–	10	30,000	–
ABL Pension Fund - Debt Sub Fund - related party	300,000	–	10	30,000	–
ABL Pension Fund - Money Market Sub Fund - related party	300,000	–	10	30,000	–
ABL Islamic Pension Fund - Equity Sub Fund - related party	300,000	–	10	30,000	–
ABL Islamic Pension Fund - Debt Sub Fund - related party	300,000	–	10	30,000	–
ABL Islamic Pension Fund - Money Market Sub Fund - related party	300,000	–	10	30,000	–
				1,712,232	11,962,222

9.7 Detail of Investment in Preference Shares - fully provided

Name of Company	Note	Percentage of Holding	No. of certificates	Paid-up Value per certificate	Total paid-up value	Total Cost December 31, 2014	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	Mr. Rasheed Y. Chinoy
Trust Investment Bank Limited	9.7.2	12.23%	3,750,000	10	37,500	37,500	Mr. Asif Kamal
						136,855	

9.7.1 These preference shares issued in June 2009, 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 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 Bank, after completion of three years from the date of issue.

9.8 Detail of Investment in TFCs

Name of Company	No. of Units 2014	No. of Units 2013	Paid-up value per Certificate	Total Cost 2014	Total Cost 2013
			Rupees	Rupees in '000	
Listed					
Faysal Bank Limited	70,000	70,000	5,000	349,440	349,580
United Bank Limited-III Issue	10,000	10,000	5,000	–	16,633
Azgard Nine Limited	1,300	1,300	5,000	1,573	1,573
Telecard Limited	75,888	75,888	5,000	125,221	139,290
NIB Bank TFC-II	76,800	–	5,000	383,923	–
Bank Al Falah Limited - V issue	49,000	49,000	5,000	322,896	323,025
				1,183,053	830,101

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Name of Company	No. of Units 2014	No. of Units 2013	Paid-up value per Certificate	Total Cost 2014	Total Cost 2013
			Rupees	Rupees in '000	
Unlisted					
Askari Bank Limited	20,000	20,000	5,000	99,780	99,840
(Chief Executive: Mr. M. R. Mehkari)					
Escorts Investment Bank Limited	–	20,000	5,000	–	9,993
(Chief Executive: Ms. Shazia Bashir)					
Financial Receivable Securitization Company Limited - A	–	14,579	5,000	–	6,072
(Chief Executive: Mr. Munaf Ibrahim)					
Financial Receivable Securitization Company Limited - B	–	6,421	5,000	–	4,008
(Chief Executive: Mr. Munaf Ibrahim)					
Dewan Farooque Spinning Mills Limited	–	–	5,000	30,274	30,274
(Chief Executive: Mr. Dewan Abdul Baqi Farooqui)					
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	454
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	10,999
Bank Al-Habib TFC 3	–	60,000	5,000	–	298,920
(Chief Executive: Mr. Abbas D. Habib)					
Bank Al-Habib TFC 4	90,000	90,000	5,000	449,370	449,550
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank TFC3	75,000	75,000	5,000	375,000	375,000
(Chief Executive: Mr. Mohsin Ali Nathani)					
Jahangir Siddiqi & Company Limited	30,000	30,000	5,000	75,000	112,500
(Chief Executive: Mr. Suleman Lalani)					
Bank Al Falah Limited	–	49,000	5,000	–	–
(Chief Executive: Mr. Atif Bajwa)					
Askari Bank Limited	120,000	–	5,000	600,000	–
(Chief Executive: Mr. M. R. Mehkari)					
JS TFC II	37,500	–	5,000	180,469	–
(Chief Executive: Mr. Khalid Imran)					
Total				1,821,346	1,397,610

9.9 Detail of Investment in Sukuk Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Purchase	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2014	Cost 2013
						Rupees in '000	
Sukuk Bonds							
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-18	1-Jan-15	Quarterly	–	38,285
Liberty Power Tech. Limited	3 MK+3%	31-Mar-09	1-Jan-21	1-Jan-15	Half Yearly	1,982,816	2,152,612
Liberty Power Tech. Limited	3 MK+3%	30-Nov-10	1-Jan-21	1-Jan-15	Half Yearly	221,497	240,437
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-15	Half Yearly	28,966	38,621
Shahraj Fabrics Pvt Limited	6 MK +2.10%	8-Mar-08	8-Mar-14	8-Mar-14	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	3-Dec-07	3-Dec-18	3-Mar-15	Quarterly	1,727,783	2,704,721
						4,161,062	5,374,676

9.10 Quality of Available for Sale Securities

Name of Security	2014 Market value / Book Value	2014 Rating	2013 Market value / Book Value	2013 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	113,003,550	Un Rated	274,774,851	Un Rated
Pakistan Investment Bonds	75,283,629	Un Rated	144,854	Un Rated
Listed TFCs				
Azgard Nine Limited	1,479	D	1,479	D
Faysal Bank Limited	353,807	AA-	353,949	AA-
United Bank Limited - III	–	AA	16,877	AA
NIB Bank TFC - II	378,971	–	–	–
Bank Alfalah	321,140	AA-	330,097	AA-
Unlisted TFCs				
Askari Bank Limited	99,780	AA-	99,840	AA-
Escorts Investment Bank Limited	–	BB	9,992	BB
Financial Receivable Securitization Company Limited-A	–	A+	6,072	A+
Financial Receivable Securitization Company Limited-B	–	A+	4,008	A+
Jahangir Siddiqi & Company Limited	75,000	AA+	112,500	AA+
Bank Al-Habib Limited TFC - III	–	AA	298,920	AA
Bank Al-Habib Limited TFC - IV	449,370	AA	449,550	AA
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited	600,000	AA	–	–
Jahangir Siddiqi & Company Limited	180,469	–	–	–
Shares Unlisted				
Arabian Sea Country Club Limited- related party	5,000	**	5,000	**
Atlas Power Limited*	355,000	A+&A1	355,000	A+&A1
Burj Bank Limited	148,333	A&A-1	148,333	A&A-1
Central Depository Committee	40,300	**	40,300	**
Eastern Capital Limited	5,000	**	5,000	**
First Women Bank Limited	21,200	BBB+ &A2	21,200	A-&A2
Habib Allied International Bank Limited- related party	449,628	**	275,289	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,440	**	8,440	**
NIFT*- related party	1,526	**	1,526	**
Nishat Hotels and Properties Limited*	531,546	A- &A2	299,722	**
PASSCO	1,000	**	1,000	**
Security General Insurance Life	1,075,653	AA-1	1,075,653	A+
SME Bank Limited	5,250	BBB-&A3	5,250	BBB&A-3
Society for Worldwide Interbank Financial Telecommunication	1,770	**	1,770	**
Shares / Certificates Listed				
Agritech Limited	108,204	D	176,897	D
Attock Petroleum Limited	722,201	**	621,090	**
D.G. Khan Cement Limited	–	**	743,806	**
Engro Corporation Limited	–	A & A1	506,816	AA-&A1+
Fatima Fertilizer Company Limited	2,242,779	AA-&A1+	1,274,904	A+&A1
Fauji Fertilizer Company Limited*	–	**	1,306,257	**
Fauji Fertilizer Company Limited	1,813,050	**	2,313,329	**
First Equity Modaraba	–	**	3,400	**
Habib Bank Limited	–	AAA&A-1+	268,991	AAA&A1+
Hub Power Company Limited*	4,772,124	AA+&A1+	3,697,848	AA+&A1+
Hub Power Company Limited	4,004,196	AA+&A1+	3,102,792	AA+&A1+
Kot Addu Power Company Limited	6,946,720	AAA&A-1+	5,434,000	AA+&A1+
Lucky Cement Limited	–	**	615,363	**
Namco Balanced Fund	–	**	15,901	**
Nishat (Chunian) Limited	–	A-&A2	191,747	A-&A2
Nishat Chunian Power Limited*	1,486,500	A&A-2	1,043,400	A&A-2
Nishat Chunian Power Limited	–	A+&A2	226,070	A+&A2
Nishat Mills Limited	–	AA&A1+	750,716	AA-&A1+
Nishat Power Limited*	1,368,000	A+&A1	901,800	A+&A1
Nishat Power Limited	–	A+&A1	144,706	A+&A1

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Name of Security	2014 Market value / Book Value	2014 Rating	2013 Market value / Book Value	2013 Rating
	Rupees '000		Rupees '000	
Pakistan Oilfield Limited*	1,338,761	**	1,756,419	**
Pakistan Oilfield Limited	2,115,823	**	2,661,255	**
Pakistan Petroleum Limited*	1,688,015	**	2,046,044	**
Pakistan State Oil Company Limited	532,033	AA+&A1+	664,440	AA+&A1+
PICIC Growth Mutual Fund	164,606	**	707,951	**
Pioneer Cement Limited	9,142	**	4,090	**
Saif Power Limited	512,782	A+&A-1	–	–
United Bank Limited	1,071,711	AA+&A-1+	–	–
Trust Investment Bank Limited	1,688	Unrated	–	–
Pre IPO Investments				
Engro Fertilizers	–	A+&A1	199,996	AA-&A1+
Preference Shares				
Trust Investment Bank Limited	37,500	**	50,000	**
First Dawood Investment Bank	99,355	**	99,355	**
Investment in Mutual Funds				
ABL Cash Fund- related party	648,444	AA(f)	5,299,971	AA(f)
ABL Government Securities Fund- related party	–	-	400,423	**
ABL Stock Fund- related party	169,218	MFR 5-Star	126,754	**
ABL Income Fund	300,561	A+(f)	–	–
ABL Islamic Stock Fund	71,645	A(f)	–	–
ABL Islamic Principal Preservation Fund	112,474	–	–	–
ABL Pension Fund - Equity Sub Fund	33,544	–	–	–
ABL Pension Fund - Debt Sub Fund	32,729	–	–	–
ABL Pension Fund - Money Market Sub Fund	30,712	–	–	–
ABL Islamic Pension Fund - Equity Sub Fund	33,562	–	–	–
ABL Islamic Pension Fund - Debit Sub Fund	30,558	–	–	–
ABL Islamic Pension Fund - Money Market Sub Fund	30,607	–	–	–
HBL Money Market Fund	–	–	1,251,662	AA(f)
HBL Islamic Stock Fund	80,208	AA(f)	–	–
KASB Cash Fund	–	AA(f)	119,103	AA(f)
MCB Cash Optimizer Fund	–	–	1,251,259	AA(f)
ABL AMC Islamic Stock Fund - related party	129,434	AA(f)	–	–
NAFA Cash Fund	–	**	524,857	**
AL Ameen Shariah Stock Fund	165,047	AAA(f)	–	–
NAFA Government Securities Liquid Fund	–	–	1,251,293	AAA(f)
UBL Liquidity Plus Fund	–	AA+(f)	1,251,570	AA+(f)
Sukuk Bonds				
K.S.Sulemanji Esmailji & Sons	–	**	38,285	**
Liberty Power Tech Limited-I	1,982,816	AA&A1+	2,152,612	A+
Liberty Power Tech Limited-II	221,497	AA&A1+	240,437	A+
Quetta Textile Mills Limited	28,966	**	38,621	**

* Strategic Investments of the Bank

** Ratings are not available

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
9.11	**Unrealized gain on revaluation of investments classified as held for trading**			
	ABL Cash Fund		23,012	11,726
	ABL Income Fund		32,979	10,322
	ABL Stock Fund		9,632	9,858
	ABL Islamic Income Fund (ABL Islamic Cash Fund)		–	5,019
	ABL Government Securities Fund		–	4,986
	ABL AMC Capital Protected Fund		–	11,188
	ABL Islamic Stock Fund		12,990	5,029
	ABL Islamic Principal Preservation Fund		12,283	191
	ABL Pension Fund - Equity Sub Fund		3,544	–
	ABL Pension Fund - Debt Sub Fund		2,729	–
	ABL Pension Fund - Money Market Sub Fund		712	–
	ABL Islamic Pension Fund - Equity Sub Fund		3,563	–
	ABL Islamic Pension Fund - Debt Sub Fund		558	–
	ABL Islamic Pension Fund - Money Market Sub Fund		607	–
	Market Treasury Bills		(249)	(1,907)
	Pakistan Investment Bonds		170,865	–
			273,225	56,412

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
10.	**ADVANCES**			
	Loans, cash credits, running finances, etc. - in Pakistan		318,424,569	277,270,976
	Net investment in finance lease - in Pakistan	10.2	2,041,392	1,904,028
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		1,963,256	1,319,500
	Payable outside Pakistan		3,439,232	4,916,169
			5,402,488	6,235,669
	Advances - gross		325,868,449	285,410,673
	Provision for non-performing advances	10.4	(19,694,645)	(18,242,365)
	General provision	10.4	(115,919)	(132,187)
			(19,810,564)	(18,374,552)
	Advances - net of provision		306,057,885	267,036,121
10.1	**Particulars of advances (Gross)**			
10.1.1	In local currency		309,589,902	267,112,756
	In foreign currencies		16,278,547	18,297,917
			325,868,449	285,410,673
10.1.2	Short term (for up to one year)		157,436,882	158,918,707
	Long term (for over one year)		168,431,567	126,491,966
			325,868,449	285,410,673

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

10.2 Net investment in finance lease

	December 31, 2014				December 31, 2013			
	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	674,979	1,031,494	116,946	1,823,419	344,018	759,912	590,041	1,693,971
Residual value	73,494	294,534	144,708	512,736	75,970	285,995	122,294	484,259
Minimum lease payments	748,473	1,326,028	261,654	2,336,155	419,988	1,045,907	712,335	2,178,230
Financial charges for future periods	(76,634)	(92,422)	(125,707)	(294,763)	(66,351)	(95,790)	(112,061)	(274,202)
Present value of minimum lease payments	671,839	1,233,606	135,947	2,041,392	353,637	950,117	600,274	1,904,028

10.3 Advances include Rs. 22,921,542 million (2013: Rs. 19,423,896 million) which have been placed under non-performing status as detailed below:

December 31, 2014

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	157,086	–	157,086	4,335	–	4,335	4,335	–	4,335
Substandard	1,708,825	–	1,708,825	425,860	–	425,860	425,860	–	425,860
Doubtful	3,582,362	–	3,582,362	1,791,181	–	1,791,181	1,791,181	–	1,791,181
Loss	17,473,269	–	17,473,269	17,473,269	–	17,473,269	17,473,269	–	17,473,269
	22,921,542	–	22,921,542	19,694,645	–	19,694,645	19,694,645	–	19,694,645

December 31, 2013

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	82,766	–	82,766	3,288	–	3,288	3,288	–	3,288
Substandard	647,912	–	647,912	160,315	–	160,315	160,315	–	160,315
Doubtful	1,228,912	–	1,228,912	614,456	–	614,456	614,456	–	614,456
Loss	17,464,306	–	17,464,306	17,464,306	–	17,464,306	17,464,306	–	17,464,306
	19,423,896	–	19,423,896	18,242,365	–	18,242,365	18,242,365	–	18,242,365

10.3.1 This includes an exposure of Rs. 2,740.287 million against the syndicated facility of Byco Petroleum Pakistan Limited (BPPL), which has been prudently classified in "Doubtful" category by the Bank, although, State Bank of Pakistan vide its letter BPRD/BRD-03/2014/16233 dated September 03, 2014 has deferred the provisioning against classified exposure of BPPL till June 30, 2015.

10.3.2 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD circular No. 02 dated June 03, 2010.

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2014			December 31, 2013		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
	Charge for the year		3,554,105	–	3,554,105	2,627,045	80,097	2,707,142
	Reversals		(1,426,143)	(16,268)	(1,442,411)	(2,055,661)	–	(2,055,661)
	Charged to profit and loss account		2,127,962	(16,268)	2,111,694	571,384	80,097	651,481
	Amounts written off	10.5.1	(675,682)	–	(675,682)	(81,961)	–	(81,961)
	Closing balance		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
10.4.1	In local currency		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
	In foreign currencies		–	–	–	–	–	–
			19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		675,682	81,961
	Directly charged to Profit and Loss account		–	–
			675,682	81,961
10.5.2	Write Offs of Rs. 500,000 and above	10.6	675,641	81,361
	Write Offs of below Rs. 500,000		41	600
			675,682	81,961

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, 2014 is given in Annexure "I" of the unconsolidated financial statement of Allied Bank Limited. However, these write offs do not affect the Group's right to recover debts from these customers.

		Note	December 31, 2014	December 31, 2013
			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		6,402,063	5,991,044
	Loans granted during the year		2,270,179	2,049,180
	Repayments		(1,825,937)	(1,638,161)
	Balance at end of the year		6,846,305	6,402,063

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

		Note	December 31, 2014	December 31, 2013
11.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	11.1	2,076,317	2,251,154
	Property and equipment	11.2	24,223,741	18,735,980
	Intangible assets	11.3	970,765	1,109,637
			27,270,823	22,096,771
11.1	**Capital work-in-progress**			
	Civil works		1,307,574	1,608,352
	Equipment		583,060	393,278
	Advances to suppliers and contractors		185,683	249,524
			2,076,317	2,251,154

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

11.2 Property and equipment

		Cost / Revaluation					Accumulated Depreciation						
Description	Note	At January 1, 2014	Additions / (Deletions) / Adjustment	Revaluation Surplus	Write-off	At December 31, 2014	At January 1, 2014	Charge for the year / (Depreciation on deletions)	Revaluation deficit / (Surplus)	Write-off	At December 31, 2014	Net book value at December 31, 2014	Annual rate of depreciation %
						Rupees in '000							
Land-Freehold	11.4	7,021,201	464,744	1,880,422	–	9,329,747	–	–	–	–	–	9,329,747	–
			(24,000)										
			(12,620)										
Land-Leasehold	11.4	1,964,383	351,018	916,544	–	3,219,245	–	–	–	–	–	3,219,245	–
			(12,700)										
			–										
Buildings-Freehold	11.4	4,427,082	606,335	–	–	4,983,826	595,475	201,488	(346,739)	–	442,857	4,540,969	5
			(35,302)					(7,367)					
			(14,289)										
Buildings-Leasehold	11.4	2,135,625	333,487	340,818	–	2,758,763	443,858	74,882	(518,740)	–	–	2,758,763	5
			–					–					
			(51,167)										
Building improvements		1,365,986	375,292	–	–	1,737,601	860,969	234,966	–	–	1,094,686	642,915	20
(rented premises)			(3,677)					(1,249)					
			–										
Furniture		890,217	157,775	–	–	1,036,484	378,134	94,188	–	–	468,619	567,865	10
and fixtures			(11,508)					(3,703)					
			–										
Electrical, office		6,549,538	897,895	–	–	7,388,683	3,620,705	948,524	–	–	4,519,203	2,869,480	14.28 - 50
and computer			(58,750)					(50,026)					
equipments			–										
Vehicles		509,321	125,601	–	–	572,699	228,232	103,345			277,942	294,757	20
			(62,223)					(53,635)					
			–										
Total		24,863,353	3,312,147	3,137,784	–	31,027,048	6,127,373	1,657,393	(865,479)	–	6,803,307	24,223,741	
			(208,160)					(115,980)					
			(78,076)*					–					

* Represents provision held against certain operating fixed assets as per the directives of State Bank of Pakistan.

Description	Note	Cost / Revaluation: At January 1, 2013	Additions / (Deletions) /	Revaluation Surplus	Write-off	At December 31, 2013	Accumulated Depreciation: At January 1, 2013	Charge for the year / (depreciation on deletion)	Revaluation deficit / (Surplus)	Write-off	At December 31, 2013	Net book value at December 31, 2013	Annual rate of depreciation %
		Rupees in '000											
Land-Freehold	11.4	5,895,517	1,155,684	-	-	7,021,201	-	-	-	-	-	7,021,201	-
			(30,000)										
Land-Leasehold	11.4	1,964,136	247	-	-	1,964,383	-	-	-	-	-	1,964,383	-
Buildings-Freehold	11.4	4,225,376	201,706	-	-	4,427,082	400,124	195,351	-	-	595,475	3,831,607	5
Buildings-Leasehold	11.4	2,128,310	7,315	-	-	2,135,625	354,214	89,644	-	-	443,858	1,691,767	5
			-										
Building improvements		1,225,592	140,431	-	-	1,365,986	633,126	227,873	-	-	860,969	505,017	20
(rented premises)			(37)					(30)					
Furniture		788,242	103,956	-	-	890,217	299,278	79,985	-	-	378,134	512,083	10
and fixtures			(1,981)					(1,129)					
Electrical, office		5,210,395	1,340,705	-	-	6,549,538	2,781,249	840,706	-	-	3,620,705	2,928,833	14.28 - 50
and computer			(1,562)					(1,250)					
equipments													
Vehicles		546,078	52,333	-	-	509,321	218,823	86,292	-	-	228,232	281,089	20
			(89,090)					(76,883)					
Total		21,983,646	3,002,377	-	-	24,863,353	4,686,814	1,519,851	-	-	6,127,373	18,735,980	
			(122,670)					(79,292)					

11.3 Intangible assets

Description	Cost: At January 1, 2014	Additions	At December 31, 2014	Accumulated Amortization: At January 2014	Amortization	At December 31, 2014	Net book value at December 31, 2014	Rate of amortization %
	Rupees in ' 000							
Computer software	1,493,791	74,246	1,568,037	384,154	213,118	597,272	970,765	14.28

Description	Cost: At January 1, 2013	Additions	At December 31, 2013	Accumulated Amortization: At January 1, 2013	Amortization	At December 31, 2013	Net book value at December 31, 2013	Rate of amortization %
	(Rupees in ' 000)							
Computer software	1,190,136	303,655	1,493,791	203,067	181,087	384,154	1,109,637	14.28

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

11.4 Group arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers {Akbani & Javed ,Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. 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. 4,003 million. Previously the revaluation exercise was carried out as at December 31, 2011. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2014	December 31, 2013
	Rupees in '000	
- Land (Freehold and leasehold)	6,429,662	5,663,220
- Building	3,873,242	3,303,181

11.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	37,484	39,457
11.7	Restriction / discrepancy in the title of property having a net book value of		67,151	68,691
11.8	Carrying amount of temporarily idle property and equipment		–	12,000
11.9	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		165,185	141,530
	Electrical, office and computer equipments		2,016,372	1,651,035
	Vehicles		53,870	92,779
	Intangible assets - software		74,856	56,560
	Amount of fully depreciated assets includes depreciation of Rs. 29.6 million of under Rs.10,000 items which are fully depreciated in the month of purchase.			
11.10	The carrying amount of property and equipment that have retired from active use and are held for disposal		274,738	355,243

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 "I".

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 "I".

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
12. DEFERRED TAX (LIABILITY) / ASSET - NET			
Deferred debits arising in respect of:			
Provision against:			
Investments		19,093	19,093
Other assets		38,959	38,959
Off balance sheet obligations		14,824	14,824
Advances		1,025,312	1,058,233
Post retirement medical benefits		42,980	42,980
Worker's welfare fund		568,933	409,668
		1,710,101	1,583,757
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(665,889)	(262,486)
Surplus on revaluation of investments		(2,486,141)	(889,702)
Actuarial gains		(1,020,658)	(988,202)
Accelerated tax depreciation / amortization		(1,153,852)	(1,239,662)
Excess of investment in finance lease over written down value of leased assets		(13,206)	(13,206)
		(5,339,746)	(3,393,258)
	12.1	(3,629,645)	(1,809,501)

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2014
				(Rupees in '000)			
Deferred debits arising in respect of:							
Compensated leave absences	697	(697)	–	–	–	–	–
Provision against:							
Investments	71,971	(52,878)	–	19,093	–	–	19,093
Other assets	166,694	(127,735)	–	38,959	–	–	38,959
Off balance sheet obligations	92,039	(77,215)	–	14,824	–	–	14,824
Advances	1,297,868	(239,635)	–	1,058,233	(32,921)	–	1,025,312
Post retirement medical benefits	165,146	(122,166)	–	42,980	–	–	42,980
Worker's welfare fund	306,342	103,326	–	409,668	159,265	–	568,933
	2,100,757	(517,000)	–	1,583,757	126,344	–	1,710,101
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(276,296)	13,810	–	(262,486)	14,004	(417,407)	(665,889)
Surplus on revaluation of investments	(610,815)	–	(278,887)	(889,702)	(5,602)	(1,590,837)	(2,486,141)
Actuarial gains	(623,022)	–	(365,180)	(988,202)	–	(32,456)	(1,020,658)
Accelerated tax depreciation / amortization	(1,268,374)	28,712	–	(1,239,662)	85,810	–	(1,153,852)
Excess of investment in finance lease over written down value of leased assets	(10,691)	(2,515)	–	(13,206)	–	–	(13,206)
	(2,789,198)	40,007	(644,067)	(3,393,258)	94,212	(2,040,700)	(5,339,746)
	(688,441)	(476,993)	(644,067)	(1,809,501)	220,556	(2,040,700)	(3,629,645)

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for the year ended December 31, 2014

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, 2014	December 31, 2013
			Rupees in '000	
13.	**OTHER ASSETS**			
	Income / mark-up accrued on advances, investments and lending to financial institutions:			
	- in local currency		21,622,650	8,309,712
	- in foreign currencies		515,532	225,301
	Advances, deposits, advance rent and other prepayments		586,553	679,582
	Advance taxation (payments less provisions)		6,463,822	7,449,786
	Stationery and stamps on hand		186,402	160,743
	Due from the employees' retirement benefit schemes			
	- Benevolent fund	36.4	93,496	163,509
	- Pension fund	36.4	4,374,701	3,781,464
	- Gratuity fund	36.4	2,369	–
	Excise duty		11	11
	Receivable from SBP - customers encashments		58,417	1,959
	ATM / POS settlement account		633,819	887,479
	Non banking assets acquired in satisfaction of claims	13.1	2,282,689	2,520,310
	Suspense account		678,274	721,735
	Others		101,606	66,821
			37,600,341	24,968,412
	Less: Provision held against other assets	13.2	(1,384,623)	(1,386,808)
	Other assets (net of provision)		36,215,718	23,581,604
13.1	Market value of non banking assets acquired in satisfaction of claims		2,874,380	2,366,892
13.2	**Provision against Other Assets:**			
	Opening balance		1,386,808	1,404,807
	Charge for the year		58,512	48,000
	Reversals		(23,696)	–
	Net charge		34,816	48,000
	Reversal on transfer of Non Banking Assets		(34,031)	–
	Written off / adjusted		(2,970)	(65,999)
	Closing balance		1,384,623	1,386,808

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2014 and December 31, 2013.

15. BILLS PAYABLE

		December 31, 2014	December 31, 2013
	In Pakistan	4,831,801	4,878,594

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
16. BORROWINGS			
In Pakistan		55,276,579	23,759,675
Outside Pakistan		10,819,893	9,192,731
		66,096,472	32,952,406
16.1 Particulars of borrowings with respect to currencies			
In local currency		54,956,812	23,439,770
In foreign currencies		11,139,660	9,512,636
		66,096,472	32,952,406
16.2 Details of borrowings (Secured / Unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	12,190,540	11,781,485
Long term financing facility - Export oriented projects	16.4	179,120	468,546
Long term financing facility	16.5	5,993,860	2,600,000
Modernization of SMEs	16.6	2,780	20,000
Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	44,360	58,330
Revival of SMEs & Agricultural activities in flood affected areas		–	700
		18,410,660	14,929,061
Repurchase agreement borrowings	16.8	31,581,822	1,970,489
Unsecured			
Call borrowings	16.9	15,907,040	16,012,636
Overdrawn nostro accounts		148,625	–
Other Borrowings		48,325	40,220
		16,103,990	16,052,856
		66,096,472	32,952,406

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 rate of 7.5% (2013: 8.20% to 8.40%) 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% (2013: 5%) per annum.

16.5 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The loan carries mark-up at rates ranging from 6% to 7.50% (2013: 8.40% to 8.80%) per annum.

16.6 These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported/local Plant & Machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import/local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The loan carries mark-up at the rate of 6.25% (2013: 5.50% to 7.00%) per annum.

16.7 These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 7 years. The mark-up rates on these facilities are ranging from 5.50% to 6.50% (2013: 5.50% to 6.50%) per annum.

16.8 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rate of 9.50% (2013: 9.15% to 9.50%) per annum maturing on various dates, latest by January 09, 2015.

16.9 These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 9.05% to 9.50% (2013: 9% to 10%) for local currency borrowing , and at rates ranging from 0.75% to 3.50% (2013: 0.40% to 3.65%) for foreign currency borrowing per annum maturing on various dates, latest by June 01, 2015.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Fixed deposits		182,112,271	191,182,134
	Savings deposits		170,704,682	145,438,141
	Current accounts - Remunerative		106,833,615	83,463,328
	- Non - remunerative		205,251,059	182,757,363
			664,901,627	602,840,966
	Financial Institutions			
	Remunerative deposits		2,431,085	5,114,383
	Non - remunerative deposits		531,159	451,280
			667,863,871	608,406,629
17.1	**Particulars of deposits**			
	In local currency		606,727,619	547,900,350
	In foreign currencies		61,136,252	60,506,279
			667,863,871	608,406,629
18.	**SUB-ORDINATED LOANS**			
	Term Finance Certificates - I	18.1	–	1,247,000
	Term Finance Certificates - II	18.2	2,994,000	2,995,200
			2,994,000	4,242,200

18.1 Term Finance Certificate-I has been redeemed during the year 2014.

18.2 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 issue are as follows:

	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	2,994,000
Issue date	Friday, August 28, 2009
Total issue (Rs. in '000')	3,000,000
Rating	AA
Listing	Karachi Stock Exchange Limited
Mark up repayment	Payable semi annually
Rate	- Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	10 Years (2009 - 2019)

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
19.	**OTHER LIABILITIES**			
	Mark-up / return / interest payable in local currency		4,087,890	4,633,080
	Mark-up / return / interest payable in foreign currency		238,842	301,023
	Accrued expenses		2,556,758	1,573,394
	Branch adjustment account		119,866	801,193
	Unrealized loss on forward foreign exchange contracts		710,905	608,165
	Provision for:			
	- gratuity	36.4	–	48,066
	- employees' medical benefits	36.4	970,059	951,480
	- employees' compensated absences	36.4	757,179	821,360
	Unclaimed dividends		120,553	112,043
	Dividend payable		18,063	13,942
	Provision against off-balance sheet obligations	19.1	509,735	899,444
	Provision against fixed assets		–	80,879
	Retention money payable		102,831	136,159
	Security deposits against lease		514,737	486,262
	Sundry deposits		1,363,307	1,104,004
	Workers Welfare Fund payable		1,658,198	1,198,443
	Others		2,388,039	2,017,943
			16,116,962	15,786,880
19.1	**Provision against off-balance sheet obligations**			
	Opening balance		899,444	884,489
	Charge for the year		7,389	24,955
	Reversals		(397,098)	(10,000)
	Net charge		(389,709)	14,955
	Closing balance		509,735	899,444

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

			December 31, 2014	December 31, 2013
19.2	**Particulars of other liabilities**			
	In local currency		15,878,120	15,485,857
	In foreign currencies		238,842	301,023
			16,116,962	15,786,880

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
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, 2014	December 31, 2013	Ordinary shares	December 31, 2014	December 31, 2013
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	616,647,565	Issued as bonus shares	7,207,452	6,166,476
1,127,525,280	1,023,427,659		11,275,253	10,234,277
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
1,145,073,830	1,040,976,209		11,450,739	10,409,763

Ibrahim Fibers Limited, related party of the Bank, holds 194,041,916 (16.95%) [December 31, 2013: 176,401,742 (16.95%)] ordinary shares of Rs.10 each, as at reporting date.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation of:			
- operating fixed assets	21.1	6,998,313	3,471,837
- securities	21.2	11,838,227	9,022,700
Surplus on revaluation of assets - net of tax		18,836,540	12,494,537
21.1 Surplus on revaluation of operating fixed assets			
Surplus on revaluation as at January 1, 2014		3,734,323	3,801,604
Surplus on revaluation during the year		4,003,263	–
Surplus realised on disposal of revalued properties		(35,900)	(27,824)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(23,480)	(25,647)
Related deferred tax liability	12.1	(14,004)	(13,810)
	11.6	(37,484)	(39,457)
Surplus on revaluation as at December 31, 2014		7,664,202	3,734,323
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2014		(262,486)	(276,296)
Deferred tax liability on revaluation surplus of operating fixed assets		(417,407)	–
Incremental depreciation charged during the year transferred to profit and loss account	12.1	14,004	13,810
		(665,889)	(262,486)
		6,998,313	3,471,837

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
21.2	**Surplus / (deficit) on revaluation of available-for-sale securities**			
	Federal Government Securities			
	Market Treasury Bills		157,012	(402,777)
	Pakistan Investment Bonds		2,912,738	(3,533)
	Term Finance Certificates		(2,435)	11,590
	Shares / Certificates - Listed		11,197,546	9,919,218
	Open end mutual funds		53,905	387,904
		9.1	14,318,766	9,912,402
	Less : related deferred tax (liability)	12.1	(2,480,539)	(889,702)
			11,838,227	9,022,700
22.	**CONTINGENCIES AND COMMITMENTS**			
22.1	**Direct credit substitutes**			
	Guarantees in favor of:			
	Banks and financial institutions		11,283,919	8,032,470
22.2	**Transaction-related contingent liabilities**			
	Guarantees in favor of:			
	Government		523,334	414,982
	Others		24,829,746	24,196,288
			25,353,080	24,611,270
22.3	**Trade-related contingent liabilities**		59,779,998	71,322,325
22.4	**Claims against the bank not acknowledged as debt**		5,674,919	5,740,843

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, 2014	December 31, 2013
		Rupees in '000	
22.6	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	65,524,611	97,308,562
	Sale	26,343,223	62,218,028
22.7	**Commitments in respect of forwards**		
	Forward purchase of Federal government securities	200,000	–
	Forward sale of Federal government securities	750,000	–
22.8	**Commitments in respect of:**		
	Civil works	663,398	1,064,715
	Acquisition of operating fixed assets	758,854	794,367
		1,422,252	1,859,082
22.9	**Commitments in respect of lease financing**	59,394	100,000
22.10	**Commitments in respect of operating lease**	2,814	3,160
22.11	**Other Commitments**	1,154	1,096

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

22.12 Other Contingencies

22.12.1 The income tax assessments of the Bank have been finalized up to and including tax year 2014 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2014, income tax authorities made certain add backs with aggregate tax impact of Rs. 19,048 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 forums against unfavorable decisions. Pending finalization of appeals/references, no provision has been made by the Bank on aggregate sum of Rs. 19,048 million. The management is confident that the outcome of these appeals/references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2005, 2006 and tax year 2008 to 2014 and created aggregate arbitrary demand of Rs. 1,226 million. The Bank's appeals before appellate authorities are pending for adjudication. The management is confident that these appeals will be decided in favor of the Bank; therefore, no provision has been made against the said demand of Rs. 1,226 million.

Tax authorities have issued orders under Federal Excise Act, 2005 for the year 2008 to 2011 and 2014 thereby creating arbitrary aggregate demand of Rs. 573 million. The Bank's appeals before appellate authorities are pending for adjudication. The management is confident that aforesaid demand will be decided in favor of the Bank; therefore no provision has been made against the said demand of Rs. 573 million.

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance 1971 whereby it is alleged that Collective Investment Schemes (CISs)/Mutual Funds whose income exceeds Rs. 0.5 million in a tax year are liable to pay WWF. A writ petition has been filed in Sindh High Court to challenge the applicability of WWF. ABL AMC has undertaken to bear an amount of Rs. 27.38 million, if applicable, in respect of CISs managed by it. Therefore, no provision is made in these financial statements for said amount of RS. 27.38 million because the management is confident that based on MUFAP's legal Council opinion dated December 12, 2011, the matter will be decided favourably in due course.

22.12.2 As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honourable High Court of Sindh, 16,376,106 shares of ABL were sold in accordance with section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, after complying with the due and complete transparent process. Sealed bids were invited from interested parties. The bidding process was scheduled for July 23, 2004 and the Rs. 25 per share was fixed reserve price. 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 filed suit in the High Court of Sindh challenging the above sale of shares. The High Court had not granted a stay order against the said sale. The sale of shares was, therefore; concluded.

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 Contracts for Government Securities

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 unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable 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.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
24.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances:			
	Customers		30,045,853	27,443,741
	On investments in:			
	Available for sale securities		19,925,295	21,221,795
	Held to maturity securities		16,009,049	4,176,138
	Held for Trading		84,839	48,117
			36,019,183	25,446,050
	On deposits with financial institutions		8,838	3,755
	On securities purchased under resale agreements		890,003	1,185,443
	On certificates of investment		–	14,457
	On call money lending		39,295	130,053
			67,003,172	54,223,499
25.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		30,584,715	26,895,226
	Long term borrowing		397,041	236,945
	Securities sold under repurchase agreements		2,880,158	1,608,487
	Call money borrowing		1,516,952	174,301
	Brokerage and commission		158,789	161,397
	Mark-up on sub-ordinated loans		427,924	550,572
	Other short term borrowings		2,864,757	2,935,402
			38,830,336	32,562,330
26.	**FEE, COMMISSION AND BROKERAGE INCOME**			
	Core fees, commission and brokerage		3,519,780	3,226,200
	Account maintenance charges		111,091	115,092
			3,630,871	3,341,292
27.	**GAIN / (LOSS) ON SALE OF SECURITIES**			
	Shares - listed		3,307,595	1,133,840
	Open end mutual funds		809,749	136,310
	Market treasury bills		41,990	842
	Pakistan Investment bonds		24,813	–
	Sukuk Bonds		–	1,278
			4,184,147	1,272,270
28.	**OTHER INCOME**			
	Gain on sale of operating fixed assets		67,299	27,413
	Profit on sale of other assets		5,025	42,504
	Recovery from written off loans / others		107,125	110,426
	Rent Received on Bank's Property		40,971	600
	Compensation on delayed tax refund	28.1	907,380	1,066,805
			1,127,800	1,247,748

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for the year ended December 31, 2014

28.1 This represents compensation on delayed refunds under section 171 of the Income Tax Ordinance 2001 pertaining to Assessment Year/Tax Years 1997-98, 1999-00, 2000-01, 2003 to 2007 & 2009 to 2011. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
29.	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances, etc.	29.3	9,357,397	8,059,069
	Charge for defined benefit plan - net	29.3 & 36	91,239	26,928
	Contribution to defined contribution plan - provident fund		262,157	259,409
	Non-executive directors' fees, allowances and other expenses		7,325	8,275
	Rent, taxes, insurance, electricity, etc.		2,075,988	2,137,734
	Legal and professional charges		75,351	77,140
	Communications		353,951	325,844
	Repairs and maintenance		451,364	371,525
	Stationery and printing		229,838	193,405
	Advertisement and publicity		243,259	330,948
	Auditors' remuneration	29.1	14,132	13,035
	Depreciation / Amortization	11.2 & 11.3	1,870,511	1,700,938
	Security service charges		794,716	705,785
	Travelling, conveyance and fuel expenses		162,049	273,360
	Entertainment		124,170	114,114
	Computer expenses		798,320	663,694
	Subscription		98,688	260,207
	Donations	29.2	75,900	80,183
	Others		65,521	73,944
			17,151,876	15,675,537

29.1 Auditors' remuneration

	December 31, 2014			December 31, 2013		
	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	–	5,850	5,850	–	5,850	5,850
Annual audit oversees business unit*	–	2,499	2,499	–	2,590	2,590
Half year review	–	2,360	2,360	–	2,360	2,360
Special certifications and miscellaneous services	–	2,035	2,035	–	335	335
Out-of-pocket expenses	–	950	950	510	1,000	1,510
Subsidiary Company						
Audit fee	–	345	345	–	345	345
Other certification	–	15	15	–	15	15
Out-of-pocket expenses	–	78	78	–	30	30
	–	14,132	14,132	510	12,525	13,035

* This include audit fee amounting to Bahraini Dinar 8,000 (2013: 8,000) relating to wholesale Bahrain Branch.

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

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Acumen Fund Pakistan		10,000	–
Al-Mustafa Trust		1,000	1,000
Chief Minister Fund For IDPS'		10,000	
Bakhtawar Amin Memorial Trust Hospital		2,000	3,000
Construction of Houses at Flood Effected Areas		4,098	–
Falah Foundation - Chakwal		100	–
Karachi School Of Business And Leadership		25,000	–
Khushal Khan Khattak University		500	–
Mrie Adelaide Leprosy Center		850	–
Custom Public School - Lahore		–	500
Institute of Business Administration		–	15,000
Karachi Education Initiative		–	30,400
Namal Education Foundation		10,000	5,000
National University of Science and Technology		1,000	–
Nishtar Hospital Multan		800	–
Progressive Education Network		1,000	–
Solar Pumps for People of Tharparkar (Schneider Electric)		1,552	–
SOS Children'S Villages Of Pakistan		500	–
Sundas Foundation		1,500	–
Pakturk International CAG Educational Foundation		–	500
Public Interest Law Association of Pakistan		–	200
Prime Minister Earthquake Relief Fund 2013 For Balochistan		–	10,000
Shaukat khanum Memorial Cancer Hospital & Research Centre		–	500
Suleman Dawood School of Business		–	10,000
Tamir Welfare Organization		1,000	1,000
Tehzeeb Social Welfare Organization		200	200
Anjuman Himayat-i-Islam	29.2.1	4,800	2,883
		75,900	80,183

29.2.1 This represents charitable expenses on account of sadqa & poor feeding.

29.3 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Hundred (100) employees (2013: 80) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 246.6 million (2013: Rs. 135.8 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2014	December 31, 2013
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	30,898	16,259
Penalties imposed by other regulatory authorities	146	31
SBP prism service charges	10,236	7,612
Education cess	16,564	16,415
Provision against fixed assets	–	33,959
Other assets written off	1,436	4,082
	59,280	78,358

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
32.	**TAXATION**			
	Current - for the year		7,449,631	4,107,811
	- for prior years	32.1	1,501	(4,436,701)
			7,451,132	(328,890)
	Deferred - current		(220,556)	123,961
	- for prior years	32.1	–	353,034
			7,230,576	148,105
32.1	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		22,432,571	14,931,280
	Tax on income @ 35%* (2013: 35%)		7,849,092	5,225,948
	Effect of permanent differences		5,171	33,735
	Adjustments in respect of tax at reduced rates		(1,156,177)	(1,041,337)
	Others		532,490	(4,070,241)
	Tax charge for the year		7,230,576	148,105
	*Rate of Tax for the subsidiary is 34%.			
33.	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation		15,202,000	14,783,175
			Number of Shares	
				Restated
	Weighted average number of ordinary shares outstanding during the year	33.1	1,145,073,830	1,145,073,830
			Rupees	
				Restated
	Earnings per share - basic and diluted	33.1	13.28	12.91

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, 2014	December 31, 2013
			Rupees in '000	
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	6	41,252,303	44,673,079
	Balances with other banks	7	873,500	1,102,231
	Overdrawn nostro accounts	16.2	(148,625)	–
			41,977,178	45,775,310
35.	**STAFF STRENGTH**		Numbers	
	Permanent		9,727	9,749
	Temporary / on contractual basis / trainee		250	229
	Bank's own staff strength at the end of the year		9,977	9,978
	Outsourced	35.1	217	309
	Total staff strength		10,194	10,287
	Average number of employees		10,241	10,140

35.1 This excludes outsourced security guards and tea services staff.

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.

		December 31, 2014	December 31, 2013
		Numbers	
36.2	**Number of Employees under the schemes**		
	The number of employees covered under the following defined benefit scheme / plans are:		
	- Gratuity fund	9,996	9,983
	- Pension fund	6,075	6,428
	- Benevolent fund	136	185
	- Employees' compensated absences	9,735	9,653
	- Post retirement medical benefits	9,735	9,653

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2014 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2014	December 31, 2013
Withdrawal rate:			
Gratuity fund		Low	Low
Pension fund		Low	Low
Benevolent fund		Moderate	Moderate
Employees' compensated absences		Low	Low
Post retirement medical benefits		Low	Low
Mortality rate		Adjusted SLIC	Adjusted SLIC
		2001-2005	2001-2005
Discount rate	Yield on investments in Government Bonds	11.25%	12.50%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	11.25%	12.50%
Gratuity fund	Yield on investments in Government Bonds	11.25%	12.50%
Benevolent fund	Yield on investments in Government Bonds	11.25%	12.50%
Expected rate of salary increase	Rate of salary increase	9.25%	10.50%

36.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2014				
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,877,345	1,725,573	10,469	970,059	757,179
Fair value of plan's / scheme's assets	36.7	(7,252,046)	(1,727,942)	(197,461)	–	–
Net (asset) / liability		(4,374,701)	(2,369)	(186,992)	970,059	757,179
Benefit of the surplus not available to the Bank		–	–	93,496	–	–
Net (asset) / liability		(4,374,701)	(2,369)	(93,496)	970,059	757,179

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2013				
		Rupees in '000				
Present value of defined benefit obligations	36.6	2,810,086	1,486,417	10,894	951,480	821,360
Fair value of plan's / scheme's assets	36.7	(6,591,550)	(1,438,351)	(174,403)	–	–
Net (asset) / liability		(3,781,464)	48,066	(163,509)	951,480	821,360
Benefit of the surplus not available to the Bank		–	–	–	–	–
Net (asset) / liability		(3,781,464)	48,066	(163,509)	951,480	821,360

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

		December 31, 2014				
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(3,781,464)	48,066	(163,509)	951,480	821,360
(Reversal) / charge for the year	36.9	(431,420)	204,896	(20,439)	144,589	193,613
Other Comprehensive Income		(161,817)	(43,300)	90,452	21,931	–
Contribution to the fund / benefits paid		–	(212,031)	–	(147,941)	(257,794)
Closing balance		(4,374,701)	(2,369)	(93,496)	970,059	757,179

		December 31, 2013				
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459
Charge / (reversal) for the year	36.9	(346,447)	224,700	(17,774)	169,128	2,504
Other Comprehensive Income		(315,021)	(247,539)	2,380	(483,190)	–
Contribution to the fund / benefits paid		–	(231,309)	–	(115,858)	(201,603)
Closing balance		(3,781,464)	48,066	(163,509)	951,480	821,360

36.6 Reconciliation of present value of defined benefit obligations

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	2,810,086	1,486,417	10,894	951,480	821,360
Current service cost	–	206,023	–	33,247	37,744
Interest cost	313,527	170,933	1,127	109,689	87,542
Benefits paid	(603,744)	(237,901)	(3,755)	(147,941)	(257,794)
VRS loss / Settlement Loss	41,263	6,117	–	1,653	21,019
Actuarial (gains) / losses	316,213	93,984	2,203	21,931	47,308
Closing balance	2,877,345	1,725,573	10,469	970,059	757,179

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Current service cost	–	195,045	–	35,035	56,349
Interest cost	318,679	156,245	957	132,970	111,652
Benefits paid	(435,886)	(164,342)	(10,028)	(115,857)	(201,603)
VRS loss	27,952	7,268	–	1,124	20,569
Actuarial (gains) / losses	25,739	(92,014)	6,973	(483,192)	(186,066)
Closing balance	2,810,086	1,486,417	10,894	951,480	821,360

36.7 Reconciliation of fair value of plan assets

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	6,591,550	1,438,351	174,403	–	–
Expected return on plan assets	786,210	178,177	21,566	–	–
Bank's contribution	–	212,031	–	–	–
Benefits paid	(603,744)	(237,901)	(3,755)	–	–
Actuarial gains / (losses)	478,030	137,284	5,247	–	–
Closing balance	7,252,046	1,727,942	197,461	–	–

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,993,598	1,082,001	161,107	–	–
Expected return on plan assets	693,078	133,858	18,731	–	–
Bank's contribution	–	231,308	–	–	–
Benefits paid	(435,886)	(164,342)	(10,028)	–	–
Actuarial gains / (losses)	340,760	155,526	4,593	–	–
Closing balance	6,591,550	1,438,351	174,403	–	–

36.8 Composition of fair value of plan assets

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	–	–	–	–	–
Listed shares *	3,662,275	692,269	31,490	–	–
TDR's	3,165,346	888,817	122,390	–	–
Bank balances *	424,425	146,856	43,581	–	–
	7,252,046	1,727,942	197,461	–	–
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	3,662,275	692,269	31,490	–	–
Bank balances with ABL	424,425	146,856	43,581	–	–
	4,086,700	839,125	75,071	–	–

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	6,003	–	–	–	–
Listed shares *	1,847,189	498,681	36,140	–	–
TDR's	4,725,092	920,717	117,711	–	–
Bank balances *	13,266	18,953	20,552	–	–
	6,591,550	1,438,351	174,403	–	–
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	1,513,327	498,681	22,684	–	–
Bank balances with ABL	13,266	18,953	20,552	–	–
	1,526,593	517,634	43,236	–	–

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36.9 Charge for defined benefit plan

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	–	206,023	–	33,247	37,744
Interest cost	–	–		109,689	–
Net interest	(472,683)	(7,244)	(20,439)		87,542
Actuarial (gains) / losses recognised	–	–	–	–	47,308
VRS Loss	41,263	6,117	–	1,653	21,019
	(431,420)	204,896	(20,439)	144,589	193,613

	December 31, 2013				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	–	195,044	–	35,035	56,349
Interest cost	–	–	–	132,970	–
Net interest	(374,399)	22,388	(17,774)	–	111,652
Actuarial (gains) / losses recognised	–	–	–	–	(186,066)
VRS Loss	27,952	7,268	–	1,123	20,569
	(346,447)	224,700	(17,774)	169,128	2,504

	December 31, 2014	December 31, 2013
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	1,264,239	1,033,838
- Gratuity fund	315,461	289,384
- Benevolent fund	26,813	23,324

36.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	2,877,345	2,810,086	2,873,602	4,239,314	4,237,829
Fair value of plan assets	(7,252,046)	(6,591,550)	(5,993,598)	(5,985,286)	(5,368,825)
Surplus	(4,374,701)	(3,781,464)	(3,119,996)	(1,745,972)	(1,130,996)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(316,213)	(25,739)	1,319,665	122,770	(191,900)
Actuarial gains / (losses) on assets	478,030	340,760	(137,618)	451,777	211,328

	Gratuity fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	1,725,573	1,486,417	1,384,215	1,193,848	941,933
Fair value of plan assets	(1,727,942)	(1,438,351)	(1,082,001)	(918,453)	(849,433)
(Surplus) / deficit	(2,369)	48,066	302,214	275,395	92,500
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(93,984)	92,014	(58,334)	(71,960)	(41,223)
Actuarial gains / (losses) on assets	137,284	155,526	(3,400)	(79,625)	125,349

	Benevolent fund				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	10,469	10,894	12,992	19,561	22,819
Fair value of plan assets	(197,461)	(174,403)	(161,107)	(160,816)	(143,814)
Surplus	(186,992)	(163,509)	(148,115)	(141,255)	(120,995)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(2,203)	(6,973)	(7,777)	1,266	25,350
Actuarial gains / (losses) on assets	5,247	4,593	(4,757)	3,053	(202)

	Post retirement medical				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	970,059	951,480	1,381,400	1,656,505	1,752,683
Fair value of plan assets	–	–	–	–	–
Deficit	970,059	951,480	1,381,400	1,656,505	1,752,683
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(21,931)	483,192	376,000	238,730	68,829

	Leave Encashment				
	2014	2013	2012	2011	2010
	Rupees in '000				
Present value of defined benefit obligation	757,179	821,360	1,020,459	962,292	872,705
Fair value of plan assets	–	–	–	–	–
Deficit	757,179	821,360	1,020,459	962,292	872,705
Experience adjustments on plan obligations					
Actuarial (losses) / gains on obligation	(47,308)	186,066	(39,331)	(42,113)	(20,838)

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. 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, 2015 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	(492,154)	217,783	(21,037)	137,746	123,724

36.13 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Pension Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	+10% Death Rate	-10% Death Rate
	Rupees in 000'								
Pension fund	2,553,067	3,197,017	–	–	3,170,833	2,878,106	287,658	288,893	2,865,971
Gratuity fund	1,561,228	1,920,348	1,927,941	1,551,440	–	1,727,867	1,723,253	1,725,573	1,725,573
Benevolent fund	9,561	11,429	–	–	–	–	–	10,507	10,423
Post retirement medical	860,733	1,077,833	1,040,193	901,776	–	973,964	966,224	970,550	969,569
Leave encashment	667,584	825,089	676,880	844,437	–	–	–	–	–

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37 DEFINED CONTRIBUTION PLANS

The Group has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

		Note	December 31, 2014	December 31, 2013
			Rupees in '000	
37.1	**Employee provident fund**			
	Size of the fund		5,966,948	5,201,801
	Cost of investment made	37.2	5,250,280	5,014,032
	Percentage of investment made		87.99%	96.39%
	Fair value of investment		5,633,382	5,160,259
37.2	**Breakup of investment**			
	Investment in shares (Listed securities)		1,580,478	1,306,079
	Term deposit receipts		–	3,626,780
	Pakistan investment bonds		3,641,931	24,006
	GOP Ijara Sukuk		12,295	10,919
	Open ended mutual funds		17,032	17,000
			5,251,736	4,984,784
37.3	**Number of employees - Employees provident fund**		Numbers	
	Number of employees at the end of the year		8,855	8,842
	Average number of employees during the year		8,849	8,852

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Independent / Non-Executive Directors		Executive Director		Executives	
		December 31, 2014	December 31 2013	December 31, 2014	December 31 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
		Rupees in '000							
Fees	38.1	–	–	7,325	8,275	–	–	–	375
Managerial remuneration		30,501	38,314	–	–	8,509	16,423	1,267,306	1,361,900
Charge for defined benefit plans		2,074	2,690	–	–	556	1,163	213,379	184,079
Contribution to defined contribution plan		976	497	–	–	709	1,368	102,846	110,320
Rent and house maintenance		6,622	9,071	–	–	4,276	7,787	529,404	477,366
Utilities		1,179	2,277	–	–	1,540	2,404	229,740	208,087
Medical		1,179	751	–	–	29	206	236,907	228,914
Bonus		25,000	25,000	–	–	14,000	14,000	434,720	462,989
Conveyance and others		3,335	1,932	–	–	63	391	616,705	611,331
		70,866	80,532	7,325	8,275	29,682	43,742	3,631,007	3,645,361
Number of persons	38.2*	2	2	6	6	0*	1	1,314	1,368

38.1 This represents meeting fee paid to independent / non-executive directors other than sponsor directors for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Each director was paid Rs. 100,000 during the year for each meeting attended.

38.2 Executive director of ABL retired from his position in June 2014.

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 43.2.4 and 43.3.1 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:-

2014	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	376,952	3,702,013	38,825,695	71,149,893	1,016,725	460,320	(35,343,362)	80,188,236
Total expenses	(171,842)	(4,445,789)	(31,691,825)	(63,255,869)	(490,856)	(273,417)	35,343,362	(64,986,236)
Net income / (loss)	205,110	(743,776)	7,133,870	7,894,024	525,869	186,903	–	15,202,000
Segment assets (gross)	242,581	11,034,675	121,694,323	729,841,208	1,183,327	1,343,822	–	865,339,936
Segment non performing loans	–	–	6,101,617	16,819,925	–	–	–	22,921,542
Segment provision required	–	–	5,388,690	14,421,874	–	–	–	19,810,564
Segment liabilities	208,212	47,555,825	530,787,572	177,449,397	5,362,414	169,331	–	761,532,751
Segment return on net assets (ROA) (%)*	84.55%	-6.74%	6.13%	1.10%	44.44%	13.91%	–	–
Segment cost of funds (%)*	0.02%	5.70%	4.34%	6.88%	0.00%	0.00%	–	–

2013	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	403,392	1,797,730	39,227,777	54,616,489	974,353	356,210	(33,201,853)	64,174,098
Total expenses	(100,630)	(3,229,899)	(30,633,097)	(48,126,994)	(285,763)	(216,393)	33,201,853	(49,390,923)
Net income / (loss)	302,762	(1,432,169)	8,594,680	6,489,495	688,590	139,817	–	14,783,175
Segment assets (gross)	369,234	13,917,310	125,725,176	614,299,239	794,405	1,073,269	–	756,178,633
Segment non performing loans	–	–	5,429,945	13,993,951	–	–	–	19,423,896
Segment provision required	–	–	5,538,705	12,835,847	–	–	–	18,374,552
Segment liabilities	277,806	17,315,821	528,509,095	116,379,888	5,507,919	85,681	–	668,076,210
Segment return on net assets (ROA) (%)*	82.00%	-10.29%	7.15%	1.08%	86.68%	13.03%	–	–
Segment cost of funds (%)*	0.06%	3.77%	6.13%	7.22%	0.00%	0.00%	–	–

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

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41. RELATED PARTY TRANSACTIONS

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

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	December 31, 2014				December 31, 2013			
	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	68,906	–	239,437	4,383,941	43,842	1,833,333	176,428	200
Loans given during the year	24,967	34,475	74,860	38,920,987	91,890	–	162,658	54,583,758
Loans repaid/ adjustment during the year	(46,588)	(32,490)	(96,590)	(43,304,794)	(66,826)	(1,833,333)	(99,649)	(50,200,017)
Loans at the end of the year	47,285	1,985	217,707	134	68,906	–	239,437	4,383,941
Deposits								
Deposits at the beginning of the year	66,134	14,829	18,527	14,606,555	33,653	41,011	27,640	5,675,814
Deposits received during the year	10,238,173	13,627,731	774,621	94,676,833	5,146,560	7,144,875	795,509	98,198,169
Deposits repaid during the year	(10,269,611)	(13,617,063)	(700,215)	(102,430,249)	(5,114,079)	(7,171,057)	(804,622)	(89,267,428)
Deposits at the end of the year	34,696	25,497	92,933	6,853,139	66,134	14,829	18,527	14,606,555
Nostro balances	–	69,595	–	–	–	148,691	–	–
Investments in shares/ open end mutual funds*	–	454,628	–	1,625,017	–	279,650	–	12,194,226
Other receivables	607	–	41,996	135,279	–	–	–	78,260
Other payables	–	–	–	110	–	–	–	110
Net receivable from								
staff retirement benefit funds	–	–	–	4,470,566	–	–	–	3,896,907

	December 31, 2014				December 31, 2013			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
	Rupees in '000							
Mark-up earned	3,016	182	11,595	347,093	2,273	–	11,897	368,455
Income on Placements	–	1,979	–	–	–	1,665	–	–
Dividend Income	–	–	–	307,713	–	–	–	464,052
Capital Gain/ (Loss)	–	–	–	527,687	–	–	–	119
Sales commission / Management fee								
sharing expense	–	–	–	5,712	–	–	–	4,127
Management fee income	–	–	–	317,114	–	–	–	252,614
Mark-up expense on deposits	3,865	865	3,209	702,593	2,098	17	2,272	734,524
Fee commission/ bank charges	31	95	67	510	23	50	56	1,964
Interest expense on borrowings	–	–	–	–	–	115	–	–
Directors' meeting fee	7,325	–	–	–	8,275	–	–	–
Remuneration	–	–	310,295	–	–	–	295,313	–
Other charges	–	3,410	–	98,110	–	–	–	78,001
Rent Expense**	–	21,308	–	–	–	19,671	–	–
Rent Income	–	1,200	–	–	–	600	–	–
Charge / (reversal) in respect of staff								
retirement benefit funds	–	–	–	15,194	–	–	–	118,231

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, 36 and 38 to these consolidated financial statements.

* Associated company on the basis of common directorship.

** Rent sharing expense of ABL Branch with associate company (Ibrahim Agencies Pvt. Ltd) was carried out on terms other than that of arm's length with prior permission of State Bank of Pakistan.

*** Rent Free ATMs are placed at Ibrahim Fibers Limited (Textile Mills & Polyester Plant).
- During the year bank also subscribed Rs. 174.340 million to right shares in associated company i.e. Habib Allied International Bank (HAIB).
- Bank also purchased Software from its associated company i.e. 1Link (Guarantee) Limited against the consideration of Rs. 1.98 million.
- During the year the outgoing Executive Director was given Laptop at book value under bank's policy against consideration of Rs. 32,382.

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1.1 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.

42.1.2 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. 10 billion free of losses.

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis till December 31, 2014. Subsequently, a phase in arrangement has been put in place whereby the minimum CAR requirement is being raised to 12.5% till December 31, 2019.

The paid up capital and CAR of the Group stands at Rs. 11.451 billion and 19.88% of its risk weighted exposure as at December 31, 2014.

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

42.1.3 Scope of Applications

The Basel 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.

42.1.4 Capital Structure - Basel III transition

State Bank of Pakistan vide circular # BPRD 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

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, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities 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). Bank has also implemented transitional standards of Basel III up to the extent of 20% as at 31 Dec 2014 as per road map laid down by SBP through BPRD Circular #6 dated August,15, 2013.

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 II was obtained in August 2009.

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits. 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-II
Outstanding Amount- (Rupees in thousand)	2,994,000
Issue date	Friday August 28, 2009
Total issue	3,000,000
Rating	AA
Listing	Karachi Stock Exchange Limited
Rate	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	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	10 Years (2009 - 2019)

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.

Term Finance Certificate-I valuing Rs. 2,500 Million matured during the year 2014.

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

42.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

		December 31, 2014	December 31, 2013
		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		11,450,739	10,409,763
Balance in Share Premium Account		–	333,864
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		13,521,062	12,019,553
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profits/ (losses)		37,728,177	31,343,149
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		62,699,978	54,106,329
Common Equity Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments applied to CET1 (Note 42.2.1)		(2,630,063)	(1,296,425)
Common Equity Tier 1	a	60,069,915	52,809,904
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital (Note 42.2.2)		–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy	b	–	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	60,069,915	52,809,904
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III			
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		2,395,200	2,696,484
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		–	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		115,919	132,187
Revaluation Reserves		10,548,462	5,622,542
of which: Revaluation reserves on Property		3,919,055	1,562,327
of which: Unrealized Gains/Losses on AFS		6,629,407	4,060,215
Foreign Exchange Translation Reserves		28,293	84,741
Undisclosed/Other Reserves (if any)		–	–
T2 before regulatory adjustments		13,087,874	8,535,954
Total regulatory adjustment applied to T2 capital (Note 42.2.3)		(555,195)	(376,298)
Tier 2 capital (T2) after regulatory adjustments		12,532,679	8,159,656
Tier 2 capital recognized for capital adequacy		12,532,679	8,159,656
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy	(d)	12,532,679	8,159,656
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	72,602,594	60,969,560
Total Risk Weighted Assets	(f)	365,222,555	338,698,776
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	16.45%	15.59%
Tier-1 capital to total RWA	(c/f)	16.45%	15.59%
Total capital to RWA	(e/f)	19.88%	18.00%

	December 31, 2014	December 31, 2013
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	–	–
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	16.45%	15.59%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

	Regulatory Adjustments and Additional Information	December 31, 2014		December 31, 2013	
		Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
		Rupees in '000			
Note 42.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	(1,176,015)	–	(1,188,994)	–
3	Shortfall in provisions against classified assets	–	–	–	–
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	–	–
5	Defined-benefit pension fund net assets	(874,940)	(3,499,761)	–	(3,781,464)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(579,108)		(107,431)	
7	Cash flow hedge reserve	–	–	–	–
8	Investment in own shares/ CET1 instruments	–	–	–	–
9	Securitization gain on sale	–	–	–	–
10	Capital shortfall of regulated subsidiaries	–	–	–	–
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	–	–	–	–
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	–	–
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	–	–
15	Amount exceeding 15% threshold	–	–	–	–
16	of which: significant investments in the common stocks of financial entities	–	–	–	–
17	of which: deferred tax assets arising from temporary differences	–	–	–	–
18	National specific regulatory adjustments applied to CET1 capital	–	–	–	–
19	Investments in TFCs of other banks exceeding the prescribed limit	–	–	–	–
20	Any other deduction specified by SBP (mention details)	–	–	–	–
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	–	–	–
22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	(2,630,063)	–	(1,296,425)	–
Note 42.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–	–	–
24	Investment in own AT1 capital instruments	–	–	–	–
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–	–	–
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory	–	–	–	–

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Regulatory Adjustments and Additional Information	December 31, 2014 Amount	December 31, 2014 Amounts subject to pre-basel III treatment	December 31, 2013 Amount	December 31, 2013 Amounts subject to pre-basel III treatment
	Rupees in '000			
consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–	–
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	–	–	–	–
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–	–	–
30 **Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)**	–	–	–	–
Note 42.2.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	–	–	–
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	(555,195)	–	(376,298)	–
33 Investment in own Tier 2 capital instrument	–	–	–	–
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	–	–
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–	–	–
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(555,195)	–	(376,298)	–

	December 31, 2014	December 31, 2013
	Rupees in '000	
Note 42.2.4 Additional Information		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	269,567,585	275,422,047
(i) of which: deferred tax assets	–	–
(ii) of which: Defined-benefit pension fund net assets	3,499,761	3,781,464
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	–	–
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	–	–
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	3,789,633	2,889,773
39 Significant investments in the common stock of financial entities	1,111,610	1,075,653
40 Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	115,919	132,187
42 Cap on inclusion of provisions in Tier 2 under standardized approach	–	–
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
42.3 Capital Structure Reconciliation			
42.3.1 Step 1			
Assets			
Cash and balances with treasury banks	41,252,303	41,252,303	
Balances with other banks	873,500	873,500	
Lendings to financial institutions	2,030,062	2,030,062	
Investments	429,397,275	429,397,275	
Advances	306,057,885	306,057,885	
Operating fixed assets	27,270,823	27,270,823	
Deferred tax assets	–	–	
Other assets	36,215,718	36,215,718	
Total assets	843,097,566	843,097,566	
Liabilities & Equity			
Bills payable	4,831,801	4,831,801	
Borrowings	66,096,472	66,096,472	
Deposits and other accounts	667,863,871	667,863,871	
Sub-ordinated loans	2,994,000	2,994,000	
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	3,629,645	3,629,645	
Other liabilities	16,116,962	16,116,962	
Total liabilities	761,532,751	761,532,751	
Share capital/ Head office capital account	11,450,739	11,450,739	
Reserves	13,549,355	13,549,355	
Unappropriated/ Unremitted profit/ (losses)	37,728,181	37,728,181	
Minority Interest	–	–	
Surplus on revaluation of assets	18,836,540	18,836,540	
Total liabilities & equity	843,097,566	843,097,566	
42.3.2 Step 2			
Assets			
Cash and balances with treasury banks	41,252,303	41,252,303	
Balanced with other banks	873,500	873,500	
Lending to financial institutions	2,030,062	2,030,062	
Investments	429,397,275	429,397,275	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	–	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	–	–	b
of which: Mutual Funds exceeding regulatory threshold	–	–	c
of which :Reciprocal cross holdings in CET1	–	579,108	d
of which :Reciprocal cross holdings in Tier2	–	555,195	e
of which: others (mention details)	–	–	f
Advances	306,057,885	306,057,885	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–	g
general provisions reflected in Tier 2 capital	–	115,919	h
Fixed Assets	27,270,823	27,270,823	
of which: Intangibles	–	1,200,249	i
Deferred Tax Assets	–	–	
of which: DTAs excluding those arising from temporary differences	–	–	j
of which: DTAs arising from temporary differences exceeding regulatory threshold	–	–	k
Other assets	36,215,717	36,215,717	
of which: Goodwill	–	–	l
of which: Defined-benefit pension fund net assets	–	4,374,701	m
Total assets	843,097,566	843,097,566	

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
Liabilities & Equity			
Bills payable	4,831,801	4,831,801	
Borrowings	66,096,472	66,096,472	
Deposits and other accounts	667,863,871	667,863,871	
Sub-ordinated loans	2,994,000	2,994,000	
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	2,395,200	o
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	3,629,645	3,629,645	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	24,234	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	16,116,965	16,116,965	
Total liabilities	761,532,751	761,532,751	
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	–	11,450,739	t
of which: amount eligible for AT1	–	–	u
Reserves	13,549,355	13,549,355	
of which: portion eligible for inclusion in CET1:Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	–	13,521,062	w
of which: portion eligible for inclusion in Tier 2	–	28,293	x
Unappropriated profit/ (losses)	37,728,181	37,728,181	y
Minority Interest	–	–	
of which: portion eligible for inclusion in CET1	–	–	z
of which: portion eligible for inclusion in AT1	–	–	aa
of which: portion eligible for inclusion in Tier 2	–	–	ab
Surplus on revaluation of assets	18,836,540	18,836,540	
of which: Revaluation reserves on Property	–	3,919,055	ac
of which: Unrealized Gains/Losses on AFS	–	6,629,407	
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
Total liabilities & Equity	843,097,566	843,097,566	

42.3.3 Step 3

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	11,450,739	(t)
2 Balance in Share Premium Account	–	(v)
3 Reserve for issue of Bonus Shares	–	
4 General/ Statutory Reserves	13,521,062	(w)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	–	
6 Unappropriated/unremitted profits/(losses)	37,728,177	(y)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	–	(z)
8 **CET 1 before Regulatory Adjustments**	62,699,978	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	–	(l) - (p)
10 All other intangibles (net of any associated deferred tax liability)	1,176,015	(i) - (q)
11 Shortfall of provisions against classified assets	–	(g)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	{(j) - (s)} * x%

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
13 Defined-benefit pension fund net assets	874,940	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	579,108	(d)
15 Cash flow hedge reserve	–	
16 Investment in own shares/ CET1 instruments	–	
17 Securitization gain on sale	–	
18 Capital shortfall of regulated subsidiaries	–	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	–	(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	(k)
23 Amount exceeding 15% threshold	–	
24 of which: significant investments in the common stocks of financial entities	–	
25 of which: deferred tax assets arising from temporary differences	–	
26 National specific regulatory adjustments applied to CET1 capital	–	
27 Investment in TFCs of other banks exceeding the prescribed limit	–	
28 Any other deduction specified by SBP (mention details)	–	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	2,630,063	
Common Equity Tier 1	60,069,915	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	–	
32 of which: Classified as equity	–	(u)
33 of which: Classified as liabilities	–	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
36 **AT1 before regulatory adjustments**	–	
Additional Tier 1 Capital: regulatory adjustments	–	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
38 Investment in own AT1 capital instruments	–	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	–	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
44 Total of Regulatory Adjustment applied to AT1 capital	–	
45 Additional Tier 1 capital	–	

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	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
46 Additional Tier 1 capital recognized for capital adequacy	–	
Tier 1 Capital (CET1 + admissible AT1)	60,069,915	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	–	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	2,395,200	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	–	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	–	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	115,919	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	3,919,055	portion of (ac)
54 of which: portion pertaining to AFS securities	6,629,407	
55 Foreign Exchange Translation Reserves	28,293	(x)
56 Undisclosed/Other Reserves (if any)	–	
57 **T2 before regulatory adjustments**	13,087,874	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	
59 Reciprocal cross holdings in Tier 2 instruments	555,195	(e)
60 Investment in own Tier 2 capital instrument	–	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	–	
64 Tier 2 capital (T2)	–	
65 Tier 2 capital recognized for capital adequacy	–	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	12,532,679	
TOTAL CAPITAL (T1 + admissible T2)	72,602,594	

42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument - 2
1	Issuer	Allied Bank Limited	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL	ABLTFC2
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan
	Regulatory treatment		
4	Transitional Basel III rules	N/A	The bank intends to Phase out the above instrument till 2019
5	Post-transitional Basel III rules	N/A	N/A
6	Eligible at solo/ group/ group & solo	Group and standalone	Group and standalone
7	Instrument type	Ordinary Shares	Other Tier 2
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739	2,395,200
9	Par value of instrument	10	5,000
10	Accounting classification	Shareholders equity	Liability - amortized cost
11	Original date of issuance	N/A	August 28, 2009
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	August 28, 2019
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Issuer has the right to seek redemption after the eleventh redemption of the entire TFC issue, prior to its stated maturity
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	N/A	Floating
18	Coupon rate and any related index/ benchmark	N/A	- 6M KIBOR + 0.85% for first 5 years - 6M KIBOR +1.3% from 6th year
19	Existence of a dividend stopper	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Rank inferior to all debt instruments	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Note: Bank's TFC1 has matured during the year.

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42.5 Risk Weighted Exposures

The capital requirement for the Group as per major risk categories are indicated below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and Cash Equivalents	–	–	–	–
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–		
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,193,048	710,029	11,930,477	7,100,285
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
Claims on Multilateral Development Banks	–	–	–	–
Claims on Public Sector Entities in Pakistan	563,773	237,682	5,637,727	2,376,815
Claims on Banks	580,209	504,038	5,802,091	5,040,383
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	27,204	54,850	272,042	548,499
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	26,076	51,040	260,758	510,404
Claims on Corporates (excluding equity exposures)	12,933,791	12,945,598	129,337,913	129,455,979
Claims categorized as retail portfolio	1,669,857	1,952,960	16,698,572	19,529,604
Claims fully secured by residential property	221,705	210,200	2,217,049	2,101,998
Past Due loans:	1,060,880	122,127	10,608,799	1,221,271
Investments in premises, plant and equipment and all other fixed assets	2,609,481	2,090,749	26,094,808	20,907,487
Claims on all fixed assets under operating lease	–	–	–	–
All other assets	704,848	759,514	7,048,477	7,595,142
	21,590,872	19,638,787	215,908,713	196,387,867
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	2,302,735	3,011,768	23,027,348	30,117,680
Performance related contingencies	443,920	228,031	4,439,201	2,280,307
Trade Related contingencies/Other Commitments with original maturity of one year or less	521,682	608,947	5,216,820	6,089,471
	3,268,337	3,848,746	32,683,369	38,487,458

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Market related Exposures	126,455	144,982	1,264,551	1,449,815
Equity Exposure Risk in the Banking Book				
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	301,249	–	3,012,487
Unlisted equity investments (other than that deducted from capital) held in banking book	268,913	268,913	2,689,133	2,689,133
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	1,492,264	3,150,399	14,922,635	31,503,994
Unlisted equity investments (other than that deducted from capital) held in banking book	209,918	189,129	2,099,184	1,891,294
Investments in venture capital	–	–	–	–
	1,971,095	3,909,690 -	19,710,952	39,096,908
Total Credit Risk (A)	26,956,759	27,542,205	269,567,585	275,422,048
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	230,963	112,834	2,309,625	1,128,342
Equity position risk etc.	2,900,290	355,717	29,002,897	3,557,165
Foreign exchange risk	261,196	40,951	2,611,963	409,507
Operational Risk				
Capital Requirement for operational risks	6,173,049	5,818,171	61,730,485	58,181,714
Total Risk Weighted Assets	36,522,257	33,869,878	365,222,555	338,698,776

	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	5.5%	16.45%	5.0%	15.6%
Tier-1 capital to total RWA	7.0%	16.45%	6.5%	15.6%
Total capital to total RWA	10.0%	19.88%	10.0%	18.00%

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

Risk Responsibilities

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

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

- The BRMC recommends for approval to the Board of Directors, the policies proposed by RMC (Risk Management 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., Risk 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, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity 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 spread sheet 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), Moody's country ratings as well as country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. 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 weight age while extending credit to these asset classes. The Bank is also undertaking an initiative to validate the implemented models as per the Basel guidelines.

Stress Testing

The Bank conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. On a quarterly basis, an extensive stress testing activity is conducted by giving shocks to all assets of the Bank in line with SBP requirements and assessing its resulting affect on capital adequacy. The major shock being applied relate to the deterioration in internal ratings of the obligors, adverse shift of regular borrowers to non-performing status, default by large borrowers or group of borrowers and their resultant impact on the provisioning requirements and capital adequacy.

Automated System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an automated 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 2014, the coverage ratio was 85.9% 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 2014, 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. The advances show an overall increase by 14.2%.

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. Power, gas and water, Petroleum products, Chemical and pharmaceuticals 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, 2014					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	7,268,761	2.23%	28,411,259	4.25%	1,058,048	0.54%
Basic metals (iron, steel)	2,644,761	0.81%	5,934,985	0.89%	2,605,481	1.33%
Grains, food & beverages	12,855,667	3.95%	6,225,075	0.93%	63,537	0.03%
Cement / clay & ceramics	7,405,452	2.27%	2,088,995	0.31%	345,550	0.18%
Chemical & pharmaceutical	18,283,039	5.61%	855,333	0.13%	4,406,223	2.24%
Construction	3,822,036	1.17%	40,002,678	5.99%	5,155,856	2.63%
Education	656,911	0.20%	14,069,042	2.11%	–	0.00%
Financial	19,706,256	6.05%	2,948,500	0.44%	105,084,731	53.51%
Finishing of Textile	11,136,396	3.42%	3,265,331	0.49%	3,950,768	2.01%
Fishing	18,016	0.01%	–	0.00%	–	0.00%
Footware & leather garments	1,170,829	0.36%	1,875,501	0.28%	358,366	0.18%
Furniture & sports goods	2,169,055	0.67%	1,237,965	0.19%	35,699	0.02%
Health & social welfare	42,262	0.01%	3,361,647	0.50%	98,785	0.05%
Hotel, restaurant & clubs	1,593,425	0.49%	2,158,603	0.32%	122,431	0.06%
Machinery & equipment	3,271,256	1.00%	2,949,400	0.44%	857,072	0.44%
Manufacture of made up & ready made garments	1,950,502	0.60%	988,104	0.15%	–	0.00%
Manufacture of transport equipment	669,935	0.21%	251,889	0.04%	–	0.00%
Paper & paper boards	6,444,595	1.98%	79,254	0.01%	1,699,533	0.87%
Petroleum products	3,926,354	1.20%	10,402,058	1.56%	13,418,190	6.83%
Power, gas, water & sanitary	42,193,909	12.95%	3,737,020	0.56%	11,324,606	5.77%
Printing, publishing & allied	43,130	0.01%	55,440	0.01%	193,440	0.10%
Real estate, renting, and business activities	836,227	0.26%	87,584,847	13.11%	–	0.00%
Rubber & plastic	370,722	0.11%	2,497,273	0.37%	–	0.00%
Spinning	16,681,607	5.12%	14,603,197	2.19%	–	0.00%
Sugar	6,382,211	1.96%	4,168,777	0.62%	–	0.00%
Transport, storage & communication	3,094,905	0.95%	1,609,756	0.24%	7,308,435	3.72%
Weaving	5,373,893	1.65%	13,968,050	2.09%	–	0.00%
Wholesale & retail trade	9,197,892	2.82%	60,090,231	9.00%	17,743,083	9.03%
Individuals	7,427,618	2.28%	147,835,151	22.14%	3,318,213	1.69%
Others	129,230,827	39.66%	204,608,510	30.64%	17,247,317	8.78%
	325,868,449	100.00%	667,863,871	100.00%	196,395,364	100.00%

43.1.1.2 Segments by sector

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	109,441,357	33.58%	106,948,767	16.01%	33,275,625	16.94%
Private	216,427,092	66.42%	560,915,104	83.99%	163,119,739	83.06%
	325,868,449	100.00%	667,863,871	100.00%	196,395,364	100.00%

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, forestry and hunting	439,885	292,739	535,762	447,092
Food & Beverages	1,707,992	1,028,202	572,368	572,368
Spinning	1,493,212	1,493,212	2,247,836	2,247,823
Weaving	1,299,100	1,299,100	1,324,252	1,293,697
Finishing of Textile	5,605,220	5,589,595	5,607,292	5,317,990
Footware & leather garments	129,459	129,459	70,902	70,902
Paper & paper boards	257,432	237,057	20,708	20,708
Printing, publishing & allied	18,264	16,660	18,439	18,439
Petroleum products	2,781,964	1,395,585	659	659
Chemical & pharmaceutical	824,052	822,232	481,853	474,728
Rubber & plastic	366,462	310,952	25,478	24,728
Cement/ clay & ceramics	71,591	71,591	234,401	110,944
Basic metals (iron, steel)	284,052	275,060	288,329	288,329
Machinery & equipment	1,378,396	1,259,572	1,310,056	1,308,353
Power, gas, water & sanitary	637,015	637,015	239,916	239,916
Manufacture of transport equipment	351,375	351,375	246,688	246,688
Financial	72,454	72,454	72,954	72,954
Real estate, renting, and business activities	412,595	212,595	16,195	16,195
Transport, storage & communication	398,788	109,437	5,417	5,417
Hotel, restaurant & clubs	7,799	7,582	7,865	7,460
Construction	499,142	496,818	993,785	593,785
Furniture & sports goods	263,719	263,719	88,893	88,893
Wholesale & retail trade	1,683,558	1,472,028	569,648	553,412
Individuals	480,700	432,761	336,765	332,267
Others	1,457,316	1,417,845	4,107,435	3,888,618
	22,921,542	19,694,645	19,423,896	18,242,365

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/ Government	137,180	137,180	137,680	137,680
Private	22,784,362	19,557,465	19,286,216	18,104,685
	22,921,542	19,694,645	19,423,896	18,242,365

43.1.1.5 Geographical Segment Analysis

	December 31, 2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operations	21,945,422	827,268,480	80,045,180	196,392,550
Middle East	233,775	11,517,634	717,057	2,814
Karachi Export Processing Zone	253,379	4,311,452	802,578	–
	487,154	15,829,086	1,519,635	2,814
	22,432,576	843,097,566	81,564,815	196,395,364

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43.1.2 Credit Risk - General Disclosures

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

43.1.2.1 Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits"

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

Selection of ECAIs

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

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

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

Exposures to Public Sector Entities (PSEs): For PSE exposures, 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, 2014

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, 2014			December 31, 2013		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	39,256,462	–	39,256,462	28,618,574	–	28,618,574
	2	26,077,349	–	26,077,349	40,959,091	–	40,959,091
	3 , 4	1,878,733	–	1,878,733	4,085,424	–	4,085,424
	5 , 6	–	–	–	256,160	–	256,160
Claims on banks with original maturity of 3 months or less	–	33,809,324	32,317,538	1,491,786	14,822,587	11,939,611	2,882,976
Retail	–	28,922,743	5,817,355	23,105,389	34,072,463	5,974,347	28,098,116
Public sector entities	1	23,107,102	–	23,107,102	11,684,897	–	11,684,897
Others	–	544,160,585	–	544,160,585	458,687,669	–	458,687,669
Unrated	–	203,453,195	64,196,501	139,256,694	189,323,457	48,832,354	140,491,103

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 long term 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
	Rupees in '000	
Equity Investments - Publicly Traded	1,106,542	33,658,851
Equity Investments - Others	–	2,679,992
Total Value	–	36,338,843

The cumulative gain of Rs. 4,117.344 million (2013: 1,243.726 million) was realized from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 14,318.776 million (2013: Rs. 9,912.402 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', 'Open Ended Mutual Fund' and non-strategic listed equity placed in 'Available-for-sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

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 - (other than non strategic listed equity)
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 modelling 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' are parked in the banking book. These investments expose the Bank to equity price risk.

Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits).

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43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any 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, 2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	806,628,568	688,488,358	(39,181,388)	78,958,822
United States Dollar	35,559,262	64,158,069	31,155,748	2,556,941
Great Britain Pound	433,344	5,605,212	5,197,902	26,034
Japanese Yen	12,322	2,584	(9,040)	698
Euro	447,683	3,275,374	2,839,871	12,180
Other Currencies	16,387	3,154	(3,093)	10,140
	36,468,998	73,044,393	39,181,388	2,605,993
	843,097,566	761,532,751	–	81,564,815

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	697,747,857	597,256,036	(35,090,534)	65,401,287
United States Dollar	35,702,250	64,629,248	30,176,877	1,249,879
Great Britain Pound	557,675	3,766,787	3,226,719	17,607
Japanese Yen	43,461	5,110	(38,182)	169
Euro	602,092	2,414,871	1,811,807	(972)
Other Currencies	108,480	4,158	(86,687)	17,635
	37,013,958	70,820,174	35,090,534	1,284,318
	734,761,815	668,076,210	–	66,685,605

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, whereas limit setting with respect to portfolio, sector and scrip wise limits is done by BRMC / BoD to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits whereas limit monitoring is done by Market & Liquidity Risk Division on a daily basis and breaches (if any) are promptly reported with proper reason.

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, 2014									
			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%	41,252,303	9,631,572	-	-	-	-	-	-	-	-	31,620,731
Balances with other banks		873,500	428,327	-	-	-	-	-	-	-	-	445,173
Lendings to financial institutions	7.97%	2,030,062	2,030,062	-	-	-	-	-	-	-	-	-
Investments - net	10.91%	429,397,275	7,905,033	68,398,002	1,084,056	49,607,115	129,213,775	38,860,300	71,713,411	20,623,232	-	41,992,351
Advances - net	10.66%	306,057,885	52,986,609	203,935,564	37,801,287	735,820	1,481,676	1,357,835	2,639,828	1,793,203	-	3,326,063
Other assets - net		26,765,693	-	-	-	-	-	-	-	-	-	26,765,693
		806,376,718	72,981,603	272,333,566	38,885,343	50,342,935	130,695,451	40,218,135	74,353,239	22,416,435	-	104,150,011
Liabilities												
Bills payable		4,831,801	-	-	-	-	-	-	-	-	-	4,831,801
Borrowings	8.18%	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-	-
Deposits and other accounts	5.53%	667,863,871	104,665,393	138,103,755	65,949,416	23,982,004	6,627,192	507,222	158,684,622	271,080	-	169,073,187
Sub-ordinated loan	11.15%	2,994,000	-	2,994,000	-	-	-	-	-	-	-	-
Other liabilities		13,170,598	-	-	-	-	-	-	-	-	-	13,170,598
		754,956,742	146,680,065	152,103,368	73,293,550	24,422,932	7,509,046	1,389,076	160,448,330	2,034,789	-	187,075,586
On-balance sheet gap		51,419,976	(73,698,462)	120,230,198	(34,408,207)	25,920,003	123,186,405	38,829,059	(86,095,091)	20,381,646	-	(82,925,575)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		65,524,611	17,971,515	30,816,338	15,767,196	969,562	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(26,343,223)	(10,085,847)	(12,000,776)	(3,842,891)	(413,709)	-	-	-	-	-	-
Off-balance sheet gap		39,181,388	7,885,668	18,815,562	11,924,305	555,853	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		90,601,364	(65,812,794)	139,045,760	(22,483,902)	26,475,856	123,186,405	38,829,059	(86,095,091)	20,381,646	-	
Cumulative yield / interest risk sensitivity gap		90,601,364	(65,812,794)	73,232,966	50,749,064	77,224,921	200,411,326	239,240,385	153,145,294	173,526,940	173,526,940	

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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, 2013											
	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%	44,673,129	8,908,644	-	-	-	-	-	-	-	-	35,764,485
Balances with other banks		1,102,237	300,499	-	-	-	-	-	-	-	-	801,738
Lendings to financial institutions	8.82%	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-	-
Investments - net	9.66%	363,810,550	45,313,441	181,171,061	62,256,069	449,550	3,097,208	26,502,033	-	-	-	45,021,188
Advances - net	10.56%	267,036,121	61,080,740	167,071,484	29,058,724	479,135	4,299,907	889,009	1,727,078	1,082,620	-	1,347,424
Other assets - net		13,268,886	-	-	-	-	-	-	-	-	-	13,268,886
		702,352,326	127,964,727	348,342,545	91,314,793	928,685	7,397,115	27,391,042	1,727,078	1,082,620	-	96,203,721
Liabilities												
Bills payable		4,878,594	-	-	-	-	-	-	-	-	-	4,878,594
Borrowings	8.14%	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-	-
Deposits and other accounts	5.43%	608,406,629	105,200,869	127,897,256	19,977,962	32,562,450	9,560,023	541,202	138,890,579	671,053	27,820,116	145,285,119
Sub-ordinated loan	10.59%	4,242,200	-	2,995,200	1,247,000	-	-	-	-	-	-	-
Other liabilities		12,250,587	-	-	-	-	-	-	-	-	-	12,250,587
		662,730,416	117,362,722	140,375,605	29,683,003	32,781,630	9,998,387	979,566	139,767,307	1,547,780	27,820,116	162,414,300
On-balance sheet gap		39,621,910	10,602,005	207,966,940	61,631,790	(31,852,945)	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	(66,210,579)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		97,308,562	32,213,920	47,416,498	17,358,709	319,435	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(62,218,028)	(24,648,975)	(21,219,280)	(15,692,413)	(657,360)	-	-	-	-	-	-
Off-balance sheet gap		35,090,534	7,564,945	26,197,218	1,666,296	(337,925)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		74,712,444	18,166,950	234,164,158	63,298,086	(32,190,870)	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	
Cumulative yield / interest risk sensitivity gap		74,712,444	18,166,950	252,331,108	315,629,194	283,438,324	280,837,052	307,248,528	169,208,299	168,743,139	140,923,023	

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, 2014	December 31, 2013
	(Rupees in '000)	
Balance as per Statement of Financial Position	843,097,566	734,761,815
Less : Non financial assets		
Operating fixed assets	27,270,823	22,096,771
Other assets	9,450,025	10,312,718
	36,720,848	32,409,489
Total financial assets	806,376,718	702,352,326

Reconciliation to total liabilities	December 31, 2014	December 31, 2013
	(Rupees in '000)	
Balance as per Statement of Financial Position	761,532,751	668,076,210
Less: Non financial liabilities		
Deferred tax liability	3,629,645	1,809,501
Other liabilities	2,946,364	3,536,293
	6,576,009	5,345,794
Total financial liabilities	754,956,742	662,730,416

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. Bank's BoD have delegated the responsibility to ALCO 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, 2014									
	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	41,252,303	41,252,303	-	-	-	-	-	-	-	-
Balances with other banks	873,500	873,500	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	429,397,275	273,162	66,337,330	74,802	71,497,096	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,057,885	33,396,856	45,085,017	35,906,557	39,086,340	32,708,490	37,756,260	42,998,238	31,514,565	7,605,562
Operating fixed assets	27,270,823	286,655	573,318	859,977	1,719,954	1,494,013	641,700	1,371,051	1,328,508	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,215,718	5,034,137	8,308,360	16,643,652	905,820	833,255	-	-	-	4,490,494
	843,097,566	83,146,675	120,304,025	53,484,988	113,209,210	168,522,137	82,453,452	119,844,769	71,040,607	31,091,703
Liabilities										
Bills payable	4,831,801	4,831,801	-	-	-	-	-	-	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,863,871	546,467,280	41,811,815	59,846,735	17,879,325	524,512	507,222	555,900	271,082	-
Deferred tax liabilities	3,629,645	23,129	45,581	65,472	(383,623)	1,431,030	202,927	405,761	712,968	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	16,116,962	3,818,401	6,077,739	2,433,655	463,508	406,296	490,267	766,414	1,660,682	-
	761,532,751	597,155,283	58,941,348	69,689,996	18,401,938	3,244,892	2,083,470	6,480,983	4,408,441	1,126,400
Net assets / (liabilities)	81,564,815	(514,008,608)	61,362,677	(16,205,008)	94,807,272	165,277,245	80,369,982	113,363,786	66,632,166	29,965,303
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,728,181									
	62,728,275									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	81,564,815									

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

	December 31, 2013									
	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	44,673,129	44,673,129	-	-	-	-	-	-	-	-
Balances with other banks	1,102,237	1,102,237	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-
Investments	363,810,550	43,001,996	177,410,256	59,990,759	32,889,398	551,729	30,650,872	3,705,010	15,610,530	-
Advances	267,036,121	68,680,342	29,647,408	31,586,931	25,329,110	29,235,150	21,307,335	22,617,970	31,809,778	6,822,097
Operating fixed assets	22,096,771	249,981	499,958	749,937	1,499,874	1,667,481	576,479	1,274,857	1,034,708	14,543,496
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	23,581,604	3,632,115	3,683,692	10,609,896	665,768	1,008,150	12,337	24,675	-	3,944,971
	734,761,815	173,701,203	211,341,314	102,937,523	60,384,150	32,462,510	52,547,023	27,622,512	48,455,016	25,310,564
Liabilities										
Bills payable	4,878,594	4,878,594	-	-	-	-	-	-	-	-
Borrowings	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-
Deposits and other accounts	608,406,629	485,511,492	49,193,795	14,026,204	26,610,691	3,608,265	541,202	428,851	671,053	27,815,076
Deferred tax liabilities	1,809,501	(9,060)	(18,121)	(27,181)	(560,617)	263,265	171,376	342,752	533,836	1,113,251
Sub-ordinated loan	4,242,200	-	600	623,500	625,300	1,200	1,200	2,990,400	-	-
Other liabilities	15,786,880	4,044,015	5,063,781	2,843,247	724,183	380,345	458,880	717,500	1,554,929	-
	668,076,210	506,586,894	63,723,204	25,923,811	27,618,737	4,691,439	1,611,022	5,356,231	3,636,545	28,928,327
Net assets / (liabilities)	66,685,605	(332,885,691)	147,618,110	77,013,712	32,765,413	27,771,071	50,936,001	22,266,281	44,818,471	(3,617,763)
Share capital	10,409,763									
Reserves	12,438,158									
Unappropriated profit	31,343,147									
	54,191,068									
Surplus on revaluation of assets										
- net of tax	12,494,537									
	66,685,605									

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, 2014									
	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	41,252,303	29,464,580	522,773	39,427	-	3,741,841	3,741,841	3,741,841	-	-
Balances with other banks	873,500	873,500	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	429,397,275	273,162	66,337,330	74,802	71,497,096	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,057,885	33,396,856	45,085,017	35,906,557	39,086,340	32,708,490	37,756,260	42,998,238	31,514,565	7,605,562
Operating fixed assets	27,270,823	286,655	573,318	859,977	1,719,954	1,494,013	641,700	1,371,051	1,328,508	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,215,718	5,034,137	8,308,360	16,643,652	905,820	833,255	-	-	-	4,490,494
	843,097,566	71,358,952	120,826,798	53,524,415	113,209,210	172,263,978	86,195,293	123,586,610	71,040,607	31,091,703
Liabilities										
Bills payable	4,831,801	3,464,734	-	-	-	455,689	455,689	455,689	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,863,871	104,665,390	42,278,613	90,349,923	48,382,513	31,027,701	23,130,839	555,902	271,081	327,201,909
Deferred tax liabilities	3,629,645	23,129	45,581	65,472	(383,623)	1,431,030	202,927	405,761	712,968	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	16,116,962	3,818,401	6,077,739	2,433,655	463,508	406,296	490,267	766,414	1,660,682	-
	761,532,751	153,986,326	59,408,146	100,193,184	48,905,126	34,203,770	25,162,776	6,936,674	4,408,440	328,328,309
Net assets	81,564,815	(82,627,374)	61,418,652	(46,668,769)	64,304,084	138,060,208	61,032,517	116,649,936	66,632,167	(297,236,606)
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,728,181									
	62,728,275									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	81,564,815									

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

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, 2013									
	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	44,673,129	31,533,481	730,648	36,457	-	4,124,181	4,124,181	4,124,181	-	-
Balances with other banks	1,102,237	1,102,237	-	-	-	-	-	-	-	-
Lendings to financial institutions	12,461,403	12,361,403	100,000	-	-	-	-	-	-	-
Investments - net	363,810,550	43,001,996	177,410,256	59,990,759	32,889,398	551,729	30,650,872	3,705,010	15,610,530	-
Advances - net	267,036,121	32,787,089	32,790,069	32,148,013	25,330,830	39,954,091	32,026,534	33,339,113	31,820,474	6,839,908
Operating fixed assets	22,096,771	249,981	499,958	749,937	1,499,874	1,667,481	576,479	1,274,857	1,034,708	14,543,496
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	23,581,604	3,632,115	3,683,692	10,609,896	665,768	1,008,150	12,337	24,675	-	3,944,971
	734,761,815	124,668,302	215,214,623	103,535,062	60,385,870	47,305,632	67,390,403	42,467,836	48,465,712	25,328,375
Liabilities										
Bills payable	4,878,594	3,431,685	-	-	-	482,303	482,303	482,303	-	-
Borrowings	32,952,406	12,161,853	9,483,149	8,458,041	219,180	438,364	438,364	876,728	876,727	-
Deposits and other accounts	608,406,629	105,200,872	50,025,463	39,231,564	51,816,052	28,813,626	20,652,186	428,851	671,053	311,566,962
Deferred tax liabilities	1,809,501	(9,060)	(18,121)	(27,181)	(560,617)	263,265	171,376	342,752	533,836	1,113,251
Sub-ordinated loan	4,242,200	-	600	623,500	625,300	1,200	1,200	2,990,400	-	-
Other liabilities	15,786,880	4,044,015	5,063,781	2,843,247	724,183	380,345	458,880	717,500	1,554,929	-
	668,076,210	124,829,365	64,554,872	51,129,171	52,824,098	30,379,103	22,204,309	5,838,534	3,636,545	312,680,213
Net assets	66,685,605	(161,063)	150,659,751	52,405,891	7,561,772	16,926,529	45,186,094	36,629,302	44,829,167	(287,351,838)
Share capital	10,409,763									
Reserves	12,438,158									
Unappropriated profit	31,343,147									
	54,191,068									
Surplus on revaluation of assets										
- net of tax	12,494,537									
	66,685,605									

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.

In accordance with the BoD approved Operational Risk Policy, 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. Bank has also developed a Business Continuity Plan applicable to all its functional areas.

Further, a detailed list of operational losses is being maintained. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee.

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

The Bank is also 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.

The Bank with permission of SBP is conducting a 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 10, 2015 has proposed a cash dividend in respect of 2014 of Rs. 2 per share (2013: cash dividend Rs. 1.5 per share). In addition, the directors have also announced a bonus issue of Nil (2013: 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, 2014 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2015.

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 10, 2015 by the Board of Directors of the Bank.

Chief Financial Officer	President and Chief Executive	Director
Director	Chairman	

ANNEXURE I

As on December 31, 2014

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

DEPOSAL OF FIXED ASSETS

Rupees in '000

	Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
11.11							
	Land						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Land Freehold	24,000	-	24,000	38,239	As Per Bank Policy	MR. ARSHAD ALI KHOKHAR
	Land Leasehold	12,700	-	12,700	13,563	As Per Bank Policy	MR. SIDDIQUE SARWAR
	Total	**36,700**	**-**	**36,700**	**51,802**		
	Building						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Building Freehold	18,360	4,132	14,228	17,136	As Per Bank Policy	MR. ABID SHARIF AND MR. MUNIR AHMED
	Total	**18,360**	**4,132**	**14,228**	**17,136**		
	Furniture & Fixture						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Furniture & Fixture	814	190	624	595	Insurance Claim	M/S EFU GENERAL INSURANCE
	Total	**814**	**190**	**624**	**595**		
	Electrical, Office & Computer Equipments						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Computer Equipment	850	223	627	642	Insurance Claim	M/S EFU GENERAL INSURANCE
	Computer Equipment	532	127	405	381	Insurance Claim	
	Electrical Equipment	920	329	592	695	Insurance Claim	M/S EFU GENERAL INSURANCE
	Electrical Equipment	1,659	553	1,106	1,252	Insurance Claim	M/S EFU GENERAL INSURANCE
	Total	**3,961**	**1,232**	**2,730**	**2,970**		
	Vehicles						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Motor Vehicle	1,548	516	1,031	1,547	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,147	344	803	1,151	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,549	568	981	1,490	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,661	637	1,024	1,608	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,042	1,042	0	1,000	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,679	615	1,063	1,679	Insurance Claim	M/S EFU GENERAL I NSURANCE
	Motor Vehicle	1,726	374	1,352	1,745	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	1,005	1,005	0	1,030	As Per Bank Policy	MR. ZAHID QADRI
	Motor Vehicle	1,005	1,005	0	995	As Per Bank Policy	MR. KHALID ANWAR
	Motor Vehicle	1,679	783	895	1,679	Insurance Claim	M/S EFU GENERAL NSURANCE
	Motor Vehicle	1,597	160	1,437	1,539	Insurance Claim	M/S EFU GENERAL INSURANCE
	Motor Vehicle	2,750	2,750	-	2,305	As Per Bank Policy	MR. IRFAN MIRZA
	Motor Vehicle	1,264	1,264	-	952	As Per Bank Policy	MR. MUHAMMAD DAWOOD
	Total	**19,651**	**11,063**	**8,586**	**18,720**		
	Other Disposals	111,403	95,911	15,492	54,636	As Per Bank Policy	MISCELLANEOUS
	31 December, 2014	190,889	112,527	78,360	145,859		
11.12							
	Items sold to Executives Otherwise Than Through a Regular Auction						
	Electrical, Office & Computer Equipments						
	Computer Equipment	141	109	32	32	As Per Bank Policy	MR. JALEES AHMED
	31 December, 2014	141	109	32	32		

Information for annual financial statement as on December 31, 2014.

1 Issued, Subscribed and Paid-up Capital:

ORDINARY SHARES	As on December 31, 2014		As on December 31, 2013	
	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	720,745,186	7,207,451,860	616,647,565	6,166,475,650
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
TOTAL :	1,145,073,830	11,450,739,300	1,040,976,209	10,409,762,090

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	266,143,269	23.24
Muhammad Waseem Mukhtar	267,122,274	23.33
Sheikh Mukhtar Ahmad	238,571,651	20.83
Ibrahim Fibres Limited	194,041,916	16.95
TOTAL:	965,879,110	84.35

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
6093	1	100	235,687
9607	101	500	2,687,884
1335	501	1000	991,181
2441	1001	5000	5,327,794
479	5001	10000	3,559,655
190	10001	15000	2,372,193
89	15001	20000	1,598,846
81	20001	25000	1,856,142
40	25001	30000	1,117,227
39	30001	35000	1,277,432
13	35001	40000	482,934
15	40001	45000	638,466
21	45001	50000	1,021,301
14	50001	55000	742,041
10	55001	60000	573,557
4	60001	65000	249,022
9	65001	70000	605,659
5	70001	75000	359,933
2	75001	80000	155,800
4	80001	85000	337,755
5	85001	90000	440,110
1	90001	95000	95,000
18	95001	100000	1,784,529

Pattern of Shareholding
Allied Bank Limited

No. of Shareholders	Shareholdings From	To	Total Shares Held
3	100001	105000	304,502
4	105001	110000	438,500
3	110001	115000	341,369
3	115001	120000	359,000
1	120001	125000	121,000
1	140001	145000	141,500
2	150001	155000	304,078
2	155001	160000	315,856
2	160001	165000	329,000
1	165001	170000	166,000
2	170001	175000	347,910
2	175001	180000	355,450
1	180001	185000	181,820
1	190001	195000	194,000
2	195001	200000	399,000
2	205001	210000	418,000
2	215001	220000	436,500
1	220001	225000	225,000
2	235001	240000	474,437
1	240001	245000	242,000
2	245001	250000	497,500
1	250001	255000	253,700
1	265001	270000	270,000
2	270001	275000	543,628
1	310001	315000	311,700
2	325001	330000	657,670
1	345001	350000	345,947
1	380001	385000	380,500
1	385001	390000	385,400
1	390001	395000	390,300
1	395001	400000	400,000
1	410001	415000	410,600
1	430001	435000	432,300
1	435001	440000	438,829
2	445001	450000	893,400
2	450001	455000	909,045
1	475001	480000	478,000
1	485001	490000	490,000
2	490001	495000	985,000
1	495001	500000	500,000
1	505001	510000	510,000
1	515001	520000	518,000
1	525001	530000	528,300
1	560001	565000	560,352

No. of Shareholders	Shareholdings From	To	Total Shares Held
2	605001	610000	1,218,975
1	660001	665000	665,000
2	665001	670000	1,338,800
1	710001	715000	712,151
1	720001	725000	723,000
1	725001	730000	727,100
1	745001	750000	745,300
1	775001	780000	779,545
2	790001	795000	1,581,711
1	795001	800000	796,500
1	860001	865000	865,000
1	870001	875000	875,000
1	895001	900000	900,000
1	995001	1000000	1,000,000
1	1015001	1020000	1,015,897
1	1070001	1075000	1,074,814
1	1135001	1140000	1,139,623
1	1140001	1145000	1,142,614
1	1205001	1210000	1,205,633
1	1400001	1405000	1,402,400
1	1425001	1430000	1,430,000
1	1440001	1445000	1,441,393
1	1560001	1565000	1,562,190
1	1760001	1765000	1,765,000
1	1995001	2000000	2,000,000
1	2010001	2015000	2,012,400
1	2235001	2240000	2,235,436
1	2325001	2330000	2,329,300
1	2335001	2340000	2,336,504
1	2530001	2535000	2,532,000
1	2795001	2800000	2,799,100
1	3115001	3120000	3,120,000
1	3520001	3525000	3,524,605
1	4140001	4145000	4,143,128
1	5495001	5500000	5,500,000
1	8200001	8205000	8,200,250
1	9755001	9760000	9,755,367
1	18515001	18520000	18,518,000
1	37385001	37390000	37,385,743
1	194040001	194045000	194,041,916
1	238570001	238575000	238,571,651
1	266140001	266145000	266,143,269
1	267120001	267125000	267,122,274
20,629			1,145,073,830

Categories of Shareholders
Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
Associated Companies, Undertaking and Related Parties.			
Ibrahim Fibres Limited	1	194,041,916	16.95
Trustees of ABL Employees Superannuation (Pension) Funds	1	37,385,743	3.26
Sub Total:	2	231,427,659	20.21
Directors, Chief Executive Officer, and their Spouse and Minor Children			
Mohammad Naeem Mukhtar	1	266,143,269	23.24
Muhammad Waseem Mukhtar	1	267,122,274	23.33
Sheikh Mukhtar Ahmed	1	238,571,651	20.83
Mubashir A. Akhtar & Taqdees Akhtar	1	5,390	0.00
Parvaiz Iqbal Butt	1	5,314	0.00
Abdul Aziz Khan	1	26,620	0.00
Sub Total:	6	771,874,518	67.41
Banks, DFIs, Financial Institutions, NBFIs.			
Samba Bank Limited	1	490,000	0.04
Faysal Bank Limited	1	25,000	0.00
Habib Metropolitan Bank Limited	1	665,000	0.06
Bank Al Habib Limited	1	727,100	0.06
Bank Al Falah Limited	1	510,000	0.04
The Bank Of Khyber	1	779,545	0.07
National Bank Of Pakistan	5	8,222,540	0.72
MCB Bank Limited - Treasury	1	33,813	0.00
Pak-Oman Investment Company Ltd.	1	250,000	0.02
Askari Bank Limited	1	865,000	0.08
First Dawood Investment Bank Limited	1	8,600	0.00
The Bank Of Punjab, Treasury Division.	2	2,050,000	0.18
Summit Bank Limited	1	25,000	0.00
Escorts Investment Bank Limited	1	77	0.00
Sindh Bank Limited	1	900,000	0.08
Trust Leasing Corporation Ltd.	1	200	0.00
Al-Faysal Invesment Bank	1	55	0.00
Standard Chartered Bank	1	22,118	0.00
Habib Bank Limited-Treasury Division	1	5,500,000	0.48
Sub Total:	24	21,074,048	1.84
NIT And ICP			
IDBL (ICP UNIT)	1	1,006	0.00
Investment Corporation Of Pakistan	3	14,438	0.00
Sub Total:	4	15,444	0.00

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
Executive*			
Executives	1	308	0.00
Sub Total:	1	308	0.00
Insurance Companies			
Premier Insurance Limited	1	63,700	0.01
EFU General Insurance Limited	1	220,000	0.02
EFU Life Assurance Ltd	1	2,329,300	0.20
Alpha Insurance Co. Ltd.	1	110,000	0.01
Jubilee Life Insurance Company Limited	1	1,074,814	0.09
Habib Insurance Co.Limited	1	50,000	0.00
East West Insurance Co.Ltd	1	83,300	0.01
Atlas Insurance Limited	1	98,588	0.01
Asia Care Health & Life Insurance Co. Ltd	1	591	0.00
Adamjee Life Assurance Company Limited	1	49,000	0.00
The Pakistan General Insurance Company Ltd	1	10,000	0.00
Adamjee Insurance Company Limited	1	4,143,128	0.36
Gulf Insurance Company Limited.	1	723	0.00
Orient Insurance Co.Ltd.	1	404	0.00
State Life Insurance Corporation Of Pakistan	1	345,947	0.03
Sub Total:	15	8,579,495	0.75
Modarabas And Mutual Funds.			
First Fidelity Leasing Modaraba	1	614	0.00
Modaraba Al Mali	1	116	0.00
CDC - Trustee PICIC Investment Fund	1	1,402,400	0.12
CDC - Trustee PICIC Growth Fund	1	2,799,100	0.24
CDC - Trustee Pak Strategic Alloc. Fund	1	30,300	0.00
CDC - Trustee Atlas Stock Market Fund	1	100,000	0.01
CDC - Trustee Alfalah GHP Value Fund	1	70,800	0.01
CDC - Trustee AKD Index Tracker Fund	1	26,162	0.00
CDC - Trustee AKD Opportunity Fund	1	609,375	0.05
CDC - Trustee UBL Stock Advantage Fund	1	1,430,000	0.12
CDC - Trustee NAFA Stock Fund	1	723,000	0.06
CDC - Trustee NAFA Multi Asset Fund	1	253,700	0.02
Pak Asian Fund Limited	2	5,000	0.00
CDC - Trustee KASB Asset Allocation Fund	1	46,550	0.00
CDC - Trustee LGI Stock Fund	1	216,500	0.02
CDC - Trustee Alfalah GHP Alpha Fund	1	120,000	0.01
CDC - Trustee NIT-Equity Market Opportunity Fund	1	1,142,614	0.10
CDC - Trustee Lakson Equity Fund	1	796,500	0.07
CDC - Trustee Crosby Dragon Fund	1	41,050	0.00

* CEO, The Executive Director, all Chiefs & the Group Head are termed as Executives.

Categories of Shareholders
Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
CDC - Trustee Nafa Asset Allocation Fund	1	390,300	0.03
CDC - Trustee PICIC Stock Fund	1	89,800	0.01
CDC - Trustee UBL Asset Allocation Fund	1	119,000	0.01
CDC - Trustee First Capital Mutual Fund	1	66,895	0.01
First Tawakkal Modaraba	1	347	0.00
Golden Arrow Selected Stocks Fund Limited	1	328,125	0.03
Sub Total:	26	10,808,248	0.94
Public Sector Companies And Corporations			
(Other Than Those Covered In Insurance Companies And Banks)	Nil	Nil	Nil
Shareholders Holding 10% (And Above)			
(Excluding Directors And Associated Companies)	Nil	Nil	Nil
Foreign Investors			
Russell Institutional Funds Public Ltd Co-Harding Loevner	1	446,700	0.04
The Bank Of New York Mellon	1	1	0.00
RTCC Emp Benefit Fds Trt Russell Frontie	1	311,700	0.03
Magna Umbrella Fund Plc-Magna New Fronti	1	446,700	0.04
Consilium Frontier Equity Fund Lp	1	2,012,400	0.18
Coeli Sicav I - Frointier Markets Fund	1	1,000,000	0.09
Russell Investment Company Ii Public Limited Company	1	528,300	0.05
Russell Inst Funds,Llc-Russell Emer Mark	1	114,100	0.01
J.P.Morgan Whitefriars Inc.	1	158,900	0.01
J.P. Morgan Securities Plc	1	59,000	0.01
Bnp Paribas Arbitrage	1	189	0.00
Prince Street International Ltd	1	669,300	0.06
Prince Street Opportunities Ltd	1	1,139,623	0.10
Tundra Pakistan Fond	1	1,205,633	0.11
Morgan Stanley Mauritius Company Limited	1	1,562,190	0.14
Everest Capital Frontier Markets Equity Fund L.P.	1	2,235,436	0.20
Everest Capital Frontier Markets Fund, L.P.	1	3,120,000	0.27
Mohammad Tahir Butt	1	3,824	0.00
Habib Bank AG Zurich,Switzerland	1	3,524,605	0.31
Habib Bank AG Zurich, Deira Dubai	1	2,532,000	0.22
Tariic Holding Company Bsc (Closed)	1	101,600	0.01
Russell Insti Fnds Plc - Consilium Investment Management	1	1,441,393	0.13
Sub Total:	22	22,613,594	1.97
General Public-Individuals	20,307	42,036,909	3.67
Others	222	36,643,607	3.20
Sub Total:	20,529	78,680,516	6.87
Grand Total	20,629	1,145,073,830	100.00

All the Trades in shares carried out by the Directors, Executives and their spouses and minor children reported as under:

Name	Designation	Sale	Purchased
Zia Ijaz	Executive	15,942	-
Mujahid Ali	Executive	118	-
Mohammad Naeem Mukhtar	Chairman BOD	-	15,474,121
Muhammad Waseem Mukhtar	Director	-	16,470,688
Sheikh Mukhtar Ahmad	Director	-	13,830,228

Apart from above, there have been no trade in the shares of the Bank, carried out by its Directors, Executives, their spouses and minor children.

Glossary of Financial & Banking Terms
Allied Bank Limited

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.

Basis point
One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share
Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

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 Bank of 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 paid on bi-annual 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 account holders.

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 post employment 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 last resort.

Dividend Payout Ratio
Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio
Dividend per share divided by the market value of share.

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.

Forced Sale Value (FSV)
Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

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 an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a `Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating / floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

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.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

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 any cut-off date.

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 non-performing in accordance with provision of prudential regulations issued by SBP.

Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

Non Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

Non Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

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 liabilities such 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 and specified 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.

Weighted Average Cost of Deposits

Percentage of the total interest expensed on average deposits of the bank for the period.

Notes

AGM

On Thursday,
March 26, 2015 at 11:00 am
Pearl Continental Hotel, Lahore.

Form of Proxy
69th 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 69th Annual General Meeting of the Bank to be held on Thursday, the March 26, 2015 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 ______________ 2015.

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 person as a proxy to attend, speak and vote for him / her. The proxy appointed should be a member of Allied Bank Limited.
2. For additional copies of the instrument of proxy, the shareholder may use photocopies of the instrument.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.
4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he / she should bring the 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 start of the book closure so that entitlement, if any, be dispatched at the correct address.

AFFIX
CORRECT
POSTAGE

Allied Bank Limited

Head Office / Registered Office
3 Tipu Block, Main Boulevard
New Garden Town
Lahore - Pakistan.
Postal Code: 54000
Phone: +92 42 35880043
Website: www.abl.com

EXPANDING THE POSSIBILITIES

abl.com