



# آپ کے دل میں ہمارا اکاؤنٹ

Annual Report 2013





Dating as far back as the 4th century BC, the handshake is one of the most universally recognized symbols of partnership. Being able to non-verbally depict a cultural exchange between two parties, it is one of the highest forms of symbolic currency.

At Allied Bank, we recognize the importance of this exchange, and focus our best efforts on developing and enhancing a lifelong commitment with our clients. The trust placed in us fuels our passion to strive for even greater heights, as the personal satisfaction of each individual customer is a goal deeply embedded within the culture of our organization.

Our cover this year, is a testament to the value we place in our relationships. The intertwined halves of the heart are emblems, depicting the harmonious balance that we achieved during the course of the last year. We are rewarded time and time again to see our corporate motto of **'Aap Kay Dil Mein Hamara Account'** come to life with every new customer we have the honor of serving.



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# Performance 2013

Deposits Up by **18%**

Rs. 608.4 billion (2012: Rs.514.7 billion)

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Loans & Investments Up by **17%**

Rs. 630.4 billion (2012: Rs. 538.5 billion)

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Total Assets Up by **16%**

Rs.734.2 billion (2012: Rs. 633.7 billion)

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Profit (After Tax) Up by **26%**

Rs. 14.6 billion (2012: Rs. 11.6 billion)

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EPS **14.07**

(2012: Rs. 11.18)

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ROE **30%**

(2012: 28%)

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AlliedBank

# Vision

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



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

dynamic and  
providing  
solutions in order to  
be the first choice  
bank for the





آپ کے دل میں ہمارا اکاؤنٹ







# 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

A photograph of a business meeting in a conference room. Several men in suits are seated around a large wooden conference table, looking at laptops and documents. A large screen in the background displays a presentation with charts and graphs. The room is well-lit with overhead lights.

# Core Values

- Integrity
- Excellence in Service
- High Performance
- Innovation and Growth





# Company Information

## Board of Directors

Mohammad Naeem Mukhtar

Sheikh Mukhtar Ahmad

Muhammad Waseem Mukhtar

Abdul Aziz Khan

Mubashir A. Akhtar

Pervaiz Iqbal Butt

A. Akbar Sharifzada

Sheikh Jalees Ahmed

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

**Haidermota & Co.**

*Barrister-at-Law & Corporate Counselors*

## 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](http://www.abl.com)  
[info@abl.com](mailto:info@abl.com)

## U.A.N Number

(+92 42) 111-110-110



# Board of Directors







*Sitting Left to Right*  
Sheikh Mukhtar Ahmed, Mohammad Naeem Mukhtar, Abdul Aziz Khan

*Standing Left to Right*  
Mubashir A. Akhtar, Sheikh Jalees Ahmed, Muhammad Waseem Mukhtar, Tariq Mahmood, Pervaiz Iqbal Butt, A. Akbar Sharifzada

# Profile of the Directors

## Mohammad Naeem Mukhtar

*Chairman / Non Executive Sponsor Director*

He is Chairman of the Board of Allied Bank since 2004. He has done his MBA from Cardiff Business School U.K., Post Graduate diploma in Textiles from U.K. and Chartered Textile Engineering (CText ATI) from The Textile Institute in Manchester U.K. He has 28 years of experience of finance and industry. Besides Chairman of Board of Directors of Allied Bank, he is also Chief Executive Officer of M/s Ibrahim Fibres Limited, Director of M/s Ibrahim Agencies (Pvt.) Limited 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 52 years of experience in establishing and successfully managing various industrial and financial companies.

He has been on the Board of Directors of Allied Bank Limited since 2005 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Chairman of the Board of Directors

of M/s Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited and ABL Asset Management Company Limited.

## Muhammad Waseem Mukhtar

*Non Executive Sponsor Director*

He holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, U.K. and has diversified 16 years of experience of Finance, IT and Industry. His strategic guidance played a vital role in technological up-gradation of the Bank. He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance.

He is also a Director on the Boards of M/s Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company 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 50 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years international banking experience 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 44 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 47 years of banking experience in local and international markets. His extensive international banking experience includes key assignments in Turkey, Qatar and U.K. 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 27 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 Master degree in English Literature and Economics. He has also attended multiple courses within the country and abroad.

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

### Sheikh Jalees Ahmed

*Executive Director*

He has more than 38 years of diverse experience in the fields of Financial and Industrial management. Allied Bank benefits from his professional expertise particularly in the areas of strategic and financial planning, systems and controls and Human Resource management.

He has been on the Board of Directors of Allied Bank Limited since 2004 and is “Certified Director” from Pakistan Institute of

Corporate Governance

### Tariq Mahmood

*Chief Executive Officer*

He is amongst one of the senior most serving bankers in the country with over 40 years rich banking experience. He completed his postgraduate degree in commerce in 1970 and obtained a certification in Islamic Banking in 2006. In addition he has attended various leadership and strategy workshops within the country as well as abroad. He started his career in 1971 with Habib Bank Limited and served for around nine years in various managerial roles, before joining the Middle East Bank (MEB), as Branch Manager. He served MEB for over twelve years and then joined Askari Bank Limited, where he excelled to the level of Senior Executive Vice President in the year 2003.

In 2007, he joined Allied Bank as Senior Executive Vice President and Group Chief (Operations). In this position he was looking after the Bank’s country-wide banking operations, in addition to administration, engineering and security. He took over as Group Chief, Banking Systems Implementation Group, in 2012, responsible for overall transformation of the Bank’s system from Unibank to Temenos T24.

The Board of Directors of Allied Bank has appointed Mr. Tariq Mahmood as the Chief Executive Officer of the Bank 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. 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 also 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*

Sheikh Jalees Ahmed

Abdul Aziz Khan

Tariq Mahmood

## Human Resource & Remuneration Committee

### Constitution:

Abdul Aziz Khan  
*Chairman*

Muhammad Waseem  
Mukhtar

Pervaiz Iqbal Butt

Tariq Mahmood

### Terms of Reference

The Strategic Planning and Monitoring Committee (SPMC) is responsible to review in 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, the 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.

### 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 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 2013

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	5/7	x	x	x	4/4	x
Sheikh Mukhtar Ahmad	7/7	x	6/6	x	x	x
Muhammad Waseem Mukhtar	6/7	x	6/6	5/5	4/4	7/8
Abdul Aziz Khan	7/7	x	6/6	5/5	x	8/8
Mubashir A. Akhtar	7/7	8/8	x	x	4/4	x
Pervaiz Iqbal Butt	6/7	6/8	x	x	x	7/8
A. Akbar Sharifzada	7/7	8/8	x	x	x	x
Sheikh Jalees Ahmed	7/7	x	x	5/5	x	x
Khalid A. Sherwani*	2/2	x	2/2	2/2	1/1	2/2
Tariq Mahmood*	5/5	x	4/4	3/3	3/3	5/6
Total Number of meetings held during 2013	7	8	6	5	4	8

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

x Not a member.

\* Mr. Tariq Mahmood replaced Mr. Khalid A. Sherwani as CEO of the bank w.e.f. June 17, 2013; however, he also attended various Board / Board Committees meetings as Acting CEO during the period from April 01, 2013 to June 16, 2013

# Chairman's Message



The year 2013 proved to be yet another challenging year for the world economy. Complex issues engulfed the domestic front as well and Pakistan suffered from prolonged current and fiscal account deficits, resulting in vulnerable economic conditions exposed to external shocks and dependence on funding and support from multilateral institutions and bilateral partners.



The security environment remains a constant constraint; poor infrastructure and acute power shortage is continuously posing a threat to elevate credit costs and continues to undermine demand for credit in general and the investment pace in particular.

The stressed operating environment had an impact on every facet of the economic activity in the country and financial services industry was no exception. Banks faced various challenges, including subdued economic growth, volatile interest and exchange rates scenarios, adapting to new regulatory requirements, rising cost of doing business and evolving customers' requirements.

In 2013, Your Bank, while remaining resilient to the extremely challenging business environment, maintained its strategic focus on steady growth. The strategic emphasis remained on further strengthening the core business competencies by augmenting the risk management framework, enhancing core capital, investing in Human Resources capacity building, rationalizing costs, attaining sustainable growth in deposits to improve market positioning and above all continuously upgrading and enhancing service delivery channels through technology driven customer centric solutions.

Enhanced customer services and product offerings of Your Bank have been the driving

force behind strong growth in total assets which crossed Rs. 700 billion mark at the close of 2013. Wide range of alternate delivery channels, including 794 ATMs, internet banking, mobile banking and call center services remained instrumental in providing quality services with convenience to our valued customers. Accessibility to Your Bank's products and geographical outreach is growing as a result of continuously expanding branch network of over 950 branches. Your Bank's Customer base continues to broaden through introduction of innovative products like SMS Banking and extended banking hours at select branches nationwide. With the high growth of mobile usage in the country, technology based products and service offerings shall continue to be the key ingredient in Your Bank's endeavors to create value added offerings for its customers, also serving the broader objective of greater financial inclusion.

Although present economic scenario entails a dynamic shift of surplus liquidity from commercial lending to risk free investment avenues, Your Bank remained vigilant of the need to fortify its risk management capabilities and is amply investing in systems and resources to guard against risks on an enterprise level. Significant emphasis is placed on improving risk assessment standards and post disbursement monitoring to identify stressed borrowers at an early stage. Your

Bank proactively contributed in enhancing efficiencies in the private industrial sector by arranging training programs for industrial borrowers, a first ever initiative of its kind in the domestic banking industry, to inculcate the culture of corporate governance, sound business practices and promote entrepreneurship in Pakistan's industrial organizations. This prudent and pro-active approach has resulted in one of the lowest NPLs ratio and the highest coverage ratio in the industry.

Long-term entity rating of AA+ by Pakistan Credit Rating Agency (PACRA) is a testament of Your Bank's sound risk infrastructure and focused management. The Japan Credit Rating Agency (JCR-VIS) and PACRA have also maintained their respective ratings of the Bank's two TFCs issues at AA. Effective and strong governance is a key component of Your Bank's strategic goals. In recognition of the Board and management's focus on Corporate Governance, JCR-VIS has also upgraded Your Bank's Corporate Governance rating to "CGR-9" from "CGR-8++" assigned last year. In view of the strong management philosophy and governance culture, the Asian Banker awarded the prestigious 'Best Managed Bank Award' to Your Bank for the year 2013.

# Chairman's Message

Your Bank's presence in Bahrain has remained a profitable venture since the inception of its operations in 2012 and gradual expansion in its international foot print would be considered for strategically suitable locations.

Your Bank continues to invest in its Human Capital with emphasis on career development and training, making it the 'preferred employer' in the financial sector. To further augment organizational development, continuous focus remained on practicing core values i.e. Integrity, Excellence in Service, High Performance, Innovation and Growth, which has resulted in building up of ever growing trusted relationships with the customers.

## Future Outlook

In order to address the significant structural imbalances in the economy, stringent yet necessary fiscal measures are required. This might entail a near term drag on domestic demand but eventually would bring the economy back on track in medium term.

Pakistan has a high growth potential. Rising rate of urbanization should serve as a key driver for economic growth. Present per capita income of around US \$ 1,200 per annum clearly portrays that the

population at large remains poor. In order to strengthen economic activity, concrete measures like establishing institutions for vocational training, improving transportation networks and enhancing the existing infrastructure, especially in the energy sector, are imperative for improving the purchasing power of the vast population. The Country is currently undergoing a transitional phase and as a nation we have to overcome various challenges by not only thinking in the right direction but also demonstrating a paradigm shift through restoring a conducive business friendly macro environment.

Under the current challenging economic environment Your Bank remains vigilant to the changing market dynamics and stands well positioned to further augment the existing growth momentum by focusing on improved service standards, expanding footprint and offering value added products to our customers. Islamic Banking remains a nascent market but with very high potential for growth. Going forward, introduction of Islamic Banking will add to Your Bank's product suite. As a strategic initiative, Your Bank intends to further concentrate on the middle market business segment to build quality assets portfolio, which also

offers an opportunity for growth in boosting trade business. Going forward, Your Bank is poised to reap benefits of its well established brand and franchise for future growth and better returns for the stakeholders.

In conclusion, I would like to acknowledge the dedication, zeal and commitment with which the Bank's professional team has taken the Bank's vision forward. The tremendous trust that our customers have shown by banking with us is also greatly appreciated. Continued patronage by State Bank of Pakistan and Securities Exchange Commission of Pakistan is highly commendable. Finally, I would like to express my gratitude to the shareholders for their support to Allied Bank Limited.

Mohammad Naeem Mukhtar

*Chairman*





# Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the annual report of Your Bank for the year ended December 31, 2013.

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. 1.5 per share (aggregate cash dividend of Rs. 5.25 per share including interim dividend) and to issue bonus shares in the proportion of 1 share for every 10 shares held, i.e., 10% for the year 2013. This, together with the interim dividend declared during 2013, will be approved in the forthcoming annual general meeting.



## Performance Review

In spite of the challenging economic conditions resulting into intense competitive environment, Your Bank performed well during 2013 by continuously following the strategy of steady growth comprising of effective risk management, to ensure further improvement in the quality of assets; focusing on increasing deposits while managing the cost and achieving operational efficiencies through automation and capacity building. Above all Your Banks had been able to record reversal of net provision for taxation created in earlier years aggregating to Rs 4,086 million during the year under review. In this regard please refer to Note No. 22.9.1 and No. 32.1 to the audited accounts wherein appropriate disclosures were made.

As a result Your Bank earned after tax profit (PAT) of Rs. 14,643 million during the year ended December 31, 2013 as compared to Rs. 11,641 million in the previous year, a YoY growth of 25.8%. EPS of your Bank increased to Rs. 14.07 in 2013 compared to Rs. 11.18 in 2012. The ROA and ROE of the Bank remained strong at 2.1% and 29.9% in 2013 compared to 2.03% and 28.4% in 2012, respectively.

Further on account of retrospective adoption of the IAS -19 Employee Benefits, the Balance Sheet footing of December 31, 2012 and December 31, 2011 has been restated upwards by Rs 1,460 million and Rs 221 million respectively. As a result of this retrospective impact, the unappropriated profit/reserves for the year 2012 and 2011 has also been restated upwards by Rs 1,122 million and Rs 192 million respectively.



	Year ended December 31,		Growth %
	2013	2012	
	Rs. In million		
Profit after tax for the year	14,643	11,641	26%
Accumulated profits brought forward	23,688	20,447	16%
Effect of retrospective change in accounting policy - IAS 19	678	964	-30%
Transfer from surplus on revaluation of fixed assets - net of tax	53	31	71%
<b>Profit available for appropriation</b>	<b>39,062</b>	<b>33,083</b>	<b>18%</b>
Final cash dividend for the year ended December 31, 2012 at Rs. 2 per share (2012: Year ended December 31, 2011 at Rs. 2.50 per share)	(1,893)	(2,151)	-12%
1st interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 at Rs. 2 per share)	(1,301)	(1,893)	-31%
2nd interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 at Rs. 1.5 per share)	(1,301)	(1,420)	-8%
3rd interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 Re. 1 per share)	(1,301)	(946)	37%
Bonus shares for the year ended December 31, 2012 @ 10% (2012: Year ended December 31, 2011 @ 10%*)	(946)	(658)	44%
Transfer to statutory Reserves	(1,464)	(2,328)	-37%
Accumulated profits carried forward	30,856	23,688	30%
Earnings Per Share (EPS) (Rs.)	14.07	11.18	26%

\* Appropriation out of Share Premium Account

# Directors' Report

Capital Adequacy Ratio on standalone and consolidated basis under BASEL III stood at 17.85% and 18.0% respectively, based on State Bank of Pakistan (SBP) BASEL III guidelines implemented with effect from December 31, 2013.

Further, a reserve created upon merger of Ibrahim Leasing Limited and First Allied Mordaraba into Allied Bank Limited has been transferred to Share Premium Reserve with the approval of SECP vide letter number EMD/233/673/2002-965 dated April 15, 2013. In addition, special reserve created by Ibrahim Leasing Limited, under the Non-Banking Finance Companies (NBFC) Rules, before amalgamation with the Bank has now been transferred to Statutory Reserve (the Reserve) of the Bank to reflect more appropriately the aggregate amount of the Reserve.

Deposits of your Bank increased to Rs. 608,412 million as at December 31, 2013 compared to Rs. 514,707 million as at December 31, 2012, registering a YoY growth of 18.2%. Gross Investments increased to Rs. 364,966 million as at December 31, 2013, a rise of 35.5% over December 31, 2012 of Rs. 269,351 million. Gross Advances reduced by 1.2%, to Rs. 285,376 million as at December 31, 2013 compared to Rs. 288,889 million as at December 31, 2012. The Balance Sheet Size of your Bank stood at Rs. 734,196 million as at December 31, 2013, a YoY growth of 15.9%. The Core Equity of Your Bank increased by 21.9% to Rs. 53,703 million as at December 31, 2013 compared to Rs. 44,050 million as at December 31, 2012.

Net Mark-up/ interest Income during 2013 increased by 18% over 2012 to Rs. 21,670 million, as a result of strategically diversifying earning assets mix more towards interest bearing assets compared to the funds deployment approach adopted last year. Owing to that strategic shift exposure in Open Ended Mutual Funds (OEMF) reduced sharply which had sizeable contribution in Non-Mark Up/ Interest Income last year.

Fee based income, dividend, capital gains and Foreign Exchange earnings stood at Rs. 3,079 million, Rs. 3,401 million, Rs. 1,245 million and Rs. 632 million respectively. Notwithstanding to the change in earning assets mix and after recognizing compensation of Rs. 1,067 million on delayed tax refunds, Non-Interest Income reduced by 30% to Rs. 9,603 million as at December 31, 2013. The Administrative Expenses increased by 6.4% to Rs. 15,510 million in 2013 compared to Rs. 14,581 million in 2012.

The trend of reduction in provision against financing, investments and lending to Financial Institutions continued which reduced by 13.2% to Rs. 565 million in 2013 compared to Rs. 651 million during 2012. The provision coverage against non-performing loans also improved to 93.9% at December 31, 2013 as against 85.9% last year. 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.

## Statement under Code of Corporate Governance

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

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed in the Annual Accounts.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the



last six year are attached.

- The fair value of investment of Pension Fund, Provident Fund and Gratuity Fund is Rs. 6,591 million, Rs. 5,095 million and Rs. 1,438 million, respectively, as per audited accounts of these funds for the year ended December 31, 2013.
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- We have criteria for nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company. The Human Resource and Remuneration Committee of the Board decides these nominations.
- The committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the Annual Report.
- The details of Board & Board's Committees meetings held during the year and attendance by each director have been separately disclosed in the Annual Report.

## Chief Executive Officer's Review

The Directors of your Bank fully endorse the Chief Executive Officer's Review on the Bank's performance for the year ended December 31, 2013.



## 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 2013 to further strengthen the Risk Management Framework, for example:

- Developed a comprehensive Portfolio Monitoring System, covering key credit monitoring areas which includes but is not limited to Collateral Insurance, Valuations, Stock Inspections,

# Directors' Report

and Concentrations in Advances by way of product, sector, risk-rating and collaterals. Besides, the system also allows quick access to the technical assessment of obligor's plant & machinery as well as project status of various Project Financing Cases. The system provides multiple analytical views to cater to the requirements of credit monitoring teams, credit reviewers and credit approvers and will prove instrumental in strengthening the early warning mechanism by improving the overall risk control environment of the Bank in coming years.

- Upgraded the Loan Origination System (LOS) by automating various credit application workflows of Small Enterprises as well as Individual Obligors to enhance the efficiency and effectiveness of the credit assessment process.
- Initiated a new trend of engaging with the Obligors to provide them with latest insight on Corporate Governance, Leadership Strategies and Business Management; and accordingly organized an interactive Seminar for Corporate Obligors on the topic, "Managing Business under Economic Challenges".

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

## Entity & 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 emanating from a very strong capacity for timely payment of financial commitments. Meanwhile, the rating of Bank's earlier TFC Issue of Rs. 2,500 million (Issue Date: December 06, 2006) has also been maintained at "AA" (Double A) by JCR-VIS Credit Rating Company (JCR-VIS).

## Corporate Governance Rating

JCR-VIS has upgraded Your Bank's Corporate Governance to "CGR-9" from "CGR-8++" assigned earlier. 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.

## Auditors

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

The Board of Directors, on the recommendation of the Audit Committee, has recommended Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants for the next term.

## Events after the Balance Sheet date

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

## Acknowledgements

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

For and on behalf of the Board,

**Tariq Mahmood**  
*Chief Executive Officer*

Dated: February 11, 2014

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 Restructuring and re-branding by change of the name, from "Allied Bank of Pakistan Limited" to "Allied Bank Limited"	2005
Listing on all the three Stock Exchanges of Pakistan	2005
Merger of Ibrahim leasing Limited with Allied Bank Limited	2005
Largest online network of over 700 branches around the country	2005
Completed implementation of Oracle Financials Enterprise General Ledger	2006
Merger of First Allied Bank Modaraba with Allied Bank Limited	2006
Issued Listed Term Finance Certificates - I	2006
Agreement with Temenos for acquisition of "T-24" banking solution	2006
Launched Asset Management Company - Wholly owned subsidiary	2007
Launched branch in Export Promotion Zone - Karachi	2008
Issued Listed Term Finance Certificates - II	2009
Establishment of representative office in Dubai.	2011
License from Central Bank of Bahrain for "Wholesale Bank Branch"	2011
Start of Operations of "Wholesale Bank Branch"	2012
Establishment of Islamic Banking Group	2012
Implementation/ upgradation of Oracle Financials Enterprise (Version R-12)	2013
Launched "Allied SMS Banking" Services and "Valued Card"	2013

## Financial Calendar - 2013

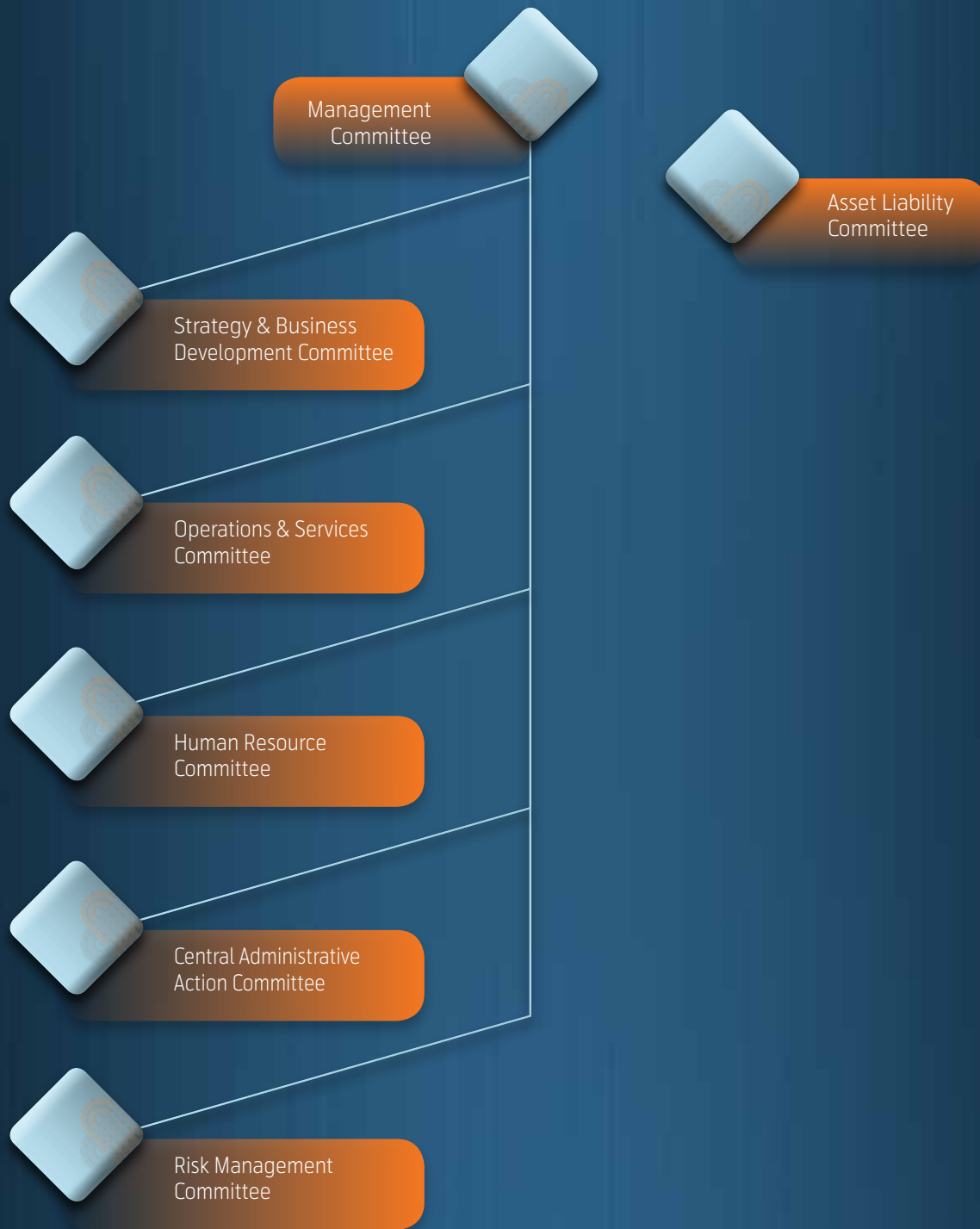
1st Quarter results issued on	April 24, 2013
2nd Quarter results issued on	August 21, 2013
3rd Quarter results issued on	October 22, 2013
Recommendation of Annual Results by the BOD	February 11, 2014
68th AGM Scheduled for Approval of Annual Results	March 27, 2014

## Financial Calendar - 2012

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



# Management Committees



# Corporate Structure



# The Management



**Tariq Mahmood**  
*Chief Executive Officer*



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



**Khawaja Muhammad Almas**  
*Chief, Commercial & Retail Banking*



**Muhammad Jawaid Iqbal**  
*Chief Corporate & Investment Banking*



**Ahmad Faheem Khan**  
*Chief Treasury*



**Abdul Hafeez Butt**  
*Chief Islamic Banking*



**Muhammad Shahzad Sadiq**  
*Chief Risk Management*



**Tahir Hassan Qureshi**  
*Chief Financial Officer*





**Zia Ijaz**  
*Chief Banking Services*



**Fareed Vardag**  
*Chief Compliance*



**Shafique Ahmed Uqaili**  
*Chief Human Resource*



**Saif ul Islam**  
*Chief Special Assets Management*



**Mujahid Ali**  
*Chief Information Technology*



**Muhammad Mohsin**  
*Chief Audit & Risk Review*



**Afzal H. Bukhari**  
*Chief General Services*



**Muhammad Raffat**  
*Company Secretary*

# Chief Executive Officer's Review



Global economy witnessed signs of vulnerability throughout 2013 with yet another transition. With the gradual strengthening of the advanced economies, growth rates in emerging market economies started to taper off. On the domestic front, the economy was beset with challenges on both macroeconomic and geo-political fronts, thus fuelling macroeconomic imbalances and limiting pace of economic activity.

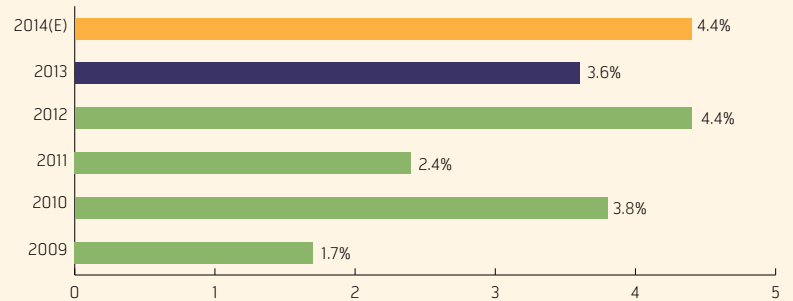
Major macroeconomic indicators continued to show unfavourable trends with fiscal deficit at 8% of GDP, well above the target of 4.7%. The fundamental weakness in the balance of payments (BoP) position remained persistent throughout the year. Substantial repayments of IMF loan have further increased this pressure. Accordingly, the exchange rate experienced substantial volatility during second half of 2013 and YoY erosion in rupee-dollar parity of 8.8% was recorded during the year.

The latter half of the year saw an accelerated growth in Large Scale Manufacturing (LSM) sector. During the period July–November 2013, private sector borrowings increased by Rs. 161 billion, including Rs. 38 billion for fixed investment, compared to Rs. 16 billion in the corresponding period of last year, showing slight improvement in the private sector credit appetite. Despite recovery in the industrial sector in 2013, GDP growth has been relatively suppressed with a growth rate of 3.6% as compared to 4.4% in 2012.

Another key development during the year was downward trend in headline inflation during first half of 2013. However, fiscal pressure prompted a rebound in inflation to average at 8.9% in second half of 2013. This rising trend in inflation prompted State Bank of Pakistan to increase its benchmark policy rate by 100 basis points to 10% by November 2013.

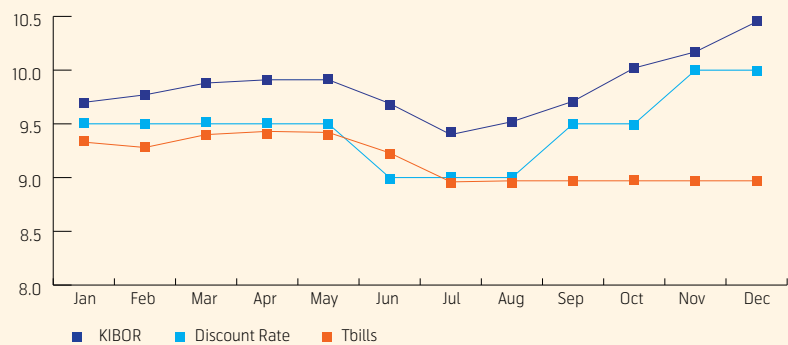
In an effort to resolve the energy crisis plaguing the country, energy sector was bailed out through a substantial one off payment for

### GDP Growth (Percentage)



\* Source: State Bank of Pakistan

### Interest Rate (2013)



clearing the circular debt in first half of 2013. In absence of material external sources, burden of fiscal needs shifted towards domestic financing sources, mainly banking channel, which aggregated to Rs. 1,500 billion against an initial budget of Rs. 484 billion. The consistent reduction in the size of the fiscal deficit is critical for medium term macroeconomic stability. This would require significant tax, expenditure and debt management reforms. A key risk to the fiscal position is a possible shortfall in tax revenues, the recurrence of energy sector circular debt and delays in budgeted foreign inflows. Such deviations could lead to increase in borrowings from the banking

system, further accumulation of domestic debt and higher-inflation which could seriously hinder growth prospects.

The growth in broad money (M2) during FY13, increased from 14.1% in FY-12 to 15.9% in FY-13. Aggregate deposits of scheduled banks increased at an average rate of 12.7% YoY to reach Rs. 7,529 billion at the end of 2013. State Bank of Pakistan (SBP) during the year further increased savings deposit rate and advised to use average monthly balance in savings accounts for profit calculation beginning April 2013. Also in September, SBP fixed Minimum Deposit Rate (MDR) on savings accounts at 50 basis points below SBP Repo Rate.



# Chief Executive Officer's Review

Owing to the difficult market conditions and limited credit appetite by the private sector, advances registered a YoY sluggish growth of 5.5% to reach Rs.4,071 billion at the end of 2013. Slow growth in credit expansion resulted in substantial increase in banking sector's investment in sovereign government securities. Investments by banks increased YoY at 4.7% to Rs. 4,070 billion during 2013. Banking sector's Non-Performing Loans (NPLs) have marginally decreased by 1.5% YoY to Rs. 604 billion as at September 2013 against Rs. 617 billion as at the end of September 2012.

The Bank's primary objective is to continuously endeavour toward building long term and sustainable shareholders' value. Your Bank's brand value, vast and strategically located branch and alternate delivery channel network, in depth customer relationships, innovative products and services along with strong management team provides a strong stimulus to our growth momentum in future.

## Business Performance

Pakistan's economic fundamentals remained relatively weak during 2013. Despite challenging operating environment, Your Bank continued the strategy of steady performance and growth to drive sustainable earnings by further strengthening assets quality; through adoption of an effective risk management approach; enhancing focus on introducing new customer centric, efficient and technologically driven financial services while maintaining focus on quality of services; building Hi-tech on-line communication infrastructure; improving ambiance of branches and increasing foot print through organic growth while controlling costs.

Your Bank, following a focused business strategy, continues to augment risk management capacity, for efficient monitoring and maintaining quality of loan portfolio, through automated solutions. These initiatives show the Bank's commitment towards fortifying risk management systems in line with changing market dynamics. The Bank believes that appropriate and timely awareness of risks, enables an organization to mitigate the same to a greater extent. In line with this philosophy, the Bank initiated a new trend by providing the Obligors latest insight on Corporate Governance, Leadership Strategies and Business Management; and accordingly organized an interactive Seminar for Corporate Obligors on the topic "Managing Business under Economic Challenges".

In the back drop of weak economic environment, Your Bank remained cautious in extending loans to only high quality commercial, retail and corporate borrowers while gradually exiting from weak exposures. This pro-active approach along with various initiatives aimed at enhancing the quality of credit assessment and monitoring mechanism have been instrumental in keeping ratio of infected portfolio at levels well below the industry average. Despite a slight contraction in loans portfolio, NPLs ratio improved to 6.8% at the end of 2013 as against 7.2% last year. The coverage ratio also increased to 93.9% in 2013 compared to 85.9% last year. The Bank's strategic impetus to improve balance sheet structure through recoveries and regularization continued with an aggregate value of Rs. 2,577 million. In line with the recent directives issued by State Bank of Pakistan (SBP), Basel III has been implemented from December 31, 2013 and accordingly the regulatory standalone Capital Adequacy Ratio of the Bank stands at a healthy 17.85% which is well above the regulatory benchmark of 10%.

The year posed additional challenges in terms of forecasting course of interest rates in wake of continuously changing market dynamics. By mid-2013 yield curve bottomed out and consequently Your Bank reduced the duration of investment portfolio to enable

## آپ کے دل میں ہمارا اکاؤنٹ



re-pricing of investments at higher rates. In addition, with falling foreign exchange reserves and entry into IMF program foreign exchange market exhibited high volatility and uncertainty during the year resulting in reduced liquidity and widening of pricing spreads between Bid and Offer rate. Despite the constraints, Your Bank remained an active participant in the interbank market resulting in higher FX income by 6% compared to 2012.

The sustained and cost effective growth in deposit base with higher focus on low cost current and saving deposits (CASA) mobilization continues to be Your Bank's strategic priority for the rationalization of cost structures. While on one hand we

are taking initiatives to optimize the business potential of large branch network, at the same time we are leveraging our strong technological base to derive a market edge in alternate delivery channels. Sizeable growth in foot print was witnessed in 2013 i.e. 75 new branches and 176 ATMs were added at various locations throughout the country; thereby expanding branch network to 950 branches and ATM network to 794 ATMs by end of 2013. The Bank, thus, succeeded in surpassing the significant milestone of Rs. 600 Billion deposits, while maintaining contribution of CASA mix, which led to an increase in market share to 8.1% at the end of 2013.

In furtherance of strengthening existing customer relationship and enhance service quality levels, Your Bank successfully migrated additional 200 branches to Temenos T-24 core banking system, bringing total branches functioning under T-24 to 855. Migration of remaining branches is expected to be completed by the end of first quarter 2014. As of 31 December 2013, infrastructure of approximately 925 locations has been upgraded with dual communication infrastructure by utilizing industry's best available communication media. Your Bank also launched "Pay-Anyone" services through branch counters, facilitating customers to pay or transfer funds within Pakistan with no mandatory requirement for the beneficiary to

# Chief Executive Officer's Review



have an account with any bank. In order to further strengthen alternate delivery channel platforms, "Allied SMS banking" was also launched in 2013. Your Bank remains steadfast in our strategic initiative of continuous enhancement and upgrade of core banking systems and Enterprise Resource Planning (ERP) systems. Various business process re-engineering initiatives were undertaken including paperless account opening process at all T-24 branches, and implementation of image management system during the year. Service Quality (SQ) created service awareness across all customer touch points, leading

towards enhanced customer base. SQ's dedicated Quality Assurance team established "branch service standards" which significantly improved the quality of service and reduced the service delivery turnaround time (TATs). Allied Phone Banking, now reinforced with an alternate site in Lahore, played a pivotal role in delivering 24/7 convenient and secure banking services with more than 1.25 million calls.

Your Bank's emphasis of improving quality of human resource is amply demonstrated by YoY induction of energetic young graduates to

maintain the blend of youth with experience. The Bank inducted fresh post-graduates in the discipline of Banking, Economics and Information technology through management trainee officers (MTO) program to fulfill the human resource requirements of existing and new branches. Extensive in-house and ex-house training programs were conducted at three Management Development Centers (MDCs) in Karachi, Lahore and Islamabad, with a significantly higher use of technology, which included launch of an e-Learning Portal for Computer Based Training (CBT) and Video Based Training (VBT) Programs. The Bank also acquired a new Human Capital Management System capable of providing comprehensive Human Resource related Information. Female employment ratio of Your Bank also reached 13% in 2013, reflecting Your Bank's continuous commitment towards gender equality.

With the objective of cost rationalization, the Bank established a dedicated General Services Group (GSG), mandated with infrastructural and logistical support to all branches and offices. As part of our commitment towards energy conservation and alternate energy solutions, 1st green energy Solar based branch was established by the Bank during the year. Similar Solar based and Inverters based energy solutions were installed at other locations as a pilot project to analyze cost benefits and based on the results further installations would be carried out going forward.



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# Chief Executive Officer's Review

During the year, policies pertaining to Compliance, Anti Money Laundering (AML), Know-Your-Customer (KYC) were realigned in line with the changes in regulatory environment. Specific training sessions were held to apprise the field functionaries as to AML / KYC policies and procedures. The regulatory reporting module of Financial Crime and Compliance Management (FCCM) system was also implemented during 2013.

Bahrain branch which started operations in 2012, has remained profitable from the first year of operations and going forward, Your Bank shall be focusing on controlled and gradual international expansion.

In view of the consistent performance and dynamic strategic endeavors, Your Bank was awarded the prestigious "Best Managed Bank Achievement Award 2013" by Asian Banker Magazine. Innovative and valuable financial solutions provided to our corporate customers were also recognized as Your Bank was awarded the "Best Domestic Investment Bank 2013 – Pakistan" by The Asset Country Awards, Hong Kong and "Best Investment Bank in Pakistan – 2013" by Euromoney Magazine, UK.

## Ratings

### Entity Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained long-term rating of the Bank at "AA+" and short-term rating at the highest level of "A1+". The ratings denote a very low expectation of credit

risk emanating from a very strong capacity for timely payment of financial commitments and not being significantly vulnerable to foreseeable events.

### TFCs Issues

JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained rating of the Bank's 1st TFC Issue (issue date: December 06, 2006) at "AA (Double A) with Stable Outlook". This rating denotes high credit quality.

Rating of the Bank's second TFC Issue (Issue date: August 28, 2009) of Rs. 3,000 million has also been maintained at "AA (Double A)" by PACRA. The rating denotes a very strong capacity for timely payment of financial commitments.

### Corporate Governance Rating

JCR-VIS has upgraded Corporate Governance Rating (CGR) rating of the Bank to "CGR 9" from "CGR8++", which denotes 'very high level of corporate governance'.

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

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

Bank voluntarily gets itself rated from Moody's' Investor Services, one of the premier International Rating Agency. The ratings [Bank Deposits - Foreign Currency: Caa2/NP; Bank Deposits - Local Currency: B3/NP; Bank Financial Strength: E], though influenced by the Sovereign Ratings of Pakistan, are at par with the international ratings of Tier-1 Peer Banks in Pakistan as well as important regional players.

## Asset Management Company

ABL Asset Management (ABL AMC) closed the year with an Assets Under Management (AUM) size of Rs. 25,300 million, showing a positive YoY growth of 51.5%. The company increased its market share in open-end schemes by 150bps to 6.9%. Two new funds, ABL Islamic Equity Fund and ABL Islamic Principle Preservation Fund, were launched during the year. ABL AMC also received Pension Fund license from SECP during the year. With the award of Pension Fund license to ABL AMC, a whole new area of product development and retail market has opened. This opportunity offers a sustainable long term avenue of fund management and ABL AMC intends to aggressively pursue it through launch both conventional and Islamic pension funds in 1H2014.

In view of the continuously enhanced systems and procedures, JCR-VIS has upgraded the Management Quality Rating of ABL AMC by one notch to AM2. ABL AMC is also an ISO/IEC 27001:2005 certified company and has adopted Global Investment Performance Standards (GIPS).



An aerial photograph of a modern glass skyscraper with a central courtyard. The building's facade is composed of a grid of glass panels and metal frames. The courtyard below is landscaped with various plants, including palm trees and smaller shrubs, and features a paved area with a small table and chairs. The overall scene is captured from a high angle, looking down into the courtyard.

Long Term

AA+

Short Term

A1+

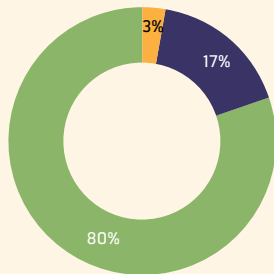
Corporate Governance Rating

CGR9



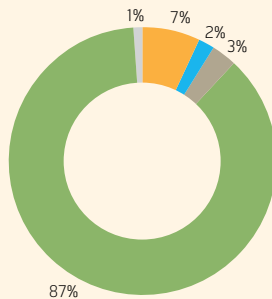
# Chief Executive Officer's Review

**Segmental Advances – Performing**  
(Percentage)



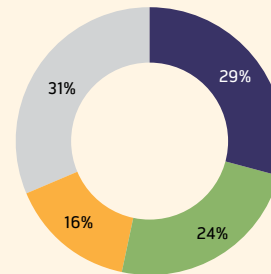
■ CIBG ■ CRBG ■ Others

**Investments**  
(Percentage)



■ Market treasury bills & PIBS  
■ Shares ■ TFC and Sukuk  
■ Open end Mutual Fund Units ■ Others

**Average Deposit Composition**  
(Percentage)



■ Current ■ Saving ■ Current Remunerative ■ Term

## Financial Analysis

### Balance Sheet Growth & Mix

The Bank continued to perform well in 2013 despite severe economic challenges and volatile interest rate scenario. Your Bank, however, managed these challenges by following a continued strategy of steady growth incorporating sustained focus on maintaining healthy deposit mix, cautious lending approach driven to ensure quality of assets and various cost controlling initiatives through automation of systems, processes and capacity building.

Amidst tough business environment Your Bank's total asset base registered a YoY growth of 15.9% to reach at Rs. 734,196 million as at December 31, 2013. Equity base increased by 27.2% to Rs. 66,198 million as at December 31, 2013 compared to Rs. 52,038 million as at December 31, 2012 (Restated), further strengthening the bank's risk absorption capacity. The total equity to asset ratio of the Bank stood at 9% at December 31, 2013.

The key driver of growth remained expanding deposit base which grew by 18.2% during 2013 to reach at Rs. 608,412 million as at December 31, 2013 compared to Rs. 514,707 million as at December 31, 2012. The current and low cost Savings Deposits mix stood at 54%.

In the wake of slower credit off-take to private sector the momentum of funds deployment continued to lean towards Investments activities. The Investment portfolio, thus, increased to Rs. 363,379 million as at December 31, 2013, a YoY growth of 35.9%. Short-term risk free government securities constitute major portion of investments portfolio.

The trend of fiscal deficit remained the main driver for crowding out private sector credit and the Bank was not an exception to that tendency. As a result, net advances showed a slight fall of 1.5% during 2013 to stand at Rs. 267,001 million as at December 31, 2013. The Bank has significantly controlled increase

in Non-Performing Portfolio through extensive monitoring and concerted recovery efforts.

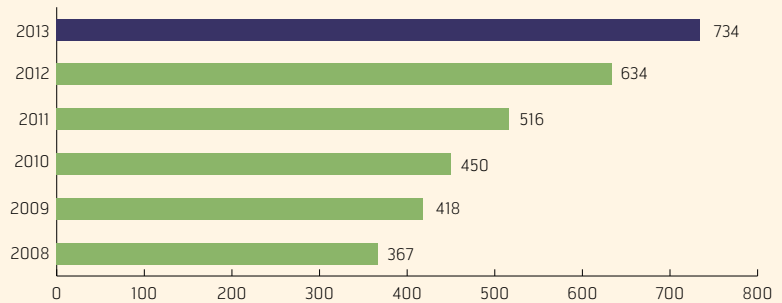
### Profitability

The banking business environment was exposed to various challenges during the year under review. The key constraints emanated from the Country's fiscal imbalances, which remained one of the key challenges for central bank to regulate while managing monetary controls through periodical announcements. The Discount rate movement kept the interest rate in check to curb the inflation. Consequently the average 6-months KIBOR in 2013 remained at 9.5%, which was 152 bps below the prevailing average rate in 2012. Additionally regulatory changes prescribed by State Bank Pakistan (SBP) regarding PLS Saving Deposits rate have also adversely impacted the funding cost, which ultimately put significant pressure on the net interest margins (NIM) of the banking industry. The Capital Market in turn remained attractive and continued to show bullish trend during the year 2013.

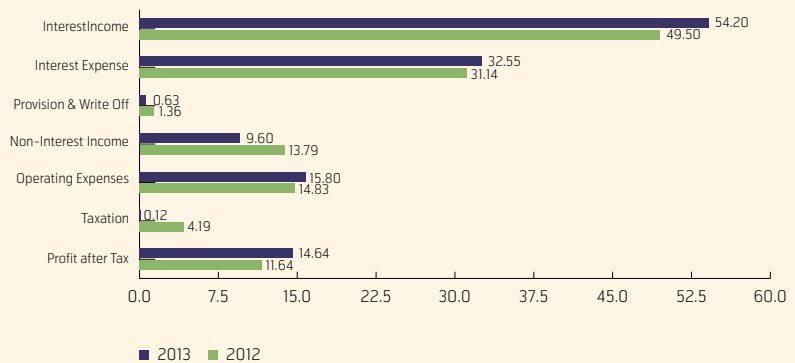
Your Bank however withstood the challenges and managed to achieve growth in NIM through churning healthy volumes of resources. Accordingly, Net Mark-up/Interest earned increased by Rs. 3,309 million over 2012 to Rs. 21,670 million, attributable mainly to growth in Interest Earning Assets. The funding cost remained under control even after absorbing the impact of regulatory changes on PLS Saving deposit cost during the year. Resultantly NIM of Your bank registered growth of 18%.

The strategic shift in diversifying earning assets mix from reducing exposure in mutual funds to interest bearing investments resulted in generating mark-up revenue, thereby witnessing reduction in Non-Mark-up/Interest Income, which decreased by Rs. 4,190 million during the year to reach Rs. 9,603 million. The considerable contribution towards fee based activities included Branch banking services, advisory/structuring fee from Investment banking activities, trade finance and dealing in foreign exchange activities. Recognition of dividend income and Capital Gains also grew compared to last year, after excluding one off gains from divestment of few of strategic investment exposure of Fauji Fertilizer and including selling off Bank's stake on Khushhali bank. Above all, Your Bank has recognized compensation of Rs. 1,067 million on delayed tax refunds which partially offset the reduction in dividend income from Open Ended Mutual Funds (OEMF). Despite the change in earning assets mix and after recognizing compensation on delayed tax refunds, Non-Interest

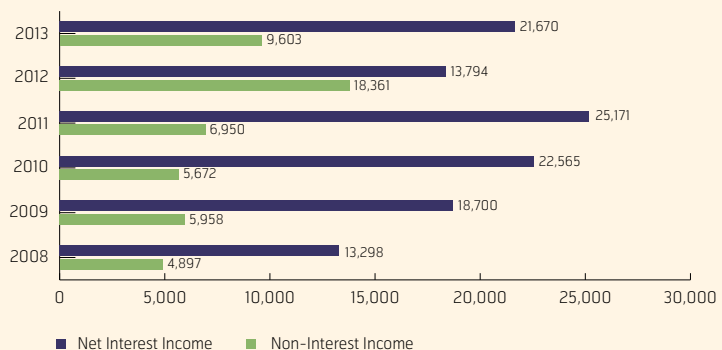
### Size of Financial Position (Rs. in billion)



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



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



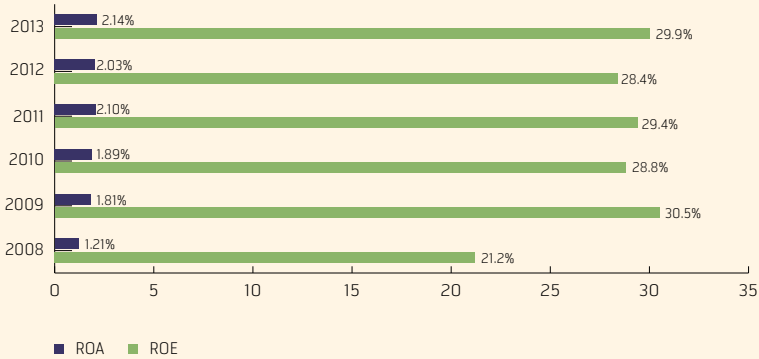
# Chief Executive Officer's Review

Income reduced by 30% to Rs. 9,603 million as at December 31, 2013. The Bank's Administrative Expenses increased by 6.4% during 2013 to Rs. 15,510 million. This increase is mainly due to inflationary trends, increase in tariffs for utilities, IT related expenses as well as capitalization of tangible and intangible assets including technology infrastructure which resulted in higher depreciation/amortization charge.

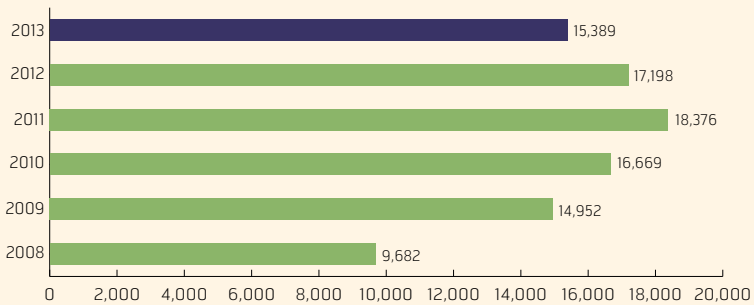
The provisions against Non-Performing Loans (NPLs) and Investments reduced by Rs. 86 million to Rs. 565 million during 2013 compared to the previous year. No benefit of FSV has been taken while determining the provision against NPLs in 2013 as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010.

Despite severe economic challenges, volatile interest rate scenario, sustained focus on maintaining healthy deposit mix, cautious lending approach driven by improved asset quality and various cost controlling initiatives through automation of systems and processes, Your Bank recorded a Profit Before Tax of Rs. 14,761 million during 2013 compared to Rs. 15,835 million in 2012. The Profit After Tax of Rs. 14,643 million in 2013 was 25.8% higher than profit of Rs.11,641 million during 2012. As a result, EPS improved from Rs. 11.2 in 2012 to Rs. 14.1 in 2013. The average ROA and ROE of the Bank almost remained at the same level of last year and stood at 2.1% and 29.9%, respectively. The growth in Post-Tax Profit also include reversal of tax provisions of Rs. 4,086 million created in earlier years, recorded as prior years adjustment, as more appropriately explained in Note No 22.9.1 and No. 32.1 to the audited

## ROE & ROA (Percentage)



## Operating Income Before Provision & Tax (Rs in million)



accounts for the year under review. The Profit After Tax stands at Rs 10,557 million, excluding the impact of aforementioned reversal of tax provision, showing a reduction of 9.3% from 2012 and accordingly the adjusted EPS stands at Rs. 10.14 per share.

Further on account of retrospective adoption of the IAS -19 Employee Benefits, the Balance Sheet footing of December 31, 2012 and December 31, 2011 has been restated upwards by Rs. 1,460 million and Rs. 221 million respectively. As a result of this retrospective impact, the unappropriated profit/reserves for the year 2012 and 2011 has also been restated upwards by Rs. 1,122 million and Rs. 192 million respectively. The Bank adopting a

prudent approach has recorded the impact net of deferred tax liability of Rs. 623 million and Rs. 104 million for 2012 and 2011 respectively.

Further, a reserve created upon merger of Ibrahim Leasing Limited and First Allied Mordaraba into Allied Bank Limited has been transferred to Share Premium Reserve with the approval of SECP vide letter number EMD/233/673/2002-965 dated April 15, 2013. In addition, special reserve created by Ibrahim Leasing Limited, under the Non-Banking Finance Companies (NBFC) Rules, before amalgamation with the Bank has now been transferred to Statutory Reserve (the Reserve) of the Bank to reflect more appropriately the aggregate amount of the Reserve.



# Future Outlook

The current account and fiscal deficits has become a constant feature of the Country's economy, making it vulnerable to external shocks. The overall challenges surrounding Pakistan as far as its social, economic and political situation is concerned are not expected to subside in the short term. Deteriorating law and order situation along with acute power shortages in the country continues to be a major hindrance in attracting foreign direct investment. The national exchequer remains dependent on aid and loans from multilateral institutions and bilateral partners while the support from domestic borrowing likely to continue. In this regard a new initiative to introduce Government Securities through trading on stock exchanges would open a new window to attract small savers towards direct investment in Government Securities. In the wake of Government's expectations to receive Forex inflows from Coalition Support Fund, possible deferment in Oil payments, overdue proceeds for the privatization of PTCL from Etisalat, 3G licensing fee pertaining to telecom industry, floatation of Eurobonds in international markets and privatization of Public Sector Enterprises (PSEs) along with rising home remittances, reduction in electricity and gas subsidies, increase in GST and higher taxation rates, the pressure on current account deficit may ease. However, inflation outlook for fiscal year 2014 remains in the range of 10%-11%. The current declining trend in Inflation, if persisted going forward, may prompt

the SBP towards further downward adjustments in the benchmark rates resulting in further squeezing of banking sector margins. Similarly, implementation of Foreign Account Tax Compliance Act (FATCA), which is a United States (US) law, aimed at discouraging tax evasion by US citizens, is another critical challenge facing the industry. In view of the above situation, Profitability of banking sector in Pakistan will remain under pressure during 2014. However, Your Bank's strategic impetus is to remain resilient during these rapidly evolving market dynamics and geo-political situation with continuous focus on growth and consistently improving service delivery. Cognizant and responsive emphasis shall remain on keeping abreast with the latest technological advancements in the global financial services sector with a strong focus on risk management, cost rationalization, sustained investment in our network expansion and technology driven product offerings. As lending opportunities remain low, fee based income shall be the main focus to increase profitability. Your Bank will continue to leverage its extensive branch network and technology based products to generate non-fund based income as well as low cost deposits. Launching of Islamic Banking in 2014 will also add to the product suite offered to our customers. Moreover, centralization and automation of processes shall lead to greater cost savings, keeping operating costs in check despite inflationary trends.

Your Bank is striving to inculcate a culture of service excellence, while at the same time, attracting, developing, and retaining the best human resources talent to ensure realization of our future strategic goals. The above initiatives are



expected to assist Your Bank in showing sustainable growth and a consistent profitability trend in future.

## Acknowledgement

I would like to express a sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan and other regulatory bodies for their continuous guidance and employees for their continued commitment, devotion and loyalty to both the Bank and our valuable customers.

Tariq Mahmood  
Chief Executive Officer

Dated: February 11, 2014

# Group's Review



## Commercial & Retail Banking

Commercial and Retail Banking Group (CRBG) has established Your Bank as one of leading retail banking brands in the country. CRBG's deep insight into our clients' unique business and banking needs, coupled with superior customer service, enabled it to continuously outperform the industry growth trends in the last two years.

Some of the key initiatives under CRBG during 2013 include:

### Strategic focus on low cost deposits

The overall deposits base grew by 18% YoY to close at Rs 608 billion against Rs 515 billion in 2012. The above growth was achieved with a significantly higher focus towards growth in non-remunerative current accounts which increased to Rs 183 billion from Rs 146 billion in 2012 showing a growth of 25% and low cost saving accounts which increased from Rs 126 billion in 2012 to Rs 145 billion in 2013, reflecting a growth of 15%. Despite the high volumetric growth, CASA mix remained stable at 68%. While

targeting to keep cost of deposit well under control, despite absorbing regulatory changes in PLS saving deposits that impacted not only hike in rate but also affected profit calculation methodology, the cost of deposit of the Bank reduced from 5.39% in 2012 to 5.07% in 2013.

### Bringing Technology and Convenience together

Delivering upon its promise to provide innovative and convenient

banking services, CRBG launched "Allied SMS Banking" for Allied Bank's customers to conduct various financial transactions using their mobile devices of any types, without requiring Internet or GPRS. It's a new electronic delivery channel offering full suite of services being offered on other delivery channels like ATM, Internet and Phone Banking.

### Rewarding Loyalty

As part of Your Bank's initiative to offer services targeted at niche' market segment, CRBG has



introduced “Valued Customer Card” offering some exclusive benefits to premium customers including free banking services and priority relationship management at the Branches. This card also offers special discounts on purchases at the exclusive outlets (national and international franchises) in the country.

### SME & Agriculture Financing

Acknowledging the importance and role of Small and Medium sized enterprises (SME) and Agriculture, Your Bank offers a full suite of financial products and services to these segments. Tailor made product programs for SME and Agri-borrowers cater to their specific

credit requirements, with an added focus on automation and technology across our strategically located extensive network.

### Consumer Financing

Your Bank remains selective towards consumer lending segment and markets its consumer finance products to its existing customers having satisfactory track record. In addition “Allied Personal Finance” is extended, under corporate arrangement, to the employees of the institutional customers including government and public sector organizations, semi government organizations, multinational and reputable local organizations.

CRBG’s vast network covers the entire country and consists of 4 Groups Headquarters, 30 regional headquarters and 943 strategically located branches. Going forward, CRBG is well poised to retain its standing among the retail banking peers by continuously providing superior technology driven products and services to valuable customers. In line with Bank’s strategic focus on the middle market segment, CRBG intends to further penetrate in middle market segment to enhance commercial lending and trade finance activities.





## Corporate & Investment Banking

Corporate and Investment Banking Group (CIBG) remains one of the leading corporate finance houses in the country, with a string of big-ticket transactions, managing a pool of leading corporate borrowers, large volumes in trade, cash management and remittance business as well as a vibrant capital markets portfolio. CIBG's strengths emanate from unparalleled understanding of its relationships' business needs and ability to provide tailor made solutions while ensuring superior customer service.

CIBG through the following robust platform caters to entire banking requirements of its corporate relationships:

### Corporate Banking & Commodity Financing

Corporate Banking (CB) has adopted a cautious lending approach while extending financing to select borrowers of high credit quality. Consequently, CB arm has remained resilient in the face of adverse economic environment, with a focus on long term relationships, superior service and innovative products to maximize returns for the Bank. Their established corporate relationships also augment investment banking, cash management and international businesses in addition to core business product offerings to extend short to medium and long term on and off balance sheet exposures. Commodities team caters to the government and its agencies by extending finance for its commodity operations.

### Investment Banking

Investment banking (IB) delivers complex financing solutions to corporate entities by providing suite of integrated investment banking products and solutions. IB business relies on the back of strong corporate relationships, in-depth understanding of structured finance and local regulations, and rich experience of past transactions. The Debt Syndication and Advisory unit's forte is executing big ticket debt transactions by offering cost effective and customized corporate

financing solutions. They also offer a broad array of advisory services/ products ranging from advising on IPOs, Underwritings, Divestments, Debt Restructurings, Privatization and M&A deals. Project Finance unit offers services for development of a credit-worthy and bankable financial structure for a project with appropriate risk allocation.



## Financial Institutions, International & Cash Management

Through a strong Cash Management platform, value-added products are offered, supporting a wide range of customers from mid-tier enterprises to multinational financial institutions and global corporates. As services continue to expand, it is expected to further penetrate across areas of trade and payments by delivering greater innovation and efficiency. International Banking team has ongoing support of leading regional and global correspondents, as well as important multilateral agencies. Bahrain branch operations with the assistance of Dubai representative office have successfully built a considerable portfolio of assets in a relatively shorter period of time and remain profitable since its inception in 2012.

## Capital Markets

A team comprising of experienced investment specialists, with a

thorough understanding of local and international capital market dynamics, is managing the Capital markets. The total capital gain and dividend income increased from Rs.3,625 million (excluding gain on sale of strategic investment and dividend on OEMF) in 2012 to Rs 4,431 million, showing a YoY growth of 22%. Whereas the surplus on revaluation of equities portfolio aggregated to Rs 9,919 million against Rs 4,659 million as at December 31, 2012, showing an increase of 2.1 times clearly reflecting the superior quality of a well-diversified portfolio. Accordingly, Your Bank's equity portfolio has consistently outperformed benchmark returns while maintaining a well diversified exposure in high quality stocks.

## Home Remittance

Home Remittance business has posted significant growth of 10% YoY in business volumes disbursed on behalf of international

partners. Major focus has been on streamlining processes, up gradation of systems, efficient control parameters and tracking tools, enabling long term growth in future.

CIBG success is corroborated by numerous national and international awards received over last few years. Going forward CIBG team intends to maintain cautious approach in lending with preference towards high quality borrowers. However, as large corporate segment is reaching saturation levels, CIBG is actively pursuing mid-tier market, to enhance and diversify sustainable revenue streams. CIBG also seeks to augment income by focusing on cross selling of cash management and financial institutions products to corporate customers while concentrating on non-fund avenues. At the same time, CIBG intends to identify, evaluate and select suitable international markets to gradually expand overseas operations.



# Risk Management

The strategic objective of Allied Bank's Risk Management team is to manage risk through a framework of sound risk analysis principles supported by an optimum organizational structure, robust risk assessment models and effective monitoring systems in an up-to-date IT enabled environment to mitigate all types of long term and short term risks.

The Risk Management team of Your Bank has been introducing innovative risk practices through use of technology. Several initiatives have been taken in the recent past to further strengthen risk assessment and monitoring processes including the following:

- Developed and implemented a fully automated work flow "Loan Origination System" (LOS) with embedded Risk Rating Models to enhance the efficiency and effectiveness of the credit assessment process in a paper less environment.
- Introduced and revamped "Obligor Risk Rating Models" which unlike the conventional models used in Pakistan in the past, largely tilted towards Financial Performance, also focus on structured assessment of Obligor's Account Behavior and Non Financial Parameters such as Financial Credibility of Sponsors, Education & Experience of Sponsors and Key Management as well as Technical Evaluation of Operating Assets.
- Developed an Integrity Check software application, which comprises of defaulter's database of Write-Offs / Relief cases allowed by all Banks in Pakistan since 1979. The database is fully integrated with the LOS system. Through this application, the defaulters of all banks are automatically flagged, so that the credit recommenders and approvers can avoid sanctioning of fresh loans to obligors having history of defaults in the last 34 years. The software application also maintains database of Rescheduled/Restructured loans as well.
- Introduced the concept of Technical Appraisal Function manned by qualified and experienced industrial Engineers. Technical Appraisal has become a key component of Risk Assessment in Your Bank with prime responsibility to conduct industrial technology assessments of obligors through periodic inspections of obligor's production plants, installed plant and machinery as well as evaluation of production efficiency. The Function is also involved in conducting and validating valuations of fixed assets – land, building, plant and machinery, so that any inaccuracy in assessment made by the external valuers is timely checked to protect the Bank's interest.





- Established the Bank Managed Warehouses for Pledge Financing in selected locations. This initiative would greatly mitigate the inherent risks involved in financing against pledge of seasonal commodities. Two such warehouses have already become operational.
- Risk Management team has been proactively implementing the Basel Framework. In this perspective the bank has successfully achieved permission from SBP to initiate Parallel Run for Alternate Standardized Approach (ASA) for Basel II –Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach of Basel Framework. Further, the Risk Management Group believes in systematic evaluation and management of Pillar II Risks, and has accordingly implemented a comprehensive Reputational Risk Management Framework as well as Country Risk Management Framework.
- Developed an automated Portfolio Monitoring System software , covering key credit monitoring areas such as Collateral Insurance, Valuations, Stock Inspections, Technical Assessment, Project Monitoring and Concentrations in Advances by way of product, sector, risk-rating and collaterals. The system provides multiple analytical views and will prove instrumental in improving the overall risk control environment of the Bank in coming years.
- Initiated a new strategy of engaging with the Obligors to provide them with Latest Insights into Corporate Governance, Leadership Strategies and Business Management; and accordingly during 2013 organized first such interactive Seminar for Corporate Obligors on the topic, “Managing Business under Economic Challenges”.
- We are also developing an Automated Early Warning System that will evaluate the obligors’ financial and account behavior, production patterns and other key non-financial characteristics based on defined alerts and triggers, and will flag the problematic relationships enabling Your Bank to effectively monitor and take timely corrective measures so as to ensure quality and health of the entire assets portfolio.
- We are also developing a comprehensive Database for major Plant & Machinery, covering their make, models, suppliers, suppliers’ ratings and estimated prices to ensure accurate technology assessment and verification of fixed asset valuations.



# Information Technology

Rapid Technological innovations in the last 15 years have enabled Your Bank to open up efficient and productive delivery channels.

To cope with rapidly changing banking and financial services needs of the customers, Your Bank has kept on investing into the latest information technology systems and solutions. This strategic focus aimed at ensuring efficient banking systems has resulted in the presence of Your Bank's branches serving the valued clients in real time, operating an extensive ATM network all across the country and many other integrated and automated delivery channels, the latest being a fully automated SMS banking system.

Your Bank has entered into strategic partnership with IBM and Cisco to develop state of the art data centers. These data centers are deployed with the latest IBM RISC family of servers along with Cisco Unified Communication Systems in addition to Network equipment including firewalls and Intrusion Prevention Systems (IPS) from Cisco, installed in the primary and back-up data centers. All IBM Power and Cisco servers are working in a fully virtualized environment enabling Your Bank to manage IT resources

instantly on an on-demand basis in order to get maximum efficiency and productivity, allowing the Bank to serve its customers better.

This IT capacity of cutting edge communication technologies deployed in Your Bank is playing a vital role to timely manage transfer, processing, sorting and storing of information. Your Bank has established two energy efficient data centers with Level III compliance. These data centers are achieving 99.98% uptime. With level III compliance, preventive and scheduled maintenance, repair and replacement of hardware components, and testing of the systems, can be done without disrupting operation of hardware systems. In order to control the rising costs of travelling and increase productivity, Video Conferencing equipment has been deployed in 40 controlling and group offices throughout Pakistan. Electronic Work Flows are deployed to reduce the processing time, standardization of processes, robust MIS and to attain operational efficiency.

All the 950+ branch and controlling offices of Your Bank are connected with the data centers through efficient and reliable dual link communication systems, to maintain maximum up time. Your Bank has deployed an Email-to-SMS and SMS-to-email system for cross sell activities and transmitting operational information. SMS banking has also been launched by the Bank enabling the users to transact through normal SMS with any type of cell phone. Your Bank ensures 24x7 availability of its infrastructure and services, through its Enterprise Monitoring Systems. The Bank effectively manages its disaster recovery and business continuity by real time data replication mechanism between primary and alternate site.

The Bank is now poised for the release upgrade of its core banking application, implementation of Temenos Insight, a business intelligence module and Islamic banking module to further strengthen technological capabilities to achieve a world class level of excellence in product and service delivery to our valued customers.







# Human Resource

Allied Bank has positioned its human capital as one of the most important and critically vital resources, not only for the growth of the organization, but also as a part of the corporate social responsibility to develop its employees with the highest standards of integrity, to play crucial role within the society.

In this strategic direction, the Human Resource Group (HRG) actively ensures that all the new inductions of human capital in the Bank are well assessed not only on the standards of job competence and skills, but also on personality traits and character. Similarly, for the existing employees, the Bank has strong workplace values, ethical and moral standards with a comprehensive 'Code of Ethics' in place. The Human Resource Group is proactively engaged in an ongoing process of developing human capital and bringing it in line with global 21st century standards, in terms of skills, competencies and moral values, which is the corner stone of Your Bank's approach and also the strategic organizational direction of the Bank.

At Allied Bank, multiple skill-sets within its employees are strongly encouraged with a policy of 'job rotations' in different functional

areas within the Bank. Your Bank is focused to induct individuals having multi-discipline, multi-educational and multi-functional skill sets. The Bank has designed many induction programs, to achieve this strategic objective. One such program is the selection and induction of Management Trainee Engineers (MTEs), having combination of an engineering qualification coupled with masters degree in business administration. The idea is to select only those individuals who have a high intellectual level in addition to their educational qualifications. In the same direction, the Bank also has a scheme to induct Industry Experts who have worked in various industries, accumulating specific industry-based knowledge.

Your Bank has a policy of promoting employees from within the organization, with a strong succession plan in place at all levels. Lateral hiring is generally discouraged, except when a particular skill set is needed which is not currently available or except in case to fill some gaps in the succession strings. The Bank has a stringent promotion criteria for employees which is objective-based and merit-based with pre-defined eligibility parameters. Moreover, Your Bank has a comprehensively designed performance appraisal process, which is only based on merit. Instead of fixed performance level boundaries, the Bank believes in competitive sliding-based performance level boundaries, in which even an individual with



excellent performance, still needs to improve, in order to keep up with the sliding performance boundaries within the system. The financial packages and performance awards are granted on the basis of this performance appraisal process.

At the Human Resource Group, all HR processes have been automated using latest software technologies. This automation has reduced the turn-around time of various HR processes within the organization. In line with this strategy Your Bank is already in the process of switching over to a new advanced human capital management system (HCMS) which also has an effective Human Resource Information System (HRIS), as well as various HR modules to further reduce the turn-around time and increase the efficiency of the processes.

Your Bank has a firm, well-established and operational 'Anti-Harassment Policy' with set procedures, for all its employees. We take our moral values very seriously and the character of each employee is considered an equally important factor along with work performance and core skills and competencies.

The Management Trainee Officers (MTOs) program of Your Bank is, designed with a comprehensive eligibility and selection criteria and a pre-defined career path. The MTO batches are not only selected carefully, their performance and character is observed, throughout their first three years of employment. Similarly, there is a pre-defined eligibility and selection criteria for various other positions in the Bank, e.g., Tellers, Business Development Officers, Management Trainees (Information Technology), etc., along with a prudently designed career path, inclusive of financial rewards system.

Your Bank gives priority to the training and development of its employees, spending a sizable amount on its training function, each year. The Bank has three management development centers based in Karachi, Lahore and Islamabad, with full-time, as well as, visiting faculty members, where, in-house training courses are conducted throughout the year with pre-scheduled training calendars. These courses are conducted on banking, financial management, as well as on human skills. In addition, employees are nominated to attend training courses conducted by external training entities. Employees are also nominated for overseas training courses at world-class business schools. Your Bank has deployed a state-of-the-art e-learning portal, which is available for all its employees 24 hours a day on the internet and intranet. This e-learning portal has an extensive collection of e-books, computer





based training and testing programs, knowledge based blogs facility and an online training nomination workflow, amongst many other features.

One of the important aspects that Your Bank has strategically prioritized in its human resource management function is the development of a culture within the entire Bank to ensure that the concept of 'Team Work' is inculcated as the bases of performance. The organizational culture and the work environment are propagated in such a way that it is considered a must to be a team member, rather than being a solo performer.

Your Bank deployed a latest organizational structure throughout the organization, with all Groups divided into Divisions, sub-divided into Units and Departments. This organizational structure has been carefully designed and amended on 21st century global standards. The Organizational structure of the Bank, down to the junior most position, has been re-fixed, based on each function's workload, critical and functional importance, and geographical location. The headcount, the functional levels and the titles in each function across the Bank, have been re-assigned, enhancing the function-wise work efficacy, keeping the headcount at each level, as per the functional and business requirements. This has been done for the entire

organization and all future inductions, transfers, postings and promotions are done accordingly.

The Human Resource Group at Allied Bank has functionally aligned itself with the strategic plan of the Bank, in line with the strategic vision of the Board. HRG constantly strives to improve upon the HR processes and procedures. Priority is given to take continuous steps to improve upon the culture of Your Bank, to raise the core values and to improve the skill sets of employees, in line with global standards.





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# Performance Highlights

Rs. in Millions

December 31	2013	2012	2011	2010	2009	2008
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and balances with treasury and other banks	45,775	44,381	38,159	31,845	27,716	25,751
Lending to financial institutions	12,461	10,721	1,362	11,489	28,123	15,793
Investments- Gross	364,966	269,351	198,398	123,855	96,975	84,602
Advances - Gross	285,376	288,889	262,137	267,776	249,887	223,640
Operating Fixed assets	22,084	19,871	18,087	15,360	12,447	11,134
Other assets	23,496	20,245	18,185	17,719	17,955	18,399
<b>Total assets - Gross</b>	<b>754,158</b>	<b>653,458</b>	<b>536,328</b>	<b>468,044</b>	<b>433,103</b>	<b>379,319</b>
Provisions against non-performing advances	(18,375)	(17,805)	(17,704)	(15,431)	(12,543)	(10,668)
Provisions against diminution in value of investment	(1,587)	(1,948)	(2,704)	(2,682)	(2,186)	(1,956)
<b>Total assets - net of provision</b>	<b>734,196</b>	<b>633,705</b>	<b>515,920</b>	<b>449,931</b>	<b>418,374</b>	<b>366,695</b>
<b>LIABILITIES</b>						
Customer deposits	608,412	514,707	399,562	371,284	328,875	297,475
Inter bank borrowings	32,952	38,916	49,993	20,774	39,819	27,778
Bills payable	4,879	6,203	4,015	4,119	3,162	2,952
Other liabilities	17,513	16,351	13,325	12,284	11,061	13,636
Sub-ordinated loans	4,242	5,490	5,493	5,495	5,497	2,498
<b>Total Liabilities</b>	<b>667,998</b>	<b>581,667</b>	<b>472,388</b>	<b>413,956</b>	<b>388,414</b>	<b>344,339</b>
<b>NET ASSETS</b>	<b>66,198</b>	<b>52,038</b>	<b>43,532</b>	<b>35,975</b>	<b>29,960</b>	<b>22,356</b>
Share capital	10,410	9,463	8,603	7,821	7,110	6,464
Share premium	-	-	202	984	1,695	2,341
Reserves	12,438	10,899	8,561	6,533	4,888	3,464
Un - appropriated profit	30,855	23,688	20,447	15,829	12,198	8,537
<b>Equity - Tier I</b>	<b>53,703</b>	<b>44,050</b>	<b>37,813</b>	<b>31,167</b>	<b>25,891</b>	<b>20,806</b>
Surplus on revaluation of assets	12,495	7,988	5,719	4,808	4,069	1,550
<b>Total Equity</b>	<b>66,198</b>	<b>52,038</b>	<b>43,532</b>	<b>35,975</b>	<b>29,960</b>	<b>22,356</b>
<b>PROFITABILITY</b>						
Markup / Return / Interest earned	54,222	49,503	51,814	44,993	41,122	30,571
Markup / Return / Interest expensed	(32,552)	(31,142)	(26,643)	(22,428)	(22,422)	(17,273)
<b>Net Markup / Interest income</b>	<b>21,670</b>	<b>18,361</b>	<b>25,171</b>	<b>22,565</b>	<b>18,700</b>	<b>13,298</b>
Fee, Commission, Brokerage and Exchange income	3,711	3,169	3,395	2,910	3,470	3,266
Capital gain, Dividend income and Unrealized loss	4,645	10,353	3,507	2,511	2,452	1,571
Other income	1,247	272	48	251	36	59
<b>Non interest income</b>	<b>9,603</b>	<b>13,794</b>	<b>6,950</b>	<b>5,672</b>	<b>5,958</b>	<b>4,896</b>
<b>Gross income</b>	<b>31,273</b>	<b>32,155</b>	<b>32,121</b>	<b>28,237</b>	<b>24,658</b>	<b>18,194</b>
Operating expenses	(15,804)	(14,853)	(13,684)	(11,529)	(9,609)	(8,431)
<b>Profit before provisions</b>	<b>15,469</b>	<b>17,302</b>	<b>18,437</b>	<b>16,708</b>	<b>15,049</b>	<b>9,763</b>
Donations	(80)	(104)	(61)	(38)	(97)	(82)
Provisions - (charge) / reversal	(628)	(1,362)	(3,267)	(4,326)	(4,416)	(3,561)
<b>Profit before taxation</b>	<b>14,761</b>	<b>15,836</b>	<b>15,109</b>	<b>12,344</b>	<b>10,536</b>	<b>6,120</b>
Taxation	(118)	(4,195)	(4,969)	(4,118)	(3,414)	(1,964)
<b>Profit after taxation</b>	<b>14,643</b>	<b>11,641</b>	<b>10,140</b>	<b>8,226</b>	<b>7,122</b>	<b>4,156</b>
<b>CASH FLOW STATEMENT - SUMMARY</b>						
Cash Flow from Operating Activities	96,332	75,479	86,807	36,200	10,811	564
Cash Flow from Investing Activities	(87,993)	(62,854)	(76,727)	(28,822)	(10,000)	(3,544)
Cash Flow from Financing Activities	(7,019)	(6,379)	(3,706)	(2,982)	926	(1,755)
<b>Cash &amp; Cash equivalent at the Beginning of the Year</b>	<b>44,240</b>	<b>37,944</b>	<b>31,725</b>	<b>27,276</b>	<b>25,190</b>	<b>29,842</b>
Effect of Exchange Rate changes on Cash & Cash equivalent	214	191	26	79	428	511
<b>Cash &amp; Cash equivalent at the End of the Year</b>	<b>45,775</b>	<b>44,381</b>	<b>38,125</b>	<b>31,751</b>	<b>27,355</b>	<b>25,618</b>

December 31	2013	2012	2011	2010	2009	2008
<b>FINANCIAL RATIOS</b>						
Return on equity	30.0%	28.4%	29.4%	28.8%	30.5%	21.2%
Return on assets	2.14%	2.03%	2.10%	1.89%	1.81%	1.21%
Profit before tax ratio	47.2%	49.2%	47.0%	43.7%	42.7%	33.6%
Gross spread ratio (Net markup income / Gross markup income)	40.0%	37.1%	48.6%	50.2%	45.5%	43.5%
Return on Capital employed	27.9%	26.1%	26.7%	25.6%	28.0%	19.8%
Advances to deposits ratio (ADR) - Gross	46.9%	56.1%	65.6%	72.1%	76.0%	75.2%
Advances to deposits ratio (ADR) - Net	43.9%	52.7%	61.2%	68.0%	72.2%	71.6%
Income / Expense ratio	2.0	2.2	2.3	2.4	2.6	2.2
Cost to revenue ratio	50.5%	46.2%	42.6%	40.8%	39.0%	46.3%
Growth in gross income	-2.7%	0.1%	14%	15%	36%	21%
Growth in net profit after tax	25.8%	14.8%	23.3%	15%	71%	2%
Total assets to shareholders' funds (Tier 1)	15.0	15.5	15.0	15.8	17.9	18.7
Total assets to shareholders' funds (Tier 2)	12.4	13.3	12.0	13.7	15.0	17.4
Intermediation cost ratio	2.8%	3.2%	3.6%	3.3%	3.1%	3.0%
NPL ratio	6.8%	7.2%	7.8%	7.0%	6.5%	6.2%
Net infection ratio	0.4%	1.1%	1.1%	1.3%	1.6%	1.5%
Weighted average cost of debt	5.66%	6.39%	6.35%	6.13%	6.84%	5.53%
Capital Adequacy ratio	17.85%	16.17%	13.43%	13.84%	13.47%	10.90%
Breakup value per share without Surplus on Revaluation of Fixed Assets ** - Rupee Per Share	60.3	46.6	38.3	31.9	26.1	18.8
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets ** Rupee Per Share	63.6	50.0	41.8	34.6	28.8	21.5
Weighted Average cost of deposit	5.07%	5.39%	5.38%	5.15%	6.10%	5.10%
Earning asset to total asset ratio	87.6%	86.7%	85.6%	85.6%	86.1%	84.9%
Gross Yield on Earning Assets	8%	9%	12%	12%	11%	10%
<b>Duo Pont Analysis</b>						
Profit Margin	23%	18%	17%	16%	15%	12%
Assets Turnover	0.10	0.10	0.11	0.11	0.11	0.10
Equity Multiplier	15.0	15.5	15.0	15.8	17.9	18.7
<b>SHARE INFORMATION</b>						
Cash Dividend Per Share	5.25	6.50	5.00	4.00	4.00	2.50
Bonus Shares issues	10%	10%	10%	10%	10%	10%
Dividend Yield Ratio (based on cash dividend)	5.8%	8.8%	9.3%	5.7%	6.8%	8.0%
Dividend payout ratio (Total payout)	44%	61%	51%	48%	50%	54%
Earning Per Share (EPS) *	14.07	11.18	9.74	7.90	6.84	3.99
Price to earning ratio * (PE x)	6.4	6.0	4.6	6.7	5.9	4.9
Price to book value ratio	1.42	1.34	1.06	1.53	1.39	0.91
Market value per share - at the end of the year	90.0	73.5	53.9	70.5	58.7	31.3
Market value per share - highest / lowest during the year	93.5 / 54.92	76.00 / 52.00	74.00 / 53.35	71.11 / 48.51	66.30 / 19.85	156.45 / 31.32
Net assets per share	63.6	55.0	50.6	46.0	42.1	34.6
Market Capitalisation	93,688	69,547	46,345	55,138	41,757	20,244
<b>INDUSTRY SHARE</b>						
Deposits	8.1%	7.7%	6.8%	7.2%	7.5%	7.7%
Advances	7.2%	7.7%	7.8%	7.7%	7.5%	7.1%
Total Assets	7.7%	7.1%	6.6%	6.6%	6.9%	7.0%
<b>OTHER INFORMATION</b>						
Non - performing loans (NPLs)	19,424	20,668	20,452	18,688	16,281	13,772
Imports and Exports business	358,104	279,548	249,573	192,973	196,211	194,186
Number of employees - Permanent	9,675	9,291	9,496	8,947	8,713	8,325
Number of employees - Total	10,213	9,932	13,029	12,588	11,690	11,108
Number of branches	950	875	837	806	779	766
Number of ATMs	794	618	601	574	530	489

\* EPS for prior years has been adjusted to affect bonus shares issue during 2013.

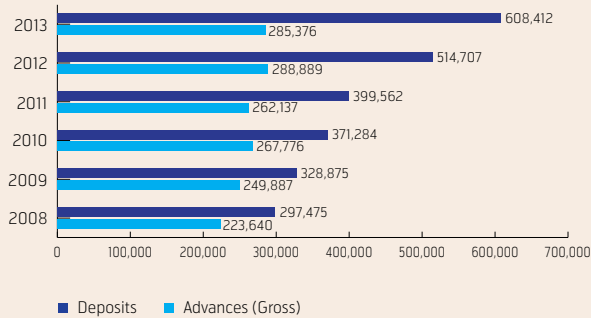
\*\* Adjusted for prior years to affect bonus shares issued during 2013.



# Performance Highlights

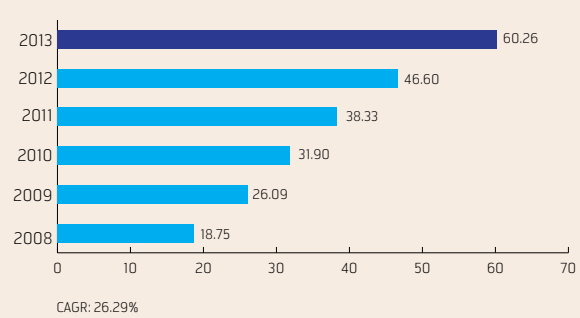
## Advances & Deposits

(Rs. in million)



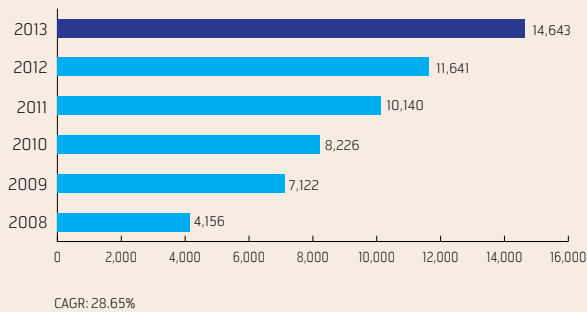
## Break-up-Value

(Rupee per share)



## Profit after Tax

(Rs. in million)



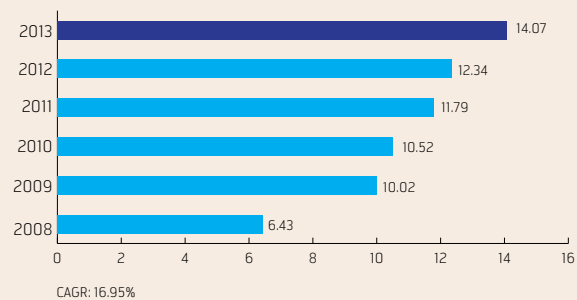
## ABL Share Price Movement

(Rupees)

Year	Share Price	+/-%	Highest	Lowest	AVG
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	-23.21%	74.00	53.35	62.81
2010	70.50	19.44%	71.24	48.51	59.13
2009	58.73	87.52%	66.30	19.85	43.67
2008	31.32	-75.94%	161.50	31.32	90.90

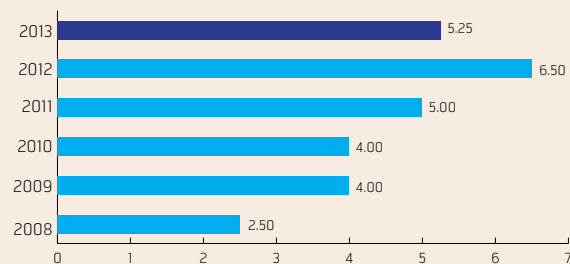
## Earning per Share - Historical

(Rupees)

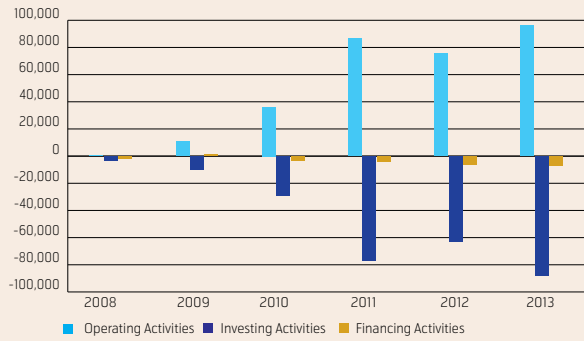


## Cash Dividend

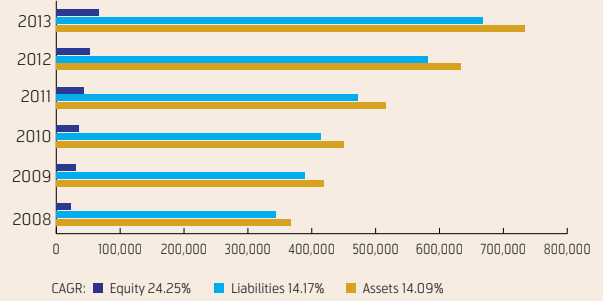
(Rupees per share)



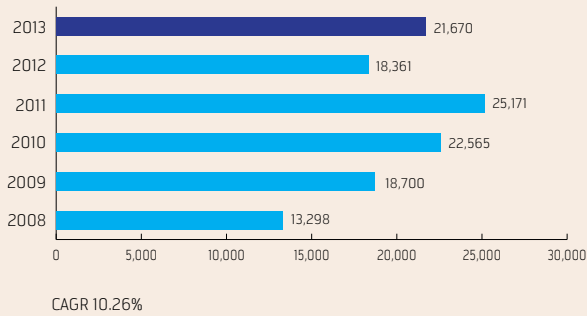
### Cash Flow Analysis (Rs. in million)



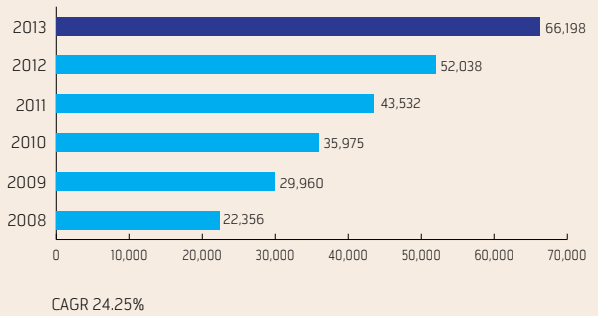
### Composition of Statement of Financial Position (Rs. in million)



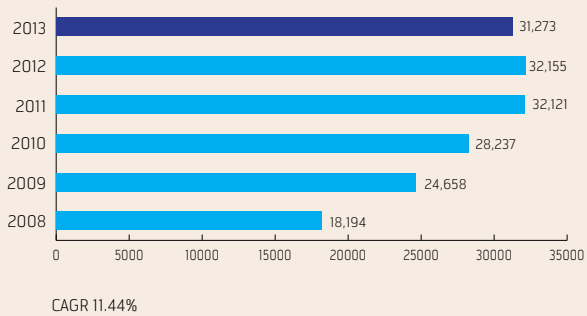
### Net Interest Income (Rs. in million)



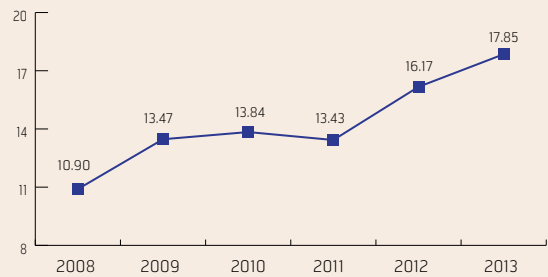
### Total Shareholder Equity (Rs. in million)



### Gross Income (Rs. in million)



### Capital Adequacy Ratio (CAR) (Percentage)



# Horizontal Analysis

2013 13 Vs 12 2012 12 Vs 11 2011 11 Vs 10 2010 10 Vs 09 2009 09 Vs 08 2008 08 Vs 07  
Rs. M % Rs. M % Rs. M % Rs. M % Rs. M %

## STATEMENT OF FINANCIAL POSITION

### ASSETS

Cash and balances with treasury and other banks	45,775	3%	44,381	16%	38,159	20%	31,845	15%	27,716	8%	25,751	-15%
Lending to financial institutions	12,461	16%	10,721	687%	1,362	-88%	11,489	-59%	28,123	78%	15,793	-14%
Investments - Net	363,379	36%	267,403	37%	195,694	61%	121,173	28%	94,789	15%	82,646	-2%
Advances - Net	267,001	-2%	271,084	11%	244,433	-3%	252,345	6%	237,344	11%	212,972	26%
Operating Fixed assets	22,084	11%	19,871	10%	18,087	18%	15,360	23%	12,447	12%	11,134	47%
Other assets	23,496	16%	20,245	11%	18,185	3%	17,719	-1%	17,955	-2%	18,399	62%
<b>Total assets</b>	<b>734,196</b>	<b>16%</b>	<b>633,705</b>	<b>23%</b>	<b>515,920</b>	<b>15%</b>	<b>449,931</b>	<b>8%</b>	<b>418,374</b>	<b>14%</b>	<b>366,695</b>	<b>15%</b>

### LIABILITIES & EQUITY

Customer deposits	608,412	18%	514,707	29%	399,562	8%	371,284	13%	328,875	11%	297,475	13%
Inter bank borrowings	32,952	-15%	38,916	-22%	49,993	141%	20,774	-48%	39,819	43%	27,778	21%
Bills payable	4,879	-21%	6,203	54%	4,015	-3%	4,119	30%	3,162	7%	2,952	-16%
Other liabilities	17,513	7%	16,351	23%	13,325	8%	12,284	11%	11,061	-19%	13,636	86%
Sub-ordinated loans	4,242	-23%	5,490	0%	5,493	0%	5,495	0%	5,497	120%	2,498	0%
<b>Total Liabilities</b>	<b>667,998</b>	<b>15%</b>	<b>581,667</b>	<b>23%</b>	<b>472,388</b>	<b>14%</b>	<b>413,956</b>	<b>7%</b>	<b>388,414</b>	<b>13%</b>	<b>344,339</b>	<b>15%</b>
Share capital	10,410	10%	9,463	10%	8,603	10%	7,821	10%	7,110	10%	6,464	20%
Reserves	12,438	14%	10,899	24%	8,763	17%	7,517	14%	6,583	13%	5,805	-4%
Un - appropriated profit	30,855	30%	23,688	16%	20,447	29%	15,829	30%	12,198	43%	8,537	22%
<b>Equity - Tier I</b>	<b>53,703</b>	<b>22%</b>	<b>44,050</b>	<b>17%</b>	<b>37,813</b>	<b>21%</b>	<b>31,167</b>	<b>20%</b>	<b>25,891</b>	<b>24%</b>	<b>20,806</b>	<b>13%</b>
Surplus on revaluation of assets	12,495	56%	7,988	40%	5,719	19%	4,808	18%	4,069	163%	1,550	5%
<b>Total Equity</b>	<b>66,198</b>	<b>27%</b>	<b>52,038</b>	<b>20%</b>	<b>43,532</b>	<b>21%</b>	<b>35,975</b>	<b>20%</b>	<b>29,960</b>	<b>34%</b>	<b>22,356</b>	<b>12%</b>

## PROFIT & LOSS ACCOUNT

### Interest / Return / Non Interest Income earned

Markup / Return / Interest earned	54,222	10%	49,503	-5%	51,814	15%	44,993	9%	41,122	35%	30,571	44%
Fee, Commission, Brokerage and Exchange income	3,711	17%	3,169	-7%	3,395	17%	2,910	-16%	3,470	6%	3,266	45%
Capital gain & Dividend income	4,645	-55%	10,353	195%	3,507	40%	2,511	2%	2,452	56%	1,571	-1%
Other income	1,247	358%	272	467%	48	-81%	251	597%	36	-39%	59	-24%
<b>Total</b>	<b>63,825</b>	<b>1%</b>	<b>63,297</b>	<b>8%</b>	<b>58,764</b>	<b>16%</b>	<b>50,665</b>	<b>8%</b>	<b>47,080</b>	<b>33%</b>	<b>35,467</b>	<b>41%</b>

### Markup / Return / Interest and Non Interest Expense

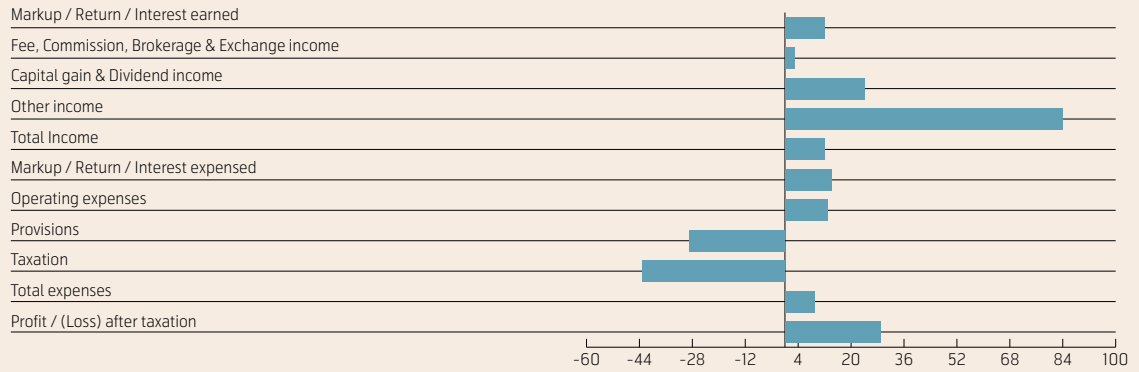
Markup / Return / Interest expensed	(32,552)	5%	(31,142)	17%	(26,643)	19%	(22,428)	0%	(22,422)	30%	(17,273)	71%
Operating expenses	(15,884)	6%	(14,957)	9%	(13,745)	19%	(11,567)	19%	(9,706)	14%	(8,513)	37%
Provisions	(628)	-54%	(1,362)	-58%	(3,267)	-24%	(4,326)	-2%	(4,416)	24%	(3,561)	24%
Taxation	(118)	-97%	(4,195)	-16%	(4,969)	21%	(4,118)	21%	(3,414)	74%	(1,964)	5%
<b>Total expense - percentage of total income</b>	<b>(49,182)</b>	<b>-5%</b>	<b>(51,656)</b>	<b>6%</b>	<b>(48,624)</b>	<b>15%</b>	<b>(42,439)</b>	<b>6%</b>	<b>(39,958)</b>	<b>28%</b>	<b>(31,311)</b>	<b>49%</b>

<b>Profit after taxation</b>	<b>14,643</b>	<b>26%</b>	<b>11,641</b>	<b>15%</b>	<b>10,140</b>	<b>23%</b>	<b>8,226</b>	<b>16%</b>	<b>7,122</b>	<b>71%</b>	<b>4,156</b>	<b>2%</b>
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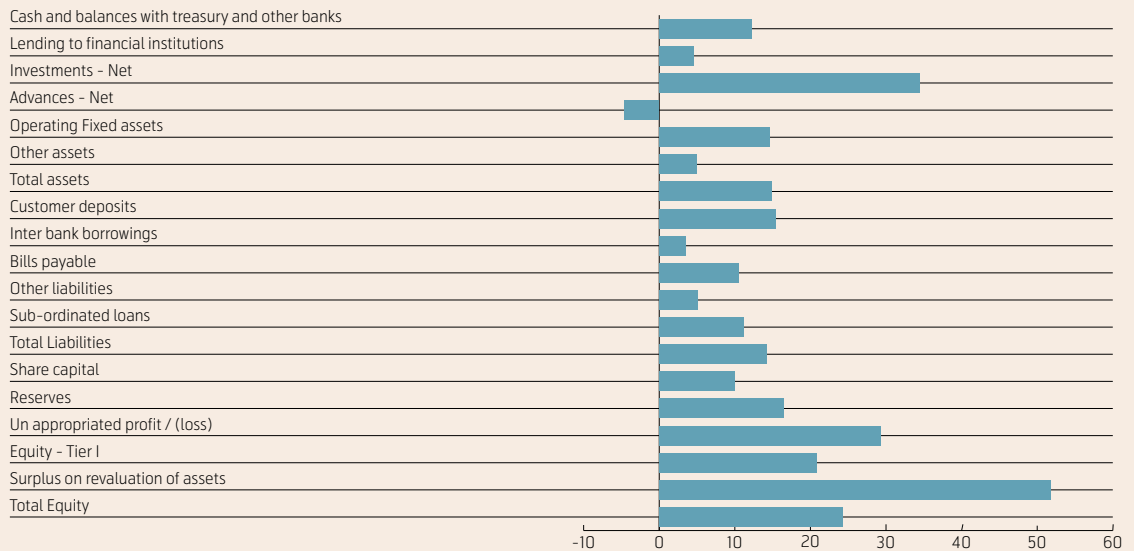
### Profit and Loss Horizontal Analysis

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



### Statement of Financial Position Horizontal Analysis

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



# Vertical Analysis

2013                      2012                      2011                      2010                      2009                      2008  
 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	45,775	6%	44,381	7%	38,159	7%	31,845	7%	27,716	7%	25,751	7%
Lending to financial institutions	12,461	2%	10,721	2%	1,362	0%	11,489	3%	28,123	6%	15,793	4%
Investments - Net	363,379	49%	267,403	42%	195,694	38%	121,173	27%	94,789	23%	82,646	23%
Advances - Net	267,001	36%	271,084	43%	244,433	47%	252,345	56%	237,344	57%	212,972	58%
Operating Fixed assets	22,084	3%	19,871	3%	18,087	4%	15,360	3%	12,447	3%	11,134	3%
Other assets	23,496	3%	20,245	3%	18,185	4%	17,719	4%	17,955	4%	18,399	5%
<b>Total assets</b>	<b>734,196</b>	<b>100%</b>	<b>633,705</b>	<b>100%</b>	<b>515,920</b>	<b>100%</b>	<b>449,931</b>	<b>100%</b>	<b>418,374</b>	<b>100%</b>	<b>366,695</b>	<b>100%</b>

### LIABILITIES & EQUITY

Customer deposits	608,412	83%	514,707	81%	399,562	77%	371,284	82%	328,875	79%	297,475	81%
Inter bank borrowings	32,952	4%	38,916	6%	49,993	10%	20,774	5%	39,819	9%	27,778	7%
Bills payable	4,879	1%	6,203	1%	4,015	1%	4,119	1%	3,162	1%	2,952	1%
Other liabilities	17,513	2%	16,351	3%	13,325	3%	12,284	3%	11,061	3%	13,636	4%
Sub-ordinated loans	4,242	1%	5,490	1%	5,493	1%	5,495	1%	5,497	1%	2,498	1%
<b>Total Liabilities</b>	<b>667,998</b>	<b>91%</b>	<b>581,667</b>	<b>92%</b>	<b>472,388</b>	<b>92%</b>	<b>413,956</b>	<b>92%</b>	<b>388,414</b>	<b>93%</b>	<b>344,339</b>	<b>94%</b>

<b>Net assets</b>	<b>66,198</b>	<b>9%</b>	<b>52,038</b>	<b>8%</b>	<b>43,532</b>	<b>8%</b>	<b>35,975</b>	<b>8%</b>	<b>29,960</b>	<b>7%</b>	<b>22,356</b>	<b>6%</b>
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### Represented by

Share capital	10,410	1%	9,463	1%	8,603	1%	7,821	2%	7,110	2%	6,464	2%
Reserves	12,438	2%	10,899	2%	8,763	2%	7,517	2%	6,583	1%	5,805	2%
Un - appropriated profit	30,855	4%	23,688	4%	20,447	4%	15,829	3%	12,198	3%	8,537	2%
<b>Equity - Tier I</b>	<b>53,703</b>	<b>7%</b>	<b>44,050</b>	<b>7%</b>	<b>37,813</b>	<b>7%</b>	<b>31,167</b>	<b>7%</b>	<b>25,891</b>	<b>6%</b>	<b>20,806</b>	<b>6%</b>
Surplus on revaluation of assets	12,495	2%	7,988	1%	5,719	1%	4,808	1%	4,069	1%	1,550	0%
<b>Total Equity</b>	<b>66,198</b>	<b>9%</b>	<b>52,038</b>	<b>8%</b>	<b>43,532</b>	<b>8%</b>	<b>35,975</b>	<b>8%</b>	<b>29,960</b>	<b>7%</b>	<b>22,356</b>	<b>6%</b>

## PROFIT & LOSS ACCOUNT

### Interest / Return / Non Interest Income earned

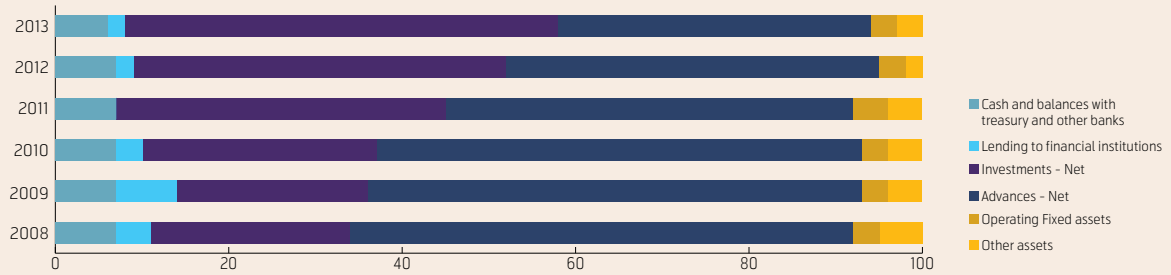
Markup / Return / Interest earned	54,222	85%	49,503	78%	51,814	88%	44,993	89%	41,122	88%	30,571	86%
Fee, Commission, Brokerage and Exchange income	3,711	6%	3,169	5%	3,395	6%	2,910	6%	3,470	7%	3,266	9%
Capital gain, Dividend income and Unrealized loss	4,645	7%	10,353	17%	3,507	6%	2,511	5%	2,452	5%	1,571	5%
Other income	1,247	2%	272	0%	48	0%	251	0%	36	0%	59	0%
<b>Total</b>	<b>63,825</b>	<b>100%</b>	<b>63,297</b>	<b>100%</b>	<b>58,764</b>	<b>100%</b>	<b>50,665</b>	<b>100%</b>	<b>47,080</b>	<b>100%</b>	<b>35,467</b>	<b>100%</b>

### Markup / Return / Interest and Non Interest Expense

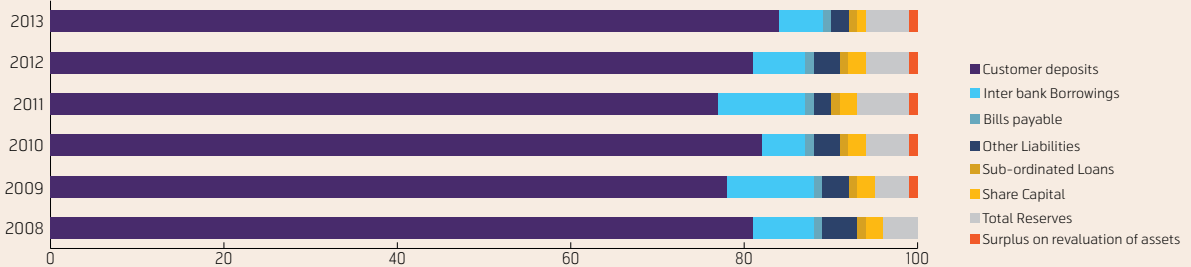
Markup / Return / Interest expensed	(32,552)	-51%	(31,142)	-49%	(26,643)	-45%	(22,428)	-44%	(22,422)	-48%	(17,273)	-49%
Operating expenses	(15,884)	-25%	(14,957)	-24%	(13,745)	-23%	(11,567)	-23%	(9,706)	-21%	(8,513)	-24%
Provisions	(628)	-1%	(1,362)	-2%	(3,267)	-6%	(4,326)	-9%	(4,416)	-9%	(3,561)	-10%
Taxation	(118)	0%	(4,195)	-7%	(4,969)	-8%	(4,118)	-8%	(3,414)	-7%	(1,964)	-5%
<b>Total expense - percentage of total income</b>	<b>(49,182)</b>	<b>-77%</b>	<b>(51,656)</b>	<b>-82%</b>	<b>(48,624)</b>	<b>-83%</b>	<b>(42,439)</b>	<b>-84%</b>	<b>(39,958)</b>	<b>-85%</b>	<b>(31,311)</b>	<b>-88%</b>

<b>Profit after taxation</b>	<b>14,643</b>	<b>23%</b>	<b>11,641</b>	<b>18%</b>	<b>10,140</b>	<b>17%</b>	<b>8,226</b>	<b>16%</b>	<b>7,122</b>	<b>15%</b>	<b>4,156</b>	<b>12%</b>
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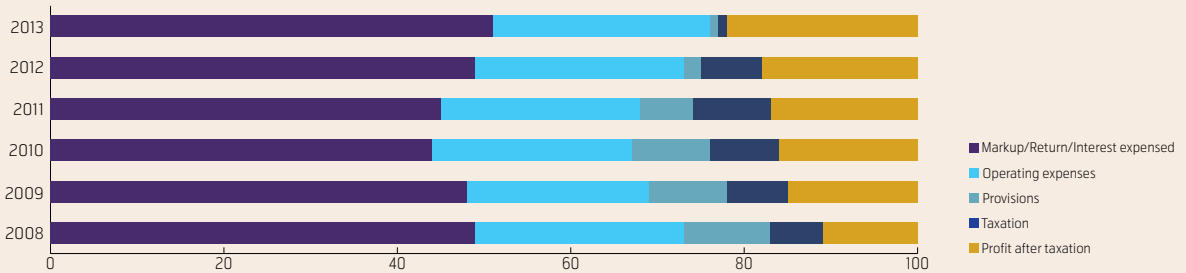
### Statement of Financial Position Vertical Analysis – Assets (Composition for the last six years) – Percentage



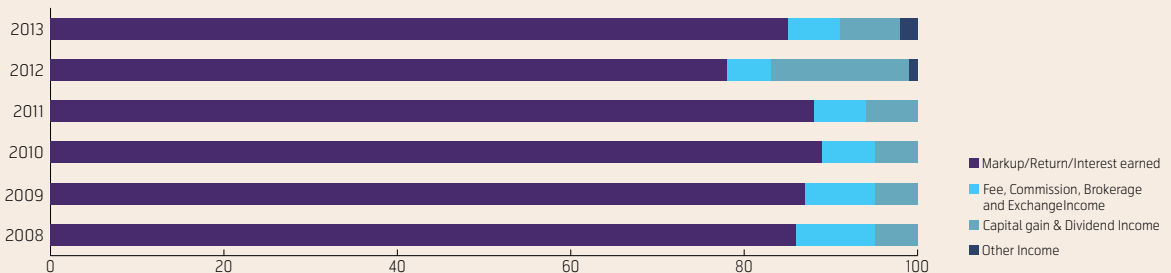
### Statement of Financial Position Vertical Analysis – Liabilities & Equity (Composition for the last six years) – Percentage



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



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





# Statement of Value Addition

(Rs. in "000")

Value Added	2013	%	2012	%
Income from banking services	31,245,471		32,126,692	
Cost of services	(5,871,474)		(5,298,899)	
Value added by banking services	25,373,997		26,827,793	
Non - banking income	27,363		27,850	
Provision against non-performing assets	(627,898)		(1,362,424)	
	600,535		1,334,574	
<b>Total Value Added</b>	<b>24,773,462</b>		<b>25,493,219</b>	

## Value Allocated

### to employees

Salaries, allowances and other benefits	8,235,137	33.2%	8,312,338	32.6%
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### to Government

Income tax	117,537	0.5%	4,194,538	16.5%
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### to providers of capital

as dividends	6,409,316	25.9%	6,409,316	25.1%
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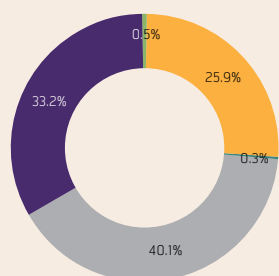
### to Society

as donation	80,183	0.3%	103,515	0.4%
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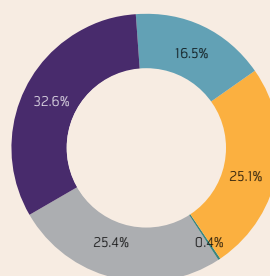
### to expansion and growth

Depreciation / Amortization	1,697,245	6.9%	1,241,870	4.9%
Retained in business	8,234,044	33.2%	5,231,642	20.5%
	<b>9,931,289</b>	<b>40.1%</b>	<b>6,473,512</b>	<b>25.4%</b>

<b>Total Value Allocated</b>	<b>24,773,462</b>	<b>100%</b>	<b>25,493,219</b>	<b>100%</b>
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■ Employees      ■ Government  
 ■ Providers of Capital      ■ Society  
 ■ Expansion and growth



■ Employees      ■ Government  
 ■ Providers of Capital      ■ Society  
 ■ Expansion and growth

# Cash flow – Direct Method

	2013	2012
	Rupees in '000	
<b>Cash flow from operating activities</b>		
Mark-up / return / interest and commission receipts	61,082,708	56,595,637
Mark-up / return / interest payments	(33,414,742)	(30,766,992)
Cash payments to employees, suppliers and others	(14,047,183)	(13,299,272)
	13,620,783	12,529,373
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(1,740,468)	(9,359,181)
Held for trading securities	(2,983,343)	-
Advances	3,431,766	(27,924,702)
Other assets (excluding advance taxation)	(874,771)	(1,099,948)
	(2,166,816)	(38,383,831)
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(1,324,457)	2,187,734
Borrowings	(5,963,786)	(11,043,116)
Deposits	93,704,615	115,145,379
Other liabilities (excluding current taxation)	1,489,224	1,256,647
	87,905,596	107,546,644
<b>Cash flow before tax</b>	99,359,563	81,692,186
Income tax paid	(3,027,063)	(6,213,290)
<b>Net cash flow from operating activities</b>	96,332,500	75,478,896
<b>Cash flow from investing activities</b>		
Net investments in 'available-for-sale' securities	(85,692,505)	(69,255,704)
Net investments in 'held-to-maturity' securities	(2,376,057)	948,958
Dividend income received	3,957,572	8,565,057
Investments in operating fixed assets	(3,952,984)	(3,141,314)
Proceeds from sale of fixed assets	70,663	29,097
Effect of translation of net investment in foreign wholesale branch	74,543	10,198
<b>Net cash used in investing activities</b>	(87,918,768)	(62,843,708)
<b>Cash flow from financing activities</b>		
Repayment of sub-ordinated loan	(1,248,200)	(2,200)
Dividends paid	(5,771,161)	(6,377,000)
<b>Net cash used in financing activities</b>	(7,019,361)	(6,379,200)
<b>Increase in cash and cash equivalents during the year</b>	1,394,371	6,255,988
<b>Cash and cash equivalents at beginning of the year</b>	44,240,449	37,944,183
<b>Effect of exchange rate changes on opening cash and cash equivalents</b>	140,490	180,768
<b>Cash and cash equivalents at end of the year</b>	45,775,310	44,380,939

# Concentration of Advances

## Deposits and Off-Balance Sheet Items - December 31, 2013

items Description	Advances (Gross)		Classified Advances		Deposits		Off-balance sheet	
	Rs. in Mn	%	Rs. in Mn	%	Rs. in Mn	%	Rs. in Mn	%
Agriculture, Forestry and Hunting	593	0.21%	536	2.76%	27,142	4.46%	1,844	0.68%
Basic metals (iron, steel)	3,120	1.09%	288	1.48%	4,500	0.74%	1,380	0.51%
Food & Beverages	399	0.14%	572	2.94%	-	0.00%	-	0.00%
Cement / clay & ceramics	13,326	4.67%	234	1.20%	2,137	0.35%	-	0.00%
Chemical & pharmaceutical	15,852	5.55%	482	2.48%	834	0.14%	4,800	1.77%
Construction	7,657	2.68%	994	5.12%	34,316	5.64%	6,063	2.24%
Education	39	0.01%	-	0.00%	12,910	2.12%	-	0.00%
Financial	14,438	5.06%	73	0.38%	2,089	0.34%	168,050	61.97%
Finishing of Textile	9,885	3.46%	5,607	28.87%	2,264	0.37%	5,464	2.01%
Fishing	8	0.00%	-	0.00%	-	0.00%	-	0.00%
Footwear & leather garments	857	0.30%	71	0.37%	1,594	0.26%	374	0.14%
Furniture & sports goods	807	0.28%	89	0.46%	1,547	0.25%	581	0.21%
Grains & related	3,850	1.35%	-	0.00%	4,914	0.81%	115	0.04%
Health & social welfare	126	0.04%	-	0.00%	3,474	0.57%	55	0.02%
Hotel, restaurant & clubs	255	0.09%	8	0.04%	2,206	0.36%	-	0.00%
Machinery & equipment	3,882	1.36%	1,310	6.74%	2,390	0.39%	758	0.28%
Manufacture of made up & ready made garments	4,447	1.56%	-	0.00%	901	0.15%	-	0.00%
Manufacture of transport equipment	534	0.19%	247	1.27%	239	0.04%	276	0.10%
Paper & paper boards	8,479	2.97%	21	0.11%	42	0.01%	1,800	0.66%
Petroleum products	3,013	1.06%	1	0.01%	9,763	1.60%	22,940	8.46%
Power, gas, water & sanitary	42,859	15.02%	240	1.24%	3,394	0.56%	3,213	1.18%
Printing, publishing & allied	214	0.07%	18	0.09%	54	0.01%	106	0.04%
Real estate, renting, and business activities	8,049	2.82%	16	0.08%	96,153	15.80%	-	0.00%
Rubber & plastic	968	0.34%	25	0.13%	2,011	0.33%	-	0.00%
Spinning	8,119	2.85%	2,248	11.57%	13,692	2.25%	53	0.02%
Sugar	3,170	1.11%	-	0.00%	3,705	0.61%	-	0.00%
Transport, storage & communication	4,071	1.43%	5	0.03%	1,795	0.30%	3,884	1.43%
Weaving	7,549	2.65%	1,324	6.82%	4,995	0.82%	-	0.00%
Wholesale & retail trade	20,269	7.10%	570	2.93%	55,166	9.07%	12,162	4.48%
Individuals	6,944	2.43%	337	1.73%	139,873	22.99%	2,922	1.08%
Others	91,596	32.11%	4,107	21.15%	174,310	28.66%	34,351	12.68%
	285,376	100%	19,424	100%	608,412	100%	271,193	100%

## Maturities of Assets and Liabilities - December 31, 2013

(Rupees in '000)

	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
<b>Assets</b>						
Cash and balances with treasury banks	44,673,079	32,264,079	36,457	8,248,362	4,124,181	-
Balances with other banks	1,102,231	1,102,231	-	-	-	-
Lendings to financial institutions	12,461,403	12,461,403	-	-	-	-
Investments - net	363,378,998	220,412,252	92,593,612	31,202,601	3,705,010	15,465,523
Advances - net	267,001,028	65,576,319	57,476,281	71,979,885	33,336,670	38,631,873
Operating fixed assets	22,083,612	749,146	2,247,435	2,237,624	1,272,575	15,576,832
Deferred tax assets	-	-	-	-	-	-
Other assets - net	23,495,595	7,310,564	11,253,174	986,887	-	3,944,970
<b>Liabilities</b>						
Bills payable	4,878,594	3,431,685	-	964,606	482,303	-
Borrowings	32,952,406	21,645,002	8,677,221	876,728	876,728	876,727
Deposits and other accounts	608,411,670	155,226,335	91,047,616	49,465,812	428,851	312,243,056
Deferred tax liabilities	1,808,405	(27,165)	(587,442)	434,378	342,544	1,646,090
Sub-ordinated loan	4,242,200	600	1,248,800	2,400	2,990,400	-
Other liabilities	15,704,648	9,087,235	3,505,758	839,225	717,500	1,554,930

\* 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

	2013				2012			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<i>Rupees in Millions</i>								
<b>Profit and loss account</b>								
Mark-up earned	14,134	13,936	13,423	12,728	12,499	12,624	12,386	11,993
Mark-up expensed	(8,823)	(7,967)	(8,042)	(7,720)	(8,533)	(8,190)	(7,309)	(7,110)
Net mark-up income	5,311	5,969	5,381	5,008	3,966	4,434	5,077	4,883
Provisions & write off	(256)	(312)	(90)	31	100	(1,162)	(372)	72
Non-mark-up income	2,349	2,353	2,382	2,519	3,166	3,767	3,971	2,889
Non-mark-up expenses	(4,361)	(4,170)	(3,761)	(3,592)	(4,132)	(3,718)	(3,629)	(3,477)
Profit before taxation	3,043	3,840	3,912	3,966	3,100	3,321	5,047	4,367
Taxation	3,258	(1,025)	(1,212)	(1,139)	(870)	(562)	(1,439)	(1,323)
<b>Profit after taxation</b>	<b>6,301</b>	<b>2,815</b>	<b>2,700</b>	<b>2,827</b>	<b>2,230</b>	<b>2,759</b>	<b>3,608</b>	<b>3,044</b>
<b>Statement of Financial Position</b>								
<b>Assets</b>								
Cash and balances with treasury banks	44,673	48,295	50,328	41,249	43,352	37,379	41,891	37,492
Balances with other banks	1,102	807	1,379	774	1,029	1,414	1,674	1,439
Lending to financial institutions	12,461	23,270	41,577	20,725	10,721	13,992	13,254	24,991
Investments	363,379	323,106	288,405	258,493	267,403	256,707	199,142	174,603
Advances	267,001	243,725	261,632	269,726	271,084	251,253	260,711	242,761
Operating fixed assets	22,084	20,834	20,397	20,307	19,871	19,209	19,308	18,204
Deffered tax assets-net	-	-	-	28	-	667	814	673
Other assets	23,496	21,003	19,858	18,265	20,245	20,485	19,575	32,364
<b>Total Assets</b>	<b>734,196</b>	<b>681,040</b>	<b>683,576</b>	<b>629,567</b>	<b>633,705</b>	<b>601,106</b>	<b>556,369</b>	<b>532,527</b>
<b>Liabilities</b>								
Bills payable	4,879	5,860	10,538	4,131	6,203	5,282	3,995	4,243
Borrowings	32,952	23,785	25,364	19,452	38,916	70,678	32,392	43,787
Deposits and other accounts	608,412	570,852	570,222	529,882	514,707	455,708	454,592	418,036
Sub-ordinated loan	4,242	4,866	4,866	5,490	5,490	5,491	5,492	5,492
Deferred tax liabilities	1,808	249	391	-	688	-	-	-
Other liabilities	15,705	15,661	14,139	16,734	15,663	14,988	13,290	14,957
<b>Total Liabilities</b>	<b>667,998</b>	<b>621,273</b>	<b>625,520</b>	<b>575,689</b>	<b>581,667</b>	<b>552,147</b>	<b>509,761</b>	<b>486,515</b>
<b>Net Assets</b>	<b>66,198</b>	<b>59,767</b>	<b>58,056</b>	<b>53,878</b>	<b>52,038</b>	<b>48,959</b>	<b>46,608</b>	<b>46,012</b>
<b>Represented by:</b>								
Share Capital	10,410	10,410	10,410	10,410	9,463	9,463	9,463	9,463
Reserves	12,438	11,790	11,471	11,194	10,899	10,444	9,891	9,170
Unappropriated profit	30,855	26,364	25,125	23,961	23,688	21,687	20,890	19,888
Surplus on revaluation of assets- net of tax	12,495	11,203	11,050	8,313	7,988	7,365	6,364	7,491
<b>Total Equity</b>	<b>66,198</b>	<b>59,767</b>	<b>58,056</b>	<b>53,878</b>	<b>52,038</b>	<b>48,959</b>	<b>46,608</b>	<b>46,012</b>
<b>Summary of Cash Flows</b>								
Cash flows from operating activities	34,408	33,944	38,194	(10,214)	15,257	52,007	32,139	(23,924)
Cash flows from investing activities	(35,722)	(35,231)	(26,296)	9,256	(8,664)	(55,427)	(25,400)	26,647
Cash flows from financing activities	(1,916)	(1,227)	(2,230)	(1,572)	(943)	(1,413)	(2,069)	(1,954)
Cash and cash equivalents at beginning of the period	49,005	51,519	41,851	44,381	38,731	43,564	38,894	38,125
Cash and cash equivalents at end of the period	45,775	49,005	51,519	41,851	44,381	38,731	43,564	38,894

# 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. Our customers have the advantage of nationwide network of over 950 online branches with well informed and friendly staff, as well as 794 ATMs strategically located to help provide ease of banking.

## Branch Banking

With a vast network of 950 branches, the Bank is committed to provide real time online banking solutions to its customers in an efficient and convenient manner.

## Banking on Saturday

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 295 branches; each offers a full array of personal and business banking services (except FX Transactions) from 10:00 AM to 02:00 PM.

## Allied Rising Star – Youth 1st Bank Account

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

## Platinum Allied Ba' Ikhtiar

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

## Allied Advance Profit Scheme

The Bank pioneered in introducing Allied Advance Profit Plus Payment scheme being a unique product in the industry, which enables customers to "earn profit in advance." It is a term deposit scheme enabling the account holder to receive the entire profit upfront on the day of account opening. The customer can enjoy the attractive profit on the deposit, locked away for 12 months.

## Allied Business Account

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

## Current Account

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

## ABL Bancassurance

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

## Theme Branches

Committed to banking excellence and extending comprehensive banking services for the benefit of our customers, stakeholders, and employees, the Bank aspires to evolve into a customer-friendly bank in the retail industry. Modern technology and signature themes are being adopted for the efficiency of operation and for attaining a significant position as a preferred Bank. Accordingly, the Bank has launched women branches with all-women staff for women only and youth branches with all youth-staff for youth only.

## Extended Hours Banking

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

## E-Banking

Allied Direct Banking at your fingertips - Allied Direct (Internet Banking) offers convenience from the desk to manage your bank account from anywhere, anytime. It offers features like fund transfers, Utility bill payments, Mobile top-ups, Donations, e-shopping and much more.

## ATMs and CCDMs (Cash & Cheque Deposit Machines)

A vast network of 794 ATMs across the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more.

## Allied Cash+Shop VISA Debit Card

Allied Cash+Shop Visa Debit Card is Allied Bank's flagship retail product that gives our customers access to their bank accounts and also at over 30,000 retailers in Pakistan and over 27 million retailers all over the world, without the worry to carry physical cash in hand. It also gives our cardholders' access to over 1 million ATMs worldwide and over 5,900 ATMs in Pakistan, including ABL's own large network of ATMs.

## Allied Bank Visa Credit Card

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



### Allied SMS Banking

**Banking on an SMS - Whenever... Wherever!** Allied SMS Banking is the latest addition to the Bank's suite of e-Banking services, which can replicate activities done using ATM, Internet and Phone Banking. This unique e-Banking service is a secured way of performing various financial/non-financial transactions by sending an SMS to Allied Bank's short code through mobile device of any sort without requiring Internet or GPRS, thereby making banking possible anywhere, anytime with speed and security.

### Allied Personal Finance

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

### Allied Pay anyone

A unique product in which 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 Touchpoint

<https://www.abl.com> - is an interactive electronic touch-point that further improves end-user experience by incorporating interaction-based segmentation, provides a wealth of information on valuable products and services, and builds network of online visitors through social media channels. The Bank's engagement on Social Media platforms has contributed significantly to deliver a coherent and diversified communication with online traffic coming from within and outside Pakistan. This real-time interactivity is further orchestrated by the provision of online assistance 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" to the Small & Medium Market segment. With this renewed focus and strategy, the Bank offers its customers a wide range of funded and non-funded products and services, meeting the entire needs of various types of SME businesses.

### Allied Business Finance

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

### Allied Fast Finance

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

### Agriculture

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 your 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 950 branches.





# Corporate Sustainability



## Our Philosophy of CSR

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

## Our CSR Track Record

Our foremost responsibility is to continuously enhance the shareholders' value. It is also our duty to introduce new and innovative products for our customers; facilitate them through provision of a comfortable environment at the branch level; and introduce new ways and means for convenient banking. The Bank is also focused on giving back to the communities at large within the country. We feel obligated towards our customers for providing them with the best products, care and environment while doing business with us – our rapidly increasing branch network offering comfortable banking environment and the largest network of ATMs is a reflection of our commitment to our valuable customers. At the same time, the Bank also realizes its responsibility

towards the financial, emotional and physical wellbeing of our employees and their families.

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

## Education

Investment in education is of paramount importance to enable the progress of our country. Therefore, significant contributions are being made towards imparting quality education to the bright young men and women of our society. The Bank has been furthering the cause of education by sponsorships and donations to leading educational institutions as well



as those run on Non-profit basis. National Management Foundation (LUMS) and Institute of Business Administration (IBA) have been two key beneficiaries of our Donations Policy. Some of the noteworthy contributions during 2013 include:

- Suleman Dawood School of Business (LUMS)
- Institute of Business Administration (IBA)
- Karachi Education Initiative
- Custom Public School
- Namal Education Foundation
- Pak-Turk Schools and College
- Tehzeeb Social Welfare Organization

### Healthcare

The Bank has been contributing substantial amounts to leading healthcare institutions over the years, including the following

beneficiaries in 2013:

- Al Mustafa Trust
- Bakhtawar Amin Memorial Trust
- Tameer Welfare Organization
- Shaukat Khanum Memorial Cancer Hospital

### Sports

Sports has been one key area which enables any country to gain enormous respect in the world and also act as a catalyst for forming favorable perception on international level – probably more than any other field. The country has produced a large number of sports personalities and the Bank realizing its responsibility towards sports promotion, has made substantial contributions towards promotion of various sporting activities within the society. The Vintage & Classic Car Club of Pakistan (VCCCP) organized

a car rally from Karachi to Islamabad during the latter part of the year, which was sponsored by Allied Bank. The key objective of the rally was to project Pakistan's softer image to the outside world.

The Bank also sponsored a number of other sporting events during the year, including a Polo tournament in Lahore and golf tournaments in Karachi, Islamabad and Faisalabad.

### Staff Engagement

The Bank aims at having one of the best in class human resource, consisting of youth and experience. The Bank owes its phenomenal growth and success to the exceptional men and women whose exemplary work ethics, attitude towards collective growth and sheer sense of ownership has made this organization as one



# Corporate Sustainability



of the top banks in Pakistan. In pursuance of global best practices, the management has set up a dedicated department to engage the employees in positive and fun-filled activities. As part of our Staff Engagement Program, inter-departmental Cricket Tournaments were organized for employees and their families in Lahore, Karachi, Multan and Islamabad separately. These tournaments were unique in the sense that lady colleagues also participated as players, side-by-side with their male colleagues, making all the tournaments truly family entertainment events.

## Assistance in calamity hit areas

The Bank has always answered the call in times of crises on national level, be it the earthquake of 2005 in the northern areas of Pakistan, the floods in 2010 or the devastating rains that crippled the agri sector of Sindh in 2011 while rendering a large population of the province homeless.

Following the devastating earthquake in Balochistan that killed hundreds and rendered thousands

homeless, Allied Bank contributed Rs. 10 million to the Prime Minister's Earthquake Relief Fund for Balochistan.

## Energy Conservation

As part of our commitment towards energy conservation and alternate energy solutions, 1st green energy Solar based branch was established by the Bank during the year. Similar Solar based and Inverters based energy solutions were installed at other locations as a pilot project to analyze cost benefits and based on the results further installations would be carried out going forward.

## Employment of Special Persons

The Bank is an equal opportunity and affirmative action employer, in its true spirit. We encourage minorities, females and also the special persons to apply for jobs in the Bank. Special persons are not discriminated on the basis of their handicaps. Female employment ratio has reached 13% in 2013, reflecting Your Bank's continuous commitment towards gender equality.

## Occupational Safety & health

Recognizing the responsibility of safety of our valued staff members, the Bank has instituted group life insurance along with medical reimbursement. Moreover, all sites of the ABL are fitted with fire extinguishers and fire hydrant systems at multi-story buildings. Mock fire-fighting drills are regularly carried out to enhance the co-ordination of the staff members and ensure that losses in case of an actual event are minimal.

## Contribution to National Exchequer

During the year Allied Bank has directly contributed Rs 4.1 billion and acting as an agent of the Central Board of Revenue Rs 5.1 billion on account of withholding income tax and Rs 389.5 million on account of Federal Excise Duty to the national exchequer.



# Notice of 68th Annual General Meeting

Notice is hereby given that the 68th Annual General Meeting of Allied Bank Limited will be held at Hotel Avari, Lahore on Thursday, the March 27, 2014 at 11:00 a.m. to transact the following business:

## Ordinary Business:

1. To confirm minutes of the 67th Annual General Meeting of Allied Bank Limited held on March 27, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2013 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve Cash Dividend @ 15% (i.e. Rs. 1.50 per share) as recommended by the Board of Directors in addition to 37.5% Interim Dividend (i.e. Rs. 3.75 per share) already paid for the year ended December 31, 2013.
4. To appoint Auditors for the year 2014 and fix their remuneration. The Board of Directors has proposed the name of retiring Auditors M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, being eligible; who has offered themselves for reappointment.
5. To appoint and fix the remuneration of auditors for audit of Bank's Bahrain Branch for the year 2014. M/s Ernst & Young, Bahrain being eligible have offered themselves for reappointment.

## Special Business:

6. To consider and approve issuance of Bonus Shares in the proportion of one (01) share for every ten (10) shares held i.e. 10% by utilizing Rs. 333,864,000/- the entire amount available in the Share Premium Account and remaining amount of Rs. 707,112,210/- from un-appropriated profits of the Bank.

## Note:

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

## Other Business:

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

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

### ITEM NO 6: ISSUANCE OF BONUS SHARES

The Board of Directors of Allied Bank Limited has proposed issuance of 10% Bonus Shares. In this regard, the Board has proposed capitalization of a sum of Rs. 333,864,000/- (Rupees Three Hundred Thirty Three Million Eight Hundred Sixty Four Thousand only) entire balance of the Share Premium Account and remaining amount of Rs. 707,112,210/- (Rupees Seven Hundred Seven Million One Hundred Twelve Thousand and Two Hundred Ten only) from un-appropriated profits of the Bank for the issuance of Bonus Shares (B-10) in the proportion of one (01) share for every ten (10) shares and approve the following resolution by way of Ordinary Resolution:

#### "Resolved that:

- a) A sum Rs. 333,864,000/- entire balance of Share Premium Account and remaining amount of Rs. 707,112,210/- from un-appropriated profits of the Bank for the issuance of bonus shares (B-10) in the proportion of one (01) share for every ten (10) shares held, allotted as fully paid-up Bonus Shares to the members of the Bank whose names appear on the Register of Members of the Bank as at close of business on March 20, 2014.
- b) The Bonus Shares shall rank pari passu in all respects with the existing shares.
- c) The Bonus Shares entitlement in fraction be consolidated into whole shares and the Company Secretary is hereby authorize to sell the same in the Stock Market and proceeds when realized be given to a charitable institution with the consent of the Chief Executive Officer of the Bank.
- d) The CEO and the Company Secretary of the Bank be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issuance, allotment and distribution of Bonus Shares (B-10)."

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

Date: March 05, 2014  
Place: Lahore  
Registered Office:  
3 Tipu Block,  
New Garden Town,  
Lahore

By Order of the Board

**Muhammad Raffat**  
Company Secretary

# Notice of 68th Annual General Meeting

## NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote is entitled to appoint a proxy under his / her own hand or through his / her duly authorized attorney to attend and vote instead of himself / herself and the proxy must be a member of Allied Bank Limited.
- iii) The instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time for holding the Meeting.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from 21st March, 2014 to 27th March, 2014 (both days inclusive). Share transfers requests received at M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi, the Registrar and Share Transfer Office of the Bank at the close of business on 20th March, 2014 will be treated as being in time for the purpose of entitlement of cash dividend and Bonus Shares to the transferees.
- v) Members are requested to immediately notify the changes, if any, in their registered address to Bank's Share Registrar M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement, if any, be dispatched at the correct address.
- vi) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

## A.

### For Attending the Meeting:

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

## B.

### For Appointing Proxies:

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of 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 provided earlier) along with the proxy form of the Company.

### Attention Physical Shareholders

To comply with the SECP directives, all shareholders having physical shares of Allied Bank Limited are requested to provide a copy of their valid CNIC / NTN / Passport (for non-residents) within 15 days of receipt of this Notice.

# Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi, Lahore and 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 CCG in the following manner:

- 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
<b>Independent Directors</b>	1. Mr. Abdul Aziz Khan 2. Mr. Mubashir A. Akhtar 3. Mr. Pervaiz Iqbal Butt
<b>Executive Director</b>	1. Mr. Jalees Ahmed
<b>Non-Executive Directors</b>	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 meets the criteria of independence under clause i (b) of the CCG.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including Allied Bank Limited.
- All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy was occurred during the year on the Board of Directors. However the term of contract of the CEO was expired on June 17, 2013, on which date the new CEO was appointed.
- 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.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 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.
- 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.
- 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 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.
- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 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.
- The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.
- 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.
- The Bank has complied with all the corporate and financial reporting requirements of the CCG.



# Statement of Compliance with Code of Corporate Governance

15. The board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors, the Chairman of the committee and one of the members are independent directors.
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 formed and advised to the committee for compliance.
17. The board has formed an HR and 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 11, 2014

# 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 2013.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Engagement Partner:  
Naseem Akbar

Lahore  
Date: February 11, 2014

# Statement of Ethics and Business Practices

## Code of Ethics

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

## Laws and Rules

- All the employees are required to comply with all the laws, rules and regulations governing ABL, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow directives given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all team members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non compliance with unethical demands, which is demeaning or detrimental to work performance or the career of any employee in any capacity.
- Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorised absences.
- Employees in workmen cadre (clerical / non-clerical) are not authorized to indulge into unfair labour practices.
- Employees are not authorized to use Bank's facilities to promote trade union or officer's association activities, or carry weapons into Bank premises unless so authorized. They must not carry on above mentioned activities during office hours.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgement in the best interest of the Bank and its clients. The Human Resource Group must be informed in case an employee:
  - Holds 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.

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

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

## Other Key Legal/Compliance Rules and Issues

- Employees are strictly prohibited to engage in insider trading, buying or selling 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 Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the Bank's internal control system that covers material matters by identifying control objective and reviewing significant policies and procedures.

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

Compliance Group is entrusted with the responsibility to oversee 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 as well as imparting training at various levels. The Compliance Group, through its regional offices/ Centralized automated AML solution, also ensures adherence to the regulatory requirements and Bank's internal policies and procedures, with specific emphasis on KYC / AML.

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. All Internal Control Systems, no matter how well designed, have inherent limitations that they may not entirely eliminate misstatements. Also projections of evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

Recognizing it to be an ongoing process, the Management of the Bank has adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls from the State Bank of Pakistan (SBP). 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 accordance with SBP directives, the Bank has also successfully completed ICFR road map last year and submitted requisite report of statutory auditors there upon as per the time line advised by SBP. In order to facilitate banks in effective implementation of ICFR, SBP has issued further directives vide their recent circular. In light of these directives, the Audit Committee would review the ICFR implementation plan to further augment the relevant controls and submission of requisite report of statutory auditors of the Bank for the year under review to SBP as per the stipulated timelines. In addition, the Bank has formulated guidelines for adherence to COSO framework on continuing basis.

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 continuously be evaluating 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 11, 2014

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

1. 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 2013: Eight.





Unconsolidated Financial Statements  
**Allied Bank Limited**  
for the year ended December 31, 2013



TOTAL SALES BY REGION



TOTAL SALES BY REGION  
REGION SALES

Region	€
West	1,236,345.0
South	896,154.0
North	2,069,345.0
East	1,875,345.0
Total	7,586,345.0

delivered solid results

H1 09 v H1 08  
Revenue  
PBT

SALES BY CATEGORY



very strong income





**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 2013 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 24 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:-

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
- i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books

of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 3.4 to the accompanying financial statements, with which we concur;

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

- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash 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 2013 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 11, 2014  
Place: Lahore

# Unconsolidated Statement of Financial Position

as at December 31, 2013

December 31, 2013	December 31, 2012	December 31, 2011		Note	December 31, 2013	December 31, 2012	December 31, 2011
US \$ in '000					Rupees in '000		
					Restated	Restated	
<b>ASSETS</b>							
424,147	411,600	346,356	Cash and balances with treasury banks	6	44,673,079	43,351,653	36,479,758
10,465	9,773	15,942	Balances with other banks	7	1,102,231	1,029,286	1,679,085
118,314	101,789	12,929	Lendings to financial institutions	8	12,461,403	10,720,935	1,361,754
3,450,087	2,538,850	1,858,010	Investments	9	363,378,998	267,403,346	195,694,122
2,535,031	2,573,798	2,320,763	Advances	10	267,001,028	271,084,275	244,433,474
209,672	188,666	171,726	Operating fixed assets	11	22,083,612	19,871,173	18,087,011
-	-	6,154	Deferred tax assets	12	-	-	648,210
223,078	192,214	166,501	Other assets	13	23,495,595	20,244,863	17,536,665
6,970,794	6,016,690	4,898,381			734,195,946	633,705,531	515,920,079
<b>LIABILITIES</b>							
46,320	58,895	38,123	Bills payable	15	4,878,594	6,203,051	4,015,317
312,865	369,488	474,658	Borrowings	16	32,952,406	38,916,192	49,993,200
5,776,540	4,886,864	3,793,622	Deposits and other accounts	17	608,411,670	514,707,055	399,561,676
40,277	52,128	52,149	Sub-ordinated loans	18	4,242,200	5,490,400	5,492,600
-	-	-	Liabilities against assets subject to finance lease		-	-	-
17,170	6,528	-	Deferred tax liabilities	12	1,808,405	687,606	-
149,107	148,713	126,512	Other liabilities	19	15,704,648	15,663,183	13,324,899
6,342,279	5,522,616	4,485,064			667,997,923	581,667,487	472,387,692
628,515	494,074	413,317	<b>NET ASSETS</b>		66,198,023	52,038,044	43,532,387
<b>REPRESENTED BY</b>							
98,835	89,850	81,682	Share capital	20	10,409,763	9,463,421	8,603,110
118,094	103,483	83,198	Reserves		12,438,158	10,899,279	8,762,745
292,957	224,901	194,134	Unappropriated profit		30,855,565	23,687,566	20,447,086
509,886	418,234	359,014			53,703,486	44,050,266	37,812,941
118,629	75,840	54,303	Surplus on revaluation of assets - net of tax	21	12,494,537	7,987,778	5,719,446
628,515	494,074	413,317			66,198,023	52,038,044	43,532,387

## CONTINGENCIES AND COMMITMENTS

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



## Unconsolidated Profit and Loss Account for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012	
US \$ in '000			Rupees in '000		
			Restated		
514,804	470,001	Mark-up / return / interest earned	24	54,221,577	49,502,633
309,063	295,673	Mark-up / return / interest expensed	25	32,551,922	31,141,686
205,741	174,328	Net mark-up / interest income		21,669,655	18,360,947
6,186	12,095	Provision against non-performing loans and advances	10.4	651,481	1,273,901
(822)	(5,918)	(Reversal) / provision for diminution in the value of investments - net	9.3	(86,538)	(623,341)
-	-	Bad debts written off directly	10.5	-	-
5,364	6,177			564,943	650,560
200,377	168,151	Net mark-up / interest income after provisions		21,104,712	17,710,387
<b>NON MARK-UP / INTEREST INCOME</b>					
29,237	24,402	Fee, commission and brokerage income	26	3,079,338	2,570,107
32,291	80,069	Dividend income		3,401,019	8,433,249
5,999	5,682	Income from dealing in foreign currencies		631,858	598,480
11,828	18,228	Gain on sale of securities	27	1,245,773	1,919,869
(18)	-	Unrealized loss on revaluation of investments classified as held for trading - net	9.11	(1,907)	-
11,841	2,581	Other income	28	1,247,098	271,890
91,178	130,962	Total non-markup / interest income		9,603,179	13,793,595
291,555	299,113			30,707,891	31,503,982
<b>NON MARK-UP / INTEREST EXPENSES</b>					
147,263	138,441	Administrative expenses	29	15,510,463	14,581,255
456	3,251	Provision against other assets	13.2	48,000	342,384
142	3,508	Provision against off-balance sheet obligations - net	19.1	14,955	369,480
2,803	3,014	Workers welfare fund	31	295,218	317,408
744	550	Other charges	30	78,358	57,959
151,408	148,764	Total non-markup / interest expenses		15,946,994	15,668,486
-	-	Extra-ordinary / unusual items		-	-
140,147	150,349	<b>PROFIT BEFORE TAXATION</b>		14,760,897	15,835,496
Taxation					
38,733	35,545	Current		4,079,460	3,743,788
(38,791)	-	Prior years		(4,085,622)	-
1,174	4,280	Deferred		123,699	450,750
1,116	39,825		32	117,537	4,194,538
139,031	110,524	<b>PROFIT AFTER TAXATION</b>		14,643,360	11,640,958
224,901	194,134	Unappropriated profit brought forward		23,687,566	20,447,086
508	295	Transfer from surplus on revaluation of fixed assets - net of tax		53,471	31,028
225,409	194,429			23,741,037	20,478,114
364,440	304,953	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		38,384,397	32,119,072
<b>In US\$</b>					
0.13	0.11	<b>Earnings per share - Basic and Diluted</b>	33	<b>14.07</b>	11.18
<b>In Rupees</b>					

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Statement of Other Comprehensive Income

for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012
US \$ in '000			Rupees in '000	
			Restated	
139,031	110,524	Profit after taxation for the year	14,643,360	11,640,958
<b>Other comprehensive income to be reclassified to profit and loss account in subsequent periods:</b>				
Exchange differences on translation of net investment				
708	97	in foreign wholesale branch	74,543	10,198
<b>Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:</b>				
9,906	14,088	Actuarial gain relating to defined benefit plans	1,043,370	1,483,780
(3,467)	(4,931)	Related deferred tax	(365,180)	(519,323)
6,439	9,157	3.4	678,190	964,457
146,178	119,778	<b>Total comprehensive income for the year</b>	<b>15,396,093</b>	<b>12,615,613</b>

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

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

Chief Financial Officer

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Director

Director

Chairman

## Unconsolidated Statement of Cash Flow

for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012
US \$ in '000			Rupees in '000	
			Restated	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
140,147	150,349	Profit before taxation	14,760,897	15,835,496
(32,291)	(80,069)	Less: Dividend income	(3,401,019)	(8,433,249)
107,856	70,280		11,359,878	7,402,247
<b>Adjustments for non-cash items:</b>				
16,114	11,791	Depreciation / amortization	1,697,245	1,241,870
6,185	12,095	Provision against non-performing loans, advances and general provision - net	651,481	1,273,901
(822)	(5,918)	Reversal for diminution in the value of investments - net	(86,538)	(623,341)
18	-	Unrealized loss on revaluation of held for trading securities	1,907	-
142	3,508	Provision against off balance sheet obligations - net	14,955	369,480
456	3,251	Provision against other assets - net	48,000	342,384
322	-	Operating fixed assets written off	33,959	-
2,803	3,014	Provision for Workers' Welfare Fund	295,218	317,408
(260)	(264)	Gain on sale of fixed assets	(27,363)	(27,850)
24,958	27,477		2,628,864	2,893,852
132,814	97,757		13,988,742	10,296,099
<b>(Increase) / Decrease in operating assets</b>				
(16,524)	(88,860)	Lendings to financial institutions	(1,740,468)	(9,359,181)
(28,325)	-	Net realizations in 'held for trading' securities	(2,983,343)	-
32,583	(265,130)	Advances - net	3,431,766	(27,924,702)
(1,485)	7,260	Other assets (excluding advance taxation) - net	(156,385)	764,698
(13,751)	(346,730)		(1,448,430)	(36,519,185)
<b>Increase / (Decrease) in operating liabilities</b>				
(12,575)	20,771	Bills payable	(1,324,457)	2,187,734
(56,623)	(104,848)	Borrowings from financial institutions	(5,963,786)	(11,043,116)
889,675	1,093,243	Deposits and other accounts	93,704,615	115,145,379
3,825	15,431	Other liabilities	402,879	1,625,275
824,302	1,024,597		86,819,251	107,915,272
943,365	775,624		99,359,563	81,692,186
(28,740)	(58,992)	Income tax paid - net	(3,027,063)	(6,213,290)
914,625	716,632	<b>Net cash flow generated from operating activities</b>	96,332,500	75,478,896
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(813,604)	(657,545)	Net investments in 'available-for-sale' securities	(85,692,505)	(69,255,704)
(22,559)	9,010	Net investments in 'held-to-maturity' securities	(2,376,057)	948,958
37,575	81,321	Dividend income received	3,957,572	8,565,057
(37,531)	(29,825)	Investments in operating fixed assets	(3,952,984)	(3,141,314)
671	276	Proceeds from sale of fixed assets	70,663	29,097
(835,448)	(596,763)	<b>Net cash used in investing activities</b>	(87,993,311)	(62,853,906)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(11,851)	(21)	Repayment of sub-ordinated loan	(1,248,200)	(2,200)
(54,794)	(60,546)	Dividends paid	(5,771,161)	(6,377,000)
(66,645)	(60,567)	<b>Net cash used in financing activities</b>	(7,019,361)	(6,379,200)
708	97	Effect of translation of net investment in foreign branch	74,543	10,198
13,240	59,399	<b>Increase in cash and cash equivalents during the year</b>	1,394,371	6,255,988
420,039	360,259	<b>Cash and cash equivalents at beginning of the year</b>	44,240,449	37,944,183
1,334	1,716	<b>Effect of exchange rate changes on opening cash and cash equivalents</b>	140,490	180,768
434,613	421,374	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	45,775,310	44,380,939

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2013

	Capital Reserve						Revenue Reserves		Total	
	Share Capital	Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve		Un-appropriated Profit
<b>Rupees in '000</b>										
<b>Balance as at January 01, 2012</b>	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,254,503	37,620,358
Effect of retrospective change in accounting policy with respect to										
accounting for actuarial gains and losses referred in note 3.4	-	-	-	-	-	-	-	-	296,281	296,281
Related deferred tax liability	-	-	-	-	-	-	-	-	(103,698)	(103,698)
<b>Balance as at January 01, 2012 - restated</b>	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,447,086	37,812,941
<b>Changes in equity during the year ended</b>										
<b>December 31, 2012</b>										
<b>Total comprehensive income for the year ended</b>										
<b>December 31, 2012</b>										
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	-	-	11,640,958	11,640,958
- Effect of retrospective change in accounting policy										
with respect to accounting for actuarial gains and losses net of deferred tax referred in note 3.4	-	-	-	-	-	-	-	-	964,457	964,457
- Effect of translation of net investment in foreign										
wholesale bank branch	-	-	10,198	-	-	-	-	-	-	10,198
	-	-	10,198	-	-	-	-	-	12,605,415	12,615,613
<b>Transactions with owners recognized</b>										
<b>directly in equity</b>										
Transfer to reserve for issue of bonus shares										
for the year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended December										
31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended December										
31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended December										
31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
Third interim cash dividend for the year ended December										
31, 2012 (Re. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
	860,311	(201,856)	-	-	-	-	-	-	(7,067,771)	(6,409,316)
Transferred from surplus on revaluation of fixed assets										
to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	31,028	31,028
Transfer to statutory reserve	-	-	-	-	-	-	2,328,192	-	(2,328,192)	-
<b>Balance as at December 31, 2012 - restated</b>	9,463,421	-	10,198	-	67,995	333,864	10,481,222	6,000	23,687,566	44,050,266
<b>Changes in equity during the year ended</b>										
<b>December 31, 2013</b>										
<b>Total comprehensive income for the year ended</b>										
<b>December 31, 2013</b>										
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	-	-	14,643,360	14,643,360
- Effect of translation of net investment in										
foreign wholesale bank branch	-	-	74,543	-	-	-	-	-	-	74,543
- Effect of remeasurement of defined benefit plans										
net of deferred tax	-	-	-	-	-	-	-	-	678,190	678,190
	-	-	74,543	-	-	-	-	-	15,321,550	15,396,093



## Unconsolidated Statement of Changes in Equity for the year ended December 31, 2013

	Capital Reserve						Revenue Reserves		Total	
	Share Capital	Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve**	Statutory Reserve	General Reserve		Un-appropriated Profit
<b>Rupees in '000</b>										
<b>Transactions with owners recognized directly in equity</b>										
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 ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Second interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Third interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
	946,342	-	-	-	-	-	-	-	(6,742,686)	(5,796,344)
<b>Transferred from surplus on revaluation of fixed assets</b>										
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	-	-	-
<b>Balance as at December 31, 2013</b>	<b>10,409,763</b>	<b>333,864</b>	<b>84,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,013,553</b>	<b>6,000</b>	<b>30,855,565</b>	<b>53,703,486</b>

\* 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.

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

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### 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 948 (2012: 873) branches in Pakistan, 1 branch (2012:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2012: 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 and its subsidiary company are being issued separately.
- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates. 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 105.3246 per US Dollar has been used for 2013, 2012 and 2011, as it was the prevalent rate as on date of statement of financial position.

### (b) BASIS OF MEASUREMENT

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

- Investments (Note 5.3);
- 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 SBP. In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan differ from 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 unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

**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:

#### **IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (OCI)**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment affects presentation only and has no impact on the bank's financial position or performance.

#### **IFRS 7 – Financial Instruments: Disclosures – (Amendments)**

The amendment enhanced disclosures regarding off setting of financial assets to enable the users to understand and evaluate the effect of off-setting on the financial statements. The amendment becomes effective for annual periods beginning on or after January 01, 2013. However, the amendment will not have any impact on financial position as the applicability of such standard and interpretation have been deferred by SBP as mentioned in note 3.2.

#### **IAS 19 – Employee Benefits – (Amendment)**

Significant changes have been made in the requirements of IAS 19-Employee Benefits. These changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.
- Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment / curtailment occurs or when the entity recognizes related restructuring or termination costs.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Bank applied this standard retrospectively in the current period in accordance with the transition provision given in the standard.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these unconsolidated financial statements are as under:

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

	December 31 2012			December 31, 2011		
	As previously reported	Increase/ (decrease) due to change in policy and assumptions	As restated	As previously reported	Increase/ (decrease) due to change in policy and assumption	As restated
<b>Rupees in '000'</b>						
<b>Impact on unconsolidated statement of financial position</b>						
Defined benefit liability (Note-19)	2,989,250	(285,176)	2,704,074	2,865,634	28,557	2,894,191
Defined benefit asset (Note-13)	1,808,080	1,460,030	3,268,110	1,562,390	324,838	1,887,228
Decrease in deferred tax asset	-	-	-	751,908	(103,698)	648,210
Increase in deferred tax liability	64,584	623,022	687,606	-	-	-
Reserves & Unappropriated profit	33,464,661	1,122,184	34,586,845	29,017,248	192,583	29,209,831
<b>Year ended December 31, 2012</b>						
<b>Rupees in '000'</b>						
Impact on unconsolidated profit and loss account (Administrative expenses)						(34,856)
Impact on other comprehensive income						964,457
Impact on earning per share - in Rupees						(0.033)

### 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, 2014. 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)
IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

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 January 01, 2013. 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, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Involvement with Other Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013

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

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



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 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 relevant regulations as explained in notes for portfolio provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations. These provisions change due to changes in requirements.

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

The Bank determines that “available-for-sale” equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

### iv) Income taxes

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

### v) Fair value of derivatives

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

### vi) Fixed assets, depreciation and amortization

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

### vii) Defined benefits plan

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

## 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, 2012 except as stated in Note 3.4. Significant accounting policies are enumerated as follows:

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 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 acquisition cost, which in the case of investment other than "held for trading", includes transaction cost associated with the investment.

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

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

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

### **5.5 Operating fixed assets and depreciation**

#### **Tangible assets**

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

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 11.2. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at the date of statement of financial position.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation 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.

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### 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; and

- An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.

ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

- A Contributory Provident Fund scheme to which equal contribution are made by the Bank and the employees (defined contribution scheme).

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

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

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



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 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 a time proportion basis.

### 5.10 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is 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 than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except for the impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was 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.

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### 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 foreign exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date.

### 5.15 Financial instruments

#### 5.15.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### 5.15.2 Derivative financial instruments

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

### 5.16 Off setting

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

### 5.17 Revenue recognition

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

#### a) Advances and investments

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

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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.

## 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.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		7,422,195	7,331,861
Foreign currencies		737,623	477,152
		8,159,818	7,809,013
<b>Remittances in transit</b>		999,593	549,050
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	16,487,185	18,172,815
Foreign currency current account	6.2	2,746	4,382
		16,489,931	18,177,197
Foreign currency deposit accounts			
- Non remunerative	6.3	2,969,548	1,900,744
- Remunerative	6.3 & 6.4	8,908,644	5,702,231
		11,878,192	7,602,975
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		7,080,875	9,143,240
<b>National Prize Bonds</b>		64,670	70,178
		44,673,079	43,351,653

**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, 2013, carries mark-up at the rate of 0% (2012: 0%) per annum.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		-	284
<b>Outside Pakistan</b>			
On current accounts	7.1	801,732	609,477
On deposit accounts		300,499	419,525
		1,102,231	1,029,286

**7.1** Included in Nostro accounts are balances, aggregating to Rs. 148.691 million (2012: Rs. 136.808 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	11,661,403	8,270,935
Certificates of investment	8.2	70,000	520,000
Call money lendings	8.3	800,000	2,000,000
	8.4	12,531,403	10,790,935
Provision against lendings to financial institutions	8.6	(70,000)	(70,000)
		12,461,403	10,720,935



## Notes to the Unconsolidated Financial Statements

### for the year ended December 31, 2013

- 8.1** These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging from 10.00% to 10.40% (2012: 8.99% to 9.95%) per annum and will mature on various dates, latest by January 3, 2014.
- 8.2** This represents a classified certificate of investment amounting to Rs. 70 million (2012: Rs. 70 million).
- 8.3** These call money lendings carry markup at rates ranging from 9.5% to 10.25% (2012: 9.75%) and will mature on various dates latest by February 13, 2014.

	December 31, 2013	December 31, 2012
	Rupees in '000	
<b>8.4 Particulars of lending</b>		
In local currency	12,531,403	10,790,935
In foreign currencies	-	-
	<u>12,531,403</u>	<u>10,790,935</u>

#### 8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2013			December 31, 2012		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	11,661,403	-	11,661,403	8,270,935	-	8,270,935
	<u>11,661,403</u>	<u>-</u>	<u>11,661,403</u>	<u>8,270,935</u>	<u>-</u>	<u>8,270,935</u>

	December 31, 2013	December 31, 2012
	Rupees in '000	
<b>8.6 Particulars of provision</b>		
Opening balance	70,000	70,000
Charge for the year	-	-
Reversal	-	-
Net charge	-	-
Closing balance	<u>70,000</u>	<u>70,000</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 9. INVESTMENTS

Note	December 31, 2013			December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
<b>9.1</b>	<b>Investments by types</b>					
<b>Held-for-trading securities</b>						
Market Treasury Bills	2,983,343	-	2,983,343	-	-	-
	2,983,343	-	2,983,343	-	-	-
<b>Available-for-sale securities</b>						
Market treasury bills	272,873,099	2,304,528	275,177,627	187,405,619	18,472,671	205,878,290
Pakistan investment bonds	148,387	-	148,387	147,813	-	147,813
Ordinary shares of listed companies / certificates of mutual funds	17,602,295	-	17,602,295	14,788,340	-	14,788,340
Preference shares	149,355	-	149,355	149,355	-	149,355
Pre IPO shares	199,996	-	199,996	-	-	-
Units of open end mutual funds	5,588,989	-	5,588,989	831,219	-	831,219
Ordinary shares of unlisted companies	1,992,014	-	1,992,014	1,692,292	-	1,692,292
Investment in related parties						
- Listed shares	4,053,509	-	4,053,509	-	-	-
- Unlisted shares	281,816	-	281,816	221,295	-	221,295
- Units of open end mutual funds	5,500,000	-	5,500,000	100,000	-	100,000
Sukuk bonds	2,469,955	-	2,469,955	3,216,409	-	3,216,409
Term finance certificates (TFCs)	2,046,694	-	2,046,694	2,768,904	-	2,768,904
	312,906,109	2,304,528	315,210,637	211,321,246	18,472,671	229,793,917
<b>Held-to-maturity securities</b>						
Pakistan investment bonds	28,613,646	-	28,613,646	26,818,371	-	26,818,371
Foreign currency bonds (US\$)	4,660,597	-	4,660,597	2,612,263	-	2,612,263
TFCs, Bonds and PTCs	3,085,738	-	3,085,738	4,553,290	-	4,553,290
	36,359,981	-	36,359,981	33,983,924	-	33,983,924
<b>Subsidiary</b>						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
<b>Investment at cost</b>	<b>352,749,433</b>	<b>2,304,528</b>	<b>355,053,961</b>	<b>245,805,170</b>	<b>18,472,671</b>	<b>264,277,841</b>
Provision for diminution in the value of investments	9.3	(1,585,458)	(1,585,458)	(1,947,781)	-	(1,947,781)
<b>Investment (net of provisions)</b>	<b>351,163,975</b>	<b>2,304,528</b>	<b>353,468,503</b>	<b>243,857,389</b>	<b>18,472,671</b>	<b>262,330,060</b>
(Deficit) / Surplus on revaluation of held-for-trading securities		(1,907)	(1,907)	-	-	-
Surplus / (Deficit) on revaluation of available-for-sale securities	21.2	9,915,485	(3,083)	4,985,700	87,586	5,073,286
<b>Total investments at market value</b>	<b>361,077,553</b>	<b>2,301,445</b>	<b>363,378,998</b>	<b>248,843,089</b>	<b>18,560,257</b>	<b>267,403,346</b>

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>9.2. INVESTMENTS BY SEGMENTS:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	9.2.1 - 9.2.3	278,160,970	205,878,290
- Pakistan Investment Bonds	9.2.1	28,762,033	26,966,184
- Foreign Currency Bonds (US\$)	9.2.4	4,660,597	2,612,263
<b>Fully paid up ordinary shares of listed companies / certificates of mutual funds</b>	9.4	21,855,800	14,788,340
<b>Fully paid up ordinary shares of unlisted companies</b>	9.5	2,273,830	1,913,587
<b>Investment in units of open end mutual funds</b>	9.6	11,088,989	931,219
<b>Fully paid up preference shares</b>	9.7	149,355	149,355
<b>Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:</b>			
Term Finance Certificates			
-Listed	9.8	830,101	2,087,078
-Unlisted	9.8	1,397,610	1,882,734
Sukuk Bonds	9.9	5,374,676	6,568,791
<b>Subsidiary</b>	9.5	500,000	500,000
<b>Total investments at cost</b>		355,053,961	264,277,841
Less: Provision for diminution in the value of investments	9.3	(1,585,458)	(1,947,781)
<b>Investments (net of provisions)</b>		353,468,503	262,330,060
Unrealized loss on revaluation of Held-for-trading securities	9.11	(1,907)	-
Surplus on revaluation of available-for-sale securities	21.2	9,912,402	5,073,286
<b>Total investments at market value</b>		363,378,998	267,403,346

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

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2014 To June, 2014	On maturity	At maturity
Foreign Currency Bonds (US\$)	March, 2016 To June, 2017	On maturity	Half Yearly
Pakistan Investment Bonds	29 April, 2014 To 18 Aug, 2016	On maturity	Half Yearly

**9.2.2** Included herein are Market Treasury Bills having a book value of Rs. 1,964.728 million (2012: Rs. 18,132.871 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.3** Included herein are Market Treasury Bills having a face value of Rs. 339.80 million (2012: Rs. 339.80 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT / DD discounting facilities sanctioned to the Bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2013	December 31, 2012	
						Rupees in '000		
<b>US \$ Bonds</b>								
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-14	6.5 Years	299,333	270,291	
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-14	5.9 Years	328,048	299,390	
Euro Dollar Bond (\$16,257,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-14	10 Years	1,605,496	1,444,079	
Euro Dollar Bond (\$7,500,000)	6.875%	31-May-07	01-Jun-17	30-May-14	10 Years	674,625	598,503	
Euro Dollar Bond (\$8,000,000)	6.875%	31-May-07	01-Jun-17	30-May-14	10 Years	782,207	-	
Euro Dollar Bond (\$9,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-14	10 Years	970,888	-	
						4,660,597	2,612,263	
						Note	December 31, 2013	December 31, 2012
						Rupees in '000		

## 9.3 Particulars of provision

Opening balance		1,947,781	2,703,761
Charge for the year		2,473	55,856
Reversals		(89,011)	(679,197)
Net charge		(86,538)	(623,341)
Reversal as gain on disposal		(179,289)	(132,243)
Amounts written off		(96,496)	(396)
Closing balance	9.3.1	1,585,458	1,947,781

### 9.3.1 Particulars of provision in respect of type and segment

<b>By type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares / certificates of listed companies		394,992	400,596
Ordinary shares of unlisted companies		56,509	62,154
Preference shares		149,355	149,355
Units of open end mutual fund		-	121,906
Sukuk Bonds		-	20,757
		600,856	754,768
<b>Held-to-maturity securities</b>			
TFCs, Debentures, Bonds and PTCs		984,602	1,193,013
		1,585,458	1,947,781
<b>By Segment</b>			
<b>Fully Paid up Ordinary Shares:</b>			
- Listed companies		394,992	400,596
- Unlisted companies		56,509	62,154
- Preference Shares		149,355	149,355
		600,856	612,105
<b>Units of open end mutual fund</b>		-	121,906
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Bonds		876,180	1,105,348
Term Finance Certificates		108,422	108,422
		984,602	1,213,770
		1,585,458	1,947,781



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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

Name of Company / Mutual Fund	Cost per share / certificates	2013		2012	
		No. of shares / certificates	Total Cost	No. of shares / certificates	Total Cost
		Rupees	Rupees in '000	Rupees in '000	Rupees in '000
<b>Available-for-Sale</b>					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	410.20	1,242,950	509,864	975,000	477,161
D.G.Khan Cement Limited	39.18	8,676,141	339,906	12,326,141	461,368
Engro Corporation Limited	128.18	3,200,000	410,164	-	-
Engro Fertilizers- Pre IPO	28.25	7,079,500	199,996	-	-
Fatima Fertilizer Company Limited	21.60	44,639,500	964,127	54,995,000	1,169,939
Fauji Fertilizer Company Limited	81.67	32,329,275	2,640,388	29,999,275	2,375,261
First Equity Modaraba	1.24	519,914	645	519,914	645
Habib Bank Limited	164.21	1,614,300	265,078	-	-
Hub Power Company Limited	36.54	112,000,000	4,092,396	112,000,000	4,089,011
Kot Addu Power Company Limited - related party	46.06	88,000,000	4,053,509	-	-
Lucky Cement Limited	155.18	2,052,100	318,454	3,450,000	504,884
Namco Balanced Fund	3.93	2,450,154	9,640	2,205,360	9,640
Nishat (Chunian) Limited	32.86	3,185,163	104,671	17,560,603	318,244
Nishat Chunian Power Limited	13.24	36,500,000	483,191	30,000,000	300,000
Nishat Mills Limited	84.43	5,900,000	498,158	-	-
Nishat Power Limited	10.74	34,813,894	373,875	34,813,894	373,302
Otsuka Pakistan Limited	-	-	-	95,517	3,335
Pakistan Oil field Limited	380.41	8,876,000	3,376,508	8,876,000	3,375,364
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	1,556,500	248,029
Pakistan State Oil Company Limited	329.02	2,000,000	658,048	-	-
PICIC Growth Mutual Fund	13.65	28,227,717	385,430	27,577,717	371,851
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Safe Way Mutual Funds	-	-	-	1,601,045	13,817
United Bank limited	-	-	-	7,000,000	520,096
			21,855,800		14,788,340

### 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, 2013 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	17.44	10	355,000	30-Jun-13	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	8.01	10	148,333	31-Dec-12	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	34.44	10	40,300	30-Jun-13	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	5.18%	7,734,926	13.90	10	21,200	31-Dec-12	Ms. Charmaine Hidayatullah
Habib Allied International Bank - related party	9.24%	2,577,273	297.88	157	275,289	31-Dec-12	Mr. Anwar M. Zaidi
Islamabad Stock Exchange*	0.83%	3,034,603	10.68	10	30,346	30-Jun-13	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.08	10	8,440	30-Jun-13	Mr. Aftab Ahmad Ch.
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	1,478,228	61.57	10	1,527	30-Jun-13	Mr. Muzaffar M khan
Nishat Hotels and Properties Limited	13.30%	29,972,220	12.26	10	299,722	30-Jun-13	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	-	1,000	1,000	31-Mar-13	Lt (Col) Muhammad Younas
Security General Insurance Life	18.22%	12,401,871	109.05	10	1,075,653	31-Dec-12	Mrs. Nabiba Shah Nawaz
SME Bank Limited	0.32%	774,351	6.38	10	5,250	31-Dec-12	Mr. Nasser Durrani
SWIFT	9.00%	10	329,566	176,591	1,770	31-Dec-12	Mr. Gottfried Leibbrandt
Eastern Capital Limited	-	500,000	-	-	5,000	30-Jun-07	Under liquidation
ABL AMC- subsidiary	100.00%	50,000,000	19.75	10	500,000	31-Dec-13	Mr. Farid Ahmed Khan
					2,773,830		

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

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
			Rupees	Rupees in '000	
ABL Cash Fund- related party	529,737,531	-	10	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	-
KASB Income Opportunity Fund	-	1,345,614	100	-	121,906
KASB Cash Fund	1,164,545	1,459,700	100	119,676	150,000
MCB Cash Management Optimizer	12,506,176	-	100	1,250,000	-
NAFA Government Securities Liquid Fund	124,602,269	-	10	1,250,000	-
NAFA Income Opportunity Fund	49,464,433	58,950,235	10	469,313	559,313
UBL Liquidity Plus Fund	12,444,200	-	100	1,250,000	-
				11,088,989	931,219

## 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, 2013	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	16.31%	5,000,000	10	50,000	50,000	Mr. Shahid Iqbal
						149,355	

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

**9.7.2** These 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.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 9.8 Detail of Investment in TFCs

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
			Rupees	Rupees in '000	
<b>Listed</b>					
Standard Chartered Bank Limited	-	10,000	5,000	-	12,500
Faysal Bank Limited	70,000	70,000	5,000	349,580	349,720
United Bank Limited - 3rd Issue	10,000	10,000	5,000	16,633	33,267
United Bank Limited - 4th Issue	-	37,000	5,000	-	184,667
Pak Arab Fertilizers Limited	-	84,080	5,000	-	126,120
Azgard Nine Limited	1,300	1,300	5,000	1,573	1,573
NIB Bank Limited	-	76,789	5,000	-	383,254
United Bank Limited - PPTFC	-	122,558	5,000	-	611,687
Telecard Limited	75,888	75,888	5,000	139,290	139,290
Bank Al Falah Limited - 5th issue	49,000	49,000	5,000	323,025	245,000
				830,101	2,087,078
<b>Unlisted</b>					
Askari Bank Limited (Chief Executive: Mr. M. R. Mehkari)	20,000	20,000	5,000	99,840	99,880
Faysal Bank Limited (Royal Bank Of Scotland) (Chief Executive: Mr. Naveed A. Khan)	-	7,000	5,000	-	8,729
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kissat)	-	23,000	100,000	-	383,333
Escort Investment Bank Limited (Chief Executive: Ms. Shazia Bashir)	20,000	20,000	5,000	9,993	19,984
Financial Receivable Securitization Company Limited - A (Chief Executive: Mr. Munaf Ibrahim)	14,579	14,579	5,000	6,072	18,216
Financial Receivable Securitization Company Limited - B (Chief Executive: Mr. Munaf Ibrahim)	6,421	6,421	5,000	4,008	12,025
Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	-	25,000	5,000	30,274	30,274
Al-Abbas Sugar Industries (Chief Executive: Mr. Shunaid Qureshi)	-	25,000	5,000	-	24,950
Khairpur Sugar Mills Limited (Chief Executive: Muhammad Mubeen Jumani)	13 1 5 1	13 1 5 1	55,536 55,538 337,000 337,077	454	454
Bachani Sugar Mills Limited (Chief Executive: Mr. Najmuddin Ansari)	23 1 14 13 1	23 1 14 13 1	135,227 135,236 1,526,874 655,656 655,657	10,999	10,999

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
			Rupees	Rupees in '000	
Bank Al-Habib TFC 3 (Chief Executive: Mr. Abbas D. Habib)	60,000	60,000	5,000	298,920	299,160
Bank Al-Habib TFC 4 (Chief Executive: Mr. Abbas D. Habib)	90,000	90,000	5,000	449,550	449,730
Standard Chartered Bank TFC 3 (Chief Executive: Mr. Mohsin Ali Nathani)	75,000	75,000	5,000	375,000	375,000
Jahangir Siddiqi & Company Limited (Chief Executive: Mr. Suleman Lalani)	30,000	30,000	5,000	112,500	150,000
<b>Total</b>				<b>1,397,610</b>	<b>1,882,734</b>

### 9.9 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2013	2012
						Rupees in '000	
<b>Sukuk Bonds</b>							
Security Leasing Corporation Limited						-	83,027
Century Paper & Board Mills Limited						-	460,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-18	01-Jan-14	Quarterly	38,285	79,760
Liberty Power Tech. Limited	3 MK+3%	31-Mar-09	01-Jan-21	01-Jan-14	Half Yearly	2,152,612	2,297,047
Liberty Power Tech. Limited	3 MK+3%	30-Nov-10	01-Jan-21	01-Jan-14	Half Yearly	240,437	256,575
Al-Zamin Leasing Modaraba						-	128,661
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-14	Half Yearly	38,621	40,000
Shahraj Fabrics Pvt Limited	6 MK +2.10%	08-Mar-08	08-Mar-14	08-Mar-14	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	03-Mar-14	Quarterly	2,704,721	3,023,721
						<b>5,374,676</b>	<b>6,568,791</b>



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 9.10 Quality of Available for Sale Securities

Name of Security	2013		2012	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Government Securities</b>				
Market Treasury Bills	274,774,851	Un Rated	206,138,340	Un Rated
Pakistan Investment Bonds	144,854	Un Rated	145,735	Un Rated
<b>Listed TFCs</b>				
Azgard Nine Limited	1,479	D	1,479	D
Faysal Bank Limited	353,949	AA-	354,091	AA-
Pak Arab Fertilizers Limited	-	-	126,251	AA
Standard Chartered Bank (Pakistan) Limited (Union Bank)	-	-	12,760	AAA
United Bank Limited-3	16,877	AA	33,755	AA
United Bank Limited-4	-	-	188,518	AA
Bank Alfalah	330,097	AA-	245,000	AA-
<b>Unlisted TFCs</b>				
Askari Bank Limited	99,840	AA-	99,880	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	-	-	8,729	AA-
Escort Investment Bank Limited	9,992	BB	19,984	BB
Financial Receivable Securitization Company Limited-A	6,072	A+	18,216	A+
Financial Receivable Securitization Company Limited-B	4,008	A+	12,025	A+
Jahangir Siddiqi & Company Limited	112,500	AA+	150,000	AA+
Bank Al-Habib Limited TFC 3	298,920	AA	299,160	AA
Bank Al-Habib Limited TFC 4	449,550	AA	449,730	AA
ORIX Leasing Pakistan Limited	-	-	383,333	AA+
Standard Chartered Bank	375,000	AAA	375,000	AAA
<b>Shares Unlisted</b>				
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	A-&A2	21,200	A-&A2
Habib Allied International Bank Limited*- related party	275,289	**	214,769	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,438	**	8,440	**
NIFT*- related party	1,526	**	1,526	**
Nishat Hotels and Properties Limited*	299,722	**	-	-
PASSCO*	1,000	**	1,000	**
Security General Insurance Life	1,075,653	A+	1,075,653	A+
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A-3
SWIFT	1,771	**	1,771	**
<b>Shares / Certificates Listed</b>				
Agritech Limited	176,897	D	162,935	D
Attock Petroleum Limited	621,090	**	499,190	**
D.G. Khan Cement Limited	743,806	**	672,761	**
Engro Corporation Limited	506,816	AA-&A1+	-	-
Fatima Fertilizer Company Limited	1,274,904	A+&A1	1,451,868	A+&A1
Fauji Fertilizer Company Limited*	1,306,257	**	1,366,693	**
Fauji Fertilizer Company Limited	2,313,329	**	2,147,422	**
First Equity Modaraba	3,400	**	1,664	**
Habib Bank Limited	268,991	AAA&A1+	-	-
Hub Power Company Limited*	3,697,848	AA+&A1+	2,755,116	AA+&A1+
Hub Power Company Limited	3,102,792	AA+&A1+	2,311,764	AA+&A1+
Kot Addu Power Company Limited*- related party	5,434,000	AA+&A1+	-	-
Lucky Cement Limited	615,363	**	522,813	**
Namco Balanced Fund	15,901	**	10,475	**
Nishat (Chunian) Limited	191,747	A-&A2	615,324	A-&A-2
Nishat Chunian Power Limited*	1,043,400	A&A-2	630,300	A&A-2
Nishat Chunian Power Limited	226,070	A+&A2	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

Name of Security	2013		2012	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Nishat Mills Limited	750,716	AA-&A1+	-	-
Nishat Power Limited*	901,800	A+&A1	585,000	A+&A1
Nishat Power Limited	144,706	A+&A1	93,871	A+&A1
Otsuka Pakistan Limited	-	-	3,606	**
Pakistan Oilfield Limited*	1,756,419	**	1,544,079	**
Pakistan Oilfield Limited	2,661,255	**	2,339,526	**
Pakistan Petroleum Limited*	2,046,044	**	275,174	**
Pakistan State Oil Company Limited	664,440	AA+&A1+	-	**
PICIC Growth Mutual Fund	707,951	**	452,275	**
Pioneer Cement Limited	4,090	**	1,926	**
Safe Way Mutual Funds	-	-	17,611	**
United Bank Limited	-	-	585,690	AA+&A-1+
<b>Pre IPO Investments</b>				
Engro Fertilizers	199,996	AA-&A1+	-	-
<b>Preference Shares</b>				
Trust Investment Bank Limited	50,000	**	50,000	**
First Dawood Investment Bank	99,355	**	99,355	**
<b>Investment in Mutual Funds</b>				
ABL Cash Fund- related party	5,299,971	AA(f)	-	-
ABL Government Securities Fund- related party	400,423	**	-	-
ABL Stock Fund- related party	126,754	**	121,115	MFR 5-Star
HBL Money Market Fund	1,251,662	AA(f)	-	-
KASB Income Opportunity Fund	-	-	97,419	**
KASB Cash Fund	119,103	AA(f)	149,707	AA+(f)
MCB Cash Optimizer Fund	1,251,259	AA(f)	-	-
NAFA Cash Fund	524,857	**	588,040	**
NAFA Government Securities Liquid Fund	1,251,293	AAA(f)	-	-
UBL Liquidity Plus Fund	1,251,570	AA+(f)	-	-
<b>Sukuk Bonds</b>				
Security Leasing Corporation Limited	-	-	83,027	**
Century Paper & Board Mills Limited	-	-	460,000	A+
K. S. Sulemanji Esmalji & Sons	38,285	**	79,760	**
Liberty Power Tech Limited-1	2,152,612	A+	2,297,047	A+
Liberty Power Tech Limited-2	240,437	A+	256,575	A+
Quetta Textile Mills Limited	38,621	**	40,000	**
* Strategic investments of the Bank				
** Ratings are not available				
			December 31, 2013	December 31, 2012
			Rupees in '000	
<b>9.11</b>	<b>Unrealized loss on revaluation of investments classified as held for trading</b>			
	Market Treasury Bills		(1,907)	-

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		277,235,883	283,032,567
Net investment in finance lease - in Pakistan	10.2	1,904,028	1,815,004
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,319,500	2,390,263
Payable outside Pakistan		4,916,169	1,651,473
		6,235,669	4,041,736
Advances - gross		285,375,580	288,889,307
Provision for non-performing advances	10.4	(18,242,365)	(17,752,942)
General provision	10.4	(132,187)	(52,090)
		(18,374,552)	(17,805,032)
Advances - net of provision		267,001,028	271,084,275

### 10.1 Particulars of advances (Gross)

10.1.1	In local currency	267,077,663	286,429,257
	In foreign currencies	18,297,917	2,460,050
		285,375,580	288,889,307
10.1.2	Short term (for upto one year)	158,883,614	168,005,009
	Long term (for over one year)	126,491,966	120,884,298
		285,375,580	288,889,307

### 10.2 Net investment in Finance Lease

	December 31, 2013				December 31, 2012			
	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	344,018	759,912	590,041	1,693,971	394,697	675,658	563,965	1,634,320
Residual value	75,970	285,995	122,294	484,259	74,614	243,008	128,548	446,170
Minimum lease payments	419,988	1,045,907	712,335	2,178,230	469,311	918,666	692,513	2,080,490
Financial charges for future periods	(66,351)	(95,790)	(112,061)	(274,202)	(75,280)	(87,307)	(102,899)	(265,486)
Present value of minimum lease payments	353,637	950,117	600,274	1,904,028	394,031	831,359	589,614	1,815,004

10.3 Advances include Rs. 19,423.896 million (2012: Rs. 20,667.561 million) which have been placed under non-performing status as detailed below:

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	

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

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

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

	Note	December 31, 2013			December 31, 2012		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
Charge for the year		2,627,045	80,097	2,707,142	3,233,567	19,443	3,253,010
Reversals		(2,055,661)	-	(2,055,661)	(1,979,109)	-	(1,979,109)
Charged to profit and loss account		571,384	80,097	651,481	1,254,458	19,443	1,273,901
Amounts written off	10.5.1	(81,961)	-	(81,961)	(1,172,586)	-	(1,172,586)
Closing balance		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
10.4.1 In local currency		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
In foreign currencies		-	-	-	-	-	-
		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032

	Note	December 31, 2013	December 31, 2012
Rupees in '000			

### 10.5 Particulars of write offs

10.5.1	Against provisions		81,961	1,172,586
	Directly charged to Profit and Loss account		-	-
			81,961	1,172,586
10.5.2	Write Offs of Rs. 500,000 and above	10.6	81,361	1,171,410
	Write Offs of Below Rs. 500,000		600	1,176
			81,961	1,172,586

### 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, 2013 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, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>10.7</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	5,959,612	5,559,657
	Loans granted during the year	2,041,395	1,900,671
	Repayments	(1,633,968)	(1,500,716)
	Balance at end of the year	<u>6,367,039</u>	<u>5,959,612</u>
	Details of loans and advances to associates, subsidiary and other related parties are given in note 41.		
<b>11.</b>	<b>OPERATING FIXED ASSETS</b>		
	Capital work-in-progress	11.1 2,250,864	1,597,878
	Property and equipment	11.2 18,724,213	17,287,883
	Intangible assets	11.3 1,108,535	985,412
		<u>22,083,612</u>	<u>19,871,173</u>
<b>11.1</b>	<b>Capital work-in-progress</b>		
	Civil works	1,608,352	938,326
	Equipment	393,278	129,020
	Advances to suppliers and contractors	249,234	530,532
		<u>2,250,864</u>	<u>1,597,878</u>

Notes to the Unconsolidated Financial Statements  
for the year ended December 31, 2013

11.2 Property and equipment

Description	Note	Cost / Revaluation			Accumulated Depreciation			Net book value at December 31, 2013	Annual rate of depreciation %
		At January 1, 2013	Additions / (Deletions)	At December 31, 2013	At January 1, 2013	Change for the year / (depreciation on deletion) / Revaluation deficit / (Surplus)	At December 31, 2013		
Rupees in '000									
Land-Freehold	11.4	5,895,517	1,155,684 (30,000)	7,021,201	-	-	-	7,021,201	-
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	-	5,954,758	5
Buildings-Leasehold	11.4	2,128,310	7,315	2,135,625	354,214	89,644	-	4,438,583	5
Building improvements (rented premises)		1,225,592	140,431 (37)	1,365,986	633,126	227,873 (30)	-	2,226,985	20
Furniture and fixtures		784,944	103,107 (1,981)	886,070	298,031	79,629 (1,129)	-	1,163,570	10
Electrical, office and computer equipments		5,196,056	1,335,997 (1,448)	6,530,605	2,772,235	838,786 (1,214)	-	9,139,624	14.28 - 50
Vehicles		543,597	52,333 (89,090)	506,840	217,916	85,907 (76,883)	-	708,673	20
Total		21,963,529	2,996,820 (122,556)	24,837,793	4,675,646	1,517,190 (79,256)	-	26,920,739	



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

- 11.4** Bank arranged for valuation of Properties as at December 31, 2011 from three independent valuers (Akbari & Javed , Asif Associates and Harvester Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 928.659 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2013	December 31, 2012
Rupees in '000		
- Land	5,663,220	4,537,289
- Building	3,303,181	3,379,155

- 11.5** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as stated above in note 11.4 and are carried at fair value.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>11.6</b> Incremental depreciation charged during the year transferred to profit & loss account	21.1	39,457	47,736
<b>11.7</b> Restriction / discrepancy in the title of property having a net book value of		68,691	73,726
<b>11.8</b> Carrying amount of temporarily idle property and equipment		12,000	54,500
<b>11.9</b> The gross carrying amount of fully depreciated / amortized assets that are still in use:			
Furniture and fixtures		141,530	115,759
Electrical, office and computer equipments		1,651,035	1,240,959
Vehicles		92,779	129,088
Intangible assets - software		56,560	47,135
<b>11.10</b> The carrying amount of property and equipment that have retired from active use and are held for disposal		355,243	353,026

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

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



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>12. DEFERRED TAX (LIABILITY) / ASSET - NET</b>			
<b>Deferred debits arising in respect of:</b>			
Compensated leave absences	12.1	-	697
Provision against:	12.1		
Investments		19,093	71,971
Other assets		38,959	166,694
Off balance sheet obligations		14,824	92,039
Provision against advances	12.1	1,058,233	1,297,868
Post retirement medical benefits	12.1	42,980	165,146
Worker's welfare fund	12.1	409,668	306,342
		1,583,757	2,100,757
<b>Deferred credits arising due to:</b>			
Surplus on revaluation of fixed assets	12.1 & 21.1	(262,486)	(276,296)
Surplus on revaluation of investments	12.1	(889,702)	(610,815)
Actuarial gains	12.1	(988,202)	(623,022)
Accelerated tax depreciation / amortization	12.1	(1,238,566)	(1,267,539)
Excess of investment in finance lease over written down value of leased assets	12.1	(13,206)	(10,691)
		(3,392,162)	(2,788,363)
		(1,808,405)	(687,606)

### 12.1 Reconciliation of deferred tax

	Balance as at January 01, 2012	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2012	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2013
(Rupees in '000)							
<b>Deferred debits arising in respect of:</b>							
Compensated leave absences	88,879	(88,182)	-	697	(697)	-	-
Provision against:							
Investments	72,699	(728)	-	71,971	(52,878)	-	19,093
Other assets	212,384	(45,690)	-	166,694	(127,735)	-	38,959
Off balance sheet obligations	109,432	(17,393)	-	92,039	(77,215)	-	14,824
Advances	1,283,998	13,870	-	1,297,868	(239,635)	-	1,058,233
Post retirement medical benefits	224,714	(59,568)	-	165,146	(122,166)	-	42,980
Worker's welfare fund	195,249	111,093	-	306,342	103,326	-	409,668
	2,187,355	(86,598)	-	2,100,757	(517,000)	-	1,583,757
<b>Deferred credits arising due to:</b>							
Surplus on revaluation of fixed assets	(334,264)	16,708	41,260	(276,296)	13,810	-	(262,486)
Surplus on revaluation of investments	(203,813)	-	(407,002)	(610,815)	-	(278,887)	(889,702)
Actuarial gains	(103,699)	-	(519,323)	(623,022)	-	(365,180)	(988,202)
Accelerated tax depreciation / amortization	(880,938)	(386,601)	-	(1,267,539)	28,973	-	(1,238,566)
Excess of investment in finance lease over written down value of leased assets	(16,432)	5,741	-	(10,691)	(2,515)	-	(13,206)
	(1,539,146)	(364,152)	(885,065)	(2,788,363)	40,268	(644,067)	(3,392,162)
	648,209	(450,750)	(885,065)	(687,606)	(476,732)	(644,067)	(1,808,405)

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

- 12.2** Through Finance Act 2007, a new section 100 A 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, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		8,308,093	9,136,885
- in foreign currencies		225,301	84,750
Advances, deposits, advance rent and other prepayments		598,689	999,893
Advance taxation (payments less provisions)		7,446,285	4,060,026
Stationery and stamps on hand		160,743	122,598
Unrealized gain on forward foreign exchange contracts		-	15,004
Due from the employees' retirement benefit schemes	36.4	3,944,973	3,268,110
Excise duty		11	11
Receivable from SBP - customers encashments		1,959	12,050
ATM settlement account		887,479	330,019
Non banking assets acquired in satisfaction of claims	13.1	2,520,310	2,787,866
Suspense account		721,735	764,492
Others		66,825	67,966
		24,882,403	21,649,670
Less: Provision held against other assets	13.2	(1,386,808)	(1,404,807)
Other assets (net of provision)		23,495,595	20,244,863
<b>13.1</b>	Market value of non banking assets acquired in satisfaction of claims	2,366,892	2,211,578
<b>13.2</b>	<b>Provision against Other Assets:</b>		
	Opening balance	1,404,807	1,098,592
	Charge for the year	48,000	472,926
	Reversals	-	(130,542)
	Net charge	48,000	342,384
	Written off / adjusted	(65,999)	(36,169)
	Closing balance	1,386,808	1,404,807
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2013 and December 31, 2012.			
<b>15. BILLS PAYABLE</b>			
	In Pakistan	4,878,594	6,203,051

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		32,505,517	38,469,303
Outside Pakistan		446,889	446,889
		<u>32,952,406</u>	<u>38,916,192</u>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		23,439,770	38,362,235
In foreign currencies		9,512,636	553,957
		<u>32,952,406</u>	<u>38,916,192</u>
<b>16.2 Details of borrowings (Secured / Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	11,781,485	15,179,074
Long term financing facility - Export oriented projects	16.4	468,546	908,543
Long term financing facility	16.5	2,600,000	2,623,950
Modernization of SMEs	16.6	20,000	7,222
Financing Facility for Storage of Agriculture Produce (FFSA)	16.7	58,330	60,290
Revival of SMEs & Agricultural activities in flood affected areas	16.8	700	112,650
		<u>14,929,061</u>	<u>18,891,729</u>
Repurchase agreement borrowings	16.9	1,970,489	18,220,505
<b>Unsecured</b>			
Call borrowings	16.10	16,012,636	1,553,957
Other Borrowings		40,220	250,001
		<u>16,052,856</u>	<u>1,803,958</u>
		<u>32,952,406</u>	<u>38,916,192</u>

**16.3** The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The loan carries mark-up at rates ranging from 8.20% to 8.40% (2012: 8.5% to 10%) per annum. These borrowings are repayable within six months from the deal date.

**16.4** This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.

**16.5** This represents Long Term Financing Facility availed by the Bank for further extending the same to its customers for balancing, modernization and replacement (BMR) of existing units / projects, for a maximum period of 10 years. The loan carries mark-up at rates ranging from 8.40% to 8.80% (2012: 8.20% to 9.50%) per annum.

**16.6** This represents Long Term Financing facility availed by the Bank for extending the same to its customers establishment, expansion and balancing, modernization & replacement (BMR) of steel / metal / concrete silos, warehouses & cold storage facilities for storing agricultural produce, for a maximum period of 5 years. These carry mark-up at the rates ranging from 5.50% to 7.00% (2012: 6.50%) per annum.

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

- 16.7** This represents long term financing facility availed by the Bank for establishment, expansion and balancing modernization and replacement (BMR) of steel / Metal. Concrete Silos, Warehouses and Cold Storage. The financing is available for a maximum period of 7 years. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.
- 16.8** This represents Production / Working capital financing facility availed by the Bank for extending the same to farmers and Small & Medium Enterprises (SMEs) in districts affected by recent flood as notified by National Disaster Management Authority. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.
- 16.9** These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 9.15% to 9.50% (2012: 6.49% to 9%) per annum maturing on various dates, latest by January 09, 2014.
- 16.10** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 9% to 10% (2012: 8.25% to 9%) for local currency borrowing, and at rates ranging from 0.40 % to 3.65% (2012: 0.16% to 0.40%) for foreign currency borrowing per annum maturing on various dates, latest by June 04, 2014.

	December 31, 2013	December 31, 2012
Rupees in '000		
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	191,182,134	158,249,920
Savings deposits	145,153,243	125,840,130
Current accounts - Remunerative	83,463,328	80,053,817
- Non - remunerative	183,047,302	145,711,361
	<b>602,846,007</b>	<b>509,855,228</b>
<b>Financial Institutions</b>		
Remunerative deposits	5,114,383	4,463,515
Non - remunerative deposits	451,280	388,312
	<b>608,411,670</b>	<b>514,707,055</b>
<b>17.1 Particulars of deposits</b>		
In local currency	547,905,391	475,361,565
In foreign currencies	60,506,279	39,345,490
	<b>608,411,670</b>	<b>514,707,055</b>
<b>18. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - I	1,247,000	2,494,000
Term Finance Certificates - II	2,995,200	2,996,400
	<b>4,242,200</b>	<b>5,490,400</b>

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

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	1,247,000	2,995,200
Issue date	December 06, 2006	August 28, 2009
Total issue (Rupees in thousand)	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Mark up repayment Rate	Payable semi annually Six months KIBOR plus 1.90%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		4,633,080	5,227,681
Mark-up / return / interest payable in foreign currency		301,023	569,242
Accrued expenses		1,541,894	1,436,242
Branch adjustment account		801,193	670,232
Unrealized loss on forward foreign exchange contracts		608,165	-
Provision for:			
- gratuity	36.4	48,066	302,214
- employees' medical benefits	36.4	951,480	1,381,401
- employees' compensated absences	36.4	820,067	1,020,459
Unclaimed dividends		112,043	87,695
Dividend payable		13,942	13,107
Provision against off-balance sheet obligations	19.1	899,444	884,489
Provision against fixed assets		80,879	46,920
Retention money payable		136,159	139,544
Security deposits against lease		486,262	451,206
Sundry deposits		1,104,004	895,873
Workers Welfare Fund payable		1,186,283	891,065
Others		1,980,664	1,645,813
		<u>15,704,648</u>	<u>15,663,183</u>
<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		884,489	515,009
Charge for the year		24,955	419,173
Reversals		(10,000)	(49,693)
Net charge		14,955	369,480
Closing balance		<u>899,444</u>	<u>884,489</u>
The above provision has been made against letters of guarantee issued by the Bank.			
<b>19.2 Particulars of other liabilities</b>			
In local currency		15,403,625	15,092,570
In foreign currencies		301,023	570,613
		<u>15,704,648</u>	<u>15,663,183</u>

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### 20. SHARE CAPITAL

#### 20.1 Authorized capital

December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
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, 2013	December 31, 2012	Ordinary shares	December 31, 2013	December 31, 2012
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,076,801
616,647,565	522,013,365	Issued as bonus shares	6,166,476	5,220,134
1,023,427,659	928,793,459		10,234,277	9,287,935
		18,348,550 ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
1,040,976,209	946,342,009		10,409,763	9,463,421

Ibrahim Fibers Limited, related party of the Bank, holds 176,401,742 (16.95%) [December 31, 2012: 226,365,220 (23.92%)] ordinary shares of Rs. 10 each, as at reporting date.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			

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

Surplus arising on revaluation of:			
- fixed assets	21.1	3,471,837	3,525,308
- securities	21.2	9,022,700	4,462,470
Surplus on revaluation of assets - net of tax		12,494,537	7,987,778

#### 21.1 Surplus on revaluation of fixed assets

Surplus on revaluation as at January 1, 2013		3,801,604	3,963,374
(Deficit) / surplus on revaluation during the year		-	(114,034)
Surplus realised on disposal of revalued properties		(27,824)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(25,647)	(31,028)
Related deferred tax liability	12.1	(13,810)	(16,708)
	11.6	(39,457)	(47,736)
Surplus on revaluation as at December 31, 2013		3,734,323	3,801,604
Less: Related deferred tax liability on :			
Revaluation as at January 1, 2013		(276,296)	(334,264)
Deferred tax liability on surplus on revaluation of fixed assets		-	41,260
Incremental depreciation charged during the year transferred to profit and loss account	12.1	13,810	16,708
		(262,486)	(276,296)
		3,471,837	3,525,308

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>21.2 Surplus / (deficit) on revaluation of available-for-sale securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		(402,777)	260,050
Pakistan Investment Bonds		(3,533)	(2,078)
<b>Term Finance Certificates</b>		11,590	9,007
<b>Shares / Certificates - Listed</b>		9,919,218	4,659,338
<b>Open end mutual funds</b>		387,904	146,968
	9.1	9,912,402	5,073,285
Less : Related deferred tax (liability)	12.1	(889,702)	(610,815)
		<u>9,022,700</u>	<u>4,462,470</u>

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Direct credit substitutes

Guarantees in favour of:			
Banks and financial institutions		439,266	473,823

### 22.2 Transaction-related contingent liabilities

Guarantees in favour of:			
Government		17,959,000	18,513,854
Others		14,245,474	12,703,025
		<u>32,204,474</u>	<u>31,216,879</u>

### 22.3 Trade-related contingent liabilities

		71,322,325	54,546,360
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### 22.4 Claims against the bank not acknowledged as debt

		5,740,843	5,929,382
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**22.5** The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	December 31, 2013	December 31, 2012
Rupees in '000		

### 22.6 Commitments in respect of forward foreign exchange contracts

Purchase	97,308,562	35,605,257
Sale	62,218,028	9,400,993

### 22.7 Commitments in respect of:

Civil works	1,064,715	495,414
Acquisition of operating fixed assets	794,367	706,733
	<u>1,859,082</u>	<u>1,202,147</u>

### 22.8 Commitments in respect of lease financing

	100,000	192,274
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### 22.9 Other Contingencies

**22.9.1** The income tax assessments of the Bank have been finalized up to and including tax year 2013 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2013, income tax authorities made certain add backs with aggregate tax impact of Rs. 15,702 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. 15,702 million. The management is confident that the outcome of these appeals / references will be in favor of the Bank.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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 2012 and created aggregate arbitrary demand of Rs. 1,081 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. 1,081 million.

Tax authorities have issued orders under Federal Excise Act, 2005 for the year 2008 to 2011 thereby creating arbitrary aggregate demand of Rs. 340 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. 340 million.

**22.9.2** 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 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 lose money, and Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking forward position in inter-bank FX.

#### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favourable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

#### 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, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
<b>On loans and advances:</b>			
Customers		27,442,696	31,457,248
<b>On investments in:</b>			
Available for sale securities		21,221,795	12,897,039
Held to maturity securities		4,176,138	4,036,826
Held for Trading		47,448	41,990
		25,445,381	16,975,855
On deposits with financial institutions		3,547	9,018
On securities purchased under resale agreements		1,185,443	996,522
On certificates of investment		14,457	6,571
On letters of placement		-	7,088
On call money lending		130,053	50,331
		54,221,577	49,502,633
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		26,896,609	23,054,577
Long term borrowing		236,945	248,400
Securities sold under repurchase agreements		1,608,487	3,261,106
Call money borrowing		174,301	431,967
Brokerage and commission		149,606	154,232
Mark-up on sub-ordinated loans		550,572	716,980
Other short term borrowings		2,935,402	3,274,424
		32,551,922	31,141,686
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Core fees, commission and brokerage		2,964,246	2,450,527
Account maintenance charges		115,092	119,580
		3,079,338	2,570,107
<b>27. GAIN / (LOSS) ON SALE OF SECURITIES</b>			
Shares - listed		1,133,840	2,002,399
- unlisted		-	208,715
Open end mutual funds		109,886	(953,571)
Market treasury bills		769	660,944
Sukuk Bonds		1,278	1,382
		1,245,773	1,919,869
<b>28. OTHER INCOME</b>			
Gain on sale of operating fixed assets		27,363	27,850
Profit on sale of other assets		42,504	5,273
Management fee		-	71,737
Recovery from written off loans / others		110,426	128,245
Gain on Demutualization of Lahore and Islamabad Stock Exchange		-	38,785
Compensation on delayed tax refund	28.1	1,066,805	-
		1,247,098	271,890

**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 to 2006. 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.



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.3	7,945,671	7,585,058
Charge for defined benefit plan - net	29.3 & 36	26,104	477,664
Contribution to defined contribution plan - provident fund		255,462	242,066
Non-executive directors' fees, allowances and other expenses		7,900	7,550
Rent, taxes, insurance, electricity, etc.		2,122,380	1,761,606
Legal and professional charges		75,504	74,812
Communications		316,453	327,944
Repairs and maintenance		368,050	308,050
Stationery and printing		191,768	228,248
Advertisement and publicity		315,863	355,139
Auditors' remuneration	29.1	12,645	15,976
Depreciation / Amortization	11.2 & 11.3	1,697,245	1,241,870
Security service charges		705,785	623,191
Travelling, conveyance and fuel expenses		250,756	266,838
Entertainment		136,754	117,034
Computer expenses		663,152	533,569
Subscription		264,844	247,457
Donations	29.2	80,183	103,515
Others		73,944	63,668
		<b>15,510,463</b>	<b>14,581,255</b>

### 29.1 Auditors' remuneration

	December 31, 2013			December 31, 2012		
	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	2,925	2,925	5,850
Annual audit oversees business unit	-	2,590	2,590	53	2,361	2,414
Half year review	-	2,360	2,360	1,180	1,180	2,360
Special certifications and miscellaneous services	-	335	335	2,094	2,175	4,269
Out-of-pocket expenses	510	1,000	1,510	545	538	1,083
	<b>510</b>	<b>12,135</b>	<b>12,645</b>	<b>6,797</b>	<b>9,179</b>	<b>15,976</b>

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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

	December 31, 2013	December 31, 2012
	Rupees in '000	
Al-Mustafa Trust	1,000	1,500
Aziz Jehan Begum Trust	-	1,000
Bait ul Sakoon Karachi	-	100
Bakhtawar Amin Memorial Trust Hospital	3,000	3,000
Construction of Houses at Flood Effectuated Areas	-	51,315
Custom Public School - Lahore	500	-
Imran Khan Foundation	-	100
Institute of Business Administration	15,000	15,000
Kaghan Memorial Trust	-	2,000
Karachi Education Initiative	30,400	-
Karachi School For Business and Leadership	-	20,000
Laeeg Rafique Foundation	-	2,000
Lahore Businessmen Association for Rehabilitation of the Disabled	-	500
Liver Center, Civil Hospital Faisalabad	-	3,000
Namal Education Foundation	5,000	1,000
Pakturk International CAG Educational Foundation	500	-
Public Interest Law Association of Pakistan	200	-
Prime Minister Earthquake Relief Fund 2013 For Balochistan	10,000	-
Sargodhian Spirit Trust	-	1,000
Shaukat Khanum Memorial Cancer Hospital & Research Centre	500	2,000
Suleman Dawood School of Business	10,000	-
Tamir Welfare Organization	1,000	-
Tehzeeb Social Welfare Organization	200	-
Anjuman Himayat-i-Islam	29.2.1 2,883	-
	<u>80,183</u>	<u>103,515</u>

**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. Eighty (80) employees (2012: 91) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 135.8 million (2012: Rs. 104 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2013	December 31, 2012
	Rupees in '000	
<b>30. OTHER CHARGES</b>		
Penalties imposed by SBP	16,290	39,062
SBP prism service charges	7,612	5,828
Education cess	16,415	12,100
Provision against fixed assets	33,959	-
Other assets written off	4,082	969
	<u>78,358</u>	<u>57,959</u>

### 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, 2013	December 31, 2012
		Rupees in '000	
<b>32. TAXATION</b>			
Current - for the year		4,079,460	3,743,788
- for prior years	32.1	(4,438,656)	-
		(359,196)	3,743,788
Deferred - current		123,699	450,750
- for prior years	32.1	353,034	-
		<u>117,537</u>	<u>4,194,538</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

- 32.1** The Bank had filed appeals before Appellate Tribunal Inland Revenue (ATIR) for Assessment / Tax Years from 1996-97 to 2007, 2009 and 2010 against decisions of Commissioner Appeals. As a result of appellate decision and adjudication of issues set aside by ATIR, certain reliefs, including assessment of tax losses pertaining to assessment years 1996-97 to tax year 2003, were allowed to the Bank. Accordingly excess provision charged to profit and loss account (in prior years) amounting to Rs. 4,086 million (net of deferred tax of Rs. 353 million ) has been reversed based on relief allowed by ATIR.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>32.2 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		14,760,897	15,835,496
Tax on income @ 35% (2012: 35%)		5,166,314	5,542,424
Effect of permanent differences		33,735	20,477
Adjustments in respect of tax at reduced rates		(1,012,019)	(1,539,454)
Others		(4,070,493)	171,091
Tax charge for the year		117,537	4,194,538

### 33. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation		14,643,360	11,640,958
Number of Shares			
Restated			
Weighted average number of ordinary shares outstanding during the year	33.1	1,040,976,209	1,040,976,209
Rupees			
Restated			
Earnings per share - basic and diluted	33.1	14.07	11.18

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, 2013	December 31, 2012
Rupees in '000			
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	44,673,079	43,351,653
Balances with other banks	7	1,102,231	1,029,286
		45,775,310	44,380,939

### 35. STAFF STRENGTH

		Numbers	
Permanent		9,675	9,291
Temporary / on contractual basis / trainee		229	277
Bank's own staff strength at the end of the year		9,904	9,568
Outsourced	35.1	309	364
Total staff strength		10,213	9,932
Average number of employees		10,073	10,082

- 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.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	December 31, 2013	December 31, 2012
	Numbers	

### 36.2 Number of Employees under the schemes

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

- Gratuity fund	9,983	9,567
- Pension fund	6,428	6,603
- Benevolent fund	185	201
- Employees' compensated absences	9,653	9,291
- Post retirement medical benefits	9,653	9,291

### 36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2013 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2013	December 31, 2012
Discount rate	Yield on investments in Government Bonds	12.50%	12.00%
<b>Expected rate of return on plan assets:</b>			
Pension fund	Yield on investments in Government Bonds	12.50%	12.00%
Gratuity fund	Yield on investments in Government Bonds	12.50%	12.00%
Benevolent fund	Yield on investments in Government Bonds	12.50%	12.00%
Expected rate of salary increase	Rate of salary increase	10.50%	10.00%

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

	Note	December 31, 2013				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Fair value of plan's / scheme's assets	36.7	(5,993,598)	(1,082,001)	(161,107)	-	-
Net (asset) / liability		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

	Note	December 31, 2013				
		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
(Reversal) / charge 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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(1,745,972)	275,395	(141,256)	1,656,505	962,292
Charge / (reversal) for the year	36.9	(191,977)	187,969	(19,393)	268,664	298,872
Other Comprehensive Income		(1,182,047)	61,733	12,534	(376,000)	-
Contribution to the fund / benefits paid		-	(222,883)	-	(167,769)	(240,705)
Closing balance		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459

## 36.6 Reconciliation of present value of defined benefit obligations

		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	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

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



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 36.7 Reconciliation of fair value of plan assets

	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	-	-

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

### 36.8 Composition of fair value of plan assets

	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	-	-

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

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 36.9 Charge for defined benefit plan

	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, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	160,654	-	63,224	77,914
Interest cost	-	-	-	204,440	-
Net interest	(226,977)	21,315	(19,393)	-	162,627
Actuarial (gains) / losses recognised	-	-	-	-	39,331
VRS Loss	35,000	6,000	-	1,000	19,000
	(191,977)	187,969	(19,393)	268,664	298,872

	December 31, 2013	December 31, 2012
	Rupees in '000	

## 36.10 Actual return on plan assets

- Pension fund	1,033,838	601,886
- Gratuity fund	289,384	118,901
- Benevolent fund	23,324	16,148

## 36.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	2,810,086	2,873,602	4,239,314	4,237,829	4,040,811
Fair value of plan assets	(6,591,550)	(5,993,598)	(5,985,286)	(5,368,825)	(5,138,070)
Surplus	(3,781,464)	(3,119,996)	(1,745,972)	(1,130,996)	(1,097,259)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	(25,739)	1,319,665	122,770	(191,900)	(491,912)
Actuarial gains / (losses) on assets	340,760	(137,618)	451,777	211,328	540,483

	Gratuity fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	1,486,417	1,384,215	1,193,848	941,933	766,547
Fair value of plan assets	(1,438,351)	(1,082,001)	(918,453)	(849,433)	(593,567)
Deficit	48,066	302,214	275,395	92,500	172,980
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	92,014	(58,334)	(71,960)	(41,223)	(60,758)
Actuarial gains / (losses) on assets	155,526	(3,400)	(79,625)	125,349	131,570

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	Benevolent fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	10,894	12,992	19,561	22,819	60,968
Fair value of plan assets	(174,403)	(161,107)	(160,816)	(143,814)	(143,594)
Surplus	(163,509)	(148,115)	(141,255)	(120,995)	(82,626)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	(6,973)	(7,777)	1,266	25,350	6,697
Actuarial gains / (losses) on assets	4,593	(4,757)	3,053	(202)	40,916
<b>Post retirement fund</b>					
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	951,480	1,381,400	1,656,505	1,752,683	1,681,204
Fair value of plan assets	-	-	-	-	-
Deficit	951,480	1,381,400	1,656,505	1,752,683	1,681,204
<i>Experience adjustments on plan obligations</i>					
Actuarial gains / (losses) on obligation	483,192	376,000	238,730	68,829	40,340
<b>Leave Encashment</b>					
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	820,067	1,020,459	962,292	872,705	838,005
Fair value of plan assets	-	-	-	-	-
Deficit	820,067	1,020,459	962,292	872,705	838,005
<i>Experience adjustments on plan obligations</i>					
Actuarial gains / (losses) on obligation	-	-	-	-	-

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

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. 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, 2014 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	(472,683)	212,031	(20,439)	152,182	140,252

### 36.13 Sensitivity analysis

Description	+1%	-1%	+1% Salary	+1% Pension	+10%	-10%	+10% Death	-10% Death
	Discount Rate	Discount Rate	Increase Rate	Indexation Rate	Withdrawal Rate	Withdrawal Rate	Rate	Rate
	Rupees in 000'							
Pension fund	2,634	2,957	2,810	2,937	2,806	2,793	2,785	2,837
Gratuity fund	1,348	1,651	1,659	1,342	1,488	1,484	1,488	1,485
Benevolent fund	11	11	-	-	-	-	11	11
Post retirement medical	895	1,014	949	953	954	949	952	951
Leave encashment	743	911	915	740	821	819	821	819

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 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:

		December 31, 2013	December 31, 2012
Rupees in '000			
<b>37.1</b>	<b>Employee provident fund</b>		
	Size of the fund	5,168,034	4,281,061
	Cost of investment made	37.2 4,952,024	4,062,444
	Percentage of investment made	95.82%	94.89%
	Fair value of investment	5,094,739	4,243,507
<b>37.2</b>	<b>Breakup of investment</b>		
	Investment in shares (Listed securities)	1,284,238	991,934
	Treasury bills	-	929,285
	Term deposit receipts	3,626,780	2,012,900
	Pakistan investment bonds	24,006	128,325
	Open ended mutual funds	17,000	-
		4,952,024	4,062,444
<b>37.3</b>	<b>Number of employees - Employees provident fund</b>		Numbers
	Number of employees at the end of the year	8,768	8,801
	Average number of employees during the year	8,785	8,615

## 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Note	President / Chief Executive		Independent / Non-Executive Directors		Executive Director		Executives		
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	
	Rupees in '000								
Fees	38.1	-	-	7,900	7,550	-	-	-	-
Managerial remuneration	19,699	28,028	-	-	16,423	15,353	1,233,782	1,146,135	
Charge for defined benefit plans	1,395	1,667	-	-	1,163	913	181,160	281,329	
Contribution to defined contribution plan	497	-	-	-	1,368	1,279	107,380	96,551	
Rent and house maintenance	9,071	12,615	-	-	7,787	6,909	477,366	515,413	
Utilities	2,277	2,803	-	-	2,404	1,535	208,087	114,611	
Medical	751	31	-	-	206	190	228,914	143,997	
Bonus	18,000	19,207	-	-	14,000	14,661	453,534	367,495	
Conveyance and others	1,932	219	-	-	391	803	611,331	196,348	
	38.2	53,622	64,570	7,900	7,550	43,742	41,643	3,501,554	2,861,879
Number of persons		1	1	4	4	1	1	1,321	1,236

**38.1** This represents meeting fees paid to independent / Non-Executive Directors excluding Sponsor Directors for attending meetings of the Board of Directors, Audit Committee and other Board Committees held during the year. Each director was paid Rs. 100,000 during the year for each meeting attended.

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

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 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:-

	For the Year Ended December 31, 2013						Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	
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 (%)*	0.00%	21.39%	8.50%	7.84%	0.00%	-	-

	For the Year Ended December 31, 2012						Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	
Rupees in '000							
Total income	501,703	3,185,436	39,576,232	55,836,450	592,932	(36,396,525)	63,296,228
Total expenses	(232,431)	(4,409,178)	(31,369,589)	(51,749,295)	(291,302)	36,396,525	(51,655,270)
Net income / (loss)	269,272	(1,223,742)	8,206,643	4,087,155	301,630	-	11,640,958
Segment assets (gross)	332,769	9,418,765	122,688,813	522,140,750	352,054	-	654,933,151
Segment non performing loans	-	-	7,150,202	13,517,359	-	-	20,667,561
Segment provision required	-	-	6,168,891	11,636,141	-	-	17,805,032
Segment liabilities	293,222	18,502,359	504,251,299	52,090,996	6,529,611	-	581,667,487
Segment return on net assets (ROA) (%)*	80.92%	-12.99%	7.04%	0.80%	85.68%	-	-
Segment cost of funds (%)*	0.00%	28.53%	6.87%	9.64%	0.00%	-	-

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



# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### 41. RELATED PARTY TRANSACTIONS

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

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Nature of related party transactions	December 31, 2013					December 31, 2012				
	Directors	Associated Companies*	Subsidiary management	Key Other related personnel parties		Directors	Associated Companies*	Subsidiary management	Key Other related personnel parties	
Rupees in '000										
<b>Loans</b>										
Loans at the beginning of the year	43,842	1,833,333	-	162,016	200	49,969	-	-	203,005	-
Loans given during the year	91,890	-	-	162,658	54,583,758	14,847	2,000,000	-	76,199	3,185
Loans repaid / adjustment during the year	(66,826)	(1,833,333)	-	(98,669)	(50,200,017)	(20,974)	(166,667)	-	(117,188)	(2,985)
Loans at the end of the year	68,906	-	-	226,005	4,383,941	43,842	1,833,333	-	162,016	200
<b>Deposits</b>										
Deposits at the beginning of the year	33,653	41,011	5,680	27,640	5,675,814	17,270	48,985	5,710	13,556	230,430
Deposits received during the year	5,146,560	7,144,875	902,796	795,509	98,198,169	6,532,379	13,700,859	935,661	310,582	327,706,930
Deposits repaid during the year	(5,114,079)	(7,171,057)	(901,310)	(804,619)	(89,267,002)	(6,515,996)	(13,708,833)	(935,691)	(296,498)	(322,261,546)
Deposits at the end of the year	66,134	14,829	7,166	18,530	14,606,981	33,653	41,011	5,680	27,640	5,675,814
Nostro balances	-	148,691	-	-	-	-	136,808	-	-	-
Lending	-	-	-	-	-	-	1,479,252	-	-	-
Investments in shares / open end mutual funds*	-	279,650	500,000	-	11,262,674	-	219,130	500,000	-	122,642
Other receivables	-	-	2,356	-	-	-	-	3,186	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	3,896,907	-	-	-	-	1,704,067

	December 31, 2013					December 31, 2012				
	Directors	Associated Companies*	Subsidiary management	Key Other related personnel parties		Directors	Associated Companies*	Subsidiary management	Key Other related personnel parties	
Rupees in '000										
Mark-up earned	2,273	-	-	11,151	368,455	1,729	162,624	-	10,627	-
Income on Placements	-	1,665	-	-	-	-	118	-	-	-
Income on lendings	-	-	-	-	-	-	1,775	-	-	-
Dividend Income	-	-	-	-	464,052	-	-	-	-	6,066,277
Capital Gain / (Loss)	-	-	-	-	119	-	-	-	-	(899,779)
Sales commission / management fee sharing	-	-	6,074	-	-	-	-	48,885	-	-
Mark-up expense on deposits	2,098	17	1,423	2,272	734,524	2,032	6	934	224	176,366
Fee commission / bank charges	23	50	8	56	1,964	19	1,062	18	15	168
Interest expense on borrowings	-	115	-	-	-	-	-	-	-	-
Directors' meeting fee	7,900	-	-	-	-	7,550	-	-	-	-
Remuneration	-	-	-	268,403	-	-	-	-	223,712	-
NIFT charges	-	-	-	-	78,001	-	-	-	-	80,720
Rent Expense**	-	7,966	-	-	-	-	5,868	-	-	-
Rent Income	-	600	-	-	-	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	114,284	-	-	-	-	191,858

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).

\*\*\*\* Allied Bank Limited sold 17.6 million shares of KAPCO @ Rs. 46.063 on July 23, 2013 to ABL Employee Pension Funds.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 42. CAPITAL ASSESSMENT AND ADEQUACY

#### 42.1 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.

#### 42.2 Capital Structure - Basel III transition

During the year, 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).

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

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits. TFC I is not redeemable before maturity without prior approval of the SBP, where as TFC II can be redeemed after the 11th redemption date of the entire TFC issue.

The salient features of the issue are as follow:

	Term Finance Certificate-I	Term Finance Certificate-II
Outstanding Amount- (Rupees in thousand)	1,247,000	2,995,200
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

The required capital is achieved by the Bank through:

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

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital / Capital deposited with SBP	10,409,763	-	9,463,421
Balance in Share Premium Account	333,864	-	-
Reserve for issue of Bonus Shares	-	-	-
General / Statutory Reserves	12,019,553	-	10,896,052
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated/unremitted profits / (losses)	30,855,565	-	22,558,413
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
<b>CET 1 before Regulatory Adjustments</b>	<b>53,618,745</b>	<b>-</b>	<b>42,917,886</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	(1,187,892)	-	(985,412)
Shortfall of provisions against classified assets	-	-	(1,939,887)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
Defined-benefit pension fund net assets	-	3,781,464	-
Reciprocal cross holdings in CET1 capital instruments	(107,431)	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares / CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-
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)	-	-	-
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)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(250,000)	-	(250,000)
<b>Total regulatory adjustments applied to CET1</b>	<b>(1,545,323)</b>	<b>3,781,464</b>	<b>(3,175,299)</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000				
<b>Common Equity Tier 1</b>	<b>a</b>	52,073,422		39,742,587
<b>Additional Tier 1 (AT 1) Capital</b>				
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		-	-	-
<b>AT1 before regulatory adjustments</b>		-	-	-
<b>Additional Tier 1 Capital: regulatory adjustments</b>				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-	-	-
Investment in own AT1 capital instruments		-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments		-	-	-
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)		-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
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		(250,000)	-	(250,000)
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-	-
<b>Total of Regulatory Adjustment applied to AT1 capital</b>		<b>(250,000)</b>	<b>-</b>	<b>(250,000)</b>
<b>Additional Tier 1 capital</b>				
<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>b</b>	-	-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>(c=a+b)</b>	52,073,422	-	39,742,587
<b>Tier 2 Capital</b>				
Qualifying Tier 2 capital instruments under Basel III		-	-	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		2,696,484	-	2,946,964
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		132,187	-	52,090
Revaluation Reserves		5,622,542	-	3,993,699
of which: Revaluation reserves on Property		1,562,327	-	1,710,720
of which: Unrealized Gains / Losses on AFS		4,060,215	-	2,282,978
Foreign Exchange Translation Reserves		84,741	-	10,198
Undisclosed / Other Reserves (if any)		-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000			
<b>T2 before regulatory adjustments</b>	8,535,954	-	7,002,951
<b>Tier 2 Capital: regulatory adjustments</b>			
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	(250,000)	-	(250,000)
Reciprocal cross holdings in Tier 2 instruments	(376,298)	-	-
Investment in own Tier 2 capital instrument	-	-	-
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-	-
Tier 2 capital (T2)	-	-	-
Tier 2 capital recognized for capital adequacy	-	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
<b>Total Tier 2 capital admissible for capital adequacy (d)</b>	7,909,656	-	6,752,951
<b>TOTAL CAPITAL (T1 + admissible T2) (e=c+d)</b>	59,983,078	-	46,495,538
<b>Total Risk Weighted Assets (i=f+g+h)</b>	336,001,663	-	287,536,379
Total Credit Risk Weighted Assets (f)	275,301,560	-	231,121,312
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
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	-	-	-
of which: deferred tax assets	-	-	-
of which: Defined-benefit pension fund net assets	3,781,464	-	-
of which: Others	-	-	-
Total Market Risk Weighted Assets (g)	3,231,911	-	932,914
Total Operational Risk Weighted Assets (h)	57,468,192	-	55,482,153
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA (a/i)	15.50%	-	13.82%
Tier-1 capital to total RWA (c/i)	15.50%	-	13.82%
Total capital to RWA (e/i)	17.85%	-	16.17%
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)	15.50%	-	13.82%



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
	Rupees in '000		
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio	5.00%	-	-
Tier 1 minimum ratio	6.50%	-	-
Total capital minimum ratio	10.00%	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
Non-significant investments in the capital of other financial entities	2,889,773	-	-
Significant investments in the common stock of financial entities	1,075,653	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	132,187	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

### 42.3 Capital Adequacy

#### Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO) and Management Committee (MANCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (BRMC) and Strategic Planning and Monitoring Committee (SPMC).

#### Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

#### Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 has asked the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses by the end of financial year 2013.

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

The paid up capital and CAR of the Bank stands at Rs. 10.410 billion and 17.85% of its risk weighted exposure as at December 31, 2013.

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

Notes to the Unconsolidated Financial Statements  
for the year ended December 31, 2013

42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument - 2	Instrument - 3
1	Issuer	Allied Bank Limited	Allied Bank Limited	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL	ABL/FC	ABL/FC2
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan	Laws applicable in Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Common Equity Tier 1	The bank intends to Phase out the above instrument till 2014	The bank intends to Phase out the above instrument till 2019
5	Post-transitional Basel III rules	Common Equity Tier 1	N/A	N/A
6	Eligible at solo/ group/ group& solo	Group and Standalone	Group and Standalone	Group and Standalone
7	Instrument type	Ordinary Shares	Other Tier 2	Other Tier 2
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,409,763	-	2,696,484
9	Par value of instrument	PKR 10	PKR 5,000	PKR 5,000
10	Accounting classification	Shareholders equity	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	1942	December 06, 2006	August 28, 2009
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	N/A	December 06, 2014	August 28, 2019
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount N/A	N/A	N/A	Issuer has the right to seek redemption after the eleventh redemption of the entire IFC issue, prior to its stated maturity
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	N/A	Floating	Floating
18	coupon rate and any related index/ benchmark	N/A	6M KIBOR +1.9%	- 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	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down feature	N/A	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	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	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	As per published financial statements	Under regulatory scope of consolidation December 31, 2013	Reference
	Rupees in '000		
<b>42.5 Capital Structure Reconciliation</b>			
<b>42.5.1 Step 1</b>			
<b>Assets</b>			
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	12,461,403	
Investments	363,378,998	363,378,998	
Advances	267,001,028	267,001,028	
Operating fixed assets	22,083,612	22,083,612	
Deferred tax assets	-	-	
Other assets	23,495,595	23,495,595	
<b>Total assets</b>	<b>734,195,946</b>	<b>734,195,946</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	4,878,594	4,878,594	
Borrowings	32,952,406	32,952,406	
Deposits and other accounts	608,411,670	608,411,670	
Sub-ordinated loans	4,242,200	4,242,200	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,808,405	1,808,405	
Other liabilities	15,704,648	15,704,648	
<b>Total liabilities</b>	<b>667,997,923</b>	<b>667,997,923</b>	
Share capital/ Head office capital account	10,409,763	10,409,763	
Reserves	12,438,158	12,438,158	
Unappropriated/ Unremitted profit/ (losses)	30,855,565	30,855,565	
Minority Interest	-	-	
Surplus on revaluation of assets	12,494,537	12,494,537	
<b>Total liabilities &amp; equity</b>	<b>734,195,946</b>	<b>734,195,946</b>	
<b>42.5.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	44,673,079	44,673,079	
Balanced with other banks	1,102,231	1,102,231	
Lending to financial institutions	12,461,403	12,461,403	
Investments	363,378,998	363,378,998	
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	-	107,431	d
of which :Reciprocal cross holdings in Tier2	-	376,298	e
of which: others	-	-	f
Advances	267,001,028	267,001,028	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	g
general provisions reflected in Tier 2 capital	-	132,187	h
Fixed Assets	22,083,612	22,083,612	
of which: Intangibles	-	1,216,504	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	23,495,595	23,495,595	
of which: Goodwill	-	-	l
of which: Defined-benefit pension fund net assets	-	3,781,464	m
<b>Total assets</b>	<b>734,195,946</b>	<b>734,195,946</b>	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	As per published financial statements	Under regulatory scope of consolidation December 31, 2013	Reference
Rupees in '000			
<b>Liabilities &amp; Equity</b>			
Bills payable	4,878,594	4,878,594	
Borrowings	32,952,406	32,952,406	
Deposits and other accounts	608,411,670	608,411,670	
Sub-ordinated loans	4,242,200	4,242,200	
of which: eligible for inclusion in AT1	-	-	n
of which: eligible for inclusion in Tier 2	-	2,696,484	o
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,808,405	1,808,405	
of which: DTLs related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	28,612	q
of which: DTLs related to defined pension fund net assets	-	523,974	r
of which: other deferred tax liabilities	-	-	s
Other liabilities	15,704,648	15,704,648	
<b>Total liabilities</b>	<b>667,997,923</b>	<b>667,997,923</b>	
Share capital	10,409,763	10,409,763	
of which: amount eligible for CET1	-	10,409,763	t
of which: amount eligible for AT1	-	-	u
Reserves	12,438,158	12,438,158	
of which: portion eligible for inclusion in CET1:Share Premium	-	333,864	v
of which: portion eligible for inclusion in CET1 General / Statutory Reserve	-	12,019,553	w
of which: portion eligible for inclusion in Tier 2	-	84,741	x
Unappropriated profit / (losses)	30,855,565	30,855,565	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	12,494,537	12,494,537	
of which: Revaluation reserves on Property	-	1,562,327	ac
of which: Unrealized Gains / Losses on AFS	-	4,060,215	
In case of Deficit on revaluation (deduction from CET1)	-	-	ad
<b>Total liabilities &amp; Equity</b>	<b>66,198,023</b>	<b>66,198,023</b>	

Component of  
regulatory capital  
reported by  
bank

Source based  
on reference  
number for  
step 2

Rupees in '000

## 42.5.3 Step 3

### Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully Paid-up Capital / Capital deposited with SBP	10,409,763	(t)
2	Balance in Share Premium Account	333,864	(v)
3	Reserve for issue of Bonus Shares	-	
4	General / Statutory Reserves	12,019,553	(w)
5	Gain / (Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits / (losses)	30,855,565	(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)
<b>8</b>	<b>CET 1 before Regulatory Adjustments</b>	<b>53,618,745</b>	

### 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)	(1,187,892)	(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%

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Component of regulatory capital reported by bank	Source based on reference number for step 2
Rupees in '000		
13	-	{(m) - (r)} * x%
14	(107,431)	(d)
15	-	
16	-	
17	-	
18	-	
19	-	(ad)
20		
	-	(a) - (ae) - (ah)
21		
	-	(b) - (af) - (ai)
22		
	-	(k)
23	-	
24	-	
25	-	
26	-	
27	-	
28	-	
29	(250,000)	
30	(1,545,323)	
	<b>Common Equity Tier 1</b>	<b>52,073,422</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
31	-	
32	-	(u)
33	-	(n)
34		
	-	
35	-	
36	-	
	<b>Additional Tier 1 Capital: regulatory adjustments</b>	
37	-	
38	-	
39	-	
40		
	-	(ae)
41		
	-	(af)
42		
	(250,000)	
43	-	
44	-	
45	-	
46		
	<b>Additional Tier 1 capital recognized for capital adequacy</b>	
	<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>52,073,422</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Component of regulatory capital reported by bank	Source based on reference number for step 2
Rupees in '000		
<b>Tier 2 Capital</b>		
47	-	
48	2,696,484	(o)
49	-	(ab)
50	-	
51	132,187	(h)
52	-	
53	1,562,327	portion of (ac)
54	4,060,215	
55	84,741	(x)
56	-	
57	8,535,954	
<b>Tier 2 Capital: regulatory adjustments</b>		
58	(250,000)	
59	(376,298)	(e)
60	-	
61	-	(ah)
62	-	(ai)
63	-	
64	-	
65	-	
66	-	
67	7,909,656	
	<b>59,983,078</b>	

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 42.6 Risk Weighted Exposures

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

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Rupees in '000				
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
(a) Cash and Cash Equivalents	-	-	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	-	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	-	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	710,029	392,497	7,100,285	3,924,967
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	237,682	168,314	2,376,815	1,683,131
(h) Claims on Banks	504,038	338,034	5,040,380	3,380,338
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	54,850	40,226	548,499	402,264
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	51,040	78,877	510,404	788,772
(k) Claims on Corporates (excluding equity exposures)	12,945,598	11,877,234	129,455,979	118,772,337
(l) Claims categorized as retail portfolio	1,950,207	1,697,603	19,502,070	16,976,028
(m) Claims fully secured by residential property	210,200	223,781	2,101,998	2,237,812
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	11,922	48,495	119,217	484,947
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	110,205	280,234	1,102,054	2,802,338
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	-	2,473	-	24,734
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and /or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and / or impaired and specific provision held there against is more than 20% of outstanding amount	-	-	-	-
(o) 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	-
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	268,913	-	2,689,133	-
(q) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	3,150,399	2,098,441	31,503,994	20,984,411
(r) Unlisted equity investments (other than that deducted from capital) held in banking book	189,129	390,048	1,891,294	3,900,485
(s) Investments in venture capital	-	-	-	-
(t) Investments in premises, plant and equipment and all other fixed assets	2,089,572	1,888,576	20,895,720	18,885,761
(u) Claims on all fixed assets under operating lease	-	-	-	-
(v) All other assets	751,396	509,610	7,513,958	5,096,099
	23,536,429	20,034,443	235,364,287	200,344,424

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Rupees in '000				
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	3,011,768	2,546,572	30,117,680	25,465,724
Performance related contingencies	228,031	141,284	2,280,307	1,412,847
Trade Related contingencies / Other Commitments with original maturity of one year or less	608,947	355,962	6,089,471	3,559,626
	3,848,746	3,043,818	38,487,458	30,438,197
Off- Balance Sheet - Market related Exposures				
	144,982	33,869	1,449,815	338,691
<b>Total Credit Risk (A)</b>	<b>27,530,157</b>	<b>23,112,130</b>	<b>275,301,560</b>	<b>231,121,312</b>
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	112,834	-	1,128,342	-
Equity position risk etc.	169,406	-	1,694,062	-
Foreign exchange risk	40,951	93,291	409,507	932,914
Operational Risk				
Capital Requirement for operational risks	5,746,819	5,548,215	57,468,192	55,482,153
<b>Total Risk Weighted Assets</b>	<b>33,600,167</b>	<b>28,753,637</b>	<b>336,001,663</b>	<b>287,536,379</b>
<b>Capital Adequacy Ratio</b>				
			December 31, 2013	December 31, 2012
Total eligible regulatory capital held (Note 42.2)	(e)	59,983,078	46,495,538	
Total Risk Weighted Assets (Note 42.2)	(i)	336,001,663	287,536,379	
Capital Adequacy Ratio	(e) / (i)	17.85%	16.17%	

The Capital Adequacy Ratio of prior year is based on BASEL II framework as applicable on that date.

## 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 fulfil commitments to lend.

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

**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 are 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) as well as country risk rating assessment

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

reports published by Dun & Bradstreet Limited (an international credit rating agency) . The country risk limits determined by the Bank are based on the ECA Scores, Dun & Bradstreet ratings, as well as assessment of other political, commercial, macroeconomic and external risk factors associated with any Country. 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 intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

### Stress Testing

The Bank 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.

### Early Warning System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' influences the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the Watch-List category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2013, the specific provisioning rate was 93.92% 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 2013, 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 decrease by 1.22%.

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Agriculture, Textile, Cement, and Electric Generation are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.



## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 43.1.1 Segmental Information

#### 43.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	592,680	0.21%	27,142,094	4.46%	1,844,194	0.68%
Basic metals (iron, steel)	3,119,923	1.09%	4,500,009	0.74%	1,379,512	0.51%
Beverages	399,033	0.14%	-	0.00%	-	0.00%
Cement / clay & ceramics	13,325,790	4.67%	2,137,376	0.35%	-	0.00%
Chemical & pharmaceutical	15,851,657	5.55%	833,779	0.14%	4,799,544	1.77%
Construction	7,656,888	2.68%	34,315,714	5.64%	6,063,472	2.24%
Education	39,089	0.01%	12,910,162	2.12%	-	0.00%
Financial	14,438,379	5.06%	2,089,234	0.34%	168,050,471	61.97%
Finishing of Textile	9,885,293	3.46%	2,264,099	0.37%	5,464,371	2.01%
Fishing	8,239	0.00%	-	0.00%	-	0.00%
Footware & leather garments	856,681	0.30%	1,593,583	0.26%	374,221	0.14%
Furniture & sports goods	807,456	0.28%	1,547,286	0.25%	581,462	0.21%
Grains & related	3,850,127	1.35%	4,913,701	0.81%	114,885	0.04%
Health & social welfare	125,849	0.04%	3,474,007	0.57%	55,051	0.02%
Hotel, restaurant & clubs	255,139	0.09%	2,205,955	0.36%	-	0.00%
Machinery & equipment	3,882,201	1.36%	2,389,997	0.39%	757,829	0.28%
Manufacture of made up & ready made garments	4,446,726	1.56%	900,611	0.15%	-	0.00%
Manufacture of transport equipment	534,309	0.19%	239,362	0.04%	275,862	0.10%
Paper & paper boards	8,478,850	2.97%	41,777	0.01%	1,800,202	0.66%
Petroleum products	3,013,445	1.06%	9,763,460	1.60%	22,940,252	8.46%
Power, gas, water & sanitary	42,858,815	15.02%	3,393,706	0.56%	3,212,690	1.18%
Printing, publishing & allied	213,787	0.07%	53,956	0.01%	106,367	0.04%
Real estate, renting, and business activities	8,049,171	2.82%	96,153,382	15.80%	-	0.00%
Rubber & plastic	968,066	0.34%	2,011,346	0.33%	-	0.00%
Spinning	8,119,193	2.85%	13,692,196	2.25%	53,246	0.02%
Sugar	3,170,302	1.11%	3,705,047	0.61%	-	0.00%
Transport, storage & communication	4,071,306	1.43%	1,795,247	0.30%	3,884,220	1.43%
Weaving	7,548,515	2.65%	4,995,354	0.82%	-	0.00%
Wholesale & retail trade	20,269,439	7.10%	55,165,687	9.07%	12,162,027	4.48%
Individuals	6,943,668	2.43%	139,873,299	22.99%	2,921,575	1.08%
Others	91,595,564	32.11%	174,310,244	28.66%	34,351,127	12.68%
	<u>285,375,580</u>	<u>100.00%</u>	<u>608,411,670</u>	<u>100.00%</u>	<u>271,192,580</u>	<u>100.00%</u>

#### 43.1.1.2 Segments by sector

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	55,466,676	19.44%	66,621,234	10.95%	42,031,034	15.50%
Private	229,908,904	80.56%	541,790,436	89.05%	229,161,546	84.50%
	<u>285,375,580</u>	<u>100.00%</u>	<u>608,411,670</u>	<u>100.00%</u>	<u>271,192,580</u>	<u>100.00%</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

	December 31, 2013		December 31, 2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Agriculture, Forestry and Hunting	535,762	447,092	350,569	249,890
Food & Beverages	572,368	572,368	412,574	408,880
Spinning	2,247,836	2,247,823	2,041,246	1,823,545
Weaving	1,324,252	1,293,697	1,466,767	857,692
Finishing of Textile	5,607,292	5,317,990	6,011,402	5,389,845
Footware & leather garments	70,902	70,902	131,685	96,238
Paper & paper boards	20,708	20,708	21,508	21,508
Printing, publishing & allied	18,439	18,439	5,846	5,846
Petroleum products	659	659	5,497	4,248
Chemical & pharmaceutical	481,853	474,728	405,028	341,872
Rubber & plastic	25,478	24,728	42,146	38,900
Cement / clay & ceramics	234,401	110,944	39,880	19,940
Basic metals (iron, steel)	288,329	288,329	20,383	20,383
Machinery & equipment	1,310,056	1,308,353	1,274,679	1,274,679
Power, gas, water & sanitary	239,916	239,916	239,916	239,916
Manufacture of transport equipment	246,688	246,688	246,449	236,949
Financial	72,954	72,954	81,516	40,759
Real estate, renting, and business activities	16,195	16,195	155,724	155,724
Transport, storage & communication	5,417	5,417	6,100	6,100
Hotel, restaurant & clubs	7,865	7,460	7,414	7,167
Construction	993,785	593,785	103,478	90,888
Furniture & sports goods	88,893	88,893	73,409	72,059
Wholesale & retail trade	569,648	553,412	478,295	448,307
Individuals	336,765	332,267	358,248	347,126
Others	4,107,435	3,888,618	6,687,802	5,554,481
	<u>19,423,896</u>	<u>18,242,365</u>	<u>20,667,561</u>	<u>17,752,942</u>

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

	December 31, 2013		December 31, 2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Public / Government	137,680	137,680	138,681	138,681
Private	19,286,216	18,104,685	20,528,880	17,614,261
	<u>19,423,896</u>	<u>18,242,365</u>	<u>20,667,561</u>	<u>17,752,942</u>

## 43.1.1.5 Geographical Segment Analysis

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
Pakistan operations	14,400,219	716,725,762	65,096,670	271,192,580
Middle East	91,614	10,629,350	524,856	-
Karachi Export Processing Zone	269,064	6,840,834	576,497	-
	360,678	17,470,184	1,101,353	-
	<u>14,760,897</u>	<u>734,195,946</u>	<u>66,198,023</u>	<u>271,192,580</u>

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### 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 specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits"

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

#### Selection of ECAIs

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

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

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

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

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

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

#### Use of ECAI Ratings

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

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 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, 2013

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

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

### Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2013			December 31, 2012		
		Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	28,618,574	-	28,618,574	26,920,833	-	26,920,833
	2	40,959,091	-	40,959,091	46,847,514	-	46,847,514
	3, 4	4,085,424	-	4,085,424	-	-	-
	5, 6	256,160	-	256,160	3,023,898	-	3,023,898
Claims on banks with original maturity of 3 months or less	-	14,822,587	11,939,611	2,882,976	29,480,864	25,197,253	4,283,611
Retail	-	34,035,751	5,974,347	28,061,404	29,255,945	4,743,104	24,512,841
Public sector entities	1	11,684,897	-	11,684,897	9,223,044	-	9,223,044
Others	-	458,591,162	-	458,591,162	380,429,798	-	380,429,798
Unrated	-	189,323,457	48,832,354	140,491,103	174,280,050	64,640,525	109,639,525

#### 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 "held for trading" 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.



# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### Composition of equity investments

	Held-for-trading	Available-for-sale	Investment in Subsidiary
Rupees in '000			
Equity Investments - Publicly Traded	-	42,656,923	-
Equity Investments - Others	-	2,419,483	500,000
Total Value	-	45,076,406	500,000

The cumulative realized gain arose of Rs. 1,243.726 million (2012: 1,257.543 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 9,912.402 million (2012: Rs. 5,073.285 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' and 'Open Ended Mutual Fund'. These positions are actively managed by the Bank and are exposed to all forms of market risks.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available for sale securities - Strategic & Non Strategic Portfolio
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) Investments in bonds, debentures, etc

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

#### Interest Rate Risk - Banking Book

Government securities (PIBs & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities extensive 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' and 'Strategic Investments' are parked in the banking book. These investments expose the Bank to equity price risk.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk

## Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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. Our FX Risk is first controlled through substantially matched funding policy. On the mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of net foreign currency exposure is in US Dollars. The Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

	December 31, 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

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	615,743,014	538,132,855	(26,204,265)	51,405,894
United States Dollar	17,016,160	38,604,175	22,178,907	590,892
Great Britain Pound	360,136	2,938,989	2,604,233	25,380
Japanese Yen	21,035	6,267	(22,887)	(8,119)
Euro	536,416	1,981,270	1,459,852	14,998
Other Currencies	28,770	3,931	(15,840)	8,999
	17,962,517	43,534,632	26,204,265	632,150
	633,705,531	581,667,487	-	52,038,044

### 43.2.3 Equity Position Risk

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

#### Concentration Risk

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

#### Price Risk

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

# Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

## 43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/ Interest rate	December 31, 2013											Not exposed to Yield/ Interest Risk	
		Total	Exposed to Yield/ Interest risk											
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
Rupees in '000														
<b>On-balance sheet financial instruments</b>														
<b>Assets</b>														
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	-	-	-	-	-	-	-	-	-	-	-
Investments - net	9.65%	363,378,998	45,313,441	62,256,069	449,550	3,097,208	26,502,033	889,009	1,727,078	1,082,620	-	-	-	44,589,636
Advances - net	10.56%	267,001,028	167,070,924	29,057,884	477,450	4,299,907	889,009	-	-	-	-	-	-	1,347,424
Other assets - net		13,268,886	-	-	-	-	-	-	-	-	-	-	-	13,268,886
		701,885,625	127,932,719	91,313,953	927,000	7,397,115	27,391,042	1,727,078	1,082,620	-	-	-	-	95,772,113
<b>Liabilities</b>														
Bills payable		4,878,594	-	-	-	-	-	-	-	-	-	-	-	4,878,594
Borrowings	8.14%	32,982,406	12,161,853	8,458,041	219,180	438,364	438,364	-	876,728	-	-	-	-	-
Deposits and other accounts	5.43%	608,411,670	127,897,256	19,977,962	32,562,450	9,560,023	5,412,023	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	-	-	-	-	-	-	-	-	-	12,250,587
Other liabilities		12,250,587	-	-	-	-	-	-	-	-	-	-	-	12,250,587
		662,735,457	117,362,722	29,683,003	32,781,630	9,998,387	979,566	139,767,307	1,547,780	27,820,116	-	-	-	162,419,341
<b>On-balance sheet gap</b>		39,150,168	10,569,997	207,966,380	(31,854,630)	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	-	-	-	(66,647,228)
<b>Off-balance sheet financial instruments</b>														
Commitments in respect of forward exchange contracts - purchase														
		97,308,562	32,213,920	47,416,498	17,358,709	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale														
		(62,216,028)	(24,648,975)	(21,219,280)	(15,692,413)	(657,360)	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		35,092,534	7,564,945	26,197,218	1,666,296	(337,925)	-	-	-	-	-	-	-	-
<b>Total yield / Interest risk sensitivity gap</b>		74,240,702	18,134,942	234,163,598	63,297,246	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	-	-	-	(27,820,116)
<b>Cumulative yield / Interest risk sensitivity gap</b>		74,240,702	18,134,942	252,298,540	315,595,786	283,403,231	307,213,435	169,173,206	168,708,046	140,887,930	-	-	-	140,887,930

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2013

### Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	December 31, 2012										Not exposed to Yield/ Interest Risk		
		Exposed to Yield/ Interest risk												
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years				
		Rupees in '000												
		On-balance sheet financial instruments												
		Assets												
		Cash and balances with treasury banks	5,702,231	-	-	-	-	-	-	-	-	-	-	37,649,422
		Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	1,029,286
	9.27%	Lendings to financial institutions	9,077,310	1,643,625	-	-	-	-	-	-	-	-	-	-
	11.63%	Investments - net	33,963,046	38,858,271	57,239,999	88,386,337	5,808,990	-	-	-	-	-	-	21,141,027
	12.61%	Advances - net	271,084,275	184,412,279	26,530,938	3,289,102	912,748	-	-	870,182	1,700,802	1,039,875	-	2,914,618
		Other assets - net	13,334,253	-	-	-	-	-	-	-	-	-	-	13,334,253
			606,923,748	224,914,175	83,770,937	91,675,439	6,721,738	-	-	870,182	23,706,478	1,039,875	-	76,068,606
		Liabilities												
		Bills payable	6,203,051	-	-	-	-	-	-	-	-	-	-	6,203,051
	8.69%	Borrowings	38,916,192	5,310,921	7,805,778	252,318	504,642	-	-	504,642	1,009,284	1,009,284	-	250,001
	5.39%	Deposits and other accounts	514,707,055	112,827,950	44,086,426	13,946,394	10,199,687	-	-	1,651,785	121,631,933	685,104	44,553,794	115,272,361
	11.39%	Sub-ordinated loan	5,490,400	2,996,400	2,494,000	-	-	-	-	-	-	-	-	-
		Other liabilities	12,719,271	-	-	-	-	-	-	-	-	-	-	12,719,271
			578,035,969	121,135,271	54,386,204	14,200,712	10,704,329	-	-	2,156,427	122,641,217	1,694,388	44,553,794	134,444,684
		On-balance sheet gap	288,887,779	26,037,375	29,384,733	77,474,727	(3,982,591)	(1,286,245)	(98,934,739)	(654,513)	(44,553,794)	(44,553,794)	(58,376,078)	-
		Off-balance sheet financial instruments												
		Commitments in respect of forward exchange contracts - purchase	35,605,257	17,808,898	12,574,288	4,654,141	567,930	-	-	-	-	-	-	-
		commitments in respect of forward exchange contracts - sale	(9,400,993)	(3,758,713)	(1,387,007)	(1,778,042)	-	-	-	-	-	-	-	-
		Off-balance sheet gap	26,204,264	14,050,185	3,267,134	(1,210,112)	-	-	-	-	-	-	-	-
		Total yield / interest risk sensitivity gap	55,092,043	40,087,560	115,075,691	76,264,615	(3,982,591)	(1,286,245)	(98,934,739)	(654,513)	(44,553,794)	(44,553,794)	(58,376,078)	-
		Cumulative yield / interest risk sensitivity gap	55,092,043	40,087,560	155,163,251	187,815,118	260,097,142	258,810,897	159,876,158	159,221,645	114,667,851	-	-	-
		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.												
<b>43.2.4.1</b>		Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities												
			December 31, 2013	December 31, 2012	Reconciliation to total liabilities		December 31, 2013	December 31, 2012						
			(Rupees in '000)											
		Reconciliation to total assets	734,195,946	633,705,531	Balance as per Statement of Financial Position		667,997,923	581,667,487						
			Less: Non financial assets											
		Operating fixed assets	22,083,612	19,871,173	Deferred tax liability		1,808,405	687,606						
		Other assets	10,226,709	6,910,610	Other liabilities		3,454,061	2,943,912						
			32,310,321	26,781,783	Total financial liabilities		5,262,466	3,631,518						
		Total financial assets	701,885,625	606,923,748	Total financial liabilities		662,735,457	578,035,969						

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## Liquidity Risk

Liquidity risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management. The overall Bank's principle is that the ALCO has the responsibility for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

Other than customer's deposits, the Bank's funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Our MIS provides information on expected cash inflows/out flows which allow the Bank to take timely decisions based on the future requirements.

Gap analysis, stress testing and scenario analysis is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

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

December 31, 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										
<b>Assets</b>										
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 - 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	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	2,49,716	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	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
<b>Liabilities</b>										
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
<b>Net assets / (liabilities)</b>	<b>66,198,023</b>	<b>(332,916,002)</b>	<b>147,627,781</b>	<b>77,028,217</b>	<b>32,500,811</b>	<b>27,746,799</b>	<b>50,920,600</b>	<b>22,239,532</b>	<b>43,684,242</b>	<b>(2,633,957)</b>
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, 2013

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

		December 31, 2012										
		Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees in '000										
<b>Assets</b>												
Cash and balances with treasury banks	43,351,653	43,351,653	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,029,286	1,029,286	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-	-	-
Investments - net	267,403,346	31,070,929	35,033,215	55,841,409	103,752,703	3,191,077	26,671,428	11,146,309	33,400,072	4,136,394	-	
Advances - net	271,084,275	69,459,294	26,164,868	34,418,731	34,401,104	20,651,977	18,902,185	29,549,650	96,134	1,074,574	12,810,069	
Operating fixed assets	19,871,173	212,590	425,176	637,764	1,275,528	1,729,100	745,031	-	-	-	-	
Deferred tax assets	-	-	-	-	-	(482,380)	-	-	-	-	-	
Other assets - net	20,244,863	3,302,569	4,523,057	8,296,202	1,337,305	(482,380)	-	-	-	-	3,268,110	
	633,705,531	157,503,631	67,789,941	99,194,106	140,766,640	25,089,774	20,343,492	57,182,419	45,620,955	20,214,573	-	
<b>Liabilities</b>												
Bills payable	6,203,051	6,203,051	-	-	-	-	-	-	-	-	-	
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-	-	
Deposits and other accounts	514,707,055	376,900,501	36,287,854	39,277,692	9,139,659	5,390,952	1,651,785	819,713	685,104	44,553,795	-	
Deferred tax liabilities	687,606	15,320	32,010	48,015	(228,437)	(113,231)	(261,492)	(106,471)	1,171,041	130,851	-	
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	660,202	-	-	
Other liabilities	15,663,183	5,197,139	6,625,197	334,755	643,242	350,028	422,501	422,501	1,430,119	-	-	
	581,667,487	410,835,334	48,256,582	48,089,740	11,055,582	6,757,091	2,318,636	5,374,328	4,295,548	44,684,646	-	
<b>Net assets / (liabilities)</b>	<b>52,038,044</b>	<b>(253,331,703)</b>	<b>19,533,359</b>	<b>51,104,366</b>	<b>129,711,058</b>	<b>18,332,683</b>	<b>18,024,856</b>	<b>51,808,091</b>	<b>41,325,407</b>	<b>(24,470,073)</b>	<b>-</b>	
Share capital	9,463,421											
Reserves	10,899,279											
Unappropriated profit	23,687,566											
	44,050,266											
Surplus on revaluation of assets - net of tax	7,987,778											
	52,038,044											

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, 2013

## 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, 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
<b>Assets</b>										
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	-	-	-	-	-	-	-	-
Lending 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
<b>Liabilities</b>										
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
<b>Net assets</b>	<b>66,198,023</b>	<b>(156,560)</b>	<b>150,668,862</b>	<b>52,419,556</b>	<b>7,295,450</b>	<b>16,902,016</b>	<b>45,170,194</b>	<b>36,600,110</b>	<b>43,684,240</b>	<b>(286,385,845)</b>
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, 2013

### 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, 2012									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	43,351,653	34,852,613	197,835	23,335	-	2,759,290	2,759,290	2,759,290	-	-
Balances with other banks	1,029,286	1,029,286	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,403,346	31,070,929	35,033,215	55,841,409	103,752,703	3,191,077	696,276	26,671,428	11,146,309	-
Advances - net	271,084,275	26,056,666	29,252,080	35,131,056	34,409,740	33,771,700	31,881,313	42,503,884	33,243,613	4,834,223
Operating fixed assets	19,871,173	212,590	425,176	637,764	1,275,528	1,729,100	745,031	961,341	1,074,574	12,810,069
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	20,244,863	3,302,569	4,523,057	8,296,202	1,337,305	(482,380)	-	-	-	3,268,110
	633,705,531	105,601,963	71,074,988	99,929,766	140,775,276	40,968,787	36,081,910	72,895,943	45,464,496	20,912,402
<b>Liabilities</b>										
Bills payable	6,203,051	4,177,269	171,028	315,118	-	513,212	513,212	513,212	-	-
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-
Deposits and other accounts	514,707,055	50,445,910	37,760,919	61,904,838	31,766,806	28,018,099	22,667,290	819,713	685,104	280,638,376
Deferred tax liabilities	687,606	15,320	32,010	48,015	(228,437)	(113,231)	(261,492)	(106,471)	1,171,041	130,851
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,663,183	5,197,139	6,625,197	334,755	643,242	350,028	422,501	660,202	1,430,119	-
	581,667,487	82,354,961	49,900,675	71,032,004	33,682,729	29,897,450	23,847,353	5,887,540	4,295,548	280,769,227
<b>Net assets</b>	52,038,044	23,247,002	21,174,313	28,897,762	107,092,547	11,071,337	12,234,557	67,008,403	41,168,948	(259,856,825)
Share capital	9,463,421									
Reserves	10,899,279									
Unappropriated profit	23,687,566									
	44,050,266									
Surplus on revaluation of assets										
- net of tax	7,987,778									
	52,038,044									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

## 43.5 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

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

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

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

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

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

## 44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 11, 2014 has proposed a cash dividend in respect of 2013 of Rs. 1.5 per share (2012: cash dividend Rs. 2 per share). In addition, the directors have also announced a bonus issue of 10% (2012: 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, 2013 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2014.

## 45. GENERAL

45.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification or re-arrangement has been made except for the re-classification of balance amounting to Rs. 330.019 million relating to ATM settlement account from other liabilities to other assets.

## 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 11, 2014 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 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total	
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				9+10+11	12
1	2	3	4	5	6	7	8	9	10	11	12		
1	Dr. Deedar Ali E/95-96, Gulshan-e-Sajjad, Hyderabad	Dr. Deedar Ali	488-86-05-057507	Akhtiar Ali	0.493	0.108	0.332	0.493	-	0.440	0.933	0.933	
2	Kando P.O., Phuladhiyoon	Kando	44202-6179283-1	Hameer Nohri	0.289	0.091	0.154	0.289	-	0.245	0.534	0.534	
3	Mehran Commission & Trading Agency Subhanullah Market, Ubauro, Distt: Ghotki	Deleep Kumar	45105-1862079-9	Madan Lal	1.000	0.265	0.698	1.000	-	0.963	1.963	1.963	
4	Al-Faisal Cotton Ginners & Oil Mills National Highway Hala, Hyderabad	Altaf Hussain Muhammad Bux Ghulam Rasool Haji Ali Akbar Faisal Khan Zulfqar Ali Ali Murad Khan	453-79-278257 453-47-046617 486-92-296157 453-43-029254 453-80-256544 453-76-265540 444-93-001120	Haji Allah Warrayo Ali Hussain Khushi Muhammad H. Yar Muhammad H. Ali Akbar H. Ali Akbar H. Ali Akbar Haji Allah Warrayo	2.346	4.973	1.631	2.346	-	6.604	8.950	8.950	
5	Al-Fahad Cooking Oil & Ghee Mills P.O. Seithareja, Taluka Mir Wah, Distt: Khairpur Mirs	Rasool Bux	45208-3055857-1	Muhammad Bux	4.113	-	2.654	4.113	-	2.654	6.767	6.767	
6	Al-Noor Cotton Ginners Jhole Shahdadpur Road/Hole, Distt: Sanghar	Muhammad Sarwar Muhammad Anwar Shahid Hussain Hamid Ali Fajar Ali Devo Mal Deepo Mal Bhalla Ram	487-92-040900 487-90-040899 487-90-015554 487-78-182392 487-51-015555 444-93-028385 444-87-021967 444-97-041250	Muhammad Yousuf Muhammad Yousuf Nazar Hussain Nazar Hussain Abdul Salim Abdul Salam Sat Ram Vishnu Mal Hera Nand	1.997	1.106	1.217	1.997	-	2.323	4.320	4.320	
7	Choudhary Munir Ahmed Muslim Colony, Ubauro, Distt: Sanghar	Choudhary Munir Ahmed	45105-6725217-1	Muhammad Sharif	0.594	-	0.450	0.594	-	0.450	1.044	1.044	
8	Hussaini Traders Ward No.6, Memon Mohalla, Sanghar	Ghulam Hussain	484-53-133027	Imam Bux	0.512	0.190	0.664	0.512	-	0.854	1.366	1.366	
9	Adeel Traders Rawanti Road, Ubauro, Distt: Sanghar	Kashif Ali	31304-0157486-7	Amir Ali	0.800	0.111	0.581	0.800	-	0.692	1.492	1.492	



## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
10	Prestige Exports 41-Lawrence Road, Lahore	Atique-ur-Rehman	35201-8697206-5	Muhammad Turail	1.942	1.305	7.286	10.533	1.942	-	8.591	10.533
11	Shelter Services (Pvt) Ltd. 15-C, Main Commercial Area, Cavalry Ground, Lahore	Ch. Farhat Ullah Warraich Ch. Zafar Iqbal Warraich Muhammad Nawaz Ch. Zahid Munir Ch. Babar Aftab Ch. Umer Zameer	324-58-201260 358-48-441649 358-67-441646 275-58-119414 358-91-421855 355-93-508085	Nazir Ahmed Ch. Ghulam Nabi Noor Muhammad Munir Ahmed Aftab Ahmed Zameer Ahmed	7.257	1.733	13.689	22.679	7.257	-	15.422	22.679
12	Chander Bhain Fertilizer Dealer, Main Road, Mirpur Mathelo	Chander Bhain	414-85-640921	Manghan Das	0.443	-	0.262	0.705	0.243	-	0.262	0.505
13	Shah Jamat Weaving Factory Chak No.216/R.B., 16, KM, Jaranwala Road, Faisalabad	Irfan Ashraf Ibnan Ashraf Nausheen Gulzar	33102-1777878-7 33100-2522138-5 33100-9645407-8	Sh. Muhammad Ashraf Sh. Muhammad Ashraf W/o Ibrhan Ashraf	5.070	2.234	1.816	9.120	1.070	-	4.050	5.120
14	Modern Metallic Services C-61, Block No.4, Gulshan-e-Iqbal, Karachi	Muhammad Aslam	42101-2967260-7	Pirjee Achhan Khan	36.350	15.273	36.108	87.731	34.972	-	51.381	86.353
15	Al-Aamir Enterprises C-67, S.I.T.E., Karachi	Samina Sorathia Muhammad Aamir Ghulam Abbas	42000-0370524-4 42000-0384674-1 42000-0489648-5	W/o Aamir Sorathiya Abdul Razzak Sorathiya Dilawar Hussain	90.000	2.400	17.172	109.572	9.500	-	19.572	29.072
16	Barkat Steel Mills Bharni Road, Shadipura, Lahore	Sajjad Imran Sakeena Khanum	35201-1613553-3 35201-1441726-8	S/o Chaudhry Barkat Ali W/o Chaudhry Barkat Ali	33.232	22.500	-	55.732	14.233	-	22.500	36.733
17	DS Textiles Ltd., 20 K Gulberg II Lahore	Pervez Ahmed Ali Pervez Ahmed Hassan Ibrahim	35202-5637832-7 35202-8633784-5 35202-0104136-7	S.K. Ahmed Pervez Ahmed Pervez Ahmed	65.068	18.890	-	83.958	-	-	18.890	18.890
18	Kohinoor Mills Ltd., 8 KM Manga Raiwind Road, Lahore	Aamir Fayyaz Sheikh Asad Fayyaz Sheikh Ali Fayyaz Sheikh Tahir Bashir Solehria Rashid Ahmed Kamran Shahid Amir Amin	35201-8176773-1 35201-5994314-7 35201-2652212-9 35202-0745647-5 35201-1567987-1 35202-1844194-7 42201-2174093-9	Fayyaz Sheikh Fayyaz Sheikh Fayyaz Sheikh Bashir Ahmed Solehria Ch. Muhammad Din Sheikh. M. Yousaf M. Amin Umer	525.000	101.780	-	626.780	-	-	101.780	101.780

Amount in Million

## ANNEXURE I

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
19	MUBARIK ALI Khandowali P.O. Sattrah Teh. & Distt. Sialkot	Mubarak Ali	34601-0831950-3	Fazal Muhammad	-	0.627	0.271	0.899	-	-	0.627	
20	LUCKY STEEL FOUNDRY WORKS Mehmood Booti, Bund Road, Lahore	Talat Mahmood Butt Aishad Butt	35202-1660156-9 35202-5013313-5	Ilyas Butt Ilyas Butt	23,962	10,608	2,768	37,338	-	-	5,064	
21	SHAHBAZ (PVT) LTD. Akram Abad, Khat Kally, Nowshera (PK).	Kamran Khan	17201-9697482-1	Muhammad Akram Khan	7,934	0,557	1,822	10,313	-	-	1,303	
22	HARIPIUR FOOD INDUSTRIES 36- Nazimuddin Road, F/8-4, Islamabad.	Mian Abid Manzoor	42201-0341248-5	Mian Manzoor Hussain	1,015	4,702	0,328	6,046	-	-	5,031	
23	AHMED & CO 10-F, Commercial Area-3 Muhd. Ali Housing Society, Karachi	Shabnam Ahmad W/o	42201-6848787-6	Nizamuddin Ahmed	4,496	3,000	1,383	8,879	-	-	4,325	
24	AR TRADERS E-20, 21 Iqbal centre, M.A Jinnah Road, Karachi	Abdul Razzaque (late)	42201-1388654-9	Abdul Sattar	3,999	0,561	1,180	5,741	-	-	1,741	
25	ALI ASSOCIATES B-3, Unit No.3, Latifabad, Hyderabad	Ghulam Nabi Qureshi	41304-4250452-1	G. Hussain Qureshi	2,395	0,674	0,571	3,639	-	-	1,239	
26	SKY MAG BUILDERS C-29, Nadeem Arcade, Sector 14-B, Shadman Town, North Karachi.	Muhammad samar	42101-2482015-1	Awan Muhammad	5,000	-	1,177	6,177	-	-	1,177	
27	AQEEL AHMED LAGARI MF-73, Quid-e-Azam Medical Centresaddar Hyderabad.	Dr. Aqeel Ahmed Leghari	41303-9985160-5	Muhammad Ashraf	3,000	0,477	0,987	4,464	-	-	0,887	
28	ABDUL RAZAK - ABDUL HAKEEM Dad Leghari, Taluka Mirpur Mathelo, Ghotki	Abdul Razak - Abdul Hakim	414-52-008806 45101-0599009-7	Shah Muhammad	1,276	-	0,830	2,106	-	-	0,815	
29	I.T.ENGINEERING COMPANY 403, National IT Park, CAESARS Tower, Sharrae Faisal, Karachi.	Syed Khurshid Akbar Shah	42000-0537333-9	S.M Akbar Shah	2,196	-	0,827	3,023	-	-	0,773	

Amount in Million

# ANNEXURE I

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
30	NISHAT AKHTAR B-5, Block-B, Comm. Emp. Co-op Society AbulHassan Ispahani Road KYC	Nishat Akhtar	42201-9580459-5	Muhammad Akhtar	0.857	0.506	0.206	1.569	-	0.669	0.669	
31	ROSHAN STEEL FURNACE House No. 163-A, G. T. Road, Singh Pura, Lahore	Ali Waqas	35201-5966376-3	Milani Lieqat Ali	61.016	18.274	20.159	99.449	-	38.433	38.433	
32	NAEEM ASSOCIATES 127-G-1 M. A. Johar Town Lahore	Tahir Naeem	300-78-542336	Ramzan Naeem	2.025	0.891	2.943	5.858	-	3.498	3.498	
33	AL- MUJEET CONSULTANT Main Boulevard Cavalry Ground Near 7 Up Railway Crossing Carntt Lahore	Malik Attique Ur Rehman	35201-4807020-1	Malik Abdul Rehman	9.000	0.257	2.898	12.155	-	3.010	3.010	
34	SHAFI ASSOCIATES Peer Muhammad Shah Road Sialkot	Shahzada Zeeshan Zaib	34603-2233399-7	Zaib	1.789	0.550	2.436	4.775	-	1.275	1.275	
35	ATHAR SHAHZAD House No.17/1, Khayaban-E-Badar, Phase-6, Dha, Lahore	Ather Shahzad Zafar	33100-9576127-7	Muhammad Zafar Yab	11.487	2.443	-	13.931	-	1.244	1.244	
36	A.Z.ASSOCIATES 767-1 Block X Dha Lahore	Azra Nasim	35201-2879197-6	Malik Nasim Ul Haq	5.975	0.850	0.409	7.234	-	1.178	1.178	
37	YOUNAS SONS BUILDERS Main G T Road Munawan Lahore	Zaheer Ud Babar	35201-1598819-3	Haji Muhammad Younas	1.498	0.490	0.750	2.738	-	1.170	1.170	
38	ALI BOTTLE STORE H.No. P-102 St.No.5 Mintgomery Bazar Faisalabad	Muhammad Rizaz	33100-0963103-5	Ibrahim	0.661	0.560	0.482	1.702	-	0.902	0.902	
39	JAVED DAL FACTORY Rehmanpur Road Kabari Bazar Sargodha	Muhammad Javed Khan	38403-2094709-3	Muhammad Rafiq	0.315	0.380	0.538	1.233	-	0.833	0.833	
40	QUALITY CAN H.No. 276 Hunza Block Allama Iqbal Town Lahore	Tanveer Ahmed	35202-5723825-5	Khurshid Ahmed	-	0.609	0.554	1.163	-	0.823	0.823	
41	NISAR ENTERPRISES Altaf Street 15-Dil Muhammad Road Lahore	Nisar Hussain	271-59-094924	Zahid Hussain	1.200	0.128	0.573	1.901	-	0.701	0.701	

Amount in Million

## ANNEXURE I

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
		3	4		5	6	7	8				
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total				
1	2											
42	CITRO PACK Sargodha Road Sultan Pur Noon Bhalwal District Sargodha	Abid Amin	38401-2624186-3	Bashir Ahmed	3795	0.272	1.273	5.340	-	0.690	0.690	
43	METRO TILES Susan Road Near Lyallpur Cold, Faisalabad	Naseer Ahmed Munir Ahmed	33100-9933848-3 33100-1493655-1	Ch. Bashir Ahmed Ch. Bashir Ahmed	4.999	-	0.624	5.623	-	0.598	0.598	
44	NADIR HUSSAIN SHAH 89 - A, Cavalry Ground Ext, Lahore	Nadir Hussain Shah	270-89-027729	Syed Abdul Saliman	0.361	0.418	0.215	0.994	-	0.594	0.594	
45	MIAN ABDUL QAYYUM Near, Jamia Masjid, Jia Musa, Shahdara	Mian Abdul Qayyum	35202-7718973-3	Mian Muhammad Bashir	1.000	0.181	0.356	1.537	-	0.537	0.537	
46	RISING CHENAB RICE MILL 27-KM, Jhang Chinyot Road, Mouza Khewa Distt. Jhang	Aamir Javed Gill Imran Javed Gill Muassarat Hassan Malik	33202-1092266-7 35202-7325926-1 38403-8158176-3	Muhammad Javed Muhammad Javed Mx. alik Manzoor Ahmad	20.486	1.704	2.919	25.109	-	4.522	4.522	
47	QURESHI AGRO TRADERS New Sabzi Mandi, Link Railway Road, Multan	Ehtzaz ul Haq Azaz ul Haq	36302-0637261-9 36302-6328413-1	Imtiaz ul Haq	-	-	2.913	2.913	-	2.913	2.913	
48	RAO SAEED AKHTAR & BROTHERS Sahiwal Road Okara	Rao Saeed Akhtar	35302-1999417-1	Rao Muhammad Akhtar	5.539	-	1.618	7.157	-	1.568	1.568	
49	FRIENDS TRADERS G.T. Road, Kot Adu, Multan	Sami Ullah	317-62-205007	Haji Bashir Ahmed	2.484	0.458	1.635	4.577	-	1.077	1.077	
50	SARDAR PETROLEUM SERVICES Rajana Road Pirmahal, Jhang	Muhammad Khalid Sardar	33302-7067233-5	Sardar Muhammad	4.995	-	1.656	6.651	-	1.055	1.055	
51	HABIB ENTERPRISES 711-C, Gulgasht colony Multan	Rao Sadaat Ali Suleman Rashid Irfan Ali	36101-0247460-3	Sadaqat Ali Rashid Ali Usman Ali	0.891	0.030	0.596	1.517	-	0.563	0.563	
52	KHAWAI SONS Grain Market Jahanian	Khalid Javed	329-59-403912	Ashiq Ali	1.290	-	0.679	1.969	-	0.519	0.519	

Amount in Million

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2013 TO 31st, DECEMBER 2013)

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		Father's / Husband's Name	Outstanding Liabilities at the Beginning of the Year				Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
		Name of Directors	NIC Nos.		Principal	Interest / Mark - up	Other	Total			
1	2	3	4	5	6	7	8	9	10	11	12
53	MUKARRAM WEAVING FACTORY Near Chiniyot More, Satellite Town Ihang	Ammar Basit Rafia Bano W/o Muhammad Subtain Ali Umer Draz Sohab Basit Riffat Parveen W/o	33202-4568728-1 33202-7164143-6 33202-1799031-9 33202-3877459-7 33202-7502963-3 33202-4808203-8	Amjad Ali Amjad Ali Ghulam Muhammad Allah Bux Amjad Ali Ammar Basit	4579	-	1,267	5,846	-	0,895	0,895
54	ENSHAA NLC DEVELOPMENTS (PVT) LTD., Bungalow No. F-63/III, KDA Scheme No.5, Clifton, Block-5, Karachi	Lt Gen Sajjad Ghani Maj Gen Junaid Rehmat Gerard Carroll Brain Woodside Colin Seow Naveed Gilani Pervaiz Usman	61101-4178871-3 37405-2772835-5 Passport# E7569127 Passport# 706019121 Passport# SJ424481F 42301-0114051-3 61101-0945026-1	Malik Abdul Ghani Lt col(R) Rehmattullah Khan Dr. Brain Edward Carroll Herbert Peter Seow Pir Badshah Gilani Muhammad Usman	153,125	-	-	202,286	-	32,988	32,988
55	SUN PAK FIBRES LTD., Industrial Estate, Hattar, Distt. Haripur	Tauseef Khawar Sh. Muhammad Waris Shakeel Amir Muhammad Ashraf Sh. Sh. Abdul Hamid Khurshed Ahmed Khan Javed Iqbal Dilawar Mehmood Sh. Nabeel Ashraf	285-86-256681 285-86-019238 285-92-688103 285-86-128681 285-41-036720 101-40-340954 N/A 34101-8854004-3 34101-2516571-1	Sh. Waris N/A Sh. Waris Sh. Elahi Bakhsh Sh. Elahi Bakhsh Bashir Ahmed N/A Sh. Elahi Bakhsh Muhammad Ashraf	7,911	1,500	29,105	38,516	-	30,605	30,605
				1,139,056	301,434	146,059	1,586,549	81,361	0,000	413,517	494,878



## ANNEXURE II

As at December 31, 2013

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

### DETAIL OF DISPOSAL OF FIXED ASSETS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>11.11</b>						
<b>Land</b>						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Land Freehold	30,000	-	30,000	20,000	As Per Bank Policy	SARHAD RURAL SUP PORT PROGRAM
<b>Total</b>	<b>30,000</b>	<b>-</b>	<b>30,000</b>	<b>20,000</b>		
<b>Vehicles</b>						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	1,645	274	1,371	1,645	Insurance Claim	M/S EFU GENERAL INSURANCE
Motor Vehicle	10,122	4,049	6,073	6,478	As Per Bank Policy	EX. CEO MR. KHALID A. SHERWANI
Motor Vehicle	2,810	2,810	-	589	As Per Bank Policy	MR. JALEES AHMED
Motor Vehicle	1,995	998	997	1,149	As Per Bank Policy	EX. CEO MR. KHALID A. SHERWANI
Motor Vehicle	1,239	805	434	1,100	As Per Bank Policy	MR. ZAHID MAQSOOD
Motor Vehicle	1,205	824	381	-	As Per Bank Policy	MR. CHAUDHRY NAVEED HAYAT
Motor Vehicle	1,059	900	159	-	As Per Bank Policy	MR. AZIZ AHMED
Motor Vehicle	1,059	900	159	-	As Per Bank Policy	MR. SAID ALI KHAN
<b>Total</b>	<b>21,134</b>	<b>11,560</b>	<b>9,574</b>	<b>10,961</b>		
<b>Other Disposals</b>	<b>71,422</b>	<b>67,696</b>	<b>3,725</b>	<b>39,701</b>	As Per Bank Policy	MISCELLANEOUS
<b>31 December, 2013</b>	<b>122,556</b>	<b>79,256</b>	<b>43,299</b>	<b>70,662</b>		
<b>11.12</b>						
<b>Items sold to Executives Otherwise Than Through a Regular Auction</b>						
<b>Vehicles</b>						
Motor Vehicle	10,122	4,049	6,073	6,478	As Per Bank Policy	EX. CEO MR. KHALID A. SHERWANI
Motor Vehicle	2,810	2,810	-	589	As Per Bank Policy	MR. JALEES AHMED
Motor Vehicle	1,995	998	997	1,149	As Per Bank Policy	EX. CEO MR. KHALID A. SHERWANI
Motor Vehicle	394	394	-	-	As Per Bank Incentive Policy	MR. ABDULLAH
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. RIAZ AHMED
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. KHALEEQ REHMAN
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. ABDUL WAHAB
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. NASEER AHMED
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. ABDUL REHMAN GONDAL
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. SYED SHAKIR UD DIN SHAH
Motor Vehicle	879	879	-	-	As Per Bank Incentive Policy	MR. MOHAMMAD ILYAS MALIK
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. KHUSHI MOHAM MAD
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. ARSHAD ALI
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. AMIR ILYAS ALI
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. ATTA MOHAMMAD DAHRI
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MOHAMMAD AFZAL
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. SAID REHMAN
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MOHAMMAD AYAZ JAVED
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. MOHAMMAD HASEEB TAHIR
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. M. KHALID MAHMOOD
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. KHALID AHMED SAFDAR
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MAQBOOL AHMED HAKRO
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MUHAMMAD KHALIQ
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MOHAMMAD ZAFAR IQBAL
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. NUSRAT ALI SHAH

## ANNEXURE II

As at December 31, 2013

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

### DETAIL OF DISPOSAL OF FIXED ASSETS

Rupees in '000

Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Motor Vehicle	1,205	823	382	-	As Per Bank Incentive Policy	MR. CHAUDHRY NAVEED HAYAT
Motor Vehicle	1,059	900	159	-	As Per Bank Incentive Policy	MR. AZIZ AHMED
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. SARDAR ALI SHAH
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. MOHAMMAD ISSA
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. AHSAN ALI GORCHANI
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. SYED IMRAN BUKHARI
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. ABDUL AZIZ
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. HASNAIN ZAMIN
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. SHABBIULLAH
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MUHAMMAD YASIN
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. AZHAR FAREED
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. RANA MUHAMMAD MOHSIN
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. KHUDA DAD
Motor Vehicle	474	403	71	-	As Per Bank Incentive Policy	MR. JAVED AHMAD SOOMRO
Motor Vehicle	1,059	900	159	-	As Per Bank Incentive Policy	MR. SAID ALI KHAN
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. BABAR IQBAL
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. GHAZANFAR HAYAT
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. ABDUL TAWAB SHEIKH
Motor Vehicle	754	653	101	-	As Per Bank Incentive Policy	MR. ALI AHMED
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. KARAMAT HUSSAIN
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. FARMAN ALI
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. AHSANULLAH DAR
Motor Vehicle	474	411	63	-	As Per Bank Incentive Policy	MR. MUBASHIR AHMED MALIK
<b>31 December, 2013</b>	<b>42,873</b>	<b>32,615</b>	<b>10,258</b>	<b>8,216</b>		

# Consolidated Financial Statements

## Allied Bank Limited

for the year ended December 31, 2013



### TOTAL SALES BY REGION



### TOTAL SALES BY REGION

REGION SALES	Q1	Q2	Q3	Q4	Total
West	€ 1,236,345,0	€ 1,345,0	€ 1,456,0	€ 1,567,0	€ 5,604,345,0
South	€ 896,754,0	€ 987,0	€ 1,098,0	€ 1,209,0	€ 4,190,754,0
North	€ 269,345,0	€ 280,0	€ 291,0	€ 302,0	€ 1,142,345,0
East	€ 1,897,0	€ 2,008,0	€ 2,119,0	€ 2,230,0	€ 8,254,0
Total	€ 7,597,0	€ 8,340,0	€ 9,164,0	€ 9,998,0	€ 34,109,0

### TOTAL SALES BY CATEGORY



### SALES BY CATEGORY



## Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2013

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:

	2013	2012	Growth
	Rs. In million		%
Profit after tax for the year	14,783	11,848	25%
Accumulated profits brought forward	24,035	20,588	17%
Effect of retrospective change in accounting policy - IAS 19	678	964	-30%
Transfer from surplus on revaluation of fixed assets – net of tax	53	31	71%
Profit available for appropriation	39,549	33,431	18%
Final cash dividend for the year ended December 31, 2012 at Rs. 2.0 per share (2012: Year ended December 31, 2011 at Rs. 2.5 per share)			
	(1,893)	(2,151)	-12%
1st interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 at Rs. 2 per share)			
	(1,301)	(1,893)	-31%
2nd interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 at Rs. 1.5 per share)			
	(1,301)	(1,420)	-8%
3rd interim cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Year ended December 31, 2012 at Re. 1 per share)			
	(1,301)	(946)	38%
Bonus shares for the year ended December 31, 2012 @ 10% (2012: Year ended December 31, 2011 @ 10%)*			
	(946)	(658)	44%
Transfer to statutory Reserves	(1,464)	(2,328)	-37%
Accumulated profits carried forward	31,343	24,035	30%
Earning Per Share (EPS) (Rs.)	14.20	11.38	25%

\* Appropriation out of Share Premium Account

Pattern of Shareholding

The pattern of shareholding as at December 31, 2013 is included in the Annual Report.

For and on behalf of the Board,

**Tariq Mahmood**  
Chief Executive Officer

Dated: February 11, 2014  
Place: Lahore



**ERNST & YOUNG FORD RHODES SIDAT HYDER**

Chartered Accountants  
Mall View Building  
4 - Bank Square  
Lahore

## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Allied Bank Limited** ("**the Bank**") and its subsidiary company as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for twenty four 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 2013 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 11, 2014

Place: Lahore



# Consolidated Statement of Financial Position

as at December 31, 2013

December 31, 2013	December 31, 2012	December 31, 2011	Note	December 31, 2013	December 31, 2012	December 31, 2011
US \$ in '000				Rupees in '000		
				Restated		Restated
<b>ASSETS</b>						
424,148	411,601	346,356				
			6	44,673,129	43,351,703	36,479,765
10,465	9,773	15,942				
			7	1,102,237	1,029,292	1,679,121
118,314	101,789	12,929				
			8	12,461,403	10,720,935	1,361,754
3,454,185	2,541,502	1,858,917				
			9	363,810,550	267,682,679	195,789,638
2,535,363	2,574,096	2,320,824				
			10	267,036,121	271,115,683	244,439,837
209,797	188,771	171,803				
			11	22,096,771	19,882,246	18,095,123
-	-	6,146				
			12	-	-	647,274
223,894	192,825	167,266				
			13	23,581,604	20,309,217	17,617,240
6,976,166	6,020,357	4,900,183		734,761,815	634,091,755	516,109,752
<b>LIABILITIES</b>						
46,320	58,895	38,123				
			15	4,878,594	6,203,051	4,015,317
312,865	369,488	474,658				
			16	32,952,406	38,916,192	49,993,200
5,776,492	4,886,820	3,793,613				
			17	608,406,629	514,702,444	399,560,790
40,277	52,128	52,149				
			18	4,242,200	5,490,400	5,492,600
-	-	-				
				-	-	-
17,180	6,536	-				
			12	1,809,501	688,441	-
149,888	149,116	126,997				
			19	15,786,880	15,705,489	13,375,904
6,343,022	5,522,983	4,485,540		668,076,210	581,706,017	472,437,811
633,144	497,374	414,643		66,685,605	52,385,738	43,671,941
<b>REPRESENTED BY</b>						
98,835	89,850	81,682				
			20	10,409,763	9,463,421	8,603,110
118,094	103,483	83,198				
				12,438,158	10,899,279	8,762,745
297,586	228,202	195,475				
				31,343,147	24,035,333	20,588,300
514,515	421,535	360,355				
				54,191,068	44,398,033	37,954,155
118,629	75,839	54,288				
			21	12,494,537	7,987,705	5,717,786
633,144	497,374	414,643		66,685,605	52,385,738	43,671,941
<b>CONTINGENCIES AND COMMITMENTS</b>			22			

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Consolidated Profit and Loss Account for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012	
US \$ in '000			Rupees in '000		
			Restated		
514,823	470,090	Mark-up / return / interest earned	24	54,223,499	49,512,005
309,162	296,047	Mark-up / return / interest expensed	25	32,562,330	31,180,990
205,661	174,043	Net mark-up / interest income		21,661,169	18,331,015
6,186	12,095	Provision against non-performing loans and advances	10.4	651,481	1,273,901
(822)	(5,918)	(Reversal) / provision for diminution in the value of			
		investments - net	9.3	(86,538)	(623,341)
-	-	Bad debts written off directly	10.5	-	-
5,364	6,177			564,943	650,560
200,297	167,866	Net mark-up / interest income after provisions		21,096,226	17,680,455
<b>NON MARK-UP / INTEREST INCOME</b>					
31,724	27,935	Fee, commission and brokerage income	26	3,341,292	2,942,192
32,291	80,069	Dividend income		3,401,019	8,433,249
5,999	5,682	Income from dealing in foreign currencies		631,858	598,480
12,080	18,319	Gain on sale of securities	27	1,272,270	1,929,474
		Unrealized loss on revaluation of investments classified as			
536	662	held for trading - net	9.11	56,412	69,700
11,841	2,581	Other income	28	1,247,148	271,802
94,471	135,248	Total non-markup / interest income		9,949,999	14,244,897
294,768	303,114			31,046,225	31,925,352
<b>NON MARK-UP / INTEREST EXPENSES</b>					
148,825	139,767	Administrative expenses	29	15,674,937	14,720,902
456	3,251	Provision against other assets	13.2	48,000	342,384
142	3,508	Provision against off-balance sheet obligations - net	19.1	14,955	369,480
2,836	3,067	Workers welfare fund	31	298,695	323,042
744	550	Other charges	30	78,358	57,959
153,003	150,143	Total non-markup / interest expenses		16,114,945	15,813,767
-	-	Extra-ordinary / unusual items		-	-
141,765	152,971	<b>PROFIT BEFORE TAXATION</b>		14,931,280	16,111,585
Taxation					
39,002	36,196	Current		4,107,811	3,812,352
(38,772)	10	Prior years		(4,083,667)	1,073
1,177	4,279	Deferred		123,961	450,649
1,407	40,485		32	148,105	4,264,074
140,358	112,486	<b>PROFIT AFTER TAXATION</b>		14,783,175	11,847,511
228,202	193,646	Unappropriated profit brought forward		24,035,333	20,588,300
508	295	Transfer from surplus on revaluation of fixed assets - net of tax		53,471	31,028
228,710	193,941			24,088,804	20,619,328
369,068	306,427	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		38,871,979	32,466,839
<b>In US\$</b>					
0.13	0.11	<b>Earnings per share - Basic and Diluted</b>	33	<b>In Rupees</b>	11.38

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Statement of Other Comprehensive Income

for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012
US \$ in '000			Rupees in '000	
			Restated	
140,358	112,486	Profit after taxation for the year	14,783,175	11,847,511
<b>Other comprehensive income to be reclassified to profit and loss account in subsequent periods:</b>				
Exchange differences on translation of net investment				
708	97	in foreign wholesale branch	74,543	10,198
<b>Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:</b>				
9,906	14,088	Actuarial gain relating to defined benefit plans	1,043,370	1,483,780
(3,467)	(4,931)	Related deferred tax	(365,180)	(519,323)
6,439	9,157	3.4	678,190	964,457
147,505	121,740	<b>Total comprehensive income for the year</b>	<b>15,535,908</b>	<b>12,822,166</b>

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

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Consolidated Statement of Cash Flow

for the year ended December 31, 2013

December 31, 2013	December 31, 2012	Note	December 31, 2013	December 31, 2012
US \$ in '000			Rupees in '000	
			Restated	
<b>Cash Flow From Operating Activities</b>				
141,765	152,970	Profit before taxation	14,931,280	16,111,585
(32,291)	(80,069)	Less: Dividend income	(3,401,019)	(8,433,249)
109,474	72,901		11,530,261	7,678,336
<b>Adjustments for non-cash items:</b>				
16,149	11,823	Depreciation / amortization	1,700,938	1,245,227
		Provision against non-performing loans, advances and general provision - net	651,481	1,273,901
(822)	(5,918)	Reversal for diminution in the value of investments - net	(86,538)	(623,341)
(536)	(662)	Unrealized loss on revaluation of held for trading securities	(56,412)	(69,700)
142	3,508	Provision against off balance sheet obligations - net	14,955	369,480
456	3,251	Provision against other assets - net	48,000	342,384
322	-	Operating fixed assets written off	33,959	-
2,836	3,067	Provision for Workers' Welfare Fund	298,695	323,042
(260)	(264)	Gain on sale of fixed assets	(27,413)	(27,762)
24,472	26,900		2,577,665	2,833,231
133,946	99,801		14,107,926	10,511,567
<b>(Increase) / Decrease in operating assets</b>				
(16,524)	(88,860)	Lendings to financial institutions	(1,740,468)	(9,359,181)
(29,358)	(2,303)	Net realizations in 'held for trading' securities	(3,092,169)	(242,549)
32,548	(265,368)	Advances - net	3,428,081	(27,949,747)
(1,667)	7,449	Other assets (excluding advance taxation) - net	(175,565)	784,547
(15,001)	(349,082)		(1,580,121)	(36,766,930)
<b>Increase / (Decrease) in operating liabilities</b>				
(12,575)	20,771	Bills payable	(1,324,457)	2,187,734
(56,623)	(104,848)	Borrowings from financial institutions	(5,963,786)	(11,043,116)
889,670	1,093,208	Deposits and other accounts	93,704,185	115,141,654
4,171	15,295	Other liabilities	439,328	1,610,943
824,643	1,024,426		86,855,270	107,897,215
943,588	775,145		99,383,075	81,641,852
(29,052)	(59,687)	Income tax paid - net	(3,059,845)	(6,286,535)
914,536	715,458	Net cash flow generated from operating activities	96,323,230	75,355,317
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(813,461)	(656,311)	Net investments in 'available-for-sale' securities	(85,677,505)	(69,125,706)
(22,559)	9,010	Net investments in 'held-to-maturity' securities	(2,376,057)	948,958
37,575	81,321	Dividend income received	3,957,572	8,565,057
(37,587)	(29,886)	Investments in operating fixed assets	(3,958,841)	(3,147,719)
672	276	Proceeds from sale of fixed assets	70,791	29,096
(835,360)	(595,590)	Net cash used in investing activities	(87,984,040)	(62,730,314)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(11,851)	(21)	Repayment of sub-ordinated loan	(1,248,200)	(2,200)
(54,794)	(60,546)	Dividends paid	(5,771,161)	(6,377,000)
(66,645)	(60,567)	<b>Net cash used in financing activities</b>	<b>(7,019,361)</b>	<b>(6,379,200)</b>
708	97	Effect of translation of net investment in foreign branch	74,543	10,198
13,239	59,398	<b>Increase in cash and cash equivalents during the year</b>	<b>1,394,372</b>	<b>6,256,001</b>
420,040	360,260	<b>Cash and cash equivalents at beginning of the year</b>	<b>44,240,505</b>	<b>37,944,226</b>
1,334	1,716	<b>Effect of exchange rate changes on opening cash and cash equivalents</b>	<b>140,490</b>	<b>180,768</b>
434,613	421,374	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>45,775,367</b>	<b>44,380,995</b>

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Statement of Changes in Equity

for the year ended December 31, 2013

	Share Capital	Capital Reserve				Statutory Reserve	Revenue Reserves		Total	
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*		Merger Reserve**	General Reserve		Un-appropriated Profit
<b>Rupees in '000</b>										
<b>Balance as at January 01, 2012</b>	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,395,717	37,761,572
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.4	-	-	-	-	-	-	-	-	296,281	296,281
Related deferred tax liability	-	-	-	-	-	-	-	-	(103,698)	(103,698)
<b>Balance as at 1 January, 2012 - restated</b>	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,588,300	37,954,155
<b>Changes in equity during the year ended December 31, 2012</b>										
Total comprehensive income for the year ended December 31, 2012										
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	-	-	11,847,511	11,847,511
- Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 3.4	-	-	-	-	-	-	-	-	964,457	964,457
- Effect of translation of net investment in foreign wholesale bank branch	-	-	10,198	-	-	-	-	-	-	10,198
	-	-	10,198	-	-	-	-	-	12,811,968	12,822,166
<b>Transactions with owners recognized directly in equity</b>										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended December 31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended December 31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
Third interim cash dividend for the year ended December 31, 2012 (Re. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
	860,311	(201,856)	-	-	-	-	-	-	(7,067,771)	(6,409,316)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	31,028	31,028
Transfer to statutory reserve	-	-	-	-	-	-	2,328,192	-	(2,328,192)	-
<b>Balance as at December 31, 2012 - restated</b>	9,463,421	-	10,198	-	67,995	333,864	10,481,222	6,000	24,035,333	44,398,033
<b>Changes in equity during the year ended December 31, 2013</b>										
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 translation of net investment in foreign wholesale bank branch	-	-	74,543	-	-	-	-	-	-	74,543
- Effect of remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	678,190	678,190
	-	-	74,543	-	-	-	-	-	15,461,365	15,535,908



## Consolidated Statement of Changes in Equity for the year ended December 31, 2013

	Share Capital	Capital Reserve				Statutory Reserve	Revenue Reserves		Total	
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*		Merger Reserve**	General Reserve		Un-appropriated Profit
<b>Rupees in '000</b>										
<b>Transactions with owners recognized directly in equity</b>										
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 ending										
December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Second interim cash dividend for the year ending										
December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Third interim cash dividend for the year ending										
December 31, 2013 (Rs. 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	-	-	-
<b>Balance as at December 31, 2013</b>	<b>10,409,763</b>	<b>333,864</b>	<b>84,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,013,553</b>	<b>6,000</b>	<b>31,343,147</b>	<b>54,191,068</b>

\* 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.

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

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 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 948 (2012: 873) branches in Pakistan, 1 branch (2012:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2012: 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, a wholly owned subsidiary of the Bank, is a public unlisted company incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The subsidiary company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131[1] 2007 (the NBFC Rules, 2003). The subsidiary company received certificate of commencement of business on December 31, 2007. The registered office of the subsidiary company is situated at 11-B Lalazar, M.T. Khan Road, Karachi. The Management quality rating of the company, as assigned by JCR-VIS credit rating company limited, is AM2 (Stable).

ABL Asset Management company is managing following open ended funds:

- ABL Income Fund	Launched on September 20, 2008
- ABL Stock Fund	Launched on June 28, 2009
- ABL Cash Fund	Launched on July 30, 2010
- ABL Islamic Income Fund	Launched on July 30, 2010
- ABL Government Securities Fund	Launched on November 30, 2011
- ABL AMC Capital Protected Fund	Launched on June 01, 2012
- ABL Islamic Stock Fund	Launched on June 12, 2013
- ABL Islamic Principal Preservation Fund	Launched on December 24, 2013

### 2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company, for the year ended December 31, 2013.
- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of other comprehensive income and consolidated statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs 105.3246 per US Dollar has been used for 2013, 2012 and 2011, as it was the prevalent rate as on date of statement of financial position.

### (b) BASIS OF CONSOLIDATION

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

Material intra-group balances and transactions have been eliminated.

### (c) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except the

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

following, which are stated at revalued amounts / fair values:

- Investments (Note 5.3);
- 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 SBP. In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan differ from 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:

#### IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment affects presentation only and has no impact on the Group's financial position or performance.

#### IFRS 7 – Financial Instruments: Disclosures – (Amendments)

The amendment enhanced disclosures regarding off setting of financial assets to enable the users to understand and evaluate the effect of off-setting on the financial statements. The amendment becomes effective for annual periods beginning on or after January 01, 2013. However, the amendment will not have any impact on financial position as the applicability of such standard and interpretation have been deferred by SBP as mentioned in note 3.2.

#### IAS 19 – Employee Benefits –(Amendment)

Significant changes have been made in the requirements of IAS 19-Employee Benefits. . These changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.
- Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment / curtailment occurs or when the entity recognizes related restructuring or termination costs.

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Group applied this standard retrospectively in the current period in accordance with the transition provision given in the standard.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these consolidated financial statements are as under:

	December 31 2012			December 31, 2011		
	As previously reported	Increase/ (decrease) due to change in policy and assumptions	As restated	As previously reported	Increase/ (decrease) due to change in policy and assumptions	As restated
Rupees in '000'						
<b>Impact on consolidated statement of financial position</b>						
Defined benefit liability (Note-19)	2,990,530	(285,176)	2,705,354	2,866,533	28,557	2,895,090
Defined benefit asset (Note-13)	1,808,080	1,460,030	3,268,110	1,562,390	324,838	1,887,228
Decrease in deferred tax asset	-	-	-	750,972	(103,698)	647,274
Increase in deferred tax liability	65,419	623,022	688,441	-	-	-
Reserves & Unappropriated profit	33,812,428	1,122,184	34,934,612	29,158,462	192,583	29,351,045

### Year ended December 31, 2012 Rupees in '000'

Impact on consolidated profit and loss account (Administrative expenses)	(34,856)
Impact on other comprehensive income	964,457
Impact on earning per share - in Rupees	(0.033)

### 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, 2014. 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)"
IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	January 01, 2014
IAS 39- Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

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 January 01 2013. 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, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Involvement with Other Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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

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

#### i) Classification of investments

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

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

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

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

The Group determines that "available-for-sale" equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

#### iv) Income taxes

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

#### v) Fair value of derivatives

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

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

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

#### vii) Defined benefits plan

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

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements of the Group are the same as



# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2012 except as stated in Note 3.4. Significant accounting policies are enumerated as follows:

### 5.1 Cash and cash equivalents

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

### 5.2 Lendings to / borrowings from financial institutions

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

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

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

#### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

Securities held as collateral are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is 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 acquisition cost, which in the case of investment other than "held for trading", includes transaction cost associated with the investment.

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 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.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

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

### **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 changes, if any, are treated as change in accounting estimates, at the date of statement of financial position.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation 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.

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 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 The Bank (Holding Company) - Staff retirement schemes

##### a) For employees who opted for the new scheme introduced by the management:

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary service and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992 i.e., who have completed 10 years of service as on June 30, 2002; and

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

A Contributory Provident Fund scheme to which equal contribution are made by the Bank and the employees (defined contribution scheme).

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

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

Until December 31, 2008, the bank operated a contributory benevolent fund, which was discontinued for active employees. 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 The subsidiary - defined contribution plan

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 5.7.3 Group - 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 a time proportion basis.

### 5.10 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is 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 than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except for the impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

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

### 5.12 Provisions

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

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

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

### 5.13 Dividend distribution and appropriations

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

### 5.14 Foreign currencies

#### a) Foreign currency transactions

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

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 foreign exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date.

## 5.15 Financial instruments

### 5.15.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 5.15.2 Derivative financial instruments

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

## 5.16 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the 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.



## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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 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 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.

**f) Asset Management**

This includes services of funds management and investment related activities.

#### 5.18.2 Geographical segments

The Group operates in three geographical regions being:

- Pakistan
- Karachi Export Processing Zone
- Middle East

### 5.19 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		7,422,245	7,331,911
Foreign currencies		737,623	477,152
		8,159,868	7,809,063
<b>Remittances in transit</b>		999,593	549,050
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	16,487,185	18,172,815
Foreign currency current account	6.2	2,746	4,382
		16,489,931	18,177,197
Foreign currency deposit accounts			
- Non remunerative	6.3	2,969,548	1,900,744
- Remunerative	6.3 & 6.4	8,908,644	5,702,231
		11,878,192	7,602,975
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		7,080,875	9,143,240
<b>National Prize Bonds</b>		64,670	70,178
		44,673,129	43,351,703

- 6.1** Deposits with the SBP are maintained to comply with the cash reserve requirement under section 22 of the Banking Company Ordinance 1982 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, 2013, carries mark-up at the rate of 0% (2012: 0%) per annum.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		6	289
<b>Outside Pakistan</b>			
On current accounts	7.1	801,732	609,478
On deposit accounts		300,499	419,525
		1,102,237	1,029,292

- 7.1** Included in Nostro accounts are balances, aggregating to Rs. 148.691 million (2012: Rs. 136.808 million), representing balances held with a related party outside Pakistan.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.5	11,661,403	8,270,935
Certificates of investment	8.2	70,000	520,000
Call money lendings	8.3	800,000	2,000,000
	8.4	12,531,403	10,790,935
Provision against lendings to financial institutions	8.6	(70,000)	(70,000)
		<u>12,461,403</u>	<u>10,720,935</u>

**8.1** These are short-term lendings to various financial institutions against the government securities shown in note 8.5 below. These carry mark-up at rates ranging from 10.00% to 10.40% (2012: 8.99% to 9.95%) per annum and will mature on various dates, latest by January 3, 2014.

**8.2** This represents a classified certificate of investment amounting to Rs. 70 million (2012: Rs. 70 million).

**8.3** These call money lendings carry markup at rates ranging from 9.5% to 10.25% (2012: 9.75%) and will mature on various dates latest by February 13, 2014.

	December 31, 2013	December 31, 2012
Rupees in '000		
<b>8.4 Particulars of lending</b>		
In local currency	12,531,403	10,790,935
In foreign currencies	-	-
	<u>12,531,403</u>	<u>10,790,935</u>

### 8.5 Securities held as collateral against lending to Financial Institutions

	December 31, 2013			December 31, 2012		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
Market Treasury Bills	11,661,403	-	11,661,403	8,270,935	-	8,270,935
	<u>11,661,403</u>	<u>-</u>	<u>11,661,403</u>	<u>8,270,935</u>	<u>-</u>	<u>8,270,935</u>

	December 31, 2013	December 31, 2012
Rupees in '000		
<b>8.6 Particulars of provision</b>		
Opening balance	70,000	70,000
Charge for the year	-	-
Reversal	-	-
Net charge	-	-
Closing balance	<u>70,000</u>	<u>70,000</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 9. INVESTMENTS

	Note	December 31, 2013			December 31, 2012		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
<b>Rupees in '000</b>							
<b>9.1 Investments by types</b>							
<b>Held-for-trading securities</b>							
Market Treasury Bills		2,983,343	-	2,983,343	-	-	-
Units of open-end mutual funds		873,233	-	873,233	679,962	-	679,962
Term Finance Certificate		-	-	-	14,745	-	14,745
		3,856,576	-	3,856,576	694,707	-	694,707
<b>Available-for-sale securities</b>							
Market treasury bills		272,873,099	2,304,528	275,177,627	187,405,619	18,472,671	205,878,290
Pakistan investment bonds		148,387	-	148,387	147,813	-	147,813
Ordinary shares of listed companies / certificates of mutual funds		17,602,295	-	17,602,295	14,788,340	-	14,788,340
Preference shares		149,355	-	149,355	149,355	-	149,355
Pre IPO shares		199,996	-	199,996	-	-	-
Units of open end mutual funds		5,588,989	-	5,588,989	831,219	-	831,219
Ordinary shares of unlisted companies		1,992,014	-	1,992,014	1,692,292	-	1,692,292
Investment in related parties							
- Listed shares		4,053,509	-	4,053,509	-	-	-
- Unlisted shares		281,816	-	281,816	221,295	-	221,295
- Units of open end mutual funds		5,500,000	-	5,500,000	100,000	-	100,000
Sukuk bonds		2,469,955	-	2,469,955	3,216,409	-	3,216,409
Term finance certificates (TFCs)		2,046,694	-	2,046,694	2,783,904	-	2,783,904
		312,906,109	2,304,528	315,210,637	211,336,246	18,472,671	229,808,917
<b>Held-to-maturity securities</b>							
Pakistan investment bonds		28,613,646	-	28,613,646	26,818,371	-	26,818,371
Foreign currency bonds (US\$)		4,660,597	-	4,660,597	2,612,263	-	2,612,263
TFCs, Bonds and PTCs		3,085,738	-	3,085,738	4,553,290	-	4,553,290
		36,359,981	-	36,359,981	33,983,924	-	33,983,924
<b>Investment at cost</b>							
		353,122,666	2,304,528	355,427,194	246,014,877	18,472,671	264,487,548
<b>Provision for diminution in the value of investments</b>							
	9.3	(1,585,458)	-	(1,585,458)	(1,947,781)	-	(1,947,781)
<b>Investment (net of provisions)</b>							
		351,537,208	2,304,528	353,841,736	244,067,096	18,472,671	262,539,767
<b>Surplus on revaluation of held-for-trading securities</b>							
		56,412	-	56,412	69,700	-	69,700
<b>Surplus / (Deficit) on revaluation of available-for-sale securities</b>							
	21.2	9,915,485	(3,083)	9,912,402	4,985,626	87,586	5,073,212
<b>Total investments at market value</b>							
		361,509,105	2,301,445	363,810,550	249,122,422	18,560,257	267,682,679

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>9.2 INVESTMENTS BY SEGMENTS:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	9.2.1 - 9.2.3	278,160,970	205,878,290
- Pakistan Investment Bonds	9.2.1	28,762,033	26,966,184
- Foreign Currency Bonds (US\$)	9.2.4	4,660,597	2,612,263
<b>Fully paid up ordinary shares of listed companies</b>	9.4	21,855,800	14,788,340
<b>Fully paid up ordinary shares of unlisted companies</b>	9.5	2,273,830	1,913,587
<b>Investment in units of open end mutual funds</b>	9.6	11,962,222	1,611,181
<b>Fully paid up preference shares</b>	9.7	149,355	149,355
<b>Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:</b>			
Term Finance Certificates			
-Listed	9.8	830,101	2,116,823
-Unlisted	9.8	1,397,610	1,882,734
Sukuk Bonds	9.9	5,374,676	6,568,791
<b>Total investments at cost</b>		355,427,194	264,487,548
Less: Provision for diminution in the value of investments	9.3	(1,585,458)	(1,947,781)
<b>Investments (net of provisions)</b>		353,841,736	262,539,767
Unrealized loss on revaluation of Held-for-trading securities	9.11	56,412	69,700
Surplus on revaluation of available-for-sale securities	21.2	9,912,402	5,073,212
<b>Total investments at market value</b>		363,810,550	267,682,679

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

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2014 To June, 2014	On maturity	At maturity
Foreign Currency Bonds (US\$)	March, 2016 To June, 2017	On maturity	Half Yearly
Pakistan Investment Bonds	29 April, 2014 To 18 Aug, 2016	On maturity	Half Yearly

**9.2.2** Included herein are Market Treasury Bills having a book value of Rs. 1,964.728 million (2012: Rs. 18,132.871 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.3** Included herein are Market Treasury Bills having a face value of Rs. 339.80 million (2012: Rs 339.80 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT / DD discounting facilities sanctioned to the Bank.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2013	December 31, 2012	
<b>US \$ Bonds</b>						<b>Rupees in '000</b>		
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-14	6.5 Years	299,333	270,291	
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-14	5.9 Years	328,048	299,390	
Euro Dollar Bond (\$16,257,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-14	10 Years	1,605,496	1,444,079	
Euro Dollar Bond (\$7,500,000)	6.875%	31-May-07	01-Jun-17	30-May-14	10 Years	674,625	598,503	
Euro Dollar Bond (\$8,000,000)	6.875%	31-May-07	01-Jun-17	30-May-14	10 Years	782,207	-	
Euro Dollar Bond (\$9,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-14	10 Years	970,888	-	
						<b>4,660,597</b>	<b>2,612,263</b>	
						<b>Note</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
						<b>Rupees in '000</b>		

## 9.3 Particulars of provision

Opening balance		1,947,781	2,703,761
Charge for the year		2,473	55,856
Reversals		(89,011)	(679,197)
Net charge		(86,538)	(623,341)
Reversal as gain on disposal		(179,289)	(132,243)
Amounts written off		(96,496)	(396)
Closing balance	9.3.1	<b>1,585,458</b>	<b>1,947,781</b>

### 9.3.1 Particulars of provision in respect of type and segment

<b>By type</b>			
<b>Available-for-sale securities</b>			
Ordinary shares / certificates of listed companies		394,992	400,596
Ordinary shares of unlisted companies		56,509	62,154
Preference shares		149,355	149,355
Units of open end mutual fund		-	121,906
Sukuk Bonds		-	20,757
		<b>600,856</b>	<b>754,768</b>
<b>Held-to-maturity securities</b>			
TFCs, Debentures, Bonds and PTCs		984,602	1,193,013
		<b>1,585,458</b>	<b>1,947,781</b>
<b>By Segment</b>			
<b>Fully Paid up Ordinary Shares:</b>			
- Listed companies		394,992	400,596
- Unlisted companies		56,509	62,154
- Preference Shares		149,355	149,355
		<b>600,856</b>	<b>612,105</b>
<b>Units of open end mutual fund</b>		-	121,906
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Bonds		876,180	1,105,348
Term Finance Certificates		108,422	108,422
		<b>984,602</b>	<b>1,213,770</b>
		<b>1,585,458</b>	<b>1,947,781</b>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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

Name of Company / Mutual Fund	Cost per share / certificate  Rupees	2013		2012	
		No. of shares / certificates	Total Cost	No. of shares / certificates	Total Cost
<b>Available for Sale</b>					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	410.20	1,242,950	509,864	975,000	477,161
D. G. Khan Cement Limited	39.18	8,676,141	339,906	12,326,141	461,368
Engro Corporation Limited	128.18	3,200,000	410,164	-	-
Engro Fertilizers- Pre IPO	28.25	7,079,500	199,996	-	-
Fatima Fertilizer Company Limited	21.60	44,639,500	964,127	54,995,000	1,169,939
Fauji Fertilizer Company Limited	81.67	32,329,275	2,640,388	29,999,275	2,375,261
First Equity Modaraba	1.24	519,914	645	519,914	645
Habib Bank Limited	164.21	1,614,300	265,078	-	-
Hub Power Company Limited	36.54	112,000,000	4,092,396	112,000,000	4,089,011
Kot Addu Power Company Limited - related party	46.06	88,000,000	4,053,509	-	-
Lucky Cement Limited	155.18	2,052,100	318,454	3,450,000	504,884
Namco Balanced Fund	3.93	2,450,154	9,640	2,205,360	9,640
Nishat (Chunian) Limited	32.86	3,185,163	104,671	17,560,603	318,244
Nishat Chunian Power Limited	13.24	36,500,000	483,191	30,000,000	300,000
Nishat Mills Limited	84.43	5,900,000	498,158	-	-
Nishat Power Limited	10.74	34,813,894	373,875	34,813,894	373,302
Otsuka Pakistan Limited	-	-	-	95,517	3,335
Pakistan Oil field Limited	380.41	8,876,000	3,376,508	8,876,000	3,375,364
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	1,556,500	248,029
Pakistan State Oil Company Limited	329.02	2,000,000	658,048	-	-
PICIC Growth Mutual Fund	13.65	28,227,717	385,430	27,577,717	371,851
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Safe Way Mutual Funds	-	-	-	1,601,045	13,817
United Bank limited	-	-	-	7,000,000	520,096
			<b>21,855,800</b>		<b>14,788,340</b>

### 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, 2013 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	17.44	10	355,000	30-Jun-13	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	2.00%	14,833,333	8.01	10	148,333	31-Dec-12	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	34.44	10	40,300	30-Jun-13	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	5.18%	7,734,926	13.90	10	21,200	31-Dec-12	Ms. Charmaine Hidayatullah
Habib Allied International Bank - related party	9.24%	2,577,273	297.88	157	275,289	31-Dec-12	Mr. Anwar M. Zaidi
Islamabad Stock Exchange*	0.83%	3,034,603	10.68	10	30,346	30-Jun-13	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.08	10	8,440	30-Jun-13	Mr. Aftab Ahmad Ch.
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	1,478,228	61.57	10	1,527	30-Jun-13	Mr. Muzaffar M Khan
Nishat Hotels and Properties Limited	13.30%	29,972,220	12.26	10	299,722	30-Jun-13	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	-	1,000	1,000	31-Mar-13	Lt (Col) Muhammad Younas
Security General Insurance Life	18.22%	12,401,871	109.05	10	1,075,653	31-Dec-12	Mrs. Nabaha Shah Nawaz
SME Bank Limited	0.32%	774,351	6.38	10	5,250	31-Dec-12	Mr. Nasser Durrani
SWIFT	9.00%	10	329,566	176,591	1,770	31-Dec-12	Mr. Gottfried Leibbrandt
Eastern Capital Limited	-	500,000	-	-	5,000	30-Jun-07	Under liquidation
					<b>2,273,830</b>		

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

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

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
				Rupees	Rupees in '000
ABL Cash Fund- related party	551,570,766	28,034,167	10	5,206,713	267,722
ABL Government Securities Fund- related party	46,825,634	20,099,680	10	463,119	179,140
ABL Income Fund- related party	26,737,377	5,567,533	10	257,260	50,092
ABL Stock Fund- related party	12,318,381	13,135,682	10	119,529	124,579
ABL Islamic Cash Fund- related party	-	6,467,133	10	-	58,429
ABL AMC Capital Protected Fund- related party	22,898,182	10,034,700	10	108,211	100,000
ABL AMC Islamic Income Fund- related party	6,972,970	-	10	64,774	-
ABL AMC Islamic Stock Fund- related party	5,362,738	-	10	53,627	-
ABL AMC Islamic Principal Preservation Fund- related party	10,000,000	-	10	100,000	-
HBL Money Market Fund	12,381,619	-	100	1,250,000	-
KASB Income Opportunity Fund	-	1,345,614	100	-	121,906
KASB Cash Fund	1,164,545	1,459,700	100	119,676	150,000
MCB Cash Management Optimizer	12,506,176	-	100	1,250,000	-
NAFA Government Securities Liquid Fund	124,602,269	-	10	1,250,000	-
NAFA Income Opportunity Fund	49,464,433	58,950,235	10	469,313	559,313
UBL Liquidity Plus Fund	12,444,200	-	100	1,250,000	-
				11,962,222	1,611,181

### 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, 2013	Name of Chief Executive/ Managing Agent
				Rupees	Rupees in '000	Rupees in '000	
				First Dawood Investment Bank Limited	9.7.1	13.88%	
Trust Investment Bank Limited	9.7.2	16.31%	5,000,000	10	50,000	50,000	Mr. Shahid Iqbal
						149,355	

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

**9.7.2** These 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		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
				Rupees	Rupees in '000
<b>Listed</b>					
Standard Chartered Bank (Pakistan) Limited	-	10,000	5,000	-	12,500
Faysal Bank Limited	70,000	70,000	5,000	349,580	349,720
United Bank Limited - 3rd Issue	10,000	10,000	5,000	16,633	33,267
United Bank Limited - 4th Issue	-	37,000	5,000	-	184,667
PakArab Fertilizers Limited	-	84,080	5,000	-	126,120
Azgard Nine Limited	1,300	1,300	5,000	1,573	1,573
Orix Leasing Pakistan Limited	-	1,500	5,000	-	-
NIB Bank Limited	-	76,789	5,000	-	383,254
United Bank Limited - PPTFC	-	122,558	5,000	-	611,687
Telecard Limited	75,888	75,888	5,000	139,290	139,290
Pakistan Mobile Communication Limited	-	6,000	5,000	-	29,745
Bank Al Falah Limited - 5th issue	49,000	49,000	5,000	323,025	245,000
				830,101	2,116,823

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2013	2012		2013	2012
	Rupees			Rupees in '000	
<b>Unlisted</b>					
Askari Bank Limited (Chief Executive: Mr. M. R. Mehkari)	20,000	20,000	5,000	99,840	99,880
Faysal Bank Limited (Royal Bank Of Scotland) (Chief Executive: Mr. Naveed A. Khan)	-	7,000	5,000	-	8,729
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kissat)	-	23,000	100,000	-	383,333
Escort Investment Bank Limited (Chief Executive: Ms. Shazia Bashir)	20,000	20,000	5,000	9,993	19,984
Financial Receivable Securitization Company Limited (Chief Executive: Mr. Munaf Ibrahim)	21,000	14,579	5,000	10,080	18,216
Financial Receivable Securitization Company Limited (Chief Executive: Mr. Munaf Ibrahim)	-	6,421	5,000	-	12,025
Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	-	25,000	5,000	30,274	30,274
Al-Abbas Sugar Industries (Chief Executive: Mr. Shunaid Qureshi)	-	25,000	5,000	-	24,950
Khairpur Sugar Mills Limited (Chief Executive: Muhammad Mubeen Jumani)	13 1 5 1	13 1 5 1	55,536 55,538 337,000 337,077	454	454
Bachani Sugar Mills Limited (Chief Executive: Mr. Najmuddin Ansari)	23 1 14 13 1	23 1 14 13 1	135,227 135,236 1,526,874 655,656 655,657	10,999	10,999
Bank Al-Habib TFC 3 (Chief Executive: Mr. Abbas D. Habib)	60,000	60,000	5,000	298,920	299,160
Bank Al-Habib TFC 4 (Chief Executive: Mr. Abbas D. Habib)	90,000	90,000	5,000	449,550	449,730
Standard Chartered Bank TFC 3 (Chief Executive: Mr. Mohsin Ali Nathani)	75,000	75,000	5,000	375,000	375,000
Jahangir Siddiqi & Company Limited (Chief Executive: Mr. Suleman Lalani)	30,000	30,000	5,000	112,500	150,000
<b>Total</b>				<b>1,397,610</b>	<b>1,882,734</b>

### 9.9 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2013	2012
						Rupees in '000	
<b>Sukuk Bonds</b>							
Security Leasing Corporation Limited						-	83,027
Century Paper & Board Mills Limited						-	460,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-18	01-Jan-14	Quarterly	38,285	79,760
Liberty Power Tech. Limited	3 MK+3%	31-Mar-09	01-Jan-21	01-Jan-14	Half Yearly	2,152,612	2,297,047
Liberty Power Tech. Limited	3 MK+3%	30-Nov-10	01-Jan-21	01-Jan-14	Half Yearly	240,437	256,575
Al-Zamin Leasing Modaraba						-	128,661
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-14	Half Yearly	38,621	40,000
Shahraj Fabrics Pvt Limited	6 MK +2.10%	08-Mar-08	08-Mar-14	08-Mar-14	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	03-Mar-14	Quarterly	2,704,721	3,023,721
						<b>5,374,676</b>	<b>6,568,791</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 9.10 Quality of Available for Sale Securities

Name of Security	2013		2012	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Government Securities</b>				
Market Treasury Bills	274,774,851	Un Rated	206,138,340	Un Rated
Pakistan Investment Bonds	144,854	Un Rated	145,735	Un Rated
<b>Listed TFCs</b>				
Azgard Nine Limited	1,479	D	1,479	D
Faysal Bank Limited	353,949	AA-	354,091	AA-
Pak Arab Fertilizers Limited	-	-	126,251	AA
Standard Chartered Bank (Pakistan) Limited (Union Bank)	-	-	12,760	AAA
United Bank Limited - 3 Issue	16,877	AA	33,755	AA
United Bank Limited - 4 Issue	-	AA	188,518	AA
Pakistan Mobile Communication Limited	-	-	14,926	AA-
Bank Alfalah	330,097	AA-	245,000	AA-
<b>Unlisted TFCs</b>				
Askari Bank Limited	99,840	AA-	99,880	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	-	-	8,729	AA-
Escort Investment Bank Limited	9,992	BB	19,984	BB
Financial Receivable Securitization Company Limited-A	6,072	A+	18,216	A+
Financial Receivable Securitization Company Limited-B	4,008	A+	12,025	A+
Jahangir Siddiqi & Company Limited	112,500	AA+	150,000	AA+
Bank Al-Habib Limited TFC 3rd Issue	298,920	AA	299,160	AA
Bank Al-Habib Limited TFC 4th Issue	449,550	AA	449,730	AA
ORIX Leasing Pakistan Limited	-	-	383,333	AA+
Standard Chartered Bank	375,000	AAA	375,000	AAA
<b>Shares Unlisted</b>				
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	A-&A2	21,200	A-&A2
Habib Allied International Bank Limited*- related party	275,289	**	214,769	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,438	**	8,440	**
NIFT*- related party	1,526	**	1,526	**
Nishat Hotels and Properties Limited*	299,722	**	-	-
PASSCO*	1,000	**	1,000	**
Security General Insurance Life	1,075,653	A+	1,075,653	A+
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A-3
SWIFT	1,771	**	1,771	**
<b>Shares / Certificates Listed</b>				
Agritech Limited	176,897	D	162,935	D
Attock Petroleum Limited	621,090	**	499,190	**
D. G. Khan Cement Limited	743,806	**	672,761	**
Engro Corporation Limited	506,816	AA-&A1+	-	-
Fatima Fertilizer Company Limited	1,274,904	A+&A1	1,451,868	A+&A1
Fauji Fertilizer Company Limited*	1,306,257	**	1,366,693	**
Fauji Fertilizer Company Limited	2,313,329	**	2,147,422	**
First Equity Modaraba	3,400	**	1,664	**
Habib Bank Limited	268,991	AAA&A1+	-	-
Hub Power Company Limited*	3,697,848	AA+&A1+	2,755,116	AA+&A1+
Hub Power Company Limited	3,102,792	AA+&A1+	2,311,764	AA+&A1+
Kot Addu Power Company Limited*- related party	5,434,000	AA+&A1+	-	-
Lucky Cement Limited	615,363	**	522,813	**
Namco Balanced Fund	15,901	**	10,475	**
Nishat (Chunian) Limited	191,747	A-&A2	615,324	A-&A-2
Nishat Chunian Power Limited*	1,043,400	A&A-2	630,300	A&A-2
Nishat Chunian Power Limited	226,070	A+&A2	-	-

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

Name of Security	2013		2012	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Nishat Mills Limited	750,716	AA-&A1+	-	-
Nishat Power Limited*	901,800	A+&A1	585,000	A+&A1
Nishat Power Limited	144,706	A+&A1	93,871	A+&A1
Otsuka Pakistan Limited	-	-	3,606	**
Pakistan Oilfield Limited*	1,756,419	**	1,544,079	**
Pakistan Oilfield Limited	2,661,255	**	2,339,526	**
Pakistan Petroleum Limited*	2,046,044	**	275,174	**
Pakistan State Oil Company Limited	664,440	AA+&A1+	-	**
PICIC Growth Mutual Fund	707,951	**	452,275	**
Pioneer Cement Limited	4,090	**	1,926	**
Safe Way Mutual Funds	-	-	17,611	**
United Bank Limited	-	-	585,690	AA+&A-1+
<b>Pre IPO Investments</b>				
Engro Fertilizers	199,996	AA-&A1+	-	-
<b>Preference Shares</b>				
Trust Investment Bank Limited	50,000	**	50,000	**
First Dawood Investment Bank	99,355	**	99,355	**
<b>Investment in Mutual Funds</b>				
ABL Cash Fund- related party	5,299,971	AA(f)	-	-
ABL Government Securities Fund- related party	400,423	-	-	-
ABL Stock Fund- related party	126,754	**	121,115	MFR 5-Star
HBL Money Market Fund	1,251,662	AA(f)	-	-
KASB Income Opportunity Fund	-	-	97,419	**
KASB Cash Fund	119,103	AA(f)	149,707	AA+(f)
MCB Cash Optimizer Fund	1,251,259	AA(f)	-	-
NAFA Cash Fund	524,857	**	588,040	**
NAFA Government Securities Liquid Fund	1,251,293	AAA(f)	-	-
UBL Liquidity Plus Fund	1,251,570	AA+(f)	-	-
<b>Sukuk Bonds</b>				
Security Leasing Corporation Limited	-	-	83,027	**
Century Paper & Board Mills Limited	-	-	460,000	A+
K. S. Sulemanji Esmailji & Sons	38,285	**	79,760	**
Liberty Power Tech Limited-1	2,152,612	A+	2,297,047	A+
Liberty Power Tech Limited-2	240,437	A+	256,575	A+
Quetta Textile Mills Limited	38,621	**	40,000	**

\* Strategic investments of the Bank

\*\* Ratings are not available

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>9.11 Unrealized gain on revaluation of investments classified as held for trading</b>			
ABL Cash Fund		11,726	12,906
ABL Income Fund		10,322	5,668
ABL Stock Fund		9,858	13,399
ABL Islamic Income Fund (ABL Islamic Cash Fund)		5,019	6,344
ABL Government Securities Fund		4,986	22,991
ABL AMC Capital Protected Fund		11,188	8,211
ABL Islamic Stock Fund		5,029	-
ABL Islamic Principal Preservation Fund		191	-
Market Treasury Bills		(1,907)	-
Pakistan Mobile Communication Limited		-	181
		<b>56,412</b>	<b>69,700</b>



# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		277,270,976	283,063,975
Net investment in finance lease - in Pakistan	10.2	1,904,028	1,815,004
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,319,500	2,390,263
Payable outside Pakistan		4,916,169	1,651,473
		6,235,669	4,041,736
Advances - gross		285,410,673	288,920,715
Provision for non-performing advances	10.4	(18,242,365)	(17,752,942)
General provision	10.4	(132,187)	(52,090)
		(18,374,552)	(17,805,032)
Advances - net of provision		267,036,121	271,115,683

### 10.1 Particulars of advances (Gross)

10.1.1	In local currency	267,112,756	286,460,665
	In foreign currencies	18,297,917	2,460,050
		285,410,673	288,920,715
10.1.2	Short term (for upto one year)	158,918,707	167,988,131
	Long term (for over one year)	126,491,966	120,932,584
		285,410,673	288,920,715

### 10.2 Net investment in finance lease

	December 31, 2013				December 31, 2012			
	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	344,018	759,912	590,041	1,693,971	394,697	675,658	563,965	1,634,320
Residual value	75,970	285,995	122,294	484,259	74,614	243,008	128,548	446,170
Minimum lease payments	419,988	1,045,907	712,335	2,178,230	469,311	918,666	692,513	2,080,490
Financial charges for future periods	(66,351)	(95,790)	(112,061)	(274,202)	(75,280)	(87,307)	(102,899)	(265,486)
Present value of minimum lease payments	353,637	950,117	600,274	1,904,028	394,031	831,359	589,614	1,815,004

10.3 Advances include Rs. 19,423.896 million (2012: Rs. 20,667.561 million) which have been placed under non-performing status as detailed below:

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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

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

	Note	December 31, 2013			December 31, 2012		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
Charge for the year		2,627,045	80,097	2,707,142	3,233,567	19,443	3,253,010
Reversals		(2,055,661)	-	(2,055,661)	(1,979,109)	-	(1,979,109)
Charged to profit and loss account		571,384	80,097	651,481	1,254,458	19,443	1,273,901
Amounts written off	10.5.1	(81,961)	-	(81,961)	(1,172,586)	-	(1,172,586)
Closing balance		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
10.4.1 In local currency		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032
In foreign currencies		-	-	-	-	-	-
		18,242,365	132,187	18,374,552	17,752,942	52,090	17,805,032

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
10.5 Particulars of write offs			

### 10.5 Particulars of write offs

10.5.1 Against provisions		81,961	1,172,586
Directly charged to Profit and Loss account		-	-
		81,961	1,172,586
10.5.2 Write Offs of Rs. 500,000 and above	10.6	81,361	1,171,410
Write Offs of below Rs. 500,000		600	1,176
		81,961	1,172,586

### 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, 2013 is given in Annexure "I" of the unconsolidated financial statements of Allied Bank Limited. However, these write offs do not affect the Group's right to recover debts from these customers.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>10.7</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	5,991,044	5,566,020
	Loans granted during the year	2,049,180	1,929,591
	Repayments	(1,638,161)	(1,504,567)
	Balance at end of the year	<u>6,402,063</u>	<u>5,991,044</u>
	Details of loans and advances to associates, subsidiary and other related parties are given in note 41.		
<b>11.</b>	<b>OPERATING FIXED ASSETS</b>		
	Capital work-in-progress	11.1 2,251,154	1,598,345
	Property and equipment	11.2 18,735,980	17,296,832
	Intangible assets	11.3 1,109,637	987,069
		<u>22,096,771</u>	<u>19,882,246</u>
<b>11.1</b>	<b>Capital work-in-progress</b>		
	Civil works	1,608,352	938,326
	Equipment	393,278	129,020
	Advances to suppliers and contractors	249,524	530,999
		<u>2,251,154</u>	<u>1,598,345</u>

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 11.2 Property and equipment

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

Notes to the Consolidated Financial Statements  
for the year ended December 31, 2013

Description	Note	Cost / Revaluation				Accumulated Depreciation				Annual rate of depreciation %	
		At January 1, 2012	At January 1, 2012	At December 31, 2012	At January 1, 2012	At January 1, 2012	At December 31, 2012	At December 31, 2012	At December 31, 2012		
Rupees in '000											
Land-Freehold	11.4	5,430,494	461,165	5,895,517	-	-	-	-	-	5,895,517	-
Land-Leasehold	11.4	1,757,977	206,159	1,964,136	-	-	-	-	-	1,964,136	-
Buildings-Freehold	11.4	1,841,533	2,383,843	4,225,376	159,204	123,028	117,892	-	400,124	3,825,252	5
Buildings-Leasehold	11.4	2,118,328	9,982	2,128,310	260,370	93,844	-	-	354,214	1,774,096	5
Building improvements (rented premises)		1,036,727	188,865	1,225,592	422,081	211,045	-	-	633,126	592,466	20
Furniture and fixtures		629,602	160,210	788,242	242,370	58,435	-	-	299,278	488,964	10
			(1,570)			(1,527)					
Electrical, office and computer equipments		3,739,701	1,474,070	5,210,395	2,128,410	656,041	-	-	2,781,249	2,429,146	14.28 - 50
			(3,376)			(3,202)					
Vehicles		271,208	305,806	546,078	196,500	52,142	-	-	218,823	327,255	20
			(30,936)			(29,819)					
Total		16,825,570	5,190,100	21,983,646	3,408,935	1,194,535	117,892	-	4,686,814	17,296,832	
			(35,882)			(34,548)					
11.3 Intangible assets											
Description		Cost		Accumulated Amortization		Rate of					
		At January 1, 2013	At December 31, 2013	At January 1, 2013	At December 31, 2013	Net book value 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		
Description		Cost		Accumulated Amortization		Rate of					
		At January 1, 2012	At December 31, 2012	At January 1, 2012	At December 31, 2012	Net book value at December 31, 2012	Net book value at December 31, 2012	Rate of amortization %			
(Rupees in ' 000)											
Computer software		319,475	870,661	1,190,136	152,373	50,694	203,067	987,069	14.28		

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

- 11.4** Group arranged for valuation of Properties as at December 31, 2011 from three independent valuers (Akbari & Javed, Asif Associates and Harvester Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 928.659 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2013	December 31, 2012
Rupees in '000		
- Land	5,663,220	4,537,289
- Building	3,303,181	3,379,155

- 11.5** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as stated above in note 11.4 and are carried at fair value.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>11.6</b> Incremental depreciation charged during the year transferred to profit & loss account	21.1	39,457	47,736
<b>11.7</b> Restriction / discrepancy in the title of property having a net book value of		68,691	73,726
<b>11.8</b> Carrying amount of temporarily idle property and equipment		12,000	54,500
<b>11.9</b> The gross carrying amount of fully depreciated / amortized assets that are still in use:			
Furniture and fixtures		141,530	115,759
Electrical, office and computer equipments		1,651,035	1,240,959
Vehicles		92,779	129,088
Intangible assets - software		56,560	47,135
<b>11.10</b> The carrying amount of property and equipment that have retired from active use and are held for disposal		355,243	353,026

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

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



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>12. DEFERRED TAX (LIABILITY) / ASSET - NET</b>			
<b>Deferred debits arising in respect of:</b>			
Compensated leave absences	12.1	-	697
Provision against:	12.1		
Investments		19,093	71,971
Other assets		38,959	166,694
Off balance sheet obligations		14,824	92,039
Provision against advances	12.1	1,058,233	1,297,868
Post retirement medical benefits	12.1	42,980	165,146
Worker's welfare fund	12.1	409,668	306,342
		1,583,757	2,100,757
<b>Deferred credits arising due to:</b>			
Surplus on revaluation of fixed assets	12.1 & 21.1	(262,486)	(276,296)
Surplus on revaluation of investments	12.1	(889,702)	(610,815)
Actuarial gains	12.1	(988,202)	(623,022)
Accelerated tax depreciation / amortization	12.1	(1,239,662)	(1,268,374)
Excess of investment in finance lease over written down value of leased assets	12.1	(13,206)	(10,691)
		(3,393,258)	(2,789,198)
		(1,809,501)	(688,441)

## 12.1 Reconciliation of deferred tax

	Balance as at January 01, 2012	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2012	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2013
(Rupees in '000)							
<b>Deferred debits arising in respect of:</b>							
Compensated leave absences	88,879	(88,182)	-	697	(697)	-	-
Provision against:							
Investments	72,699	(728)	-	71,971	(52,878)	-	19,093
Other assets	212,384	(45,690)	-	166,694	(127,735)	-	38,959
Off balance sheet obligations	109,432	(17,393)	-	92,039	(77,215)	-	14,824
Advances	1,283,998	13,870	-	1,297,868	(239,635)	-	1,058,233
Post retirement medical benefits	224,714	(59,568)	-	165,146	(122,166)	-	42,980
Worker's welfare fund	195,249	111,093	-	306,342	103,326	-	409,668
	2,187,355	(86,598)	-	2,100,757	(517,000)	-	1,583,757
<b>Deferred credits arising due to:</b>							
Surplus on revaluation of fixed assets	(334,264)	16,708	41,260	(276,296)	13,810	-	(262,486)
Surplus on revaluation of investments	(203,813)	-	(407,002)	(610,815)	-	(278,887)	(889,702)
Actuarial gains	(103,699)	-	(519,323)	(623,022)	-	(365,180)	(988,202)
Accelerated tax depreciation / amortization	(881,874)	(386,500)	-	(1,268,374)	28,712	-	(1,239,662)
Excess of investment in finance lease over written down value of leased assets	(16,432)	5,741	-	(10,691)	(2,515)	-	(13,206)
	(1,540,082)	(364,051)	(885,065)	(2,789,198)	40,007	(644,067)	(3,393,258)
	647,273	(450,649)	(885,065)	(688,441)	(476,993)	(644,067)	(1,809,501)

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

- 12.2** Through Finance Act 2007, a new section 100A read with the 7th Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008).

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Group is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		8,309,712	9,138,162
- in foreign currencies		225,301	84,750
Advances, deposits, advance rent and other prepayments		679,582	1,061,945
Advance taxation (payments less provisions)		7,449,786	4,061,051
Stationery and stamps on hand		160,743	122,598
Unrealized gain on forward foreign exchange contracts		-	15,004
Due from the employees' retirement benefit schemes	36.4	3,944,973	3,268,110
Excise duty		11	11
Receivable from SBP - customers encashments		1,959	12,050
ATM settlement account		887,479	330,019
Non banking assets acquired in satisfaction of claims	13.1	2,520,310	2,787,866
Suspense account		721,735	764,492
Others		66,821	67,966
		<u>24,968,412</u>	<u>21,714,024</u>
Less: Provision held against other assets	13.2	<u>(1,386,808)</u>	<u>(1,404,807)</u>
Other assets (net of provision)		<u>23,581,604</u>	<u>20,309,217</u>
<b>13.1</b> Market value of non banking assets acquired in satisfaction of claims		<u>2,366,892</u>	<u>2,211,578</u>
<b>13.2 Provision against Other Assets:</b>			
Opening balance		1,404,807	1,098,592
Charge for the year		48,000	472,926
Reversals		-	(130,542)
Net charge		48,000	342,384
Written off / adjusted		(65,999)	(36,169)
Closing balance		<u>1,386,808</u>	<u>1,404,807</u>
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Group as at December 31, 2013 and December 31, 2012.			
<b>15. BILLS PAYABLE</b>			
In Pakistan		4,878,594	6,203,051

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		32,505,517	38,469,303
Outside Pakistan		446,889	446,889
		<u>32,952,406</u>	<u>38,916,192</u>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		23,439,770	38,362,235
In foreign currencies		9,512,636	553,957
		<u>32,952,406</u>	<u>38,916,192</u>
<b>16.2 Details of borrowings (Secured / Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	11,781,485	15,179,074
Long term financing facility - Export oriented projects	16.4	468,546	908,543
Long term financing facility	16.5	2,600,000	2,623,950
Modernization of SMEs	16.6	20,000	7,222
Financing Facility for Storage of Agriculture Produce (FFSA)	16.7	58,330	60,290
Revival of SMEs & Agricultural activities in flood affected areas	16.8	700	112,650
		<u>14,929,061</u>	<u>18,891,729</u>
Repurchase agreement borrowings	16.9	1,970,489	18,220,505
<b>Unsecured</b>			
Call borrowings	16.10	16,012,636	1,553,957
Other Borrowings		40,220	250,001
		<u>16,052,856</u>	<u>1,803,958</u>
		<u>32,952,406</u>	<u>38,916,192</u>

**16.3** The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The loan carries mark-up at rates ranging from 8.20% to 8.40% (2012: 8.5% to 10%) per annum. These borrowings are repayable within six months from the deal date.

**16.4** This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.

**16.5** This represents Long Term Financing Facility availed by the Bank for further extending the same to its customers for balancing, modernization and replacement (BMR) of existing units / projects, for a maximum period of 10 years. The loan carries mark-up at rates ranging from 8.40% to 8.80% (2012: 8.20% to 9.50%) per annum.

**16.6** This represents Long Term Financing facility availed by the Bank for extending the same to its customers establishment, expansion and balancing, modernization & replacement (BMR) of steel / metal / concrete silos, warehouses & cold storage facilities for storing agricultural produce, for a maximum period of 5 years. These carry mark-up at the rates ranging from 5.50% to 7.00% (2012: 6.50%) per annum.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

- 16.7** This represents long term financing facility availed by the Bank for establishment, expansion and balancing modernization and replacement (BMR) of steel / Metal. Concrete Silos, Warehouses and Cold Storage. The financing is available for a maximum period of 7 years. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.
- 16.8** This represents Production / Working capital financing facility availed by the Bank for extending the same to farmers and Small & Medium Enterprises (SMEs) in districts affected by recent flood as notified by National Disaster Management Authority. The loan carries mark-up at the rate of 5% (2012: 5%) per annum.
- 16.9** These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 9.15% to 9.50% (2012: 6.49% to 9%) per annum maturing on various dates, latest by January 09, 2014.
- 16.10** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 9.5% to 10% (2012: 8.25% to 9%) for local currency borrowing, and at rates ranging from 0.40 % to 3.65% (2012: 0.16% to 0.40%) for foreign currency borrowing per annum maturing on various dates, latest by June 04, 2014.

	December 31, 2013	December 31, 2012
Rupees in '000		
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	191,182,134	158,249,920
Savings deposits	145,148,202	125,835,518
Current accounts - remunerative	83,463,328	80,053,817
- non - remunerative	183,047,302	145,711,362
	<u>602,840,966</u>	<u>509,850,617</u>
<b>Financial Institutions</b>		
Remunerative deposits	5,114,383	4,463,515
Non - remunerative deposits	451,280	388,312
	<u>608,406,629</u>	<u>514,702,444</u>
<b>17.1 Particulars of deposits</b>		
In local currency	547,900,350	475,356,954
In foreign currencies	60,506,279	39,345,490
	<u>608,406,629</u>	<u>514,702,444</u>
<b>18. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - I	1,247,000	2,494,000
Term Finance Certificates - II	2,995,200	2,996,400
	<u>4,242,200</u>	<u>5,490,400</u>

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

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	1,247,000	2,995,200
Issue date	December 06, 2006	August 28, 2009
Total issue (Rupees in thousand)	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Mark up repayment	Payable semi annually	Payable semi annually
Rate	- Six months KIBOR plus 1.90%	- Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		4,633,080	5,227,681
Mark-up / return / interest payable in foreign currency		301,023	569,242
Accrued expenses		1,573,394	1,459,622
Branch adjustment account		801,193	670,232
Unrealized loss on forward foreign exchange contracts		608,165	-
Provision for:			
- gratuity	36.4	48,066	302,214
- employees' medical benefits	36.4	951,480	1,381,401
- employees' compensated absences	36.4	821,360	1,021,739
Unclaimed dividends		112,043	87,695
Dividend payable		13,942	13,107
Provision against off-balance sheet obligations	19.1	899,444	884,489
Provision against fixed assets		80,879	46,920
Retention money payable		136,159	139,544
Security deposits against lease		486,262	451,206
Sundry deposits		1,104,004	895,875
Workers Welfare Fund payable		1,198,443	899,748
Others		2,017,943	1,654,774
		<u>15,786,880</u>	<u>15,705,489</u>
<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		884,489	515,009
Charge for the year		24,955	419,173
Reversals		(10,000)	(49,693)
Net charge		14,955	369,480
Closing balance		<u>899,444</u>	<u>884,489</u>
The above provision has been made against letters of guarantee issued by the Group.			
<b>19.2 Particulars of other liabilities</b>			
In local currency		15,485,857	15,134,876
In foreign currencies		301,023	570,613
		<u>15,786,880</u>	<u>15,705,489</u>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 20. SHARE CAPITAL

#### 20.1 Authorized capital

December 31, 2013	December 31, 2012		December 31, 2013	December 31, 2012
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, 2013	December 31, 2012	Ordinary shares	December 31, 2013	December 31, 2012
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,076,801
616,647,565	522,013,365	Issued as bonus shares	6,166,476	5,220,134
1,023,427,659	928,793,459		10,234,277	9,287,935
		18,348,550 ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
1,040,976,209	946,342,009		10,409,763	9,463,421

Ibrahim Fibers Limited, related party of the Group, holds 176,401,742 (16.95%) [December 31, 2012: 226,365,220 (23.92%)] ordinary shares of Rs. 10 each, as at reporting date.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			

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

Surplus arising on revaluation of:			
- fixed assets	21.1	3,471,837	3,525,308
- securities	21.2	9,022,700	4,462,397
Surplus on revaluation of assets - net of tax		12,494,537	7,987,705

#### 21.1 Surplus on revaluation of fixed assets

Surplus on revaluation as at January 1, 2013		3,801,604	3,963,374
(Deficit) / surplus on revaluation during the year		-	(114,034)
Surplus realised on disposal of revalued properties		(27,824)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(25,647)	(31,028)
Related deferred tax liability	12.1	(13,810)	(16,708)
	11.6	(39,457)	(47,736)
Surplus on revaluation as at December 31, 2013		3,734,323	3,801,604
Less: Related deferred tax liability on:			
Revaluation as at January 1, 2013		(276,296)	(334,264)
Deferred tax liability on surplus on revaluation of fixed assets		-	41,260
Incremental depreciation charged during the year transferred to profit and loss account	12.1	13,810	16,708
		(262,486)	(276,296)
		3,471,837	3,525,308



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>21.2</b>	<b>Surplus / (deficit) on revaluation of available-for-sale securities</b>		
	Federal Government Securities		
	Market Treasury Bills	(402,777)	260,050
	Pakistan Investment Bonds	(3,533)	(2,078)
	Term Finance Certificates	11,590	9,007
	Shares / Certificates - Listed	9,919,218	4,659,339
	Open end mutual funds	387,904	146,894
		9.1	9,912,402
	Less : related deferred tax (liability)	12.1	(889,702)
			4,462,397

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Direct credit substitutes

	Guarantees in favor of:		
	Banks and financial institutions	439,266	473,823

### 22.2 Transaction-related contingent liabilities

	Guarantees in favor of:		
	Government	17,959,000	18,513,854
	Others	14,245,474	12,703,025
		32,204,474	31,216,879

<b>22.3</b>	<b>Trade-related contingent liabilities</b>	71,322,325	54,546,360
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<b>22.4</b>	<b>Claims against the bank not acknowledged as debt</b>	5,740,843	5,929,382
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**22.5** The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	December 31, 2013	December 31, 2012
Rupees in '000		

### 22.6 Commitments in respect of forward foreign exchange contracts

	Purchase	97,308,562	35,605,257
	Sale	62,218,028	9,400,993

### 22.7 Commitments in respect of:

	Civil works	1,064,715	495,414
	Acquisition of operating fixed assets	794,367	706,733
		1,859,082	1,202,147

<b>22.8</b>	<b>Commitments in respect of lease financing</b>	100,000	192,274
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<b>22.9</b>	<b>Other Commitments</b>	1,096	919
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### 22.10 Other Contingencies

**22.10.1** The income tax assessments of the Bank have been finalized up to and including tax year 2013 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2013, income tax authorities made certain add backs with aggregate tax impact of Rs. 15,702 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. 15,702 million. The management is confident that the outcome of these appeals/references will be in favor of the Bank.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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 2012 and created aggregate arbitrary demand of Rs. 1,081 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. 1,081 million.

Tax authorities have issued orders under Federal Excise Act, 2005 for the year 2008 to 2011 thereby creating arbitrary aggregate demand of Rs. 340 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. 340 million.

**22.10.2** 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 Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Group's Treasury Group buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures

#### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Group in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favourably, the Group will loose money, and Obligor will benefit from that movement because the Group must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Group hedges its exposure by taking forward position in inter-bank FX.

#### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Group if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Group from gaining any benefit resulting from a favourable exchange rate movement in the relevant currency pair between the time Group enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Group with protection against unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Group particular needs.

#### Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio, in both "held for trading" and "available for sale", against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

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

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	December 31, 2013	December 31, 2012
	Rupees in '000	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
<b>On loans and advances:</b>		
Customers	27,443,741	31,457,937
<b>On investments in:</b>		
Available for sale securities	21,221,795	12,904,292
Held to maturity securities	4,176,138	4,036,826
Held for Trading	48,117	41,990
	<u>25,446,050</u>	<u>16,983,108</u>
On deposits with financial institutions	3,755	10,448
On securities purchased under resale agreements	1,185,443	996,522
On certificates of investment	14,457	6,571
On letters of placement	-	7,088
On call money lending	130,053	50,331
	<u>54,223,499</u>	<u>49,512,005</u>
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	26,895,226	23,053,644
Long term borrowing	236,945	248,400
Securities sold under repurchase agreements	1,608,487	3,261,106
Call money borrowing	174,301	431,967
Brokerage and commission	161,397	194,469
Mark-up on sub-ordinated loans	550,572	716,980
Other short term borrowings	2,935,402	3,274,424
	<u>32,562,330</u>	<u>31,180,990</u>
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	3,226,200	2,822,612
Account maintenance charges	115,092	119,580
	<u>3,341,292</u>	<u>2,942,192</u>
<b>27. GAIN / (LOSS) ON SALE OF SECURITIES</b>		
Shares - listed	1,133,840	2,002,399
- unlisted	-	208,715
Open end mutual funds	136,310	(943,287)
Market treasury bills	842	660,944
Term finance certificates	-	(679)
Sukuk Bonds	1,278	1,382
	<u>1,272,270</u>	<u>1,929,474</u>
<b>28. OTHER INCOME</b>		
Gain on sale of operating fixed assets	27,413	27,762
Profit on sale of other assets	42,504	5,273
Management fee	-	71,737
Recovery from written off loans / others	110,426	128,245
Gain on Demutualization of Lahore and Islamabad Stock Exchange	-	38,785
Compensation on delayed tax refund	28.1	1,066,805
	<u>1,247,148</u>	<u>271,802</u>

**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 to 2006. 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.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Restated			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.3	8,059,069	7,678,201
Charge for defined benefit plan - net	29.3 & 36	26,928	478,492
Contribution to defined contribution plan - provident fund		259,409	245,470
Non-executive directors' fees, allowances and other expenses		8,275	7,675
Rent, taxes, insurance, electricity, etc.		2,137,134	1,773,892
Legal and professional charges		77,140	75,961
Communications		319,753	331,147
Repairs and maintenance		371,525	311,409
Stationery and printing		193,405	230,905
Advertisement and publicity		320,955	360,825
Auditors' remuneration	29.1	13,035	16,465
Depreciation / Amortization	11.2 & 11.3	1,700,938	1,245,227
Security service charges		705,785	623,191
Travelling, conveyance and fuel expenses		259,398	272,995
Entertainment		138,068	118,894
Computer expenses		663,694	533,569
Subscription		266,299	249,401
Donations	29.2	80,183	103,515
Others		73,944	63,668
		<b>15,674,937</b>	<b>14,720,902</b>

### 29.1 Auditors' remuneration

	December 31, 2013			December 31, 2012		
	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	2,925	2,925	5,850
Annual audit oversees business unit	-	2,590	2,590	53	2,361	2,414
Half year review	-	2,360	2,360	1,180	1,180	2,360
Special certifications and miscellaneous services	-	335	335	2,094	2,175	4,269
Out-of-pocket expenses	510	1,000	1,510	545	538	1,083
<b>Subsidiary Company</b>						
Audit fee	-	345	345	-	350	350
Other certification	-	15	15	-	90	90
Out-of-pocket expenses	-	30	30	-	49	49
	<b>510</b>	<b>12,525</b>	<b>13,035</b>	<b>6,797</b>	<b>9,668</b>	<b>16,465</b>

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

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

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
Al-Mustafa Trust		1,000	1,500
Aziz Jehan Begum Trust		-	1,000
Bait ul Sakoon Karachi		-	100
Bakhtawar Amin Memorial Trust Hospital		3,000	3,000
Construction of Houses at Flood Affected Areas		-	51,315
Custom Public School - Lahore		500	-
Imran Khan Foundation		-	100
Institute of Business Administration		15,000	15,000
Kaghan Memorial Trust		-	2,000
Karachi Education Initiative		30,400	-
Karachi School For Business and Leadership		-	20,000
Laeq Rafique Foundation		-	2,000
Lahore Businessmen Association for Rehabilitation of the Disabled		-	500
Liver Center, Civil Hospital Faisalabad		-	3,000
Namal Education Foundation		5,000	1,000
Pakturk International CAG Educational Foundation		500	-
Public Interest Law Association of Pakistan		200	-
Prime Minister Earthquake Relief Fund 2013 For Balochistan		10,000	-
Sargodhian Spirit Trust		-	1,000
Shaukat Khanum Memorial Cancer Hospital & Research Centre		500	2,000
Suleman Dawood School of Business		10,000	-
Tamir Welfare Organization		1,000	-
Tehzeeb Social Welfare Organization		200	-
Anjuman Himayat-i-Islam	29.2.1	2,883	-
		<u>80,183</u>	<u>103,515</u>

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

**29.3** The Group announced the Voluntary Retirement Scheme (VRS) for its employees. Eighty (80) employees (2012: 91) of the Group opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 135.8 million (2012: Rs. 104 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2013	December 31, 2012
Rupees in '000		
<b>30. OTHER CHARGES</b>		
Penalties imposed by SBP	16,290	39,062
SBP prism service charges	7,612	5,828
Education cess	16,415	12,100
Provision against fixed assets	33,959	-
Other assets written off	4,082	969
	<u>78,358</u>	<u>57,959</u>

### 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, 2013	December 31, 2012
Rupees in '000			
<b>32. TAXATION</b>			
Current - for the year		4,107,811	3,812,352
- for prior years	32.1	(4,436,701)	1,073
		<u>(328,890)</u>	<u>3,813,425</u>
Deferred - current		123,961	450,649
- for prior years	32.1	353,034	-
		<u>148,105</u>	<u>4,264,074</u>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

- 32.1** The Group had filed appeals before Appellate Tribunal Inland Revenue (ATIR) for Assessment / Tax Years from 1996-97 to 2007, 2009 and 2010 against decisions of Commissioner Appeals. As a result of appellate decision and adjudication of issues set aside by ATIR, certain reliefs, including assessment of tax losses pertaining to assessment years 1996-97 to tax year 2003, were allowed to the Bank. Accordingly excess provision charged to profit and loss account (in prior years) amounting to Rs. 4,086 million (net of deferred tax of Rs. 353 million) has been reversed based on relief allowed by ATIR.

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>32.2 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		14,931,280	16,111,585
Tax on income @ 35% (2012: 35%)		5,225,948	5,639,055
Effect of permanent differences		33,735	20,477
Adjustments in respect of tax at reduced rates		(1,041,337)	(1,567,622)
Others		(4,070,241)	172,164
Tax charge for the year		148,105	4,264,074

### 33. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation		14,783,175	11,847,511
Number of Shares			
Restated			
Weighted average number of ordinary shares outstanding during the year	33.1	1,040,976,209	1,040,976,209
Rupees			
Restated			
Earnings per share - basic and diluted	33.1	14.20	11.38

There is no dilution effect on basic earnings per share.

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

	Note	December 31, 2013	December 31, 2012
Rupees in '000			
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	44,673,129	43,351,703
Balances with other banks	7	1,102,237	1,029,292
		45,775,366	44,380,995

### 35. STAFF STRENGTH

		Numbers	
Permanent		9,675	9,291
Temporary / on contractual basis / trainee		229	276
Bank's own staff strength at the end of the year		9,904	9,567
Outsourced	35.1	309	3,492
Total staff strength		10,213	13,059
Average number of employees		11,636	11,645

- 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.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	December 31, 2013	December 31, 2012
	Numbers	
<b>36.2 Number of Employees under the schemes</b>		
The number of employees covered under the following defined benefit scheme / plans are:		
- Gratuity fund	9,983	9,567
- Pension fund	6,428	6,603
- Benevolent fund	185	201
- Employees' compensated absences	9,653	9,291
- Post retirement medical benefits	9,653	9,291

### 36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2013 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2013	December 31, 2012
Discount rate	Yield on investments in Government Bonds	12.50%	12.00%
<b>Expected rate of return on plan assets:</b>			
Pension fund	Yield on investments in Government Bonds	12.50%	12.00%
Gratuity fund	Yield on investments in Government Bonds	12.50%	12.00%
Benevolent fund	Yield on investments in Government Bonds	12.50%	12.00%
Expected rate of salary increase	Rate of salary increase	10.50%	10.00%

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

	Note	December 31, 2013				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	2,873,602	1,384,215	12,992	1,381,400	1,020,459
Fair value of plan's / scheme's assets	36.7	(5,993,598)	(1,082,001)	(161,107)	-	-
Net (asset) / liability		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459

## Notes to the Consolidated Financial Statements

### for the year ended December 31, 2013

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

	Note	December 31, 2013				
		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
(Reversal) / charge 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

	Note	December 31, 2012				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(1,745,972)	275,395	(141,256)	1,656,505	962,292
Charge / (reversal) for the year	36.9	(191,977)	187,969	(19,393)	268,664	298,872
Other Comprehensive Income		(1,182,047)	61,733	12,534	(376,000)	-
Contribution to the fund / benefits paid		-	(222,883)	-	(167,769)	(240,705)
Closing balance		(3,119,996)	302,214	(148,115)	1,381,400	1,020,459

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

		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	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

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

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 36.7 Reconciliation of fair value of plan assets

	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	-	-

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

## 36.8 Composition of fair value of plan assets

	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	-	-

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 36.9 Charge for defined benefit plan

	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, 2012				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	160,654	-	63,224	77,914
Interest cost	-	-	-	204,440	-
Net interest	(226,977)	21,315	(19,393)	-	162,627
Actuarial (gains) / losses recognised	-	-	-	-	39,331
VRS Loss	35,000	6,000	-	1,000	19,000
	(191,977)	187,969	(19,393)	268,664	298,872

	December 31, 2013	December 31, 2012
	Rupees in '000	
- Pension fund	1,033,838	601,886
- Gratuity fund	289,384	118,901
- Benevolent fund	23,324	16,148

### 36.10 Actual return on plan assets

- Pension fund	1,033,838	601,886
- Gratuity fund	289,384	118,901
- Benevolent fund	23,324	16,148

### 36.11 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	2,810,086	2,873,602	4,239,314	4,237,829	4,040,811
Fair value of plan assets	(6,591,550)	(5,993,598)	(5,985,286)	(5,368,825)	(5,138,070)
Surplus	(3,781,464)	(3,119,996)	(1,745,972)	(1,130,996)	(1,097,259)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	(25,739)	1,319,665	122,770	(191,900)	(491,912)
Actuarial gains / (losses) on assets	340,760	(137,618)	451,777	211,328	540,483

	Gratuity fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	1,486,417	1,384,215	1,193,848	941,933	766,547
Fair value of plan assets	(1,438,351)	(1,082,001)	(918,453)	(849,433)	(593,567)
Deficit	48,066	302,214	275,395	92,500	172,980
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	92,014	(58,334)	(71,960)	(41,223)	(60,758)
Actuarial gains / (losses) on assets	155,526	(3,400)	(79,625)	125,349	131,570

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Benevolent fund				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	10,894	12,992	19,561	22,819	60,968
Fair value of plan assets	(174,403)	(161,107)	(160,816)	(143,814)	(143,594)
Surplus	(163,509)	(148,115)	(141,255)	(120,995)	(82,626)
<i>Experience adjustments on plan obligations / assets</i>					
Actuarial gains / (losses) on obligation	(6,973)	(7,777)	1,266	25,350	6,697
Actuarial gains / (losses) on assets	4,593	(4,757)	3,053	(202)	40,916
	Post retirement medical				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	951,480	1,381,400	1,656,505	1,752,683	1,681,204
Fair value of plan assets	-	-	-	-	-
Deficit	951,480	1,381,400	1,656,505	1,752,683	1,681,204
<i>Experience adjustments on plan obligations</i>					
Actuarial gains / (losses) on obligation	483,192	376,000	238,730	68,829	40,340
	Leave Encashment				
	2013	2012	2011	2010	2009
	Rupees in '000				
Present value of defined benefit obligation	820,067	1,020,459	962,292	872,705	838,005
Fair value of plan assets	-	-	-	-	-
Deficit	820,067	1,020,459	962,292	872,705	838,005
<i>Experience adjustments on plan obligations</i>					
Actuarial gains / (losses) on obligation	-	-	-	-	-

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

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. 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, 2014 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	(472,683)	212,031	(20,439)	152,182	140,252

### 36.13 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount 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	2,634	2,957	2,810	2,937	2,806	2,793	2,785	2,837
Gratuity fund	1,348	1,651	1,659	1,342	1,488	1,484	1,488	1,485
Benevolent fund	11	11	-	-	-	-	11	11
Post retirement medical	895	1,014	949	953	954	949	952	951
Leave encashment	743	911	915	740	821	819	821	819

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 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:

		December 31, 2013	December 31, 2012
Rupees in '000			
<b>37.1</b>	<b>Employee provident fund</b>		
	Size of the fund	5,168,034	4,303,085
	Cost of investment made	37.2 4,983,028	4,083,169
	Percentage of investment made	96.42%	94.89%
	Fair value of investment	5,127,499	4,264,985
<b>37.2</b>	<b>Breakup of investment</b>		
	Investment in shares (Listed securities)	1,304,335	997,623
	Treasury bills	-	929,285
	Term deposit receipts	3,626,780	2,012,900
	Pakistan investment bonds	24,006	128,325
	Term finance certificates	-	961
	GOP Ijara Sukuk	10,907	14,075
	Open ended mutual funds	17,000	-
		4,983,028	4,083,169
<b>37.3</b>	<b>Number of employees - Employees provident fund</b>		Numbers
	Number of employees at the end of the year	8,842	8,861
	Average number of employees during the year	8,852	8,676

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Note	President/Chief Executive		Independent / Non-Executive Directors		Executive Director		Executives		
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	
	Rupees in '000								
Fees	38.1	-	-	7,900	7,550	-	-	375	125
Managerial remuneration		19,699	28,028	-	-	16,423	15,353	1,315,376	1,165,772
Charge for defined benefit plans		1,395	1,667	-	-	1,163	913	181,797	281,380
Contribution to defined contribution plan		497	-	-	-	1,368	1,279	110,320	97,629
Rent and house maintenance		9,071	12,615	-	-	7,787	6,909	477,366	515,413
Utilities		2,277	2,803	-	-	2,404	1,535	208,087	114,611
Medical		751	31	-	-	206	190	228,914	143,997
Bonus		18,000	19,207	-	-	14,000	14,661	453,534	374,195
Conveyance and others		1,932	219	-	-	391	803	611,331	196,348
	38.2	53,622	64,570	7,900	7,550	43,742	41,643	3,587,100	2,889,470
Number of persons		1	1	4	4	1	1	1,346	1,241

**38.1** This represents meeting fees paid to independent / Non-Executive Directors excluding Sponsor Directors for attending meetings of the Board of Directors, Audit Committee and other Board Committees held during the year. Each director was paid Rs. 100,000 during the year for each meeting attended.

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



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 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:-

For the Year Ended December 31, 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	39,227,178	54,616,489	974,353	356,210	(33,201,853)	64,173,499
Total expenses	(100,630)	(3,229,899)	(30,632,497)	(48,126,994)	(285,763)	(216,393)	33,201,853	(49,390,323)
Net income / (loss)	302,762	(1,432,169)	8,594,681	6,489,495	688,590	139,817	-	14,783,176
Segment assets (gross)	369,234	13,917,310	125,725,177	614,299,239	794,405	1,073,269	-	756,178,634
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	528,509,094	116,379,888	5,507,919	85,681	-	668,076,209
Segment return on net assets (ROA) (%)*	82.00%	-10.29%	7.15%	1.08%	86.68%	13.03%	-	-
Segment cost of funds (%)*	0.00%	21.62%	8.50%	7.84%	0.00%	0.00%	-	-

For the Year Ended December 31, 2012								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
Rupees in '000								
Total income	501,703	3,185,436	39,597,029	55,836,450	592,932	439,877	(36,396,525)	63,756,902
Total expenses	(232,431)	(4,409,178)	(31,368,656)	(51,749,295)	(291,302)	(255,054)	36,396,525	(51,909,391)
Net income / (loss)	269,272	(1,223,742)	8,228,373	4,087,155	301,630	184,823	-	11,847,511
Segment assets (gross)	332,769	9,418,765	122,186,461	522,140,750	352,054	888,576	-	655,319,375
Segment non performing loans	-	-	7,150,202	13,517,359	-	-	-	20,667,561
Segment provision required	-	-	6,168,891	11,636,141	-	-	-	17,805,032
Segment liabilities	293,222	18,502,359	504,247,523	52,090,996	6,529,611	42,306	-	581,706,017
Segment return on net assets (ROA) (%)*	80.92%	-12.99%	7.04%	0.80%	85.68%	20.80%	-	-
Segment cost of funds (%)*	0.00%	28.53%	6.87%	9.64%	0.00%	0.00%	-	-

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 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, 2013				December 31, 2012			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
Rupees in '000								
<b>Nature of related party transactions</b>								
<b>Loans</b>								
Loans at the beginning of the year	43,842	1,833,333	176,428	200	49,969	-	203,005	-
Loans given during the year	91,890	-	162,658	54,583,758	14,847	2,000,000	91,199	3,185
Loans repaid/ adjustment during the year	(66,826)	(1,833,333)	(99,649)	(50,200,017)	(20,974)	(166,667)	(117,776)	(2,985)
Loans at the end of the year	68,906	-	239,437	4,383,941	43,842	1,833,333	176,428	200
<b>Deposits</b>								
Deposits at the beginning of the year	33,653	41,011	27,640	5,675,814	17,270	48,985	13,556	230,430
Deposits received during the year	5,146,560	7,144,875	795,509	98,198,169	6,532,379	13,700,859	310,582	327,706,930
Deposits repaid during the year	(5,114,079)	(7,171,057)	(804,619)	(89,267,002)	(6,515,996)	(13,708,833)	(296,498)	(322,261,546)
Deposits at the end of the year	66,134	14,829	18,530	14,606,981	33,653	41,011	27,640	5,675,814
Nostro balances	-	148,691	-	-	-	136,808	-	-
Lending	-	-	-	-	-	1,479,252	-	-
Investments in shares/ open end mutual funds*	-	279,650	-	12,194,226	-	219,130	-	872,122
Other receivables	-	-	-	78,260	-	-	-	62,563
Other payables	-	-	-	110	-	-	-	110
Net receivable from staff retirement benefit funds	-	-	-	3,896,907	-	-	-	1,704,067
Rupees in '000								
<b>Income</b>								
Mark-up earned	2,273	-	11,897	368,455	1,729	162,624	10,974	-
Income on Placements	-	1,665	-	-	-	118	-	-
Income on lendings	-	-	-	-	-	1,775	-	-
Dividend Income	-	-	-	464,052	-	-	-	6,066,277
Capital Gain/ (Loss)	-	-	-	119	-	-	-	(899,779)
Sales commission /management fee sharing	-	-	-	4,127	-	-	-	1,641
Management fee income	-	-	-	252,614	-	-	-	418,563
Mark-up expense on deposits	2,098	17	2,272	734,524	2,032	6	224	176,366
Fee commission/ bank charges	23	50	56	1,964	19	1,062	15	168
Interest expense on borrowings	-	115	-	-	-	-	-	-
Directors' meeting fee	8,275	-	-	-	7,550	-	-	-
Remuneration	-	-	295,313	-	-	-	246,176	-
NIFT charges	-	-	-	78,001	-	-	-	80,720
Rent Expense**	-	19,671	-	-	-	16,482	-	-
Rent Income	-	600	-	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	118,231	-	-	-	195,262

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).

\*\*\*\* Allied Bank Limited sold 17.6 million shares of KAPCO @ Rs. 46.063 on July 23, 2013 to ABL Employee Pension Funds.

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 42. CAPITAL ASSESSMENT AND ADEQUACY

#### 42.1 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.

#### 42.2 Capital Structure - Basel III transition

During the year, 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.

Group's regulatory capital is analyzed into two tiers:

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

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

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits. TFC I is not redeemable before maturity without prior approval of the SBP, where as TFC II can be redeemed after the 11th redemption date of the entire TFC issue.

The salient features of the issue are as follow:

	Term Finance Certificate-I	Term Finance Certificate-II
Outstanding Amount- (Rupees in thousand)	1,247,000	2,995,200
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA	AA
Listing	Karachi Stock Exchange Limited	Karachi Stock Exchange Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

The required capital is achieved by the Bank through:

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital / Capital deposited with SBP	10,409,763	-	9,463,421
Balance in Share Premium Account	333,864	-	-
Reserve for issue of Bonus Shares	-	-	-
General / Statutory Reserves	12,019,553	-	10,896,052
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated/unremitted profits / (losses)	31,343,149	-	22,906,178
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
<b>CET 1 before Regulatory Adjustments</b>	<b>54,106,329</b>	<b>-</b>	<b>43,265,651</b>
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	(1,188,994)	-	(987,070)
Shortfall of provisions against classified assets	-	-	(1,939,887)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
Defined-benefit pension fund net assets	-	3,781,464	-
Reciprocal cross holdings in CET1 capital instruments	(107,431)	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares / CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-
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)	-	-	-
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)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
<b>Total regulatory adjustments applied to CET1</b>	<b>(1,296,425)</b>	<b>3,781,464</b>	<b>(2,926,957)</b>

Notes to the Consolidated Financial Statements  
for the year ended December 31, 2013

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000				
<b>Common Equity Tier 1</b>	a	52,809,904	-	40,338,694
<b>Additional Tier 1 (AT1) Capital</b>				
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		-	-	-
<b>AT1 before regulatory adjustments</b>		-	-	-
<b>Additional Tier 1 Capital: regulatory adjustments</b>				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-	-	-
Investment in own AT1 capital instruments		-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments		-	-	-
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)		-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
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		-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-	-
Total of Regulatory Adjustment applied to AT1 capital		-	-	-
<b>Additional Tier 1 capital</b>				
<b>Additional Tier 1 capital recognized for capital adequacy</b>	b	-	-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	(c=a+b)	52,809,904	-	40,338,694
<b>Tier 2 Capital</b>				
Qualifying Tier 2 capital instruments under Basel III				
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		2,696,484	-	2,946,964
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		132,187	-	52,090
Revaluation Reserves		5,622,542	-	3,993,665
of which: Revaluation reserves on Property		1,562,327	-	1,710,720
of which: Unrealized Gains/Losses on AFS		4,060,215	-	2,282,945
Foreign Exchange Translation Reserves		84,741	-	10,198
Undisclosed/Other Reserves (if any)		-	-	-

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

		December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
Rupees in '000				
<b>T2 before regulatory adjustments</b>		8,535,954	-	7,002,917
<b>Tier 2 Capital: regulatory adjustments</b>				
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		-	-	-
Reciprocal cross holdings in Tier 2 instruments		(376,298)	-	-
Investment in own Tier 2 capital instrument		-	-	-
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)		-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-	-
Amount of Regulatory Adjustment applied to T2 capital		-	-	-
Tier 2 capital (T2)		-	-	-
Tier 2 capital recognized for capital adequacy		-	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital		-	-	-
<b>Total Tier 2 capital admissible for capital adequacy</b>	(d)	8,159,656	-	7,002,917
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	(e=c+d)	60,969,560	-	47,341,611
<b>Total Risk Weighted Assets</b>	(i=f+g+h)	338,698,776	-	289,767,137
Total Credit Risk Weighted Assets	(f)	275,422,047	-	231,219,946
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment				
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		-	-	-
of which: deferred tax assets		-	-	-
of which: Defined-benefit pension fund net assets		3,781,464	-	-
of which: Others		-	-	-
Total Market Risk Weighted Assets	(g)	5,095,014	-	2,461,728
Total Operational Risk Weighted Assets	(h)	58,181,714	-	56,085,463
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>				
CET1 to total RWA	(a/i)	15.59%	-	13.92%
Tier-1 capital to total RWA	(c/i)	15.59%	-	13.92%
Total capital to RWA	(e/i)	18.00%	-	16.34%
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)		15.59%	-	13.92%



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	December 31, 2013	Amounts subject to Pre-Basel III treatment	December 31, 2012
	Rupees in '000		
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio	5.00%	-	-
Tier 1 minimum ratio	6.50%	-	-
Total capital minimum ratio	10.00%	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
Non-significant investments in the capital of other financial entities	2,889,773	-	-
Significant investments in the common stock of financial entities	1,075,653	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	132,187	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

## 42.3 Capital Adequacy

### Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO) and Management Committee (MANCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (BRMC) and Strategic Planning and Monitoring Committee (SPMC).

### Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

### Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 has asked the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses by the end of financial year 2013.

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

The paid up capital and CAR of the Bank stands at Rs. 10.410 billion and 18.00% of its risk weighted exposure as at December 31, 2013.

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares	Instrument - 2	Instrument - 3
1	Issuer	Allied Bank Limited	Allied Bank Limited	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL	ABL/FC	ABL/FC2
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan	Laws applicable in Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Common Equity Tier 1	The bank intends to Phase out the above instrument till 2014	The bank intends to Phase out the above instrument till 2019
5	Post-transitional Basel III rules	Common Equity Tier 1	N/A	N/A
6	Eligible at solo/ group/ group& solo	Group and Standalone	Group and Standalone	Group and Standalone
7	Instrument type	Ordinary Shares	Other Tier 2	Other Tier 2
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,409,763	-	2,696,484
9	Par value of instrument	PKR 10	PKR 5,000	PKR 5,000
10	Accounting classification	Shareholders equity	Liability - amortized cost	Liability - amortized cost
11	Original date of issuance	1942	December 06, 2006	August 28, 2009
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	N/A	December 06, 2014	August 28, 2019
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	Issuer has the right to seek redemption after the eleventh redemption of the entire IFC issue, prior to its stated maturity
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	N/A	Floating	Floating
18	coupon rate and any related index/ benchmark	N/A	6M KIBOR +1.9%	- 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	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down feature	N/A	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	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	Ranked inferior to all other debts of the Bank including deposits
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	As per published financial statements	Under regulatory scope of consolidation December 31, 2013	Reference
Rupees in '000			
<b>42.5 Capital Structure Reconciliation</b>			
<b>42.5.1 Step 1</b>			
<b>Assets</b>			
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	12,461,403	
Investments	363,810,550	363,810,550	
Advances	267,036,121	267,036,121	
Operating fixed assets	22,096,771	22,096,771	
Deferred tax assets	-	-	
Other assets	23,581,604	23,581,604	
<b>Total assets</b>	<b>734,761,815</b>	<b>734,761,815</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	4,878,594	4,878,594	
Borrowings	32,952,406	32,952,406	
Deposits and other accounts	608,406,629	608,406,629	
Sub-ordinated loans	4,242,200	4,242,200	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,809,501	1,809,501	
Other liabilities	15,786,880	15,786,880	
<b>Total liabilities</b>	<b>668,076,210</b>	<b>668,076,210</b>	
Share capital / Head office capital account	10,409,763	10,409,763	
Reserves	12,438,158	12,438,158	
Unappropriated / Unremitted profit / (losses)	31,343,147	31,343,147	
Minority Interest	-	-	
Surplus on revaluation of assets	12,494,537	12,494,537	
<b>Total liabilities &amp; equity</b>	<b>734,761,815</b>	<b>734,761,815</b>	
<b>42.5.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	44,673,129	44,673,129	
Balanced with other banks	1,102,237	1,102,237	
Lending to financial institutions	12,461,403	12,461,403	
Investments	363,810,551	363,810,551	
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	-	107,431	d
of which :Reciprocal cross holdings in Tier2	-	376,298	e
of which: others	-	-	f
Advances	267,036,121	267,036,121	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	g
general provisions reflected in Tier 2 capital	-	132,187	h
Fixed Assets	22,096,771	22,096,771	
of which: Intangibles	-	1,217,606	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	23,581,604	23,581,604	
of which: Goodwill	-	-	l
of which: Defined-benefit pension fund net assets	-	3,781,464	m
<b>Total assets</b>	<b>734,761,816</b>	<b>734,761,816</b>	

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	As per published financial statements	Under regulatory scope of consolidation December 31, 2013	Reference
Rupees in '000			
<b>Liabilities &amp; Equity</b>			
Bills payable	4,878,594	4,878,594	
Borrowings	32,952,406	32,952,406	
Deposits and other accounts	608,406,629	608,406,629	
Sub-ordinated loans	4,242,200	4,242,200	
of which: eligible for inclusion in AT1	-	-	n
of which: eligible for inclusion in Tier 2	-	2,696,484	o
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,809,501	1,809,501	
of which: DTLs related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	28,612	q
of which: DTLs related to defined pension fund net assets	-	523,974	r
of which: other deferred tax liabilities	-	-	s
Other liabilities	15,786,879	15,786,879	
<b>Total liabilities</b>	<b>668,076,209</b>	<b>668,076,209</b>	
Share capital	10,409,763	10,409,763	
of which: amount eligible for CET1	-	10,409,763	t
of which: amount eligible for AT1	-	-	u
Reserves	12,438,158	12,438,158	
of which: portion eligible for inclusion in CET1: Share Premium	-	333,864	v
of which: portion eligible for inclusion in CET1 General / Statutory Reserve	-	12,019,553	w
of which: portion eligible for inclusion in Tier 2	-	84,741	x
Unappropriated profit / (losses)	31,343,149	31,343,149	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	12,494,537	12,494,537	
of which: Revaluation reserves on Property	-	1,562,327	ac
of which: Unrealized Gains / Losses on AFS	-	4,060,215	
In case of Deficit on revaluation (deduction from CET1)	-	-	ad
<b>Total liabilities &amp; Equity</b>	<b>66,685,607</b>	<b>66,685,607</b>	
		Component of regulatory capital reported by group Rupees	Source based on reference number for step 2 Rupees in '000

### 42.5.3 Step 3

#### Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully Paid-up Capital / Capital deposited with SBP	10,409,763	(t)
2	Balance in Share Premium Account	333,864	(v)
3	Reserve for issue of Bonus Shares	-	
4	General / Statutory Reserves	12,019,553	(w)
5	Gain / (Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated / unremitted profits / (losses)	31,343,149	(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	<b>CET 1 before Regulatory Adjustments</b>	<b>54,106,329</b>	

#### 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)	(1,188,994)	(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%

Notes to the Consolidated Financial Statements  
for the year ended December 31, 2013

	Component of regulatory capital reported by group	Source based on reference number for step 2
Rupees in '000		
13	Defined-benefit pension fund net assets	-
14	Reciprocal cross holdings in CET1 capital instruments	(107,431)
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	-
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)	-
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)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
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	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-
30	<b>Total regulatory adjustments applied to CET1</b>	(1,296,425)
	<b>Common Equity Tier 1</b>	52,809,904
<b>Additional Tier 1 (AT 1) Capital</b>		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-
32	of which: Classified as equity	-
33	of which: Classified as liabilities	-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
35	of which: instrument issued by subsidiaries subject to phase out	-
36	AT1 before regulatory adjustments	-
37	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)	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
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	-
46	<b>Additional Tier 1 capital recognized for capital adequacy</b>	
	<b>Tier 1 Capital (CET1 + admissible AT1)</b>	52,809,904

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Component of regulatory capital reported by group	Source based on reference number for step 2
Rupees in '000		
<b>Tier 2 Capital</b>		
47	-	
48	2,696,484	(o)
49	-	(ab)
50	-	
51	132,187	(h)
52	1,562,327	portion of (ac)
53	4,060,215	
54	84,741	(x)
55	-	
56	-	
57	8,535,954	
<b>Tier 2 Capital: regulatory adjustments</b>		
58	-	
59	( 376,298)	(e)
60	-	
61	-	(ah)
62	-	(ai)
63	-	
64	-	
65	-	
66	-	
67	8,159,656	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>60,969,560</b>	



# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 42.6 Risk Weighted Exposures

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

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Rupees in '000</b>				
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
(a) Cash and Cash Equivalents	-	-	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	-	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan -	-	-	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	710,029	392,497	7,100,285	3,924,967
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	237,682	168,314	2,376,815	1,683,131
(h) Claims on Banks	504,038	338,034	5,040,383	3,380,340
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	54,850	40,226	548,499	402,264
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	51,040	78,877	510,404	788,772
(k) Claims on Corporates (excluding equity exposures)	12,945,598	11,877,544	129,455,979	118,775,444
(l) Claims categorized as retail portfolio	1,952,960	1,700,008	19,529,604	17,000,084
(m) Claims fully secured by residential property	210,200	223,781	2,101,998	2,237,812
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	11,922	48,495	119,217	484,947
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	110,205	280,234	1,102,054	2,802,338
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	-	2,473	-	24,734
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount	-	-	-	-
(o) 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	-
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	268,913	-	2,689,133	-
(q) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	3,150,399	2,098,441	31,503,994	20,984,411
(r) Unlisted equity investments (other than that deducted from capital) held in banking book	189,129	390,048	1,891,294	3,900,485
(s) Investments in venture capital	-	-	-	-
(t) Investments in premises, plant and equipment and all other fixed assets	2,090,749	1,889,471	20,907,487	18,894,711
(u) Claims on all fixed assets under operating lease -	-	-	-	-
(v) All other assets	759,514	515,862	7,595,141	5,158,618
	23,548,477	20,044,305	235,484,774	200,443,058

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Rupees in '000</b>				
Off-Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	3,011,768	2,546,572	30,117,680	25,465,724
Performance related contingencies	228,031	141,285	2,280,307	1,412,847
Trade Related contingencies/Other Commitments with original maturity of one year or less	608,947	355,963	6,089,471	3,559,626
	3,848,746	3,043,820	38,487,458	30,438,197
Off-Balance Sheet - Market related Exposures	144,982	33,869	1,449,815	338,691
<b>Total Credit Risk (A)</b>	<b>27,542,205</b>	<b>23,121,994</b>	<b>275,422,047</b>	<b>231,219,946</b>
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	112,834	-	1,128,342	-
Equity position risk etc.	355,717	152,881	3,557,165	1,528,814
Foreign exchange risk	40,951	93,291	409,507	932,914
<b>Operational Risk</b>				
Capital Requirement for operational risks	5,818,171	5,608,546	58,181,714	56,085,463
<b>Total Risk Weighted Assets</b>	<b>33,869,878</b>	<b>28,976,713</b>	<b>338,698,775</b>	<b>289,767,137</b>
<b>December 31, 2013</b>				
<b>December 31, 2012</b>				
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (Note 42.2)	(e)	60,969,560	47,341,611	
Total Risk Weighted Assets (Note 42.2)	(i)	338,698,775	289,767,137	
Capital Adequacy Ratio	(e) / (i)	18.00%	16.34%	

The Capital Adequacy Ratio of prior year is based on BASEL II framework as applicable on that date.

### 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 fulfil commitments to lend.

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

**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-.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes Export Credit Assessment (ECA) Scores published by The Organization for Economic Co-operation and Development (OECD) as well as country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency). The country risk limits determined by the Bank are based on the ECA Scores, Dun & Bradstreet ratings, as well as assessment of other political, commercial, macroeconomic and external risk factors associated with any Country. FID is responsible for monitoring of country exposure limits.

### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Division constantly monitors the security and documentation risks inherent in the existing credit portfolio through six regional credit administration departments located all over the country.

### Risk Analytics

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

### Internal Risk Rating Models

The Bank has developed internal risk rating models to assign credit risk ratings to its Corporate, Institutional, SME and Consumer borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The rating models are being automated through the Bank's Loan Origination System, and are given due weightage while extending credit to these asset classes. The Bank intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

### Stress Testing

The Bank 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.

### Early Warning System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' influences the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the Watch-List category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2013, the specific provisioning rate was 93.92% 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 2013, 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 decrease by 1.22%.

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Agriculture, Textile, Cement, and Electric Generation are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 43.1.1 Segmental Information

### 43.1.1.1 Segments by class of business

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	592,680	0.21%	27,142,094	4.46%	1,844,194	0.68%
Basic metals (iron, steel)	3,119,923	1.09%	4,500,009	0.74%	1,379,512	0.51%
Beverages	399,033	0.14%	-	0.00%	-	0.00%
Cement / clay & ceramics	13,325,790	4.67%	2,137,376	0.35%	-	0.00%
Chemical & pharmaceutical	15,851,657	5.55%	833,779	0.14%	4,799,544	1.77%
Construction	7,656,888	2.68%	34,315,714	5.64%	6,063,472	2.24%
Education	39,089	0.01%	12,910,162	2.12%	-	0.00%
Financial	14,473,472	5.07%	2,084,193	0.34%	168,050,471	61.97%
Finishing of Textile	9,885,293	3.46%	2,264,099	0.37%	5,464,371	2.01%
Fishing	8,239	0.00%	-	0.00%	-	0.00%
Footware & leather garments	856,681	0.30%	1,593,583	0.26%	374,221	0.14%
Furniture & sports goods	807,456	0.28%	1,547,286	0.25%	581,462	0.21%
Grains & related	3,850,127	1.35%	4,913,701	0.81%	114,885	0.04%
Health & social welfare	125,849	0.04%	3,474,007	0.57%	55,051	0.02%
Hotel, restaurant & clubs	255,139	0.09%	2,205,955	0.36%	-	0.00%
Machinery & equipment	3,882,201	1.36%	2,389,997	0.39%	757,829	0.28%
Manufacture of made up & ready made garments	4,446,726	1.56%	900,611	0.15%	-	0.00%
Manufacture of transport equipment	534,309	0.19%	239,362	0.04%	275,862	0.10%
Paper & paper boards	8,478,850	2.97%	41,777	0.01%	1,800,202	0.66%
Petroleum products	3,013,445	1.06%	9,763,460	1.60%	22,940,252	8.46%
Power, gas, water & sanitary	42,858,815	15.02%	3,393,706	0.56%	3,212,690	1.18%
Printing, publishing & allied	213,787	0.07%	53,956	0.01%	106,367	0.04%
Real estate, renting, and business activities	8,049,171	2.82%	96,153,382	15.80%	-	0.00%
Rubber & plastic	968,066	0.34%	2,011,346	0.33%	-	0.00%
Spinning	8,119,193	2.84%	13,692,196	2.25%	53,246	0.02%
Sugar	3,170,302	1.11%	3,705,047	0.61%	-	0.00%
Transport, storage & communication	4,071,306	1.43%	1,795,247	0.30%	3,884,220	1.43%
Weaving	7,548,515	2.64%	4,995,354	0.82%	-	0.00%
Wholesale & retail trade	20,269,439	7.10%	55,165,687	9.07%	12,162,027	4.48%
Individuals	6,943,668	2.43%	139,873,299	22.99%	2,921,575	1.08%
Others	91,595,564	32.12%	174,310,244	28.67%	34,352,223	12.68%
	<b>285,410,673</b>	<b>100.00%</b>	<b>608,406,629</b>	<b>100.00%</b>	<b>271,193,678</b>	<b>100.00%</b>

### 43.1.1.2 Segments by sector

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	55,466,676	19.43%	66,621,234	10.95%	42,031,034	15.50%
Private	229,943,997	80.57%	541,785,395	89.05%	229,162,642	84.50%
	<b>285,410,673</b>	<b>100.00%</b>	<b>608,406,629</b>	<b>100.00%</b>	<b>271,193,676</b>	<b>100.00%</b>

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

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

	December 31, 2013		December 31, 2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry and Hunting	535,762	447,092	350,569	249,890
Food & Beverages	572,368	572,368	412,574	408,880
Spinning	2,247,836	2,247,823	2,041,246	1,823,545
Weaving	1,324,252	1,293,697	1,466,767	857,692
Finishing of Textile	5,607,292	5,317,990	6,011,402	5,389,845
Footware & leather garments	70,902	70,902	131,685	96,238
Paper & paper boards	20,708	20,708	21,508	21,508
Printing, publishing & allied	18,439	18,439	5,846	5,846
Petroleum products	659	659	5,497	4,248
Chemical & pharmaceutical	481,853	474,728	405,028	341,872
Rubber & plastic	25,478	24,728	42,146	38,900
Cement / clay & ceramics	234,401	110,944	39,880	19,940
Basic metals (iron, steel)	288,329	288,329	20,383	20,383
Machinery & equipment	1,310,056	1,308,353	1,274,679	1,274,679
Power, gas, water & sanitary	239,916	239,916	239,916	239,916
Manufacture of transport equipment	246,688	246,688	246,449	236,949
Financial	72,954	72,954	81,516	40,759
Real estate, renting, and business activities	16,195	16,195	155,724	155,724
Transport, storage & communication	5,417	5,417	6,100	6,100
Hotel, restaurant & clubs	7,865	7,460	7,414	7,167
Construction	993,785	593,785	103,478	90,888
Furniture & sports goods	88,893	88,893	73,409	72,059
Wholesale & retail trade	569,648	553,412	478,295	448,307
Individuals	336,765	332,267	358,248	347,126
Others	4,107,435	3,888,618	6,687,802	5,554,481
	<u>19,423,896</u>	<u>18,242,365</u>	<u>20,667,561</u>	<u>17,752,942</u>

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

	December 31, 2013		December 31, 2012	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public / Government	137,680	137,680	138,681	138,681
Private	19,286,216	18,104,685	20,528,880	17,614,261
	<u>19,423,896</u>	<u>18,242,365</u>	<u>20,667,561</u>	<u>17,752,942</u>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

## 43.1.1.5 Geographical Segment Analysis

	December 31, 2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
Pakistan operations	14,570,602	717,291,631	65,584,252	271,193,676
Middle East	91,614	10,629,350	524,856	-
Karachi Export Processing Zone	269,064	6,840,834	576,497	-
	360,678	17,470,184	1,101,353	-
	14,931,280	734,761,815	66,685,605	271,193,676

## 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.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 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	Caal 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, 2013

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2013				December 31, 2012	
		Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	28,618,574	-	28,618,574	26,936,369	-	26,936,369
	2	40,959,091	-	40,959,091	46,847,514	-	46,847,514
	3, 4	4,085,424	-	4,085,424	-	-	-
	5, 6	256,160	-	256,160	3,023,898	-	3,023,898
Claims on banks with original maturity of 3 months or less	-	14,822,587	11,939,611	2,882,976	29,480,864	25,197,253	4,283,611
Retail	-	34,072,463	5,974,347	28,098,116	29,288,020	4,743,104	24,544,916
Public sector entities	1	11,684,897	-	11,684,897	9,223,044	-	9,223,044
Others	-	458,687,669	-	458,687,669	380,502,342	-	380,502,342
Unrated	-	189,323,457	48,832,354	140,491,103	174,280,055	64,640,525	109,639,530

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

The Group has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Group only comprises "held for trading" investments, and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Group's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Group accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Group has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Group uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank and other reputable financial institutions etc.

#### 43.2 Equity Position Risk in the Banking Book

The Group makes investment for variety of purposes. Some of the investment positions of equity holding are made for 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 group's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

<b>Composition of equity investments</b>			
	<b>Held for Trading</b>	<b>Available for Sale</b>	<b>Investment in Subsidiary</b>
	<b>Rupees in '000</b>		
Equity Investments - Publicly Traded	-	42,656,923	-
Equity Investments - Others	-	2,419,483	500,000
<b>Total Value</b>	<b>-</b>	<b>45,076,406</b>	<b>500,000</b>

The cumulative realized gain arose of Rs. 1,270.150 million (2012: 1,267.827 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 9,912.402 million (2012: Rs. 5,073.212 million) was recognized in the statement of financial position in respect of "AFS" securities.

### 43.2.1 Market Risk

The Group is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price Risk.

Market Risk performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees. The Group appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

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

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available for sale securities - Strategic & Non Strategic Portfolio
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

#### Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities extensive modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Equity Position Risk – Banking Book

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

#### Stress Testing

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

### 43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Our FX Risk is first controlled through substantially matched funding policy. On the mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of net foreign currency exposure is in US Dollars. The Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

	December 31, 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

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
Rupees in '000				
Pakistani Rupee	616,129,238	538,171,385	(26,204,265)	51,753,588
United States Dollar	17,016,160	38,604,175	22,178,907	590,892
Great Britain Pound	360,136	2,938,989	2,604,233	25,380
Japanese Yen	21,035	6,267	(22,887)	(8,119)
Euro	536,416	1,981,270	1,459,852	14,998
Other Currencies	28,770	3,931	(15,840)	8,999
	17,962,517	43,534,632	26,204,265	632,150
	634,091,755	581,706,017	-	52,385,738

### 43.2.3 Equity Position Risk

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

#### Concentration Risk

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

#### Price Risk

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

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

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

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

	Effective Yield/ Interest rate	December 31, 2013										Not exposed to Yield/ Interest Risk	
		Total	Exposed to Yield/ Interest risk										
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in '000													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
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	9.65%	363,810,550	45,313,441	62,256,069	449,550	3,097,208	26,502,033	-	-	-	-	-	45,021,188
Advances - net	10.56%	267,036,121	61,080,740	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	91,314,793	928,685	7,397,115	27,391,042	1,727,078	1,082,620	-	-	-	96,203,721
<b>Liabilities</b>													
Bills payable		4,878,594	-	-	-	-	-	-	-	-	-	-	4,878,594
Borrowings	8.14%	32,982,406	12,161,853	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	19,977,962	32,562,450	9,560,023	5,412,023	138,890,579	671,053	27,820,116	-	-	145,285,119
Sub-ordinated loan	10.59%	4,242,200	-	1,247,000	-	-	-	-	-	-	-	-	-
Other liabilities		12,250,587	-	-	-	-	-	-	-	-	-	-	12,250,587
		662,730,416	117,362,722	140,275,605	32,781,630	9,998,387	979,566	139,767,307	1,547,780	27,820,116	-	-	162,414,300
<b>On-balance sheet gap</b>		39,621,910	10,602,005	207,966,940	61,631,790	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	-	-	(66,210,579)
<b>Off-balance sheet financial instruments</b>													
<b>Commitments in respect of forward exchange contracts - purchase</b>													
		97,308,562	32,213,920	47,416,498	17,358,709	-	-	-	-	-	-	-	-
<b>Commitments in respect of forward exchange contracts - sale</b>													
		(62,216,028)	(24,648,975)	(21,219,280)	(15,692,413)	(657,360)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		35,092,534	7,564,945	26,197,218	1,666,296	(337,925)	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		74,712,444	18,166,950	234,164,158	63,298,086	(2,601,272)	26,411,476	(138,040,229)	(465,160)	(27,820,116)	-	-	(27,820,116)
<b>Cumulative yield / interest risk sensitivity gap</b>		74,712,444	18,166,950	252,331,108	315,629,194	280,837,052	307,248,528	169,208,299	168,743,139	140,923,023	-	-	-



# Notes to the Consolidated Financial Statements for the year ended December 31, 2013

## Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Not exposed to Yield/ Interest Risk	
		December 31, 2012											
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
Rupees in '000													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	43,351,703	5,702,231	-	-	-	-	-	-	-	-	-	-	37,649,472
Balances with other banks	1,029,292	-	-	-	-	-	-	-	-	-	-	-	1,029,292
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-	-	-	-
Investments - net	267,682,679	33,963,046	38,858,271	57,269,851	88,386,337	5,808,990	22,005,676	-	-	-	-	-	21,390,508
Advances - net	271,115,683	49,414,049	184,412,915	26,531,892	3,291,012	940,338	870,182	1,039,875	-	-	-	-	2,914,618
Other assets - net	13,334,863	-	-	-	-	-	-	-	-	-	-	-	13,334,863
	607,235,155	98,156,636	224,914,811	83,801,743	91,677,349	6,749,328	23,706,478	1,039,875	-	-	-	-	76,318,753
<b>Liabilities</b>													
Bills payable	6,203,051	-	-	-	-	-	-	-	-	-	-	-	6,203,051
Borrowings	38,916,192	22,269,322	5,310,921	7,805,778	252,318	504,642	1,009,284	1,009,284	-	-	-	-	250,001
Deposits and other accounts	514,702,444	49,845,010	112,827,950	44,086,426	13,946,394	10,199,687	16,917,785	121,631,933	665,104	-	-	-	115,272,361
Sub-ordinated loan	5,490,400	-	2,996,400	2,494,000	-	-	-	-	-	-	-	-	-
Other liabilities	12,719,270	-	-	-	-	-	-	-	-	-	-	-	12,719,270
	578,031,357	72,114,332	121,135,271	54,386,204	14,200,712	10,704,329	2,156,427	122,641,217	1,694,388	44,553,794	-	-	134,444,683
	29,203,798	26,042,304	10,377,940	29,415,539	77,476,637	(3,955,001)	(1,286,245)	(98,934,739)	(654,513)	(44,553,794)	-	-	(98,125,930)
<b>Off-balance sheet financial instruments</b>													
Commitments in respect of forward exchange contracts - purchase	35,605,257	17,808,898	12,574,288	4,654,141	567,930	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale	(9,400,993)	(3,758,713)	(2,477,231)	(1,387,007)	(1,778,042)	-	-	-	-	-	-	-	-
Off-balance sheet gap	26,204,264	14,050,185	10,097,057	3,267,134	(1,210,112)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	55,408,062	40,092,489	13,876,597	32,682,673	76,266,525	(3,955,001)	(1,286,245)	(98,934,739)	(654,513)	(44,553,794)	-	-	-
Cumulative yield / interest risk sensitivity gap	55,408,062	40,092,489	13,876,597	32,682,673	76,266,525	(3,955,001)	(1,286,245)	(98,934,739)	(654,513)	(44,553,794)	-	-	-
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.													
<b>43.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield / Interest Rate Risk with Total Assets and Liabilities</b>													
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Reconciliation to total assets													
		(Rupees in '000)											
Balance as per Statement of Financial Position		734,761,815	634,091,755	668,076,210	581,706,017								
Less: Non financial assets													
Operating fixed assets		22,096,771	19,882,246	1,809,501	688,441								
Other assets		10,312,718	6,974,354	3,536,293	2,986,219								
		32,409,489	26,856,600	5,345,794	3,674,660								
Total financial assets		702,352,326	607,235,155	662,730,416	578,031,357								

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

## 43.3

## Liquidity Risk

Liquidity risk is the risk that the Group is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management. The overall Bank's principle is that the ALCO has the responsibility for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

Other than customer's deposits, the Bank's funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Our MIS provides information on expected cash inflows / out flows which allow the Bank to take timely decisions based on the future requirements.

Gap analysis, stress testing and scenario analysis is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

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

December 31, 2013										
Rupees in '000										
	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
<b>Assets</b>										
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 - 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	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 - 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	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
<b>Liabilities</b>										
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
<b>Net assets / (liabilities)</b>	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									

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

		December 31, 2012										
		Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		Rupees in '000										
<b>Assets</b>												
Cash and balances with treasury banks	43,351,703	43,351,703	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,029,292	1,029,292	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-	-	-
Investments	267,682,679	31,070,929	35,033,215	55,841,409	104,532,036	3,191,077	696,276	26,671,428	10,646,309	-	-	
Advances	271,115,683	69,459,726	26,165,518	34,419,689	34,403,125	20,654,314	18,902,648	29,551,511	33,408,859	4,150,293	-	
Operating fixed assets	19,882,246	212,760	425,519	638,278	1,276,556	1,731,155	747,086	963,510	1,077,313	12,810,069	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20,309,217	3,307,125	4,532,169	8,309,870	1,368,419	(480,679)	1,401	2,802	-	3,268,110	-	
	634,091,755	157,508,845	67,800,046	99,209,246	141,580,136	25,095,867	20,347,411	57,189,251	45,132,481	20,228,472	-	
<b>Liabilities</b>												
Bills payable	6,203,051	6,203,051	-	-	-	-	-	-	-	-	-	-
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-	-	
Deposits and other accounts	514,702,444	376,895,890	36,287,854	39,277,692	9,139,659	5,390,952	1,651,785	819,713	685,104	44,553,795	-	
Deferred tax liabilities	688,441	15,518	32,424	48,636	(231,390)	(114,695)	(264,873)	(107,848)	1,178,126	132,543	-	
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-	-	
Other liabilities	15,705,489	5,200,665	6,632,249	345,333	664,392	350,028	422,501	660,202	1,430,119	-	-	
	581,706,017	410,834,447	48,264,048	48,100,939	11,073,779	6,755,627	2,315,255	5,372,951	4,302,633	44,686,338	-	
<b>Net assets / (liabilities)</b>	<b>52,385,738</b>	<b>(253,325,602)</b>	<b>19,535,998</b>	<b>51,108,307</b>	<b>130,506,357</b>	<b>18,340,240</b>	<b>18,032,156</b>	<b>51,816,300</b>	<b>40,829,848</b>	<b>(24,457,866)</b>	-	
Share capital	9,463,421											
Reserves	10,899,279											
Unappropriated profit	24,035,333											
	44,398,033											
Surplus on revaluation of assets												
- net of tax	7,987,705											
	52,385,738											

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

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 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, 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
<b>Assets</b>										
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	67,990,403	42,467,836	48,465,712	25,328,375
<b>Liabilities</b>										
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
<b>Net assets</b>	<b>66,685,605</b>	<b>(161,063)</b>	<b>150,659,751</b>	<b>52,405,891</b>	<b>7,561,772</b>	<b>16,926,529</b>	<b>45,186,094</b>	<b>36,629,302</b>	<b>44,829,167</b>	<b>(287,351,838)</b>
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									

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2013

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, 2012									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	43,351,703	34,852,663	197,835	23,335	-	2,759,290	2,759,290	2,759,290	-	-
Balances with other banks	1,029,292	1,029,292	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,720,935	9,077,310	1,643,625	-	-	-	-	-	-	-
Investments - net	267,682,679	31,070,929	35,033,215	55,841,409	104,532,036	3,191,077	696,276	26,671,428	10,646,309	-
Advances - net	271,115,683	26,057,098	29,252,730	35,132,014	34,411,761	33,774,037	31,881,776	42,505,745	33,252,400	4,848,122
Operating fixed assets	19,882,246	212,760	425,519	638,278	1,276,556	1,731,155	747,086	963,510	1,077,313	12,810,069
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	20,309,217	3,307,125	4,532,169	8,309,870	1,368,419	(480,679)	1,401	2,802	-	3,268,110
	634,091,755	105,607,177	71,085,093	99,944,906	141,588,772	40,974,880	36,085,829	72,902,775	44,976,022	20,926,301
<b>Liabilities</b>										
Bills payable	6,203,051	4,177,269	171,028	315,118	-	513,212	513,212	513,212	-	-
Borrowings	38,916,192	22,519,323	5,310,921	7,805,778	252,318	504,642	504,642	1,009,284	1,009,284	-
Deposits and other accounts	514,702,444	50,441,299	37,760,919	61,904,838	31,766,806	28,018,099	22,667,290	819,713	685,104	280,638,376
Deferred tax liabilities	688,441	15,518	32,424	48,636	(231,390)	(114,695)	(264,873)	(107,848)	1,178,126	132,543
Sub-ordinated loan	5,490,400	-	600	623,500	1,248,800	624,700	1,200	2,991,600	-	-
Other liabilities	15,705,489	5,200,665	6,632,249	345,333	664,392	350,028	422,501	660,202	1,430,119	-
	581,706,017	82,354,074	49,908,141	71,043,203	33,700,926	29,895,986	23,843,972	5,886,163	4,302,633	280,770,919
<b>Net assets</b>	52,385,738	23,253,103	21,176,952	28,901,703	107,887,846	11,078,894	12,241,857	67,016,612	40,673,389	(259,844,618)
Share capital	9,463,421									
Reserves	10,899,279									
Unappropriated profit	24,035,333									
	44,398,033									
Surplus on revaluation of assets										
- net of tax	7,987,705									
	52,385,738									

## Notes to the Consolidated Financial Statements for the year ended December 31, 2013

### 43.5 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

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

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice

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

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

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

### 44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 11, 2014 has proposed a cash dividend in respect of 2013 of Rs. 1.5 per share (2012: cash dividend Rs. 2 per share). In addition, the directors have also announced a bonus issue of 10% (2012: 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, 2013 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2014.

### 45. GENERAL

45.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification or re-arrangement has been made except for the re-classification of balance amounting to Rs. 330.019 million relating to ATM settlement account from other liabilities to other assets.

### 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 11, 2014 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Pattern of Shareholding

Allied Bank Limited

Information for annual financial statement as on December 31, 2013.

## 1 Issued, Subscribed and Paid-up Capital:

ORDINARY SHARES	As on December 31, 2013		As on December 31, 2012	
	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	616,647,565	6,166,475,650	522,013,365	5,220,133,650
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
<b>TOTAL :</b>	<b>1,040,976,209</b>	<b>10,409,762,090</b>	<b>946,342,009</b>	<b>9,463,420,090</b>

## 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	227,881,044	21.89
Muhammad Waseem Mukhtar	227,865,079	21.89
Sheikh Mukhtar Ahmad	204,310,385	19.63
Ibrahim Fibres Limited.	176,401,742	16.95
State Bank of Pakistan	104,790,855	10.07
<b>TOTAL:</b>	<b>941,249,105</b>	<b>90.43</b>

No. of Shareholders	From	Shareholdings	To	Total Shares Held
6,094	1		100	224,548
9,341	101		500	2,422,595
1,292	501		1,000	926,944
2,149	1,001		5,000	4,386,936
372	5,001		10,000	2,651,044
134	10,001		15,000	1,661,892
77	15,001		20,000	1,363,474
42	20,001		25,000	926,608
40	25,001		30,000	1,097,357
19	30,001		35,000	608,202
19	35,001		40,000	714,042
11	40,001		45,000	474,746
9	45,001		50,000	437,462
10	50,001		55,000	520,548
4	55,001		60,000	230,071
5	60,001		65,000	307,642
3	65,001		70,000	202,967
1	70,001		75,000	74,450
2	75,001		80,000	153,778
1	80,001		85,000	83,000
1	85,001		90,000	88,952
2	90,001		95,000	187,499
3	95,001		100,000	289,192

## Pattern of Shareholding

### Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
2	100,001		105,000	207,972
2	105,001		110,000	220,000
1	115,001		120,000	117,500
3	120,001		125,000	371,500
4	125,001		130,000	513,772
1	135,001		140,000	136,853
1	145,001		150,000	148,100
1	155,001		160,000	159,500
1	160,001		165,000	161,663
1	170,001		175,000	170,500
2	180,001		185,000	365,957
1	195,001		200,000	200,000
1	205,001		210,000	206,883
1	210,001		215,000	214,943
1	220,001		225,000	221,650
1	225,001		230,000	228,000
1	235,001		240,000	238,500
1	240,001		245,000	244,000
1	295,001		300,000	299,587
1	310,001		315,000	314,498
1	370,001		375,000	373,104
1	395,001		400,000	395,095
1	495,001		500,000	500,000
1	510,001		515,000	512,500
1	645,001		650,000	647,410
1	660,001		665,000	661,000
1	805,001		810,000	808,060
1	1,095,001		1,100,000	1,096,030
1	1,100,001		1,105,000	1,100,144
1	1,225,001		1,230,000	1,229,604
1	1,420,001		1,425,000	1,423,000
1	3,355,001		3,360,000	3,358,480
1	7,450,001		7,455,000	7,450,797
1	8,830,001		8,835,000	8,830,421
1	8,935,001		8,940,000	8,938,061
1	13,150,001		13,155,000	13,153,888
1	14,550,001		14,555,000	14,550,122
1	23,075,001		23,080,000	23,077,949
1	91,635,001		91,640,000	91,636,967
1	176,400,001		176,405,000	176,401,742
1	204,310,001		204,315,000	204,310,385
1	227,865,001		227,870,000	227,865,079
1	227,880,001		227,885,000	227,881,044
19,682				1,040,976,209

## Pattern of Shareholding

Allied Bank Limited

Categories of Shareholders	Number of Members	No. of Shares Held	Percentage
<b>Associated Companies, undertaking and related parties.</b>			
Ibrahim Fibres Limited.	1	176,401,742	16.95
Trustees of ABL Employees Superannuation Funds	1	23,077,949	2.22
<b>Sub Total:</b>	<b>2</b>	<b>199,479,691</b>	<b>19.16</b>
<b>Directors, Chief Executive Officer, and their Spouses and Minor Children</b>			
Mohammad Neem Mukhtar	1	227,881,044	21.89
Muhammad Waseem Mukhtar	1	227,865,079	21.89
Sheikh Mukhtar Ahmad	1	204,310,385	19.63
Abdul Aziz Khan	1	24,200	0.00
Jalees Ahmed	1	12,637	0.00
Mubashir A. Akhtar	1	4,900	0.00
Pervaiz Iqbal Butt	1	4,831	0.00
<b>Sub Total:</b>	<b>7</b>	<b>660,103,076</b>	<b>63.41</b>
<b>Banks, Dfis, Financial Institutions, Nbfis.</b>			
State Bank of Pakistan	2	104,790,855	10.07
Standard Chartered Bank (Pak) Limited	1	20,108	0.00
Escorts Investment Bank Limited	1	70	0.00
Bank Al Habib Limited	1	661,000	0.06
Pak-Oman Investment Company Limited	1	10,000	0.00
Trust Leasing Corporation Limited	1	182	0.00
Askari Bank Limited	1	512,500	0.05
National Bank of Pakistan	5	7,475,039	0.72
MCB Bank Limited - Treasury	1	8,830,421	0.85
M/s. Al-Faysal Investment Bank	1	50	0.00
The Bank of Khyber	1	500,000	0.05
Invest Capital Investment Bank Limited	1	5,000	0.00
<b>Sub Total:</b>	<b>17</b>	<b>122,805,225</b>	<b>11.80</b>
<b>Nit And Icp</b>			
National Bank of Pakistan, Trustee Dept.	1	1,229,604	0.12
IDBP (ICP Unit )	4	14,461	0.00
<b>Sub Total:</b>	<b>5</b>	<b>1,244,065</b>	<b>0.12</b>
<b>Executive*</b>			
Executives	8	37,117	0.00
<b>Sub Total:</b>	<b>8</b>	<b>37,117</b>	<b>0.00</b>
<b>Insurance Companies</b>			
Premier Insurance Limited	1	66,000	0.01
EFU General Insurance Limited	1	200,000	0.02
EFU Life Assurance Limited	1	1,423,000	0.14
Adamjee Insurance Company Limited	1	3,358,480	0.32
State Life Insurance Corp. of Pakistan	1	314,498	0.03
Atlas Insurance Limited	1	94,899	0.01
Asia Care Health & Life Insurance Company Limited	1	538	0.00
Jubilee Life Insurance Company Limited	1	373,104	0.04
Habib Insurance Company Limited	1	30,500	0.00
Century Insurance Company Limited	1	16,000	0.00
M/s. Orient Insurance Company Limited	1	368	0.00
Gulf Insurance Company Limited	1	658	0.00
<b>Sub Total:</b>	<b>12</b>	<b>5,878,045</b>	<b>0.56</b>

\* CEO, the Executive Director, all Chiefs & the Group Heads are termed as Executives.

## Pattern of Shareholding

### Allied Bank Limited

Categories of Shareholders	Number of Members	No. of Shares Held	Percentage
<b>Modarabas and Mutual Funds</b>			
First Tawakal Modaraba	1	316	0.00
First Fadility Leasing Modaraba	1	559	0.00
Trustee Pakistan Stock Market Fund	1	244,000	0.02
Trustee Pak Strategic Allocation Fund	1	88,952	0.01
Trustee Nafa Stock Fund	1	73	0.00
Trustee AKD Index Tracker Fund	1	24,693	0.00
Trustee Askari Asset Allocation Fund	1	54,500	0.01
Trustee Askari Equity Fund	1	30,000	0.00
Trustee NIT- Equity Market Opportunity Fund	1	395,095	0.04
Trustee MCB Dynamic Stock Fund	1	185,000	0.02
Trustee MCB Dynamic Allocation Fund	1	65,000	0.01
M/s. Modaraba Al Mali	1	106	0.00
Trustee KASB Assets Allocation Fund	1	77,000	0.01
Trustee Pakistan Premier Fund	1	125,000	0.01
Trustee Crosby Dragon Fund	1	97,500	0.01
Trustee Pakistan Capital Fund	1	44,500	0.00
Trustee First Capital Mutual Fund	1	74,450	0.01
<b>Sub Total:</b>	<b>17</b>	<b>1,506,744</b>	<b>0.14</b>
<b>Public Sector Companies And Corporations</b>			
(Other Than Those Covered In Insurance Companies And Banks)	Nil	Nil	Nil
<b>Shareholders Holding 10% (And Above)</b>			
(Excluding Directors And Associated Companies)	Nil	Nil	Nil
<b>Foreign Investors</b>			
The Bank of New York Mellon	1	1	0.00
Polunin Discovery Funds- Frontier Markets	1	808,060	0.08
Tundra Pakistan Fond	1	1,096,030	0.11
Public Employee Retirement Association of New Mexico	1	44,255	0.00
Habib Bank AG Zurich, Switzerland	1	14,641	0.00
BNP Paribas Arbitrage	1	172	0.00
Mohammad Tahir Butt	1	3,477	0.00
Ashiq Ali Kanji	1	18,139	0.00
Syed Asghar Ali Shah	1	700	0.00
<b>Sub Total:</b>	<b>9</b>	<b>1,985,475</b>	<b>0.19</b>
<b>General Public - Individuals</b>			
Others	141	5,014,043	0.48
a) Federal Government of Pakistan	1	14,550,122	1.40
b) Security & Exchange Commission of Pakistan	1	31	0.00
<b>Sub Total:</b>	<b>143</b>	<b>19,564,196</b>	<b>1.88</b>
<b>Grand Total :</b>	<b>19,682</b>	<b>1,040,976,209</b>	<b>100.00</b>

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

Name	Designation	Sale	Purchased
Mohammad Naeem Mukhtar	Chairman BOD	-	22,000,000
Muhammad Waseem Mukhtar	Director	-	22,000,000
Sheikh Mukhtar Ahmad	Director	-	22,000,000
Muhammad Raffat	Company Secretary	3,960	-

Apart from above, there have been no trades in the shares of the Bank, carried out by its directors, CEO & CFO, Company Secretary, 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 other party 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.



AGM

On Thursday,  
March 27, 2014 at 11:00 am  
Hotel Avari, Lahore.

Form of Proxy  
68th 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 68th Annual General Meeting of the Bank to be held on Thursday,  
the March 27, 2014 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 \_\_\_\_\_ 2014.

Witness

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

AFFIX  
Revenue  
Stamp of Rs. 5/-

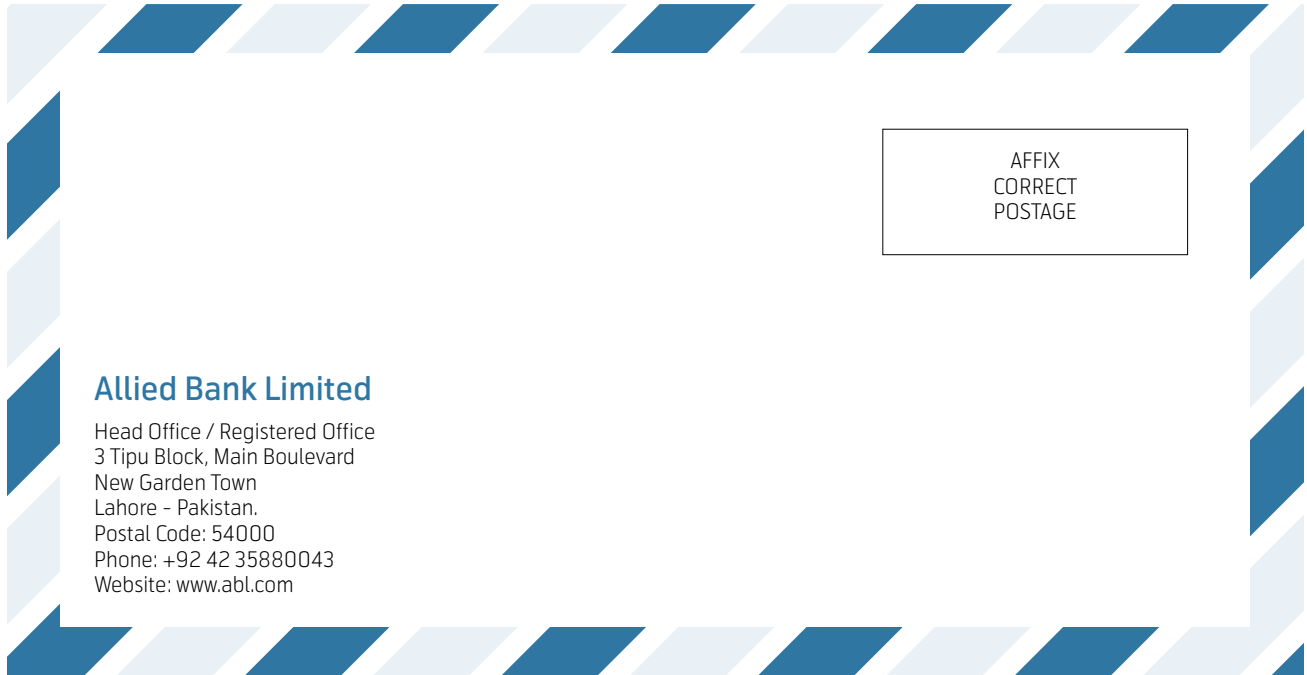
Signature  
The signature should  
agree with the specimen  
registered with the Company

Witness

2. Signature \_\_\_\_\_ Folio No. \_\_\_\_\_  
Name \_\_\_\_\_ CDC A/c No. \_\_\_\_\_  
Address \_\_\_\_\_ Sub A/c. No. \_\_\_\_\_  
CNIC # \_\_\_\_\_ No. of Shares held \_\_\_\_\_  
Distinctive Numbers: \_\_\_\_\_  
From \_\_\_\_\_ to \_\_\_\_\_

IMPORTANT

1. A member entitled to attend and vote at a meeting is entitled to appoint another member as a proxy to attend, speak and vote for him / her.
2. Further copies of the instrument of proxy, if required may be obtained from the Registered Office of the Bank during normal office hours.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.
4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he / she should bring the usual documents required for such purpose.
5. Members are requested to immediately notify changes, if any, in their registered address to Bank's Share Registrar M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement, if any, be dispatched at the correct address.



AFFIX  
CORRECT  
POSTAGE

**Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore - Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)



