THE BIGGER PICTURE

Annual Report 2015

Allied Bank

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Unconsolidated Financial Statements of Allied Bank Limited

Consolidated Financial Statements of Allied Bank Limited and its Subsidiary

Performance 2015

TOTAL ASSETS Rs. 991.7 billion (2014: Rs. 842.3 billion)	UP BY 18%
LOANS & INVESTMENTS Rs. 865.7 billion (2014: Rs. 734.8 billion)	UP BY 18%
DEPOSITS Rs. 734.6 billion (2014: Rs. 667.9 billion)	UP BY 10%
OPERATING PROFIT Rs. 27.291 billion (2014: Rs. 23.532 billion)	UP BY 16%
EPS (2014: Rs. 13.11)	13.20
ROE (2014: 26%)	23%

Vision

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

Mission

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

Core Values

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

Strategic Objectives

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

Company Information

Board of Directors

Mohammad Naeem Mukhtar
(Chairman)

Sheikh Mukhtar Ahmad

Muhammad Waseem Mukhtar

Abdul Aziz Khan

Mubashir A. Akhtar

Dr. Muhammad Akram Sheikh

Zafar Iqbal

Tariq Mahmood
(CEO)

Audit Committee of the Board

Zafar Iqbal
(Chairman)

Dr. Muhammad Akram Sheikh

Mubashir A. Akhtar

Human Resource & Remuneration Committee

Abdul Aziz Khan
(Chairman)

Muhammad Waseem Mukhtar

Tariq Mahmood
(CEO)

Company Secretary

Muhammad Raffat

Shariah Board

Mufti Ehsan Waquar
(Chairman Shariah Board)

Mufti Mahmood Ahmad

Mufti Muhammad Iftikhar Baig

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Adviser

Mandviwalla & Zafar Advocates

Shares Registrar

Technology Trade (Pvt.) Limited

Registered & Head Office

3 Tipu Block
New Garden Town
Lahore - Pakistan
Postal Code 54000

Website & Email

www.abl.com
info@abl.com

Tel Number

(+92-42) 35880043

Profile of the Directors

Front Row (Left to Right): Sheikh Mukhtar Ahmad; Mohammad Naeem Mukhtar; Abdul Aziz Khan; Dr. Muhammad Akram Sheikh
Back Row (Left to Right): Muhammad Waseem Mukhtar; Mubashir A. Akhtar; Zafar Iqbal; Tariq Mahmood

Mohammad Naeem Mukhtar

Chairman / Non Executive Sponsor Director

He is Chairman of the Board of Allied Bank Limited since 2004. He is MBA from Cardiff Business School U.K., Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (C Text ATI) from The Textile Institute in Manchester U.K. He has 30 years of experience of finance and industry. Besides Chairman of the 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, ABL Asset Management Company Limited and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS) and Karachi Education Initiative. Besides above, he is also Industry Co-Chair Banking Sector of NUST Corporate Advisory Council (CAC) and Senior Fellow of NUST Global Think Tank Network (GTTN).

Sheikh Mukhtar Ahmad

Non-Executive Sponsor Director

He started his business career immediately after migrating from India at the time of Independence of Pakistan in 1947 and contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over 54 years of experience in establishing and successfully managing various industrial and financial companies.

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

Muhammad Waseem Mukhtar

Non-Executive Sponsor Director

He is MBA from the University of Chicago Booth School of Business, Illinois, USA. He also holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, U.K., and has 18 years of diversified experience of Finance, IT and Industry. His strategic guidance played a vital role in technological up-gradation of the Bank. He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Director on the Board of M/s. Ibrahim Fibres Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited, HUBCO and Arabian Sea Country Club.

Abdul Aziz Khan

Non-Executive Director

He has enriched and diversified experience of more than 52 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years in international banking; holding key positions in different countries including Switzerland. He also remained CEO of Ibrahim Leasing for 11 years. He is on the Board of Directors of Allied Bank Limited since 2004.

Mubashir A. Akhtar

Non-Executive Director

He is a law graduate and has 49 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 member 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.

Dr. Muhammad Akram Sheikh

Independent Director

Dr. Muhammad Akram Sheikh (Hilal-e-Imtiaz) has over 50 years of work experience in the public and private sectors. At present, Dr. Sheikh is associated with National University of Sciences and Technology (NUST) as Professor Emeritus, Co-Chair of Corporate Advisory Council (CAC) and Co-Chair of Global Think Tank Network (GTTN). He also works as Advisor to the International Steel Limited, a Pakistani multinational Joint Venture.

Dr. Sheikh has held prestigious senior positions like Federal Minister / Head of Planning Commission, Federal Secretary of the Ministries of Communication, Water & Power and Industries & Production, Managing Director and Chairman of some of the largest public sector industrial establishments. He also spearheaded many strategic policy initiatives including Telecommunication Policy, Power Policy, Engineering Vision, Energy Security Action Plan, Medium Term Development Framework, Social Protection Strategy, Export Plan and Vision 2030 which lays down strategic directions for the future of the country. He is on the Board of Directors of Allied Bank since February 2015.

Zafar Iqbal

Independent Director

Mr. Zafar Iqbal has 30 years' experience in senior management positions in financial and power generation sectors. He was the Managing Director / CEO of Pak Oman Investment Company Limited, a DFI owned jointly by the Government of Pakistan & Sultanate of Oman. During his 8 years stay at Pak Oman he led the Company in becoming the leading DFI in its peer group. Additionally, he was also given responsibility for setting up Pak Brunei Investment Company Ltd. and was appointed its first acting MD and member of the Board.

Mr. Iqbal has also served as Board member and first MD of Pakistan Textile City Limited, a public / private sector infrastructure project. Over the past 25 years, he has served on the Boards of number of listed & non-listed companies and financial institutions.

Mr. Zafar Iqbal is a Fellow member of Institute of Chartered Accountants of England & Wales (ICAEW) as well as Fellow of 'The Institute of Chartered Accountants of Pakistan' (ICAP). He specialized in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy & Power Generation. Presently, he is associated in advisory business and extensively travels within Middle East, South Asia, Europe and North America for business negotiations. He is on the Board of Directors of Allied Bank since August 2015.

Tariq Mahmood

Chief Executive Officer

Mr. Tariq Mahmood is a career banker with over 44 years of experience. He has a post graduate degree in commerce from University of Punjab and has attended various leadership and strategy courses / certifications from the International Leadership Academy-United Nations University, INSEAD, Euromoney and top business schools of Pakistan. He is also "Certified Director" from Pakistan Institute of Corporate Governance. He has held senior management positions in Habib Bank Limited, Middle East Bank and Askari Bank Limited before he joined ABL in 2007. At ABL he served as Chief Banking Services and Banking Systems Implementation. He has been instrumental in the transformation of ABL from Unibank to state of the art core banking system – 'Temenos T24'.

Board Committees

Audit Committee of the Board

Constitution:	
Zafar Iqbal	Chairman
Mubashir A. Akhtar	Member
Dr. Muhammad Akram Sheikh	Member

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 also coordinate 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	Member
Abdul Aziz Khan	Member
Tariq Mahmood	Member

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. BRMC also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. BRMC approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding write-offs above certain limits. In term of Bank's Recovery Policy, BRMC considers and approves Debt-Asset-Swap proposals. It also monitors Bank's Basel initiatives including capital adequacy requirements. Overseeing of Asset Liability Committee (ALCO), Risk Management, Special Asset Management and Compliance functions is also undertaken by the BRMC. BRMC also monitors the initiatives pertaining to Basel and up gradation of Risk Management Systems.

Human Resource and Remuneration Committee

Constitution:	
Abdul Aziz Khan	Chairman
Muhammad Waseem Mukhtar	Member
Tariq Mahmood	Member

Terms of Reference

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

Strategic Planning & Monitoring Committee

Constitution:	
Muhammad Waseem Mukhtar	Chairman
Abdul Aziz Khan	Member
Mubashir A. Akhtar	Member
Tariq Mahmood	Member

Terms of Reference

The Strategic Planning and Monitoring Committee (SPMC) is responsible to review rolling long term strategic plans, operational plan and budget of the Bank before Board's consideration / approval. 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. SPMC is also responsible to assist the Board on corporate development activities and new initiatives including, but not limited to acquisitions, mergers, alliances, joint ventures and divestitures etc. SPMC also oversees activities of Management Committee (MANCO), Corporate Investment Banking, Retail Banking, Commercial Banking, Islamic Banking, Treasury, Finance, Banking Services, Corporate Affairs and Real-estate, Engineering & Infrastructure functions of the Bank.

e-Vision Committee

Constitution:	
Mohammad Naeem Mukhtar	Chairman
Mubashir A. Akhtar	Member
Dr. Muhammad Akram Sheikh	Member
Tariq Mahmood	Member

Terms of Reference

One of the key function of the e-Vision Committee is to provide strategic direction for e-banking and adoption of evolving technologies for providing new products, better services to its customers and to improve internal control environment. Review of strategic plans to improve IT infrastructure and automation of processes and systems including alternate delivery channels are within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking for adoption; keeping in view the Bank's requirements. It also oversees activities of Information Technology function.

Board of Directors and Board's Committees Attendance during 2015

Name	Board Of Directors	Audit Committee of the Board	Board Risk Management Committee	Strategic Planning & Monitoring Committee	e-Vision Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	8/9	×	×	×	3/3	×
Sheikh Mukhtar Ahmad	9/9	×	4/4	×	×	×
Muhammad Waseem Mukhtar	8/9	×	3/4	4/4	2/2	7/7
Abdul Aziz Khan	9/9	×	3/4	4/4	×	7/7
Mubashir A. Akhtar	9/9	6/6	×	2/2	3/3	×
Dr. Muhammad Akram Sheikh	8/8	3/3	×	×	1/1	×
Zafar Iqbal	1/1	1/1	×	×	×	×
Tariq Mahmood	8/9	×	4/4	4/4	2/3	6/7
Pervaiz Iqbal Butt*	6/6	4/4	×	×	×	5/6
A. Akbar Sharifzada**	6/6	4/4	×	×	×	×
Total Number of meetings held during 2015	9	6	4	4	3	7

None of the Board Meeting held outside Pakistan during the year.

Note: Denominator showed total number of meetings entitled to attend.
× Not a Member.
** Term completed on August 22, 2015.*
*** The Government of Pakistan on August 06, 2015 has withdrawn nomination due to GOP's complete divestment from ABL shareholding on December 23, 2014.*

Chairman's Message

2015 was a challenging year all over the world with negative sentiments developing towards emerging markets, a sharp fall in commodity prices, persistently low interest rates, surplus liquidity, regional conflicts and changing regulatory framework. Global GDP growth remained muted during 2015 and is expected to face sustained challenges going forward. According to the latest World Economic Outlook update released by International Monetary Fund (IMF), the global GDP is expected to grow by just 3.4% in 2016. Economic slowdown in China, with the lowest GDP growth witnessed in the last 25 years, Russia and Brazil have become a critical challenge to global growth outlook.

Significant drop in international oil prices from US $ 94 per barrel in Sep'14 to the current lows of US $ 28 per barrel mainly due to supply glut and weakening demand from developed economies and China is proving to be a challenge for oil exporting countries; Whereas, it has enhanced prospects for oil importing countries including Pakistan to instill fiscal discipline. In view of global bearish outlook, stock markets worldwide including Pakistan experienced prolonged periods of decline and lowering of volumes; KSE-100 index witnessed a growth of only 2% during 2015 as compared to 27% growth in 2014.

Capitalizing on low international oil prices, major economic indicators on the domestic front showed positive trend with improving Current Account deficit, subdued inflationary pressures and steady build-up of foreign exchange reserves along with signing of pivotal agreement with China to develop a mutually beneficial economic corridor, which bolstered investor confidence. Despite resultant significant monetary easing by the State Bank of Pakistan (SBP) which reduced benchmark interest rates by 350 bps since Nov'14 to historically low levels; private sector credit appetite remained subdued due to lack of sustainable and viable energy supply, adverse law and order situation and structural bottlenecks. Accordingly, due to limited feasible options, net incremental resources were majorly deployed towards government securities and lending to public sector enterprises (PSEs). With a robust risk management framework encompassing all business operations, Your Bank remains poised to tap into any quality lending opportunities upon uptake in the private sector credit appetite.

During 2015, Your Bank faced the aforementioned challenges in an evolving economic environment along with shrinking spreads, credit risk emanating from volatile commodity prices, market risk arising due to volatile stock markets and changing taxation regulations including imposition of retrospective higher tax rate and one-off Super tax of 4% on 2014 taxable income. However, various broad based strategic initiatives undertaken by the management under the oversight of the Board including earning asset mix optimization, proactive risk management framework, controlled credit and operating costs, continuous investment towards enhanced technology platforms serving the expanding outreach of the Bank along with continuous Human Resource development enabled Your Bank to successfully circumvent around these significant challenges and post stable performance.

Overall Balance Sheet Strength, complimented by superior asset quality, lowering infection ratio, continuous stable profitability and sound equity position was recognized internationally when the Bank was presented with the "Strongest Bank by Balance Sheet – 2015" award by one of the leading financial publications "The Asian Banker".

Provision of integrated solutions to become the preferred choice for customers is at the heart of the Bank's strategy. Your Bank continued to invest in product propositions as well as enhancing branches, ATMs, digital and telephony channels; with key customer benefits ranging from improved ease of access with convenience and greater efficiency. Digital banking, still at a nascent stage in Pakistan, remains a key area of future growth and reflects customers' evolving preferences in how they interact with the Bank.

While the traditional brick and mortar branch model is gradually being replaced globally with "Digital" and "Smart" branches, banking sector in Pakistan will continue to expand, side by side with branchless banking, its outreach mainly through conventional branch network due to vast unbanked population in Pakistan. Recognizing the importance of expansion Your Bank's footprint continued to forge ahead while increasing the total branch network to 1,050. Whereas the number of ATMs also crossed the 1,000 mark and increased to 1,011; efficient ATM network with highest uptime enables Your Bank to remain one of the top acquirers in the industry.

Islamic Banking continues to provide unique opportunity for future growth prospects with an industry CAGR of approximately 60% and 54% in deposits and branch network respectively during the last decade. Your Bank has recently introduced Islamic Banking which is now operating with 27 branches. The Bank is fully cognizant to augment its presence going forward in this niche market.

Your Bank continued to make steady strides in its international presence. The success in Bahrain provides a blueprint for further international expansion in the region. Furthermore, in line with SBP's vision for enhancing foreign remittances, various new tie-ups were made during the year throughout the Middle East and selectively in Canada, UK and USA.

Your Bank remains focused on realizing the potential of its human capital by inculcating a culture of knowledge sharing and innovation across all levels; incorporating conventional classroom based training programs supplemented by in-house developed e-learning portal. Persistent emphasis is being made towards building forward looking and technology aware Human Resources who are aligned with the Digital Age in the twenty first century. These core HR initiatives by Your Bank were independently acknowledged as Your Bank was awarded 'first prize' in 'Human Resource Development' by Employers' Federation of Pakistan.

Doing business fairly and responsibly is the best way to strengthen trust of our customers which includes households, businesses and community as a whole. Various Corporate Social Responsibility (CSR) initiatives including addressing needs of the impoverished especially during natural calamities, healthcare provision, supporting critical educational institutes, enhancing green energy usage, contributing towards charitable organizations along with continuous investment in financial literacy remains a strategic priority.

In recognition of Your Bank's sound financial and operational performance Pakistan Credit Rating Agency (PACRA) maintained its long term rating at "AA+" and short term rating at highest possible of "A1+"; while JCR- VIS Credit Rating Company Limited maintained "CGR-9" Corporate Governance rating.

Future Outlook

The recent upturn in macroeconomic indicators including reduced fiscal deficit, healthy foreign exchange reserves position and stable foreign remittances are encouraging signs providing optimism for future and boosting investor confidence. This is the right time to address structural impediments in export led industries to enhance share in GSP countries in Europe. Revolutionary measures at national level would need to be taken to promote and incentivize capital investment to enhance efficiency in production to remain competitive with the regional peers.

China Pakistan Economic Corridor (CPEC), targeting development of cost effective energy solutions, Industrial Parks, Economic Zones, Ports and transportation infrastructure, could be the game changer and provide the essential impetus to boost the growth opportunities in the economy as a whole and banking sector in particular. CPEC if executed with proper planning and according to the agreed timelines has the potential of contributing significant incremental GDP growth. In medium to long term CPEC-related projects especially driven towards energy supply may upon culmination also facilitate the possible growth in private sector credit appetite.

Furthermore, banking sector may also benefit in longer term from development of upstream and downstream industries and industrial parks contingent upon successful implementation of aforementioned projects. Necessary changes in banking regulations may be imperative to enable full participation of the banking sector in the related industrial parks and economic zones.

Addressing key constraints including long term planning and its vigilant monitoring, provision of cost effective energy, further stabilization of the law and order situation, enhancing skillset levels for our growing population in line with the latest technological advancements, provision of education and healthcare facilities, increasing fiscal tax base, controlling the undocumented economy, improving financial literacy and bringing the unbanked population within formal financial network remain imperative to achieving future growth objectives of the country in line with global standards.

Your Bank shall continue to extend its outreach enhance its customer base and deepen existing customer relationships, utilize technology to deliver innovative and convenient banking solutions and capitalize on the growth opportunities in digital banking. The strategic initiative of Your Bank of improving business acumen of its existing and prospective customers shall continue by organizing seminars focusing on enhancing management skillset, corporate governance and succession planning.

Today, Your Bank stands at the brink of achieving the milestone of Rs.1 trillion Balance Sheet footing which would not have been possible without the untiring efforts of the management and commitment of all staff members, working as a team. Your Bank has made tremendous strides during a challenging year and is on a solid foundation to achieve stable profitability levels in future. Lastly, I wish to take this opportunity to thank all stakeholders including Board of Directors for their vision, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance.

As we enter 2016, it is important that we look back with pride at the Bank's accomplishments but also keep looking forward and adapt to the changing landscape of the future to position the Bank as a dynamic financial service provider.

Mohammad Naeem Mukhtar
Chairman

Directors' Report

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of Your Bank for the year ended December 31, 2015. 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. 1.75 per share (aggregate cash dividend of Rs. 7.00 per share including interim dividends). This, together with the interim dividends declared during 2015, will be approved in the forthcoming Annual General Meeting.

Macroeconomic Developments

During 2015, socio-economic challenges continued to overwhelm domestic GDP growth which showed slight resilience to grow by 4.2% against the initial target of 5.1%. The major impediments remain the persistent structural bottlenecks, stagnant tax base, low levels of domestic and foreign direct investment, high unemployment and illiteracy levels, persistent issues in viable energy supply and unrelenting law and order predicaments. External factors have been a major factor in the nascent recovery signs visible in Pakistan's macroeconomic indicators. Drastic fall in international oil prices, which assisted in narrowing current account deficit and curtailing inflation to historically low levels coupled with steadily growing home remittances led to enhanced foreign exchange reserves of US $ 21 billion at end-December, 2015. Sustained long term efforts remain essential to suitably tackle growth impediments and reinvigorate economic developments uniformly across the urban and rural segments of the country.

Your Bank's operational environment was further adversely impacted by enhanced credit and market risk emanating from sharp volatility in commodity prices, bearish outlook on the stock markets and enhanced pressure on margins on account of monetary easing stance of SBP culminating in historically low benchmark Discount Rates which dropped cumulatively by 350 bps since November 2014.

Financial Performance

During 2015, Your Bank under the supervision of the Board's strategic direction evolved a multifaceted strategy driven towards volumetric growth in balance sheet without compromising on asset quality while optimizing earning assets mix enabling stable profitability in challenging circumstances. The Bank continuously focused on expanding outreach, provision of customer centric innovative solutions through utilization of superior technology platform while augmenting its robust risk management framework.

Despite stiff competition within the banking sector amid evolving regulatory and operational environment, Your Bank managed to post healthy Profit Before

	Year ended December 31, 2015	2014	Growth
	Rs. in Million		%
Profit after tax for the year	15,120	15,015	1%
Accumulated profits brought forward	37,054	30,856	20%
Effect of re-measurement of defined benefit plans - net of tax	(1,043)	60	-1830%
Transfer from surplus on revaluation of fixed assets - net of tax	99	46	117%
Profit available for appropriation	**51,230**	**45,977**	**11%**
Final cash dividend for the year ended December 31, 2014 at Rs. 2.00 per share (2014: Year ended December 31, 2013 at Rs. 1.50 per share)	(2,290)	(1,561)	47%
1st interim cash dividend for the year ended December 31, 2015 at Rs. 1.75 per share (2014: Rs. 1.25 per share)	(2,004)	(1,431)	40%
2nd interim cash dividend for the year ended December 31, 2015 at Rs. 1.75 per share (2014: Rs. 1.50 per share)	(2,004)	(1,718)	17%
3rd interim cash dividend for the year ended December 31, 2015 at Rs. 1.75 per share (2014: 1.75 per share)	(2,004)	(2,004)	0%
Bonus shares for the year ended December 31, 2014 @ 0% (2014: Year ended December 31, 2013 @ 10%*)	-	(707)	-100%
Transfer to statutory Reserves	(1,512)	(1,502)	1%
Accumulated profits carried forward	**41,416**	**37,054**	**12%**
Earnings Per Share (EPS) (Rs.)	**13.20**	**13.11**	**1%**

** Balance appropriation of Rs 334 million out of Share Premium Account*

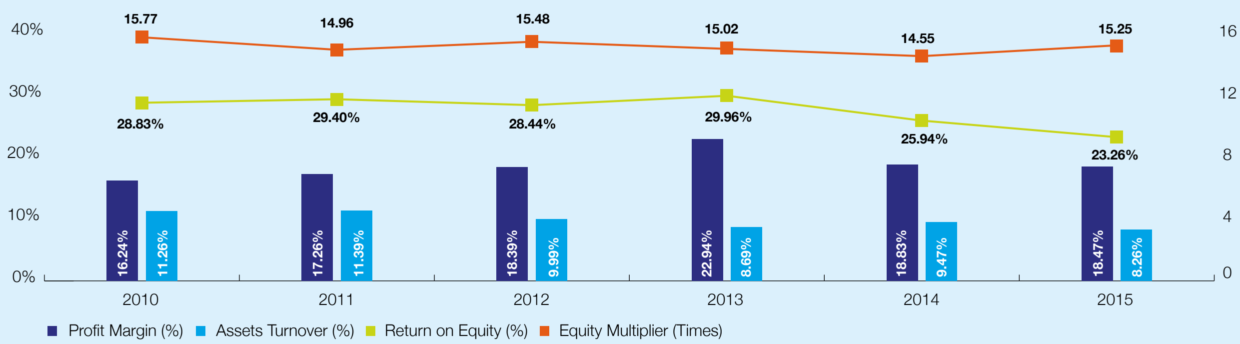
Tax of Rs. 25,503 million during 2015 compared to Rs. 22,202 million in 2014, registering a growth of 15%. Profit after Tax also grew by 1%, despite implications of the reducing margins and promulgation of Finance Act 2015 which entailed one-off super tax at the rate of 4% on 2014 taxable income and uniform tax rate of 35% on entire income retrospectively from January 2014 leading to combined prior year tax charge of Rs. 1,460 million. The resultant effective tax rate increased to 41% in 2015 as compared to 32% for 2014. If we exclude the prior year tax charge of Rs. 1,460 million, the PAT growth in 2015 comes to 10%.

The Bank's EPS increased to Rs. 13.20 per share in 2015 as compared to Rs. 13.11 per share in 2014. Excluding impact of prior year tax charge, EPS for the year ended 2015 improves to Rs. 14.48 per share reflecting an increase of 12%. Return on Assets (RoA) and Return on Equity (RoE) during 2015 stood at 1.65% and 23.26% respectively; remaining in line with the industry average despite prudent provisioning against impairment in Available for Sale (AFS) portfolio and prior year tax charge adversely impacting Your Bank's profitability.

Due to limited credit opportunities mainly in view of subdued credit offtake by the private sector, gross advances growth remained constrained at 5% reaching Rs. 340,769 million Investments increased to Rs. 544,077 million up 27% from 2014. Surplus net resources were diverted primarily towards Government Securities which increased by 28% to Rs. 491,108 million. Despite intense competition within banking industry for low / no cost deposits and lowering transactions volumes arising out of revised withholding tax regime for non-tax return filers affecting deposit growth in the second half of the year, deposits of the Bank increased to Rs. 734,596 million at December 31, 2015 compared to Rs. 667,878 million as at December 31, 2014, registering a YoY growth of 10%. The overall Balance Sheet size of Your Bank stood at Rs. 991,666 million as at December 31, 2015 posting a YoY growth of 18%. Total Equity of the Bank increased by Rs. 8,366 million to Rs. 89,256 million as at December 31, 2015 as compared to Rs. 80,890 million at December 31, 2014.

The net mark-up income increased by Rs. 7,953 million or 28% during 2015 and aggregated to Rs. 36,140 million as compared to Rs. 28,186 million in the corresponding period. The growth in Net Interest Margin (NIM) was mainly attributed to aggregate growth in earning assets duly supplemented by focused approach towards cost of funding rationalization.

Return on Equity - DuPont Analysis



Your Bank continued to maintain its focus on Non-interest income with fee based income improving by 8% reaching Rs. 3,570 million during 2015. Income from dealing in foreign currency witnessed material growth of 84% and aggregated to Rs. 838 million. Your Bank persisted with its prudent strategy to hold fixed income - available for sale (AFS) securities till maturity considering the expectations of sustainability in the low interest rate scenario in the short term. The equity investments mainly comprising of strategic investments continue to yield attractive and steady dividend income stream which increased to Rs. 3,528 million. Capitalizing upon Your Bank's "primary dealer" status enabled realization of an incremental Rs. 768 million gains through trading in government securities during 2015. The aforementioned fee incomes partially compensated for the lower capital gains of Rs. 65 million realized against equity/mutual fund investments during 2015. An income of Rs. 820 million was booked during the year ended December 31, 2015 as compared to Rs. 907 million in 2014 with respect to compensation for delayed tax refunds, under section 171 of the Income Tax Ordinance 2001. Resultantly overall Non mark-up / interest income aggregated to Rs. 9,755 million during the year ended December 31, 2015.

The overall administrative expenses increased by 7.2% despite expansion in outreach, alternate delivery channels and continuous improvements in information technology platform.

The net provision charge against advances and investments for the year amounted to Rs. 1,524 million compared to Rs. 1,609 million in 2014. Robust risk management and proactive monitory of the weak accounts resulted in reversal of provision against advances by Rs. 288 million. No benefit of FSV was taken while determining the provision against NPLs as allowed under BSD Circular No. 01 of 2011 dated October 21, 2011. Your Bank's loan loss coverage and NPL ratio stood at 87.5% and 6.4% as at December 31, 2015; which remains superior then the industry average as at September 30, 2015. Significant volatility in international oil prices kept the overall stock markets sentiments bearish with major impact on the oil and gas sector throughout 2015; the Bank prudently recognized an impairment charge of Rs. 1,800 million on its AFS portfolio despite management's view that the current oil prices may not sustain at such low levels in future.

Your Bank remained fully compliant with CAR requirements of State Bank of Pakistan. CAR on standalone and consolidated basis under BASEL III stood at 20.85% and 21.0% respectively, against required percentage of 10.25%; While the Common Equity Tier (CET) ratio and Tier 1 ratio of the Bank stood at 17.08% against the requirement of 6.0% and 7.5% respectively.

Statement under Code of Corporate Governance

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

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies for conventional and Islamic Banking have been consistently applied in preparation of financial statements except note 5.1 of the appended financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the last six year are attached.

- The value of investment of Pension Fund, Provident Fund and Gratuity Fund is Rs. 5,309 million, Rs. 6,350 million and Rs. 1,381 million respectively, as per audited accounts of these funds for the year ended December 31, 2015.

- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed.

- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.

- Nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company is approved by the Human Resource & Remuneration Committee of the Board.

- The Committees of Board of Directors along with their terms of reference have been separately disclosed in the Annual Report.

The detail of the meetings held during the year for the Board and its respective Committees along with attendance record of each director has been separately disclosed in the Annual Report.

Chief Executive Officer's Review

The Board of Directors fully endorses the Chief Executive Officer's Review on the Bank's operational performance for the year ended December 31, 2015

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, as disclosed in the Annual Report.

Risk Management Framework

The Bank manages risk through a framework of sound risk management principles which includes an optimum organizational structure, risk assessment and monitoring processes. The Risk Management (RM) 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). RM took several steps in 2015 to further strengthen the Risk Management Framework, for example:

- Upgraded the Loan Origination System (LOS) by automating credit approval workflows for Commodity Operations Financing; Non-Banking Financial Institutions, as well as SME Lending Products.

- Strengthened Market Risk oversight by automating the Foreign Exchange and Money Market Counterparty, and Equity Stop Loss limit allocation and alert mechanism. Risk Management also updated its internal risk models to include Expected Shortfall as a measure of assessing downside risk, as well as Implemented Back-testing technique for validating Value-at-Risk (VaR) models.

- Introduced the practice of carrying out technology review of various industrial sectors wherein the existing technology / machinery of ABL obligors is assessed vis-à-vis the overall technology advancement in the globe. This initiative has further augmented the Bank's credit assessment process.

- Continued the trend of engaging with the Obligors to provide them with the latest Insight on Leadership Strategies and Business Management; and accordingly during 2015 organized 5 interactive Seminars for Corporate, Commercial and SME Obligors on the following topics:

    - "Challenges and Solutions for Sustainable Growth"; as well as

    - "Corporate Governance and Managing Macro Economics 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). During the year Your Bank redeemed its unsecured, listed and subordinated TFC II of Rs. 3,000 million after exercising call option.

Corporate Governance Rating

JCR – VIS Credit Rating Company Limited has reaffirmed Corporate Governance Rating of Allied Bank Limited as 'CGR-9'; the rating denotes 'very high level of corporate governance'. The rating action takes into consideration the continued commitment of the Board and management of Your Bank to maintain a sound governance framework.

Board of Directors

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

The Board of Directors would like to place on record its sincere appreciation to the outgoing Directors Mr. Pervaiz Iqbal Butt and Mr. A. Akbar Sharifzada for their invaluable contribution and guidance during their tenure as members of Board. The Board of Directors also welcomes Dr. Muhammad Akram Sheikh and Mr. Zafar Iqbal, having vast professional experience, to the Board as independent members.

Performance evaluation Mechanism for the Board

Board of Directors (BOD) is vested with the fiduciary responsibility on behalf of the shareholders for protection of Bank's interests, providing strategic direction and monitoring the achievement of strategic objectives while ensuring regulatory compliance. The Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and SBP's Prudential Regulations describes the role of the Board along with the Code of Corporate Governance (The Code) in which responsibilities and functions of the Board are well defined. As required under the Code, the Board has put in place an effective mechanism for monitoring of its performance. The Board evaluates its performance by looking at the overall performance of the Bank. The Board has defined Key Performance Indicators (KPIs) against which actual performance is measured; relevant disclosure is appended in the Annual Report 2015. Performance criteria also focus on following areas:

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

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

Auditors

The present auditors Messrs KPMG Taseer Hadi & Co., 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 KPMG Taseer Hadi & Co., Chartered Accountants, as statutory auditors 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 Statement of Financial Position that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Acknowledgments

On behalf of the Board and the management, I would like to place on record sincere gratitude to our customers and shareholders for their belief, 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 untiring efforts and loyalty.

For and on behalf of the Board

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2016
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
Completed implementation of Oracle Hyperion Planning (EPM/BI)	2013
Launched "Allied SMS Banking" Services	2013
Achieved milestone of opening 1,000th branch during the year	2014
Launched Islamic Banking	2014
Launched smartphone application	2014
Successfully migrated all branches to state of the art Temenos T24 core banking software, recognized by Temenos as largest in the region	2014
Achieved Primary Dealer status for dealing in government securities from State Bank of Pakistan	2015
Achieved milestone of installation of crossing 1,000 ATMs with industry leading uptimes	2015

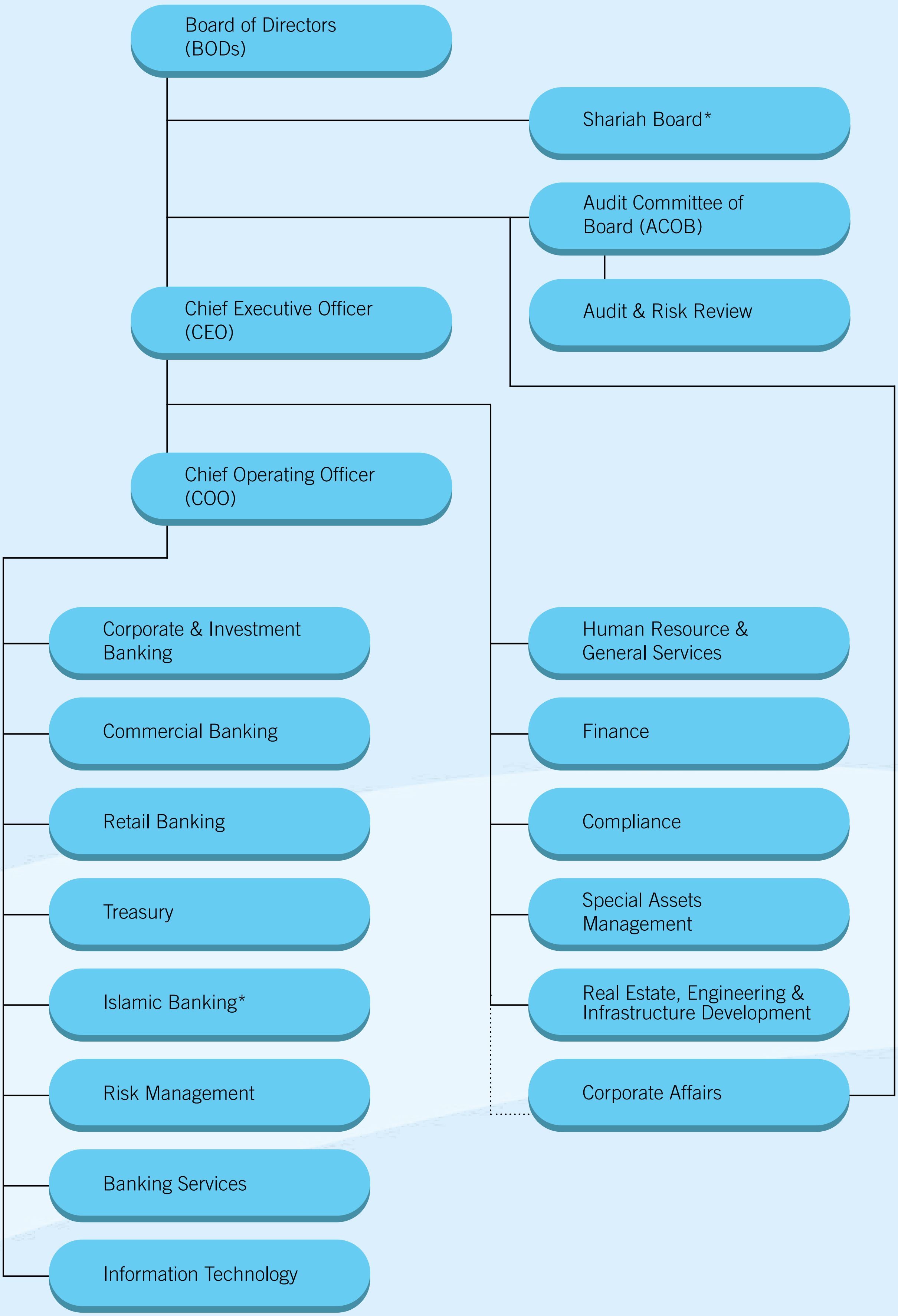
Financial Calendar - 2015

1st Quarter results issued on	April 23, 2015
2nd Quarter results issued on	August 05, 2015
3rd Quarter results issued on	October 22, 2015
Recommendation of Annual Results by the BOD	February 10, 2016
70th AGM Scheduled for Approval of Annual Results	March 28, 2016

Financial Calendar - 2014

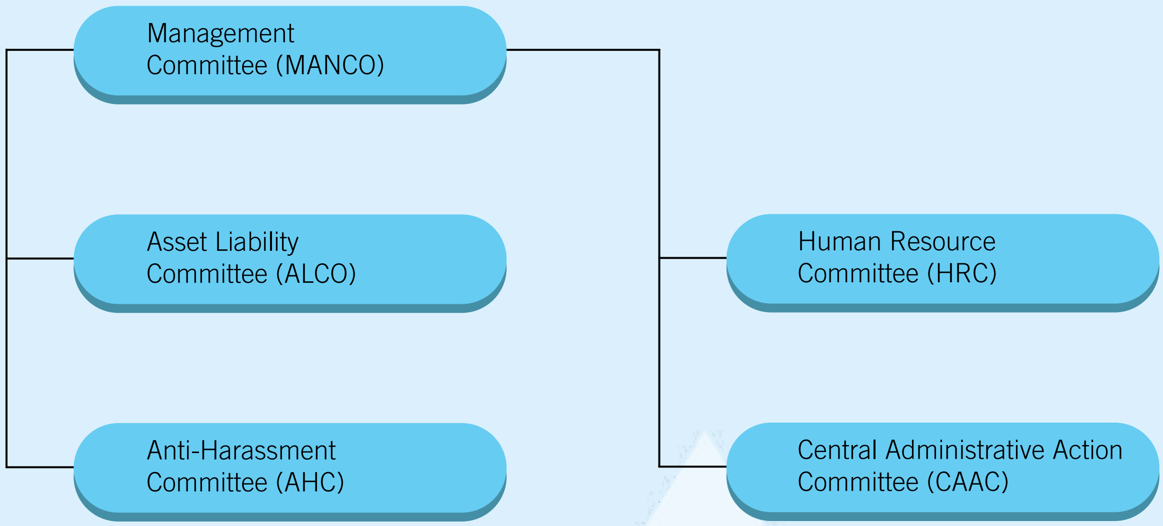
1st Quarter results issued on	April 25, 2014
2nd Quarter results issued on	August 05, 2014
3rd Quarter results issued on	October 23, 2014
Recommendation of Annual Results by the BOD	February 10, 2015
69th AGM Approved the Annual Results	March 26, 2015

Corporate Structure



** Independent Shariah Board oversees Islamic Banking Operations*

Management Committees



The Management

Tariq Mahmood
Chief Executive Officer

Tahir Hassan Qureshi
Chief Operating Officer

Shafique Ahmed Uqaili
Chief, Human Resource

Muhammad Shahzad Sadiq
Chief, Risk Management

Saif ul Islam
Chief, Banking Services

Tahir Yaqoob Bhatti
Chief, Commercial Banking

Tariq Javed Ghumman
Chief, Retail Banking

Owais Shahid
Chief, Corporate and Investment Banking

Ahmad Faheem Khan
Chief, Treasury

Muhammad Idrees
Chief, Islamic Banking

Muhammad Mohsin
Chief, Audit & Risk Review

Imran Maqsood
Chief, Compliance

Sohail Aziz Awan
Chief, Information Technology

Muhammad Farhanullah Khan
Chief Financial Officer

Asif Bashir
Chief, Special Assets Management

Mohammad Tabrayz Agha
Chief, Real Estate, Engineering and Infrastructure Development

Muhammad Raffat
Company Secretary

Chief Executive Officer's Review

Economic Review

Global economy is entering into a challenging phase, leading to geopolitical shift, with the crash of oil price and broad based slowdown in emerging markets including Brazil, Russia and China. Weak economic growth in China, being the second largest economy, particularly exposes global growth outlook to major downside risks; as reflected in major adjustment in global stock markets including Pakistan. Meanwhile, modest recovery in advanced economies could not compensate the declining growth trends emanating from volatility in global commodity prices, subdued international trade and weakening of capital flows. It is more likely that there is an underlying shift bringing all factors into focus; forcing central banks of various countries to devalue their currencies to support their dwindling exports. US Federal Reserve's decision to raise interest rate in December 2015 also symbolized the end of easy money.

Steep reduction in oil price eased out pressure on oil importing countries. Persistent decline in oil prices and steady growth in remittances, coupled with various other corrective measures taken by the Government positively contributed in the improvement of Pakistan's macro-economic outlook. As a result the Country's GDP growth of 4.2% during FY 2014-15 remained well above compared to an average growth rate of 3.9% during the preceding five fiscal years.

While recent macroeconomic improvements running the gamut from an uptick in growth and lower inflation outlook to improvement in SBP reserves to US$ 21 billion (41% YoY growth) and security situation respectively did not go unappreciated, the pressure in the foreign exchange market requires pragmatic steps to be taken by the Government. Current account deficit during first half of FY 2015-16 was reduced as well to 0.9% of GDP, as against 1.8% during corresponding period of last year despite weakening trade balance on account of significant decline in exports especially in textile sector which decreased by approximately 9% during the first half of FY 2015-16.

The consistent growth in home remittances, increased by 17% to US $ 18,454 million and foreign inflows under multilateral arrangements with International Monetary Fund (IMF), Asian Development Bank (ADB) and World Bank as well as issuance of Eurobonds worth US$ 500 million, also assisted in the reduction of overall Balance of Payments (BoP) deficit by US$ 1,222 million during FY 2014-15 to US$ 2,636 million.

Further Public Debt-to-GDP ratio curtailed at 64.8% during FY 2014-15. Foreign direct investment (FDI) reduced substantially during FY 2014-15 and stood at US$ 851 million compared to US$ 1,700 in FY 2013-14; albeit with some recovery during first half of FY 2015-16 with 4.6% growth against corresponding period of last year. It is expected that the China Pakistan Economic Corridor (CPEC) agreements aggregating to US$ 46 Billion, shall gradually materialize to improve FDI levels going forward.

With continued strengthening of the external payments position and progress in structural reforms, Pakistan's economic performance was recognized internationally through improvement in country's rating by Moody's Investor Service which upgraded Pakistan's rating to "B3" from "Caa1" and assigned "Stable" outlook. During the year, Government of Pakistan also initiated the merger of country's three stock exchanges to form "Pakistan Stock Exchange" with a view to further develop and strengthen the country's capital markets.

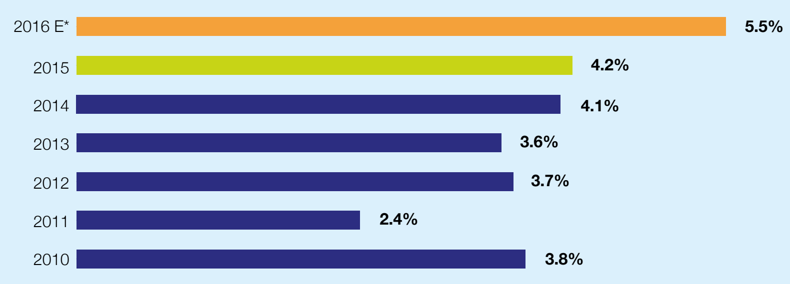
External factors mainly emanating from significant decline in global oil prices to as low as under US$ 30 per barrel from US$ 94 per barrel in September 2014, reflecting reduction of 68% on account of supply glut and subdued demand from major oil consuming countries. Accordingly, overall inflation levels fell to 4.5% during FY 2014-15; the inflation levels further dropped to 2.2% during first half of FY 2015-16. State Bank of

Pakistan (SBP) estimates inflation to remain stable between 3.5 - 4.5% during FY 2015-16. The persistent low inflation level created fiscal space for SBP to initiate monetary easing towards the end of 2014. Discount rate (DR) was reduced by 350 bps to a historic low of 6.5% from 10% in November 2014. During the year, SBP also introduced “SBP Policy Rate” which was set 50 basis points below ceiling rate (DR) with effect from May 25, 2015 along with reduction of interest rate corridor from 250 bps to 200 bps.

Despite the resultant reduction in the benchmark 6 months Karachi Inter Bank Borrowing Rate (KIBOR) by 312 bps during 2015; private sector credit appetite remained sluggish; lower utilization of short term working capital lines due to reduction in global commodity prices and weak credit environment predominantly emanating from energy shortages, prevalent infrastructural and security related issues resulted in overall subdued credit expansion. The overall industry level private sector advances grew by 8.8% YoY in 2015 to close at Rs.3,645 billion and Large Scale Manufacturing (LSM) grew by a modest 3.3% during FY 2014-15, approximately 1% lower than previous financial year. On the other hand, banking sector’s Non-Performing Loans as at September 2015 increased marginally to Rs.630 billion; an increase of 3.6% over September 2014 level of Rs.608 billion. Under the circumstances surplus net resources, at industry level, were largely deployed towards Government Securities; leading to a significant increase in the overall investments by 31% to reach Rs. 6,711 billion at the close of 2015.

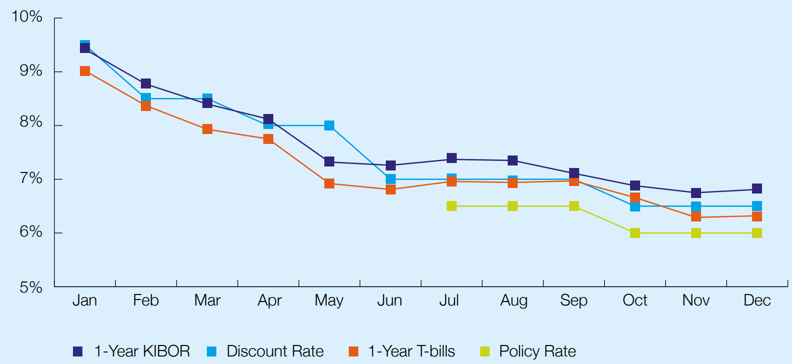
With a view to enhance the tax revenue to GDP ratio, certain changes were introduced through amendment in Finance Act 2015-16 including imposition of one-off super tax of 4% and uniform tax rate of 35% on all sources of income with effect from January 01, 2014. The retrospective tax charge not only impacted industry’s overall profitability but also diluted the post-tax earnings growth over the corresponding year. Further, imposition of Withholding Income Tax for non-filers of Income Tax returns resulted in reduction in banking channel transactions’ volume during the second half of 2015. Accordingly, currency in circulation during 2015 grew by 24.5% as compared to 7% during 2014. The tendency might undermine the goals set in National Financial Inclusion Strategy 2020, to tap almost 89% unbanked population within the country towards mainstream banking platform, unless the target to enhance tax net is achieved. Accordingly industry deposits growth remained under pressure during the first five months of FY 2015-16, with a major spike near year end at the industry level. There was an increase of Rs.370 billion in the last week ended December 31, 2015. Resultantly, deposits grew by 16% at industry level to close the year at Rs. 9,676 billion at the close of 2015.

GDP Growth



* Source: State Bank of Pakistan

Interest Rate
2015



Business Performance

Despite intense competition within the industry amidst evolving regulatory and operating environment Your Bank pursued the strategy of prudent lending, growth in deposit mix; resulting into improved CASA, optimizing costs through the use of latest technology with the objective of enhancing efficiency and customer service.

The Bank posted a robust growth in Balance Sheet which grew by 18% as at December 31, 2015. The growth was achieved without compromising on asset quality while further strengthening the liquidity profile and capital base of the Bank, while remaining cognizant of the dynamic and diversified future expansion plans.

Chief Executive Officer's Review

The volumetric growth in earning assets remained a major growth driver for Your Bank; supplemented by robust risk management framework continuously improved to further strengthen the asset quality, state of the art technology platform, customer centric products and services, persistent investment towards expansion in outreach while adopting cost conscious approach and focus on enrichment of alternate delivery channels remained the key strategic initiatives of the Bank during the year under review.

The strategic initiative undertaken in 2014 to discretely serve niche commercial and retail markets started to yield results despite the tough and challenging market dynamics. During 2015, strong emphasis remained on deposits mobilization with higher focus on sustainable cost of funding; despite intense competition especially for low / no cost deposits.

The Bank believes in pre-emptive risk management focused towards early warning signals to mitigate against the evolving credits risks; in line with best industry practices, regulatory framework and Bank's risk appetite. In an effort towards further strengthening of Risk Management and Assessment System (RAMS), the Bank's in-house developed Loan Origination System (LOS) is being continuously upgraded; credit approval workflows were automated for various SME products including Allied Business Finance and Allied Fast Finance. Capitalizing on the robust Risk Management platform, non-performing portfolio curtailed during the year; higher focus was maintained towards regularization and recovery of NPLs. Moreover, Your Bank's CSR initiative to engage existing and potential obligors in interactive sessions instilling knowledge regarding global management best practices, corporate governance and financial management continued to be well received. In this regard, 5 interactive seminars were held in Gujranwala, Faisalabad, Islamabad, Lahore and Karachi on topics ranging from "Challenges and Solutions for Sustainable Growth" and "Corporate Governance and Managing Macroeconomic Challenges" during the year; for diverse audiences including large Corporates and Commercial obligors.

Domestic capital markets underperformed during the year with only 2% growth witnessed compared to an average growth of 14% in benchmark index during the preceding three years. Economic slowdown in major developing economies, global excess oil supply, withdrawal of sanctions against Iran and its possible re-entry in the oil exports market and supply of cost effective shale gas dragged the global oil prices, adversely impacting overall market sentiments and in particular the shares valuation of oil and gas sector companies. According to the latest research available from various multilateral agencies, oil prices are expected to remain under pressure during 2016 and may rebound to sustainable levels in 2017. The underlying premise is that OPEC and non OPEC members may eventually rationalize the supply glut to bring the prices at economically viable levels.

In view of the aforementioned substantial decline in oil prices, adverse impact was witnessed in the Bank's available for sale – equity investments portfolio. Although the Management remains optimistic that the current prices do not reflect the correct valuation of the investee companies; the Bank taking a prudent view recorded impairment against diminution in value of investments. However, the Management remains confident about the strength of our overall AFS portfolio comprising mainly of dividend yielding strategic blue-chip scrips; despite the extremely bearish market outlook at the moment.

Fixed income securities trading business in Treasury was further strengthened during 2015 and Your Bank was able to successfully penetrate in this segment while realizing significant income. The Bank was also able to attain "Primary Dealer" status from SBP during 2015 based on aforementioned sound performance.

Expansion in outreach by Your Bank continued during 2015 with dual focus on enhancing conventional and Islamic banking operations. 29 conventional and 21 Islamic banking branches were opened during the year; increasing the conventional banking network to 1,023 branches and Islamic Banking network to 27 branches; with overall branch network of 1,050 branches. Similarly, Your Bank continued to augment its alternate delivery channels by adding 125 new ATMs during the year including 88 new off-site ATMs which were installed at suitable locations; surpassing the milestone of 1,000 ATMs to close at 1,011 ATMs. Continuous focus was also made in ensuring one of the highest ATM uptime in the industry while also remaining as one of the top acquirer in the industry.

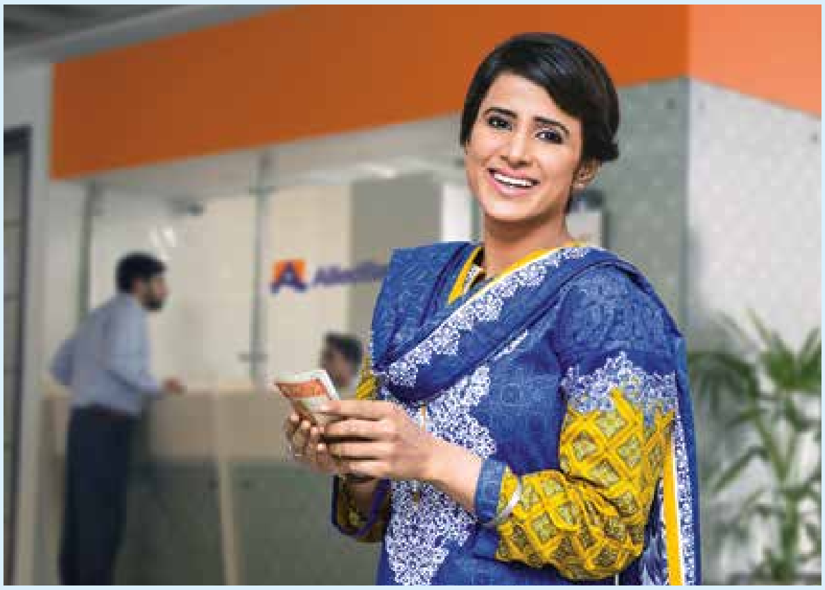
Your Bank remained resolute in its strategic objective to acquire, maintain and utilize its state of the art technology platforms for strengthening existing customer relationships as well as acquiring new to bank customers. With the Temenos T-24 Core Banking system implemented successfully across Your Bank in 2014. Your Bank during 2015 started various IT based initiatives, in addition to continuously focusing on Business Processes Re-engineering, including upgradation of T-24 to its latest release, to further modernize the IT infrastructure set-up, thus paving the way for improved customer service quality, enhancement in business intelligence platform and improved TATs by developing products and services in line with Digital Banking needs.

In line with Your Bank's mission, provision of customer centric services remains at the cornerstone of Your Bank's strategy. The Bank's dedicated Service Quality (SQ) function remained at the forefront for ensuring that all customers are provided high level of service quality through all touch points. Allied Phone Banking also served over 1.4 million customers through phone banking and remained a critical avenue for servicing customer needs.

Islamic Banking operations initiated in 2014, have made significant strides including formulation of independent Shariah advisory Board comprising of renowned Islamic Banking Shariah scholars with a view of enhancing technology based customer centric solutions and streamlining Islamic Banking operations by implementing T-24 plat form with strict compliance with Shariah.

Your Bank values its Human Resource as a source of competitive advantage. Accordingly, the Bank continued to enhance capacity building through development of forward looking workforce with IT skills, giving weightage to proactive succession planning in the 'digital age'. Extensive focus was made during 2015 to induct Management Trainee Officers (MTOs), Business Development Officers (BDOs) and Tellers. A specialized MTOs batch, with specially designed training program was inducted to strengthen Compliance function across the Bank. In order to focus on improving managerial skills and define career paths, the Bank launched Allied Management Development Program (AMDP) which consists of series of structured programs aimed at developing general management skill set of high potential employees. Key focus was also maintained in training existing staff members with focus on improving regulatory knowledge, enhancing soft skills and refining leadership skills through classroom based trainings, mobile training and Bank's in-house developed e-learning portal. Your Bank meanwhile continued its focus towards gender equality; female employment ratio also reached 15% at the close of 2015. In recognition of these industry leading initiatives Your Bank was awarded 'first prize' by Employers' Federation of Pakistan in 'Human Resource Development'.

The Bank also undertook various initiatives during 2015 to strengthen effectiveness of compliance culture across the Bank. Improvements were made in tackling Anti Money Laundering (AML) alerts; ratio of resolving cumulative alerts remained over and above the satisfactory level by utilizing Oracle based Financial Crime and Compliance Management (FCCM) module. Moreover, the Bank also successfully achieved FATCA compliant status during the year.



During 2015, Your Bank undertook another strategic initiative to establish an independent function "Real Estate, Engineering and Infrastructure Development" (REI), with the aim to proactively manage the long term infrastructural expansion plans for expanding outreach including ATM network across the country.

Aiming at discouraging carbon footprint, Your Bank continued to undertake initiatives to utilize green source of energy and also installed energy efficient equipment. This pilot project was further nurtured during 2015 whereby 15 branches were converted to fully solar powered systems increasing the total number of branches functioning on solar power to 44. Furthermore, 98 new inverter based energy solutions were installed during 2015. Presently total 275 branches are utilizing this inverter based technology and contributing towards clean environment as well as reducing operational costs.

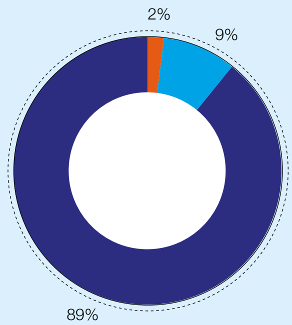
Your Bank continued to make steady progress in its cross border business during 2015; with the focus on gradual expansion in the region. In line with SBP's directions for promotion of remittances business, new arrangements with reputed international money transfer companies and renowned exchange companies were made across Middle-East and in selective locations across US, UK and Australia. Key relationships with foreign banks were also established during 2015 in order to achieve synergies for trade business. The investment banking function continued to post strong performance, duly acknowledged and awarded "Best Investment Bank in Pakistan – 2015" by the Euromoney Magazine (UK) and "Best Corporate Finance House" by CFA Society of Pakistan.

The overall progress made by Your Bank during 2015 reflected in quality of assets, liquidity and sustainability of the balance sheet in a challenging market place was acknowledged when Allied Bank Limited was awarded "Strongest Bank by Balance Sheet in Pakistan" in the prestigious "Asian Banker Strongest Bank by Balance Sheet Ranking 2015".

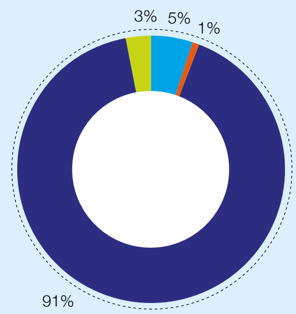
Detailed update on key business and support functions has been separately appended to this review statement.

Chief Executive Officer's Review

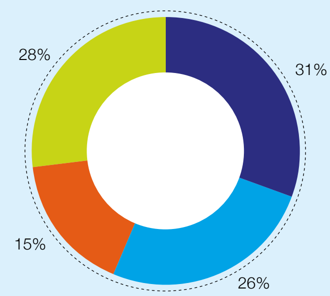
Segmental Advances – Performing



Investments



Average Deposit Compostion



Ratings

Entity Rating

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Allied Bank Limited at "AA+" (Double A Plus) and highest possible "A1+" (A One Plus), respectively. The ratings reflect demonstrated efficacy of ABL's strategy aimed at ensuring consistent profitability without compromising quality of other key variables. Moody's Investors Service maintained Your Banks' deposit rating at B3 / Not Prime level while changing the outlook from "Negative" to "Stable"; the ratings are at par with Tier-I banks in Pakistan.

TFCs Issues

During the year Your Bank redeemed its unsecured, listed and subordinated TFC II of Rs.3,000 million after exercising call option.

Corporate Governance Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the corporate governance rating of Allied Bank Limited (ABL) at CGR-9, denoting 'very high level of corporate governance'. This rating is based on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

Corporate governance ratings are based on evaluation of key governance areas of the rated institution, which include regulatory compliance; Board oversight; management profile; self-regulation; financial transparency and relationship with stakeholders.

ABL Asset Management Company

ABL Asset Management closed the year with asset under management (AUM) size of Rs.33 billion displaying a strong YoY growth of 15% and maintained its 5th position amongst private fund management companies; with a market share of 6%.

Two new funds namely 'ABL Islamic Financial Planning Fund' and 'ABL Financial Planning Fund' were launched during the year; taking the total number of funds to eleven. The company also opened two new retail branches in Rawalpindi and Karachi during the year.

JCR-VIS Credit Rating Company Limited reaffirmed the Management Quality Rating of ABL Asset Management Limited (ABL AMC) at 'AM Two' (AM2). Outlook on the assigned rating is 'Stable'. ABL AMCL is the only ISO/IEC 27001: 2013 certified AMC in Pakistan and has also adopted Global Investment Performance Standards (GIPS).

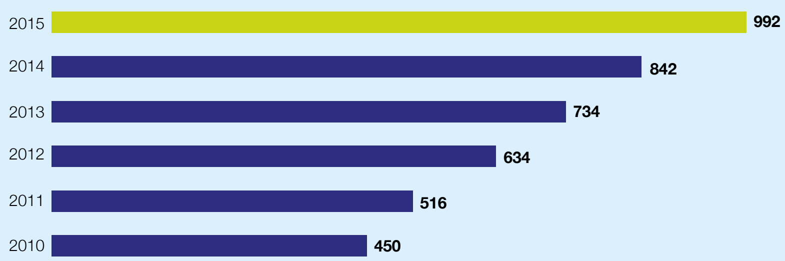
Financial Analysis

Balance Sheet Growth Mix

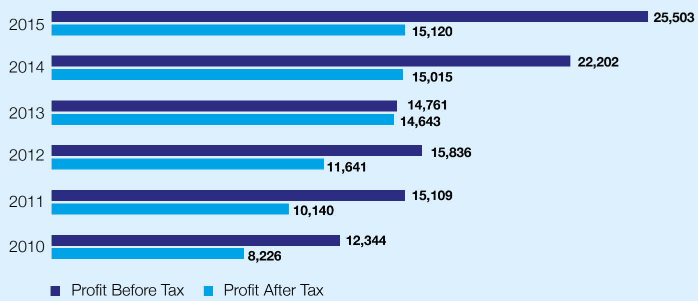
Your Bank benchmarks itself against international best practices in terms of deploying reliable technology platform, implementing robust risk management framework and offering customer centric solutions. The Bank maintained continuous focus on deepening of relationships with emphasis on enhancing the share of customer's wallet and achieving efficient service levels. Under the supervision of the Board, Your Bank's strategic focus on excellence in service quality, technology driven innovation directed towards enrichment of product suite, investment in outreach and human resource development enabled the Bank to meet the entire financial needs of our valued customers across the distinct business lines. Continuous focus towards improving deposit mix while optimally managing the earning assets portfolio enabled Your Bank to maintain stable profitability levels consistent with the Bank's risk appetite.

Your Bank's total asset base improved significantly by 18% to reach Rs. 991,666 million as at December 31, 2015. The equity base of Your Bank displayed resolute growth of 10% during the year to reach Rs. 89,256 million signaling strong performance during the year and

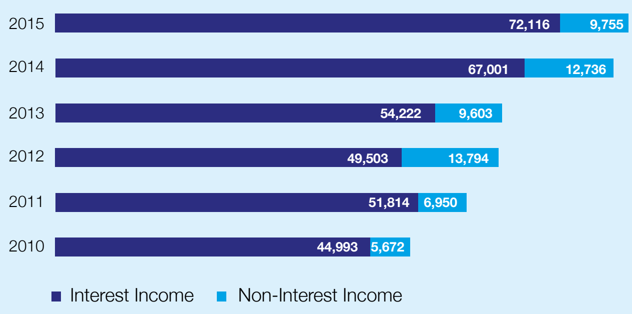
Financial Position
(Rs. in Billion)



Profit Before & After Tax
(Rs. in Million)



Income Composition
(Rs. in Million)



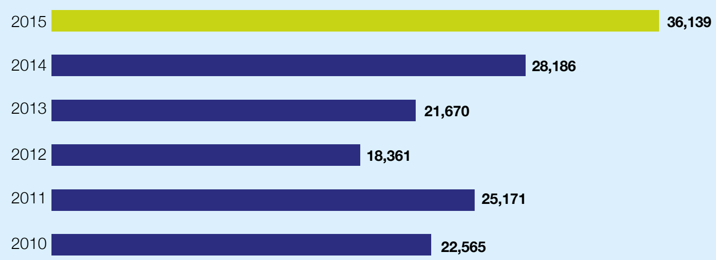
sustainable growth prospects for the future. The Bank maintained its Capital Adequacy Ratio (CAR) well above the regulatory requirement of 10.25%; the Bank's standalone CAR during 2015 improved to 20.85% from 19.75% as at December 31, 2014.

Your Bank's balance sheet growth largely mobilized by increase in deposit base which, despite intense competition, grew by 10% to reach Rs.734,596 million as at December 31, 2015. The focus remained on enhancing the mix of low / no cost deposits in overall deposits volume. Resultantly, CASA mix improved to 74.1% as at December 31, 2015 from 72.7% as at December 31, 2014 despite changes in monetary policy regulations and stiff competition within banking industry posing challenges for accumulation of low / no cost deposits.

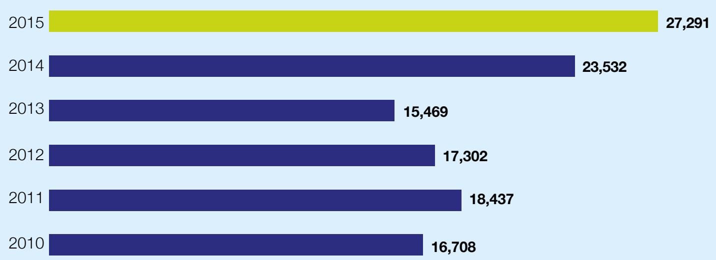
Private sector credit off take remained under constraint with limited quality lending opportunities. Accordingly, Your Bank focused on cautious credit expansion without compromising on asset quality. Gross advances increased by 5% YoY to Rs.340,769 million as at December 31, 2015. Major growth was achieved in corporate asset book including public sector enterprises (PSEs) whereas decline in commodity prices along with tough operating environment hindered advances growth in the SME sector. With adequate surplus liquidity levels, evolving risk management platform and strong capital adequacy, Your Bank remains poised to avail quality lending opportunities going forward. The Bank's gross ADR stood at 46.4% as at December 31, 2015. Vigilant monitoring of early warning signals along with proactive recovery measures resulted in overall reduction in infection ratio to 6.4% as at December 31, 2015 against 7.0% as at December 31, 2014; remaining well below as compared to the industry average infection ratio of 12.5% as at September 30, 2015. Coverage ratio increased to 87.5 % as at December 31, 2015 compared to 86.4% as at December 31, 2014 and also remains above industry coverage ratio as at September 30, 2015 which stood at 81.7%; excluding the exposure in BYCO Petroleum Pakistan Limited (BPPL), the coverage ratio improves to 92.4%. Despite BPPL making full payment of the installment due in 2015, the account remains subjectively classified as per the instructions of SBP letter No. BPRD/BRD-03/HBL/2014/16233 dated September 3, 2014 and account activity is being duly monitored for future compliance. No FSV benefit has been taken while determining the provision against Non-Performing Advances as allowed under BSD Circular No. 1 dated October 21, 2011.

Chief Executive Officer's Review

Net Interest Income
(Rs. in Million)



Operating Profit
(Rs. in Million)



Profitability

Banking sector spreads came under pressure during 2015 after a cumulative drop in benchmark interest rates by 350 bps since November 2014. The revision in interest rate corridor also impacted the cost of deposits leading to overall weighted average spreads at industry level to drop to 11-years low of 5.56% (2014: 5.99%).

Volumetric growth of 24.3% in average earning assets and improvement in CASA mix enabled Your Bank to overcome the aforementioned challenging scenario. Accordingly, Markup income increased by Rs. 5,115 million, whereas Markup expense decreased by Rs. 2,838 million despite growth in resource mobilization. Resultantly, Your Bank managed to pose 28% growth in Net Interest Margin (NIM) which increased from Rs. 28,186 million for the year ended December 31, 2014 to Rs. 36,139 million in 2015.

Fee based income increased by 8% to reach Rs.3,570 million mainly on account of higher commission on remittances, branch banking services, alternate delivery channels and advisory / structuring fee from Investment banking activities. Income from dealing in foreign currency increased significantly by 84% to reach Rs.838 million. The Bank recognized an income of Rs.820 million during 2015 as compared to Rs.907 million in 2014 in respect of compensation for delayed tax refunds, under section 171 of the Income Tax Ordinance 2001. The Bank strategically pursued steady dividend income from its high yielding equity portfolio, which amounted to Rs. 3,528 million for the year ended December 31, 2015. Capitalizing on its Primary Dealer status the Bank realized substantial capital gains of Rs.768 million on trading in government securities during the year. The growth in aforementioned non-interest incomes assisted in partially off-setting the lower capital gains of Rs. 65 million realized against equity/mutual funds. The overall non-interest income stood at Rs. 9,755 million during the year ended December 31, 2015.

International oil prices remained volatile during 2015 resulting in bearish sentiments at the stock markets; with oil and gas sectors bearing the brunt of stock market slowdown. Despite management's view supported by local and international forecasts that the oil prices may not be sustainable at current levels, the Bank prudently recognized an impairment charge of Rs. 1,800 million on its AFS portfolio, while net decrease in total provision charge was witnessed due to concerted efforts made in recovery and regularization of NPLs.

The Bank's expansion in outreach, investment in IT infrastructure and alternate delivery channels continued during the year while cost rationalization initiatives including installation of energy efficient inverter based solutions, centralization and monitoring of major expenses and automation of processes enabled significant control over operating costs which increased by 7.2% during 2015 to Rs.18,175 million.

Your Bank posted a growth in Profit Before Tax of 15% to reach at Rs.25,503 million. The revision in tax laws promulgated during 2015 resulted in an additional prior year tax charge of Rs.1,460 million during 2015. Despite these multifaceted challenges from evolving regulatory and tough operating environment, Your Bank delivered stable performance during the year with total Profit After Tax aggregating to Rs.15,120 million. Excluding the impact of prior year's taxation, Profit After Tax shows improvement of 10% during the year. EPS as at December 31, 2015 stood at Rs.13.20 per share against December 31, 2014 EPS of Rs.13.11 per share. Excluding the impact of prior year tax, EPS increases to Rs14.48 per share at December 31, 2015.

Future Outlook

The momentum of economic growth across the globe remains challenging. Some large emerging market economies including Brazil and Russia continue to decelerate amid falling commodity prices. Even the global growth leader in the recent past, China has posted the lowest growth rate in 25 years during 2015.

The drop in oil prices should continue to assist economic activity in oil importing countries including Pakistan. Accordingly, the year 2015 concluded with optimistic signs of improvement on macro-economic level on the domestic front. The landmark accord signed between China and Pakistan during 2015 to develop a mutually beneficial economic corridor (CPEC) consisting of energy projects, economic zones, industrial parks, roads and other infrastructure have provided an unprecedented window of opportunity for economic growth across the region.

Transition from recent sluggish growth levels in Pakistan to robust self-sustainable growth rate in future, requires critical focus on key areas including structural reforms in energy generation and distribution, further improvement in law and order situation, privatization and / or restructuring of loss making Public Sector entities and widening of tax base to address the huge fiscal gap amid rising public debt. It is imperative to enhance the financial inclusion among the masses to inculcate economic reforms while encouraging business friendly environment to broaden the documented economy base of the country.

Manufacturing, construction and mining sectors are expected to benefit from infrastructure development projects specifically once CPEC related projects start becoming reality from the planning stage; while progress in Large Scale Manufacturing remains dependent upon un-interrupted provision of power supply. Inflation is expected to average between 3%-4% in FY-2016, slightly higher than in FY-2015, largely in view of subdued oil prices in the short term. Growth in remittances shall continue to support in managing the current account deficit.

With interest rates and banking spreads at historical low; the banking sector shall continue to face a challenging scenario in maintaining stable profitability and balance sheet growth. Cognizant of global economic downturn and geo-political developments along with significant pressure on banking spreads, Your Bank shall focus on quality lending opportunities complemented with trade financing in the large Corporates, Middle market, Retail and Agriculture sector along with cautious growth in consumer financing portfolio. Your Bank intends to further capitalize on its state of the art information technology platform and robust risk management systems. Expansion in alternate delivery channels will not only bolster Bank's fee income but shall also assist in achieving enhanced customer satisfaction in the rapidly changing 'digital age'. Your Bank remains fully committed towards enhancing financial inclusion through the use of existing tailored products including 'Asaan Account' scheme and gradually tap into branchless banking with a tie-up with a leading telecom company. Your Bank shall continue to explore avenues for international expansion in Middle East and China. The Bank also intends to further expand its Islamic Banking operations in order to have a solid foot print in this niche market. Investment in development and retention of quality human resource shall also remain among strategic priorities.

Your Bank would continue to strive towards achieving steady growth by exploiting available potential opportunities, while remaining cognizant to challenging competitive business environment.
I believe that Your Bank is well positioned to continue to progress towards becoming a 'Bank of choice' for our valued customers; while committing sustainable returns to stakeholders and supporting the nation building.

Acknowledgment

On behalf of Allied Bank Limited I would like to extend my sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan and other regulatory authorities for their continued support and to our employees for their devotion and commitment for excellence.

Tariq Mahmood
Chief Executive Officer

Dated: February 10, 2016

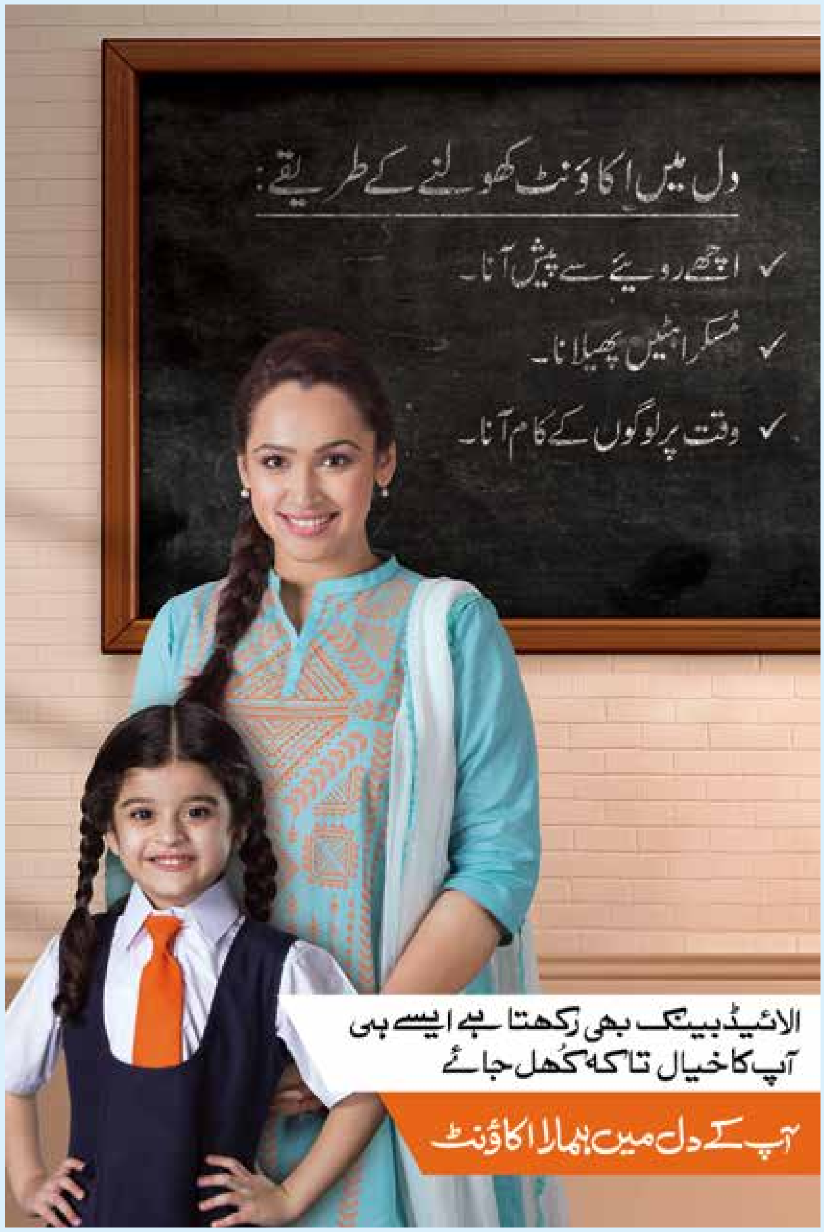
Commercial Banking

The Bank continued to gradually build capacities for steady and cautious expansion in the Commercial, Middle market, and Small enterprises segments by strengthening operations of the dedicated Commercial Banking (CB). Our focused approach on this niche enables the Bank to effectively penetrate in this highly competitive market.

CB's network consists of 252 strategically located branches in major commercial hubs and wholesale markets across all major cities in Pakistan. In addition, CB's multifaceted approach towards alternate delivery channels along with dedicated team of professionals provide a wide range of tailored products and services to our valued customers for meeting their business and growth requirements.

In line with the directives from the State Bank of Pakistan, the Bank's strategic vision is fully aligned towards tapping into and gradually expanding quality customer base in commercial banking segment; meeting the risk appetite of the Bank. In this regard, significant work has been done towards capacity building and change in organizational structure to support the organic growth in this high value business. The operating environment for this segment remained tough throughout 2015; especially with reference to volatile commodity prices. However, CB remaining pro-active circumvented the related credit risk and remains well positioned to capitalize on all growth opportunities in this evolving market.

Despite multi-faceted challenges stemming from changing taxation regime and intense competition within the industry hindering growth in deposits in the second half of the year, CB increased its deposit base. The primary focus remained on enhancing CASA mix while selective institutional deposits were also solicited while remaining conscious of the cost of deposits.



During the year, CB in-line with bank-wide objective for financial inclusion of unbanked population in Pakistan launched Allied ASAAN Account with minimal account opening formalities and balance requirements. With emphasis on further diversifying CB's products and services, Allied Salary Management Account was also launched during the year to cater to the requirements of salary management for commercial and SME organizations with added incentives for the employees.

CB offers wide range of Assets products to cater the needs of diverse customer base including Business Finance, Fast Finance, Agriculture Finance for both farm and non-farm sectors. In addition, CB also cautiously grew its consumer lending portfolio through cross-selling of consumer lending products to our existing customers having sound track record. Employees of corporate customers in the public and private sector have also been tapped through offering of 'Allied Personal Finance'. CB plans to focus on SE and ME small and medium enterprise clients by enriching the product base in the years to come.

CB has been actively pursuing various e-Banking initiatives, introduction of new variants of Debit Card which offer customers more flexibility on the transactional limits. During the year major strides were made to improve security and global acceptance of debit cards through phased implementation of EMV (EuroPay, Master and VISA) security protocol which is expected to be fully implemented during 2016.

In continuance of strategic initiative of imparting training and enhancing corporate awareness amongst our valued customers, CB and Risk Management conducted periodic sessions for senior management of commercial obligors to build awareness on achieving sustainable growth, Corporate Governance and managing macroeconomic challenges. This initiative continues to be well received and plays a pivotal role in developing strong relationship with existing and new to bank customers.

Marketing team under the ambit of CB continues to play a proactive role by continuing focus on enhancing the brand image of the Bank; while creating awareness for the diversified product suite of the Bank to our valued customers; effectively utilizing all media channels.

Going forward, CB intends to enhance its capabilities to cater to the changing dynamics of the banking sector and develop capabilities in branchless banking through collaboration with Telco(s) and alternate delivery channels which shall derive competitive advantage in Digital Banking age. Concurrent focus on ancillary business, enhancing fee based income and gradually augmenting the Bank's market positioning in the deposits mobilization while managing costs shall remain key drivers of growth in Commercial Banking in future.

Retail Banking

The strategic formation of dedicated Retail Banking (RB) function as an independent business line continues to gradually strengthen Bank's retail banking operations since September 2014.

RB's strategically located outreach spread across the country, continuously strives to deliver value added products to the retail clientele of the Bank; becoming one of the key drivers of growth towards mobilization of small ticket and low cost core deposit base of the Bank.

Success of RB's strategy can be gauged by the upward trend in its low cost CASA deposits, which grew by 10% during the year despite the prevalence of tough operating environment in the second half of 2015 due to changing income tax environment.

RB continues to endeavor for greater financial inclusion of the unbanked population through expansion in its banking footprint. During 2015, RB incorporated additional 21 branches in its network increasing the overall number of retail branches to 764; including 200 rural branches.

During the year, continuous focus on opening new to bank (NTB) accounts was duly supplemented by deepening of long standing relationships with existing retail clientele; positioning the Bank as the preferred financial services provider in the country.

Aspiring for Customer Service Excellence is the distinguishing cornerstone of Bank's overall growth strategy in the highly competitive retail banking segment. RB has adopted a customer-centric model, supplemented by a strong Service Quality function playing a pivotal role in enhancing customer service standards across the customer segmentation by striving towards cultivation of a 'customer first' culture throughout the Bank. Service Quality levels are monitored on an ongoing basis against pre-defined branch service standards with the sole purpose of exceeding customer expectations. "Customer Engagement Programs", augmented Complaint Management System and process re-engineering as a result of ongoing Mystery Shopping surveys are some of the key service quality initiatives taken during the year; thus creating service awareness across all customer touch points. RB is also striving to deliver enhanced telephone banking services by investing in customer relationship management system which is expected to be operational in 2016.

In an evolving banking environment, ways of doing business are already changing globally with gradual transition towards digital age banking in Pakistan as well. RB remains well aware of this underlying fundamental change towards customer engagement in a rapidly urbanized society within the country; and is strategizing towards gradual introduction of smart ways of banking, effectively utilizing the Bank's state of the art technology platform.

Treasury

Navigating through highly volatile financial markets remained a major challenge throughout the year 2015. The decline in international oil prices coupled with broad based reduction in commodity prices kept inflation lower than the previously envisioned forecasts; which created multi-faceted challenges for the Banking sector. Based on this view Treasury maintained its stance of increasing duration of fixed income portfolio and augmented the government securities portfolio by 28% during the year.

As a major strategic initiative, fixed income trading and sales business was reinvigorated during 2015. Treasury was able to successfully penetrate in this segment of the market, realizing significant profitability for the Bank while also attaining "Primary Dealer" (PD) status for the Bank from State Bank of Pakistan, based on Bank's trading activity in the secondary market. PD status enables the Bank's Treasury function to participate in the auction of government securities while simultaneously contributing towards development of the secondary market. Accordingly, Treasury remained an active participant in the interbank securities trading during 2015; while providing best competitive pricing to our valued customers for their fixed income needs.

On the foreign exchange front, Treasury also actively participated in the interbank market. While the volatility in the exchange rate remained subdued, the FX swap market remained volatile during the year; proactive approach and timely position taking in the market resulted in significant trading gains. At the same time Treasury continued to provide competitive pricing to our customers for their foreign trade transactions enabling further penetration for Corporate and Commercial businesses.

During 2015, Treasury function was further strengthened with emphasis on enhancement in team building, skill set and appropriate succession planning to maintain ABL's positioning as one of the top Treasuries within the industry.

Going forward, Treasury shall continue to analyze the evolving domestic and global economic environment along with strategizing towards safeguarding Bank's interest in managing significant Bond maturities during 2016; giving due weightage to the Bank's internal risk appetite and liquidity profile while maximizing shareholders value.

Corporate and Investment Banking

Corporate and Investment Banking (CIB) remained focused on maintaining its position as one of the leading corporate and investment banking services provider in Pakistan. CIB's core strength consists of its ability to understand business relationships and competency to provide structured financial solutions while ensuring consistent level of service excellence. CIB continues to offer a wide array of products and services covering all types of funding and trade facilities, cash management, remittance business and customized investment banking solutions. CIB maintained a well-diversified and profitable capital markets portfolio. While prudent provisioning has been taken by the Bank for impairment in value of AFS investments, the overall robustness of the portfolio can be gauged from the net unrealized surplus of Rs.15,283 million as at December 31, 2015 up 36% from December 31, 2014. Furthermore, CIB continuously synergizes with other business groups for maximizing cross sell opportunities.

During the year banking sector faced major challenges stemming from reduction in benchmark interest rates and surplus liquidity resulting in aggressive competition on lending which impacted the spreads on advances. In spite of these challenges, CIB maintained its performance trajectory in line with strategic objective of maintaining asset quality through prudent lending strategy and augmented its profitability through enhanced focus on non-funded income which increased by 26% against December 2014.

Corporate Banking continues to adopt a selective approach primarily targeting top tier corporate entities having sound future prospects, strong business fundamentals and proven re-payment history. During 2015, Corporate Banking's performing loan portfolio increased by Rs. 23 billion as against December 2014; concurrently strong focus towards augmenting CIB's trade finance portfolio was also maintained. Vigilant monitoring of credit portfolio resulted in significant exposure reduction in stressed portfolio. Going forward, Corporate Banking will continue its momentum of building asset portfolio with superior quality while striving to deepen relationships with premier corporate entities and business groups along with capitalizing upon cross sell opportunities, in line with the risk appetite of the Bank.

Investment Banking arm of CIB geared towards meeting the complex financing needs of its clientele by providing a full suite of integrated investment banking products and solutions to corporate clients. Investment Banking is building business on the back of strong corporate relationships and in-depth understanding of structured finance, local regulations and rich experience of past transactions. During the year, Investment Banking advised and financed a broad range of transactions covering diversified sectors including power generation, chemicals, roads and other infrastructure projects.

Financial Institutions and Cash Management (FI&CM) Division has maintained a strong transaction banking capability both domestically and internationally. FI continues to build and develop Bank's global institutional banking relationships with internationally renowned banks. Moreover, FI has trade finance facilitation agreements in place to bolster Bank's trade finance business and enhance global coverage.

The international operations under the ambit of CIB through Bahrain Wholesale Banking Branch and Dubai Representative Office continue to harness the opportunities for business in the Gulf region, and have successfully and profitably capitalized upon the region's sustainable trade, investment and payments flows. Going forward, the Bank also intends to expand international presence through opening of Representative Office in China.

Cash Management Division (CMD) maintains a strong transaction banking capability vide tailor-made value-added services to meet clients' business requirements in an efficient and cost effective manner. CMD continues to harness the capabilities of nationwide real-time online branch network to enhance market share and maximize revenue streams across numerous client and industry segments. During 2015, CMD launched automated bulk receivables settlement system for Corporates and Institutional clients.

Capital Markets Division continues to realize steady dividend income stream from its well diversified investment portfolio. Total capital gain and dividend income from the equity investment portfolio was recorded at Rs.3,539 million in 2015.

In line with Bank's strategic objective and SBP's instructions home remittances remained a major focus area during 2015, with new tie-ups with correspondents from Middle East, US, UK and EU. Home Remittance Division (HRD) posted a significant growth of 20% in business volumes. HRD remains fully geared to further enhance ABL's market share gradually while increasing business ties with potential correspondent partners. HRD utilized Allied Express deposit product to expand the outreach globally. Additionally, marketing campaigns and concerted efforts on exploring new corridors for remittance business arrangements were made, while creating brand awareness and visibility in potential target markets remained at the forefront to enhance remittances growth.

During the year, CIB was awarded Best Investment Bank for 2015 by Euromoney

and Best Large Bank and Best Corporate Finance House (Equity & Advisory) award for 2014 by CFA Institute Pakistan; which are a testament of success of CIB's strategy.

Going forward, CIB aims to maintain its selective lending approach with primary focus on the top tier and blue chip corporate clientele while maintaining asset quality and also focus on business reciprocity to further augment fee based income. CIB is also exploring bankable avenues in mid-tier corporate segment within acceptable risk appetite of the Bank to maximize returns and continue generating sustainable and diversified revenue streams. CIB also strives to augment Bank's overall profitability by focusing on cross selling of cash management, consumer and financial institutions (FI) products to corporate customers. Considering successful existing international operation in Bahrain, CIB shall also continue to evaluate potential international markets for expanding Bank's global footprint.

Islamic Banking

Islamic Banking industry continued to flourish during 2015 becoming an important and rapidly growing segment within Pakistan's banking sector. The Bank started Islamic banking operations in 2014 with a long term strategy to expand Islamic banking outreach and become a major player in this niche business segment. During the year, Islamic Banking (IB) expanded its footprint through opening of 21 new branches and conversion of 2 branches to Islamic banking operations; as a result the total outreach of IB expanded to 27 branches, covering 14 cities across the country.

IB is fully geared to provide Shariah compliant banking solutions to the Bank's valued customers. Comprehensive liability deposit product suite is now being offered to the IB clientele; Gradually, Shariah compliant financing products and services are also being offered to cater to the diverse needs of corporate, commercial, small and medium enterprises, retail and agriculture sector(s). Formulation of independent Shariah Board comprising of eminent Islamic Banking Shariah Scholars was accomplished during the year which provided further boost to the product development and process re-engineering driven towards highest levels of Shariah compliance.

IB is fully committed towards contributing in the overall growth of Islamic Banking industry by playing a constructive role towards advancement in ideology of Islamic Banking principles and further support financial inclusion by tapping into this high growth market.

Risk Management

Risk Management (RM) is continuously striving towards managing risk through an augmented framework of sound risk principles supported by optimum organizational structure, robust risk assessment models and effective monitoring systems in an IT enabled environment to safeguard the strength of the capital base of the Bank while achieving maximum shareholders value.

Specialized functions of RM include Corporate & FI Risk, Commercial and Retail Risk, Credit Administration, Technical Appraisal and Enterprise Risk which operate cohesively to continuously enrich the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate credit and market risks well within the Bank's overall risk appetite.

During 2015, RM continued to refine and innovate its risk management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- Upgraded the Loan Origination Module of Risk Assessment & Management System (RAMS) by automating credit approval workflows for Commodity Operations Financing; Non-Banking Financial Institutions along with SME Lending Products including Allied Business Finance and Allied Fast Finance.

- Upgraded the Portfolio Monitoring Module of RAMS by automating the monitoring mechanism of hypothecated and pledged stocks. This utility not only monitors the frequency of stock reports submission and adequacy of stocks but also serves as a database for digitized reports for review of credit approving personnel.

- Automated the Foreign Exchange and Money Market Counterparty and Equity Stop Loss limit monitoring and alert mechanism.

- Updated the internal risk models to include expected shortfall as a measure of assessing downside risk, as well as Implemented back-testing technique for Value-at-Risk (VaR) models.

- Introduced the practice of carrying out technology review of various industrial sectors wherein the existing technology/machinery of ABL obligors is assessed vis-à-vis the overall technology advancement globally. This initiative has further augmented the Bank's credit assessment process.

- During 2015, Bank's initiative of launching Managed Warehouses for Pledge Financing in selected locations was further expanded with the opening of the 4th warehouse. Currently the Bank is operating these warehouses in Kamoke, Gakkar Mandi, Multan and Atthara Hazari Jhang. Apart from mitigating the inherent risks involved in financing against pledge of seasonal commodities; this unique initiative was also very well received by the obligors, as it enables them to access free of cost warehouse space along modern lines with insurance cost also borne by the Bank.

- In continuance of Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on leadership strategies and business management; 5 interactive seminars for Corporate, Commercial & SME obligors on the topics ranging from "Challenges and Solutions for Sustainable Growth" and "Corporate Governance and Managing Macro Economics Challenges" were organized during 2015.

- Market risk remained well abreast of the changing market dynamics and from the platform of ALCO maintained strong monitoring of the underlying market and liquidity risks.

RM aims to continue the pace of initiatives in 2016 with implementation of Risk Analytics and Operational Risk Monitoring solutions; as well as enhancement in RAMS through significant investments in technology and human resource development to maintain an effective risk management framework across the Bank.

Human Resource and General Services

Allied Bank believes in creating a dynamic and diversified workforce for organizational effectiveness, stability and sustainability amidst a rapidly changing operating environment with ultimate aim to maintain it's positioning as one of the premier financial services providers in the country. To support branch network of 1050 strategically located branches across Pakistan and the Bank's first wholesale branch in Bahrain, Allied Bank currently employs approximately 10,000+ full-time employees (FTEs) and over 3,000 outsourced staff.

During the year, Human Resources (HR) function maintained sustained focus on induction of high quality talent pool, by recruiting over 1,000 new FTEs including batches of Management Trainee Officers (MTOs), Business Development Officers (BDOs), Tellers, in addition to the lateral induction of experienced personnel in support and business functions. In order to further strengthen the critical Compliance function, a dedicated batch of 48 bright Management Trainee Officers was inducted and trained through a specially designed and structured training program. These trained MTOs are now successfully performing their jobs in various functions within the Compliance Group across the country.

HR also maintained its focus in retaining the best talent pool by providing a challenging work environment, career progression through internal job rotation and staff development through modern learning tools. During the year, organizational structures and functions of various business and support groups were rationalized, taking into account the market dynamics for each role. Job Descriptions (JDs) of all key positions up to Divisional Heads level were also formalized. The Manpower Plan (MPP) of branches was also realigned based on changing functional roles in sync with Temenos (T-24) core banking system.

In line with its strategy to reward employees according to their performance, the Bank pays market based competitive remuneration to its employees while handsomely rewarding the top performers. Allied Bank has automated, comprehensive and objectively indigenous performance evaluation system based on clearly defined objectives and key performance indicators, to avoid subjectivity in the employees performance evaluation process.

During 2015, HR successfully designed and implemented Branch Performance Monitoring System (BPMS), enabling all branch employees to monitor periodic and ongoing performance of their respective business units (Branch, Region or Group) against pre-defined benchmarks. BPMS enables the top management team and business managers to strengthen performance monitoring across business lines thereby facilitating overall Bank growth.

In compliance with the COSO framework, descriptive procedures and workflows of all HR functions were formalized to facilitate employees as well as to bring them in line with the regulatory requirements.

Employee development remains prime focus of HR activities at Allied Bank. The Bank took specialized initiatives in order to equip employees with improved regulatory knowledge, modern tools and business management techniques. Extensive training programs were conducted to improve knowledge about regulatory framework as well as to refine managerial and leadership skills of Bank's high potential employees. In-house certification programs were introduced for various functional positions of the Bank. During 2015, e-learning was strengthened and thus the outreach of the Bank's training activities was enhanced to smaller cities and villages. The e-Learning platform of Allied Bank has now been considered as one of the best in the country, with an in-house designed 'learning management system' (LMS), availability of 'computer based training' (CBT) programs and an online library. During the year, numerous participants were imparted in-house and ex-house trainings on various technical, personal/ management development and leadership programs. In addition, diversified training programs focusing on functional and technical improvement were arranged Bank-wide.

In order to focus on improving managerial skills, HR launched customized Allied Management Development Program (AMDP) which consists of series of structured programs aiming at developing general management skill set of high potential employees.

To augment existing knowledgebase of Islamic Banking business and to support its future expansion plans, various training and awareness programs were conducted for senior management and the Board of Directors of the Bank to comply with State Bank of Pakistan (SBP's) Shariah governance requirements.

As part of career path initiatives, 210 Tellers were elevated to position of Banking Services Officers (BSOs) after comprehensive testing and subsequent training. 586 students from over 100+ universities across Pakistan attended 6-8 weeks structured internship program at Allied Bank.

Specialized assessment tests were conducted to gauge eligibility for promotion in critical positions to assess existing level of competencies necessary for leadership roles. The Bank engaged a reputed certified consulting firm in this critical exercise.

The Bank also established an 'organizational psychology' function within HR, to assess the existing employees, as well as those considered for induction in the Bank.

In view of security situation in the country, the security plan of the Bank was revisited and improved by revising roles, inducting responsive task force individuals, implementing field visits, revised selection criteria of security guards/agencies, categorizing branches according to their location/sensitivity and increasing remuneration of security guards. Significant investment is being made towards provision of additional guards across the network.

HR through General Services Group continuously focused towards rationalization of operating cost across the Bank.

The HR function is fully geared with modern management and assessment techniques, to significantly contribute in the image building and achievement of business goals, aligned with the Bank's strategic goals. . HR shall continue to provide a robust platform to the entire cross functional teams within the Bank to deliver strong and sustainable growth while supporting the long term business strategy of the Bank. At the same time, strong focus shall be given towards continuously aligning rewards to the longer term and sustainable success of our businesses; thereby delivering value to our shareholders.

Information Technology

The 21st century is bringing about an all-embracing convergence of computing, communications, information and knowledge sharing and radically changing the way of life. The growth of high speed networks, coupled with the viable yet astounding computing power, is making applications possible, which were incomprehensible in the past. This explosion of technology is rapidly transforming the banking industry from paper and branch based banks to 'digitized and networked' banking services. Banking systems are being modified to the cutting edge of technology to absorb the changing banking dynamics. Fundamental changes are being witnessed in the dynamic delivery systems being used by Banks to interact with their customers. Banks' gain a vital competitive advantage by exploiting cross sell opportunities across business lines by continuously enhancing technology driven customer service experience through innovative customer centric product development while simultaneously using automation to streamline business processes resulting in across the board efficiencies and reduction in turnaround times. The costs associated with implementing state of the art technology infrastructure remain high, yet the rewards of investing are limitless.

Keeping abreast with these developments, the Bank adopted a strategy of meeting and exceeding customer expectations through expanding the bricks and mortar branch infrastructure duly supported by suitable emerging technologies for its software, hardware and connectivity requirements. Your Bank is investing in latest technologies, which are being viewed as an enabler for developing flexible structure that can respond quickly to the ever changing business dynamics. An Omni-channel approach is required to cater evolving ways of self-service channels; which are becoming primary requirements for the banking. Your Bank

is also focusing on centralization and automation of operational processes to reduce the associated costs and related operational risks while simultaneously empowering its customers through gradual introduction of 'Digital' banking. Information Technology (IT) remains focused on expanding and enhancing digital delivery channels simultaneously with conventional outreach. IT has an extensive business continuity mechanism in place and disaster recovery remains a high priority to ensure availability of uninterrupted round the clock services. Your Bank is maintaining an alternate site with matching hardware and software infrastructure to ensure business as usual and to maintain near real time data backups.

All branches of Your Bank are online and connected with Tier+ datacenters and links to support uninterrupted banking experience. With the implementation of Temenos T-24; the Switzerland based core banking system across all branches, the expanding branch network is equipped with state of the art core banking system; enabling competitive edge. Your Bank has already initiated a core banking system upgrade process expected to be culminated in 2017. IT has also upgraded its Business Intelligence layer to an Engineered System to further enhance the decision making capabilities of Your Bank.

In line with Bank's strategy to enhance growth in the niche Islamic Banking segment, IT has proactively facilitated in implementation of Islamic Banking Module across Islamic Banking branch network; with focused approach towards gradual automation of pool management system.

During the year, IT also took initiatives to centralize clearing system, upgrade and revamp the corporate work flow portal, redesign the corporate website , upgrade the call center and Customer Relationship Management (CRM) solution in the organization.

The continuous emphasis and investment in technology as a strategic priority is enabling Your Bank to further strengthen and diversify product suite, augment delivery channels, instill broad based efficiencies, comply with regulatory requirements and create value for Bank's shareholders.

Key Performance Indicators

Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Maintain profitability trend enabling continuous recognition among the top tier profitable banks of the country	Overall Earnings	The Bank maintained stable profitability trend and posted profit before tax of Rs.25,503 million, registering a growth of 15% over last year. Whereas Profit after tax, posted a growth of 0.7% despite an effective tax rate of 40.7% as compared to 32.3% last year; mainly on account of imposition of retrospective uniform tax rate of 35% on all income and one-off Super tax of 4% on 2014 taxable income through Finance Act 2015. Had we charged the prior year tax in 2014, the PAT growth comes to 12%. Profitability growth drivers included optimization and volumetric growth in earning asset mix backed by growth in no / low cost deposit base, increased fee income especially in FX and trading related gains upon being elevated as a primary dealer (PD) and through inculcating operational efficiencies despite significant expansion in outreach and IT platform. The above performance was achieved inspite facing multifaceted additional challenges during the year in an evolving economic environment with shrinking spreads. Credit and market risk emanating from volatile commodity prices and bearish stock markets were reviewed and related charge to profit and loss was duly re-aligned. The Bank also maintained its strategy to hold fixed income securities till maturity considering the possible adverse impact of significantly lower interest rate scenario going forward. Despite the aforementioned prudent approach, ABL's Return on Equity (ROE) stood at 23.3%, in 2015 compared to 25.9% in 2014, which is in line with average ROE of 23.2% as at September 2015 for the top 10 peer banks in the country.	KPI shall remain relevant for future
Continuous growth in Balance sheet primarily through no/ low costs deposits	Deposits Mobilization	Deposits registered a growth of 10% during the year compared to last year and stood at Rs.735 billion. ABL maintained its focus on containing cost of deposits, which translated into improved CASA mix from 72.7% in 2014 to 74.1% in 2015. ABL retained its market share at approx. 8% while also maintaining its position among the top 5 deposit mobilizing Banks.	KPI shall remain relevant for future
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	Bank continues to promote a strong risk culture throughout the operations. The robust risk management framework reinforces resilience by encouraging a holistic approach towards management of risk, return, capital and reputational profile. Infection ratio decreased to 6.4% as at Dec 31, 2015 from 7.0% as at Dec 31, 2014. Top 10 peer bank average stood at 10.6% as at September 30, 2015. Net infection ratio decreased to 0.9% as at December 31, 2015 as against 1.1% as at December 31, 2014. The loan loss coverage increased to 87.5% as at December 31, 2015 from 86.4% as at December 31, 2014 against industry average of 81.8% as at September 30, 2015. The Bank has not taken benefit of Forced Sale Value of collaterals, while calculating the provision against non-performing loans.	KPI shall remain relevant for future
Inculcate operational efficiencies through innovative and viable cost controlling measures	Effective and efficient cost controls	Despite continuous investment in expansion of Branch and ATM network along with persistent enrichment in Information technology platform; effective cost rationalization, automation and centralization of various process enabled the Bank to curtail intermediation cost to 2.6% as compared to 2.7% in 2014. Average intermediation cost of top 10 peer banks was 3.2% as at September 30, 2015. Cost to income ratio for the year ended December 31, 2015 was controlled at 39.6% as compared to 41.4% during 2014 and peer banks' average of 46.3% in September 2015.	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	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 State Bank of Pakistan (SBP). The Capital Management process is monitored by the Bank's ALCO and MANCO committees under the supervision of Board's relevant subcommittees. Common Equity Tier (CET) and Tier-1 Capital Ratio stood at 17.08% against SBP's minimum requirement of 6% and 7.5% respectively as at December 31, 2015. Capital Adequacy Ratio as per Basel III requirements improved from 19.75% in 2014 to 20.85% in 2015. This is well above the minimum benchmark stipulated by the SBP, indicating high quality of asset portfolio maintained by the bank. The Bank is well placed to meet any credit expansion opportunities resulting from increased credit appetite of private sector. Banking sector CAR as at September 30, 2015 stood at 18.2%.	KPI shall remain relevant for future
Sustainable payout to our Shareholders	Return to Shareholders	ABL continues to maintain healthy dividend streams. Cash Dividend of Rs. 7.0 per share was declared in 2015 as against Rs.6.5 in 2014.	KPI shall remain relevant for future

Performance Highlights

Rs. in Million

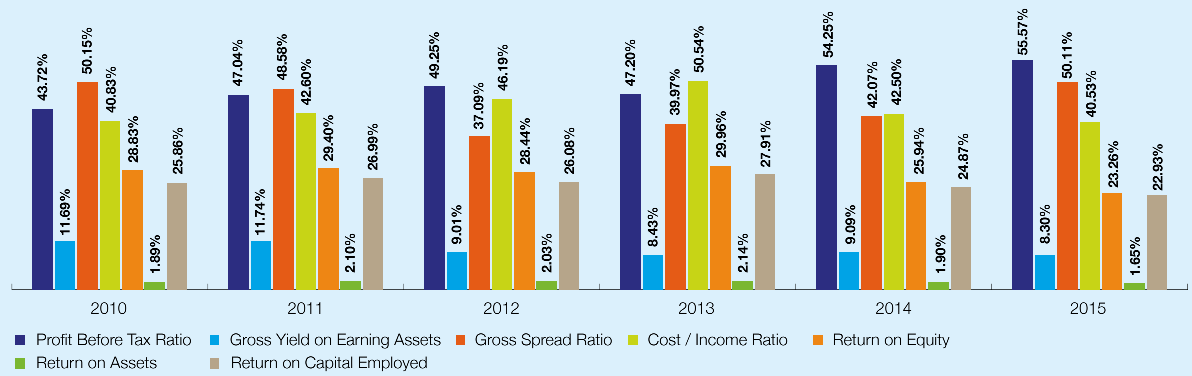
December 31,	2015	2014	2013	2012	2011	2010
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	60,789	42,129	45,775	44,381	38,159	31,845
Lending to financial institutions	3,628	2,030	12,461	10,721	1,362	11,489
Investments- Gross	546,855	429,597	364,966	269,351	198,398	123,855
Advances - Gross	340,769	325,825	285,376	288,889	262,137	267,776
Operating Fixed assets	28,850	27,250	22,084	19,871	18,087	15,360
Other assets	32,716	36,055	23,496	20,245	18,185	17,719
Total Assets - Gross	**1,013,607**	**862,886**	**754,158**	**653,458**	**536,328**	**468,044**
Provisions against non-performing advances	(19,164)	(19,811)	(18,375)	(17,805)	(17,704)	(15,431)
Provisions against diminution in value of investment	(2,778)	(806)	(1,587)	(1,948)	(2,704)	(2,682)
Total Assets - Net of provision	**991,665**	**842,269**	**734,196**	**633,705**	**515,920**	**449,931**
LIABILITIES						
Bills payable	4,942	4,832	4,879	6,203	4,015	4,119
Inter bank borrowings	137,960	66,096	32,952	38,916	49,993	20,774
Customer deposits	734,596	667,878	608,412	514,707	399,562	371,284
Sub-ordinated loans	-	2,994	4,242	5,490	5,493	5,495
Other liabilities	24,911	19,579	17,513	16,351	13,325	12,284
Total Liabilities	**902,409**	**761,379**	**667,998**	**581,667**	**472,388**	**413,956**
NET ASSETS	**89,256**	**80,890**	**66,198**	**52,038**	**43,532**	**35,975**
REPRESENTED BY						
Share capital	11,451	11,451	10,410	9,463	8,603	7,821
Share premium	-	-	-	-	202	984
Reserves	15,102	13,549	12,438	10,899	8,561	6,533
Un - appropriated profit	41,415	37,053	30,855	23,688	20,447	15,829
Equity - Tier I	**67,968**	**62,053**	**53,703**	**44,050**	**37,813**	**31,167**
Surplus on revaluation of assets	21,288	18,837	12,495	7,988	5,719	4,808
Total Equity	**89,256**	**80,890**	**66,198**	**52,038**	**43,532**	**35,975**
PROFIT & LOSS ACCOUNT						
Markup / Return / Interest earned	72,116	67,001	54,222	49,503	51,814	44,993
Markup / Return / Interest expensed	(35,977)	(38,815)	(32,552)	(31,142)	(26,643)	(22,428)
Net Markup / Interest income	**36,139**	**28,186**	**21,670**	**18,361**	**25,171**	**22,565**
Fee, Commission, Brokerage and Exchange income	4,409	3,758	3,711	3,169	3,395	2,910
Capital gain, Dividend income and Unrealized gain	4,360	7,850	4,645	10,353	3,507	2,511
Other income	986	1,128	1,247	272	48	251
Non Interest Income	**9,755**	**12,736**	**9,603**	**13,794**	**6,950**	**5,672**
Gross Income	**45,894**	**40,922**	**31,273**	**32,155**	**32,121**	**28,237**
Operating expenses	(18,603)	(17,390)	(15,804)	(14,853)	(13,684)	(11,529)
Profit Before Provisions	**27,291**	**23,532**	**15,469**	**17,302**	**18,437**	**16,708**
Donations	(139)	(76)	(80)	(104)	(61)	(38)
Provisions - charge	(1,649)	(1,254)	(628)	(1,362)	(3,267)	(4,326)
Profit Before Taxation	**25,503**	**22,202**	**14,761**	**15,836**	**15,109**	**12,344**
Taxation	(10,383)	(7,187)	(118)	(4,195)	(4,969)	(4,118)
Profit After Taxation	**15,120**	**15,015**	**14,643**	**11,641**	**10,140**	**8,226**
CASH FLOW STATEMENT - SUMMARY						
Cash Flow from Operating Activities	148,505	57,504	96,332	75,479	86,807	36,200
Cash Flow from Investing Activities	(118,571)	(53,293)	(87,993)	(62,854)	(76,727)	(28,822)
Cash Flow from Financing Activities	(11,257)	(7,950)	(7,019)	(6,379)	(3,706)	(2,982)
Cash & Cash equivalent at the Beginning of the Year	**41,980**	**45,948**	**44,240**	**37,944**	**31,725**	**27,276**
Effect of Exchange Rate changes	30	(230)	215	191	26	79
Cash & Cash equivalent at the End of the Year	**60,687**	**41,979**	**45,775**	**44,381**	**38,125**	**31,751**

December 31,		2015	2014	2013	2012	2011	2010
FINANCIAL RATIOS							
Return on equity		23.26%	25.94%	29.96%	28.44%	29.40%	28.83%
Return on assets		1.65%	1.90%	2.14%	2.03%	2.10%	1.89%
Profit before tax ratio		55.57%	54.25%	47.20%	49.25%	47.04%	43.72%
Gross spread ratio (Net markup income / Gross markup income)		50.11%	42.07%	39.97%	37.09%	48.58%	50.15%
Return on Capital employed		22.93%	24.87%	27.91%	26.08%	26.99%	25.86%
Current & Quick / Acid Test Ratio		65.84%	49.17%	87.29%	89.26%	81.79%	87.29%
Cash to Current Liabilities		0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Advances to deposits ratio (ADR) - Gross		46.39%	48.79%	46.91%	56.13%	65.61%	72.12%
Advances to deposits ratio (ADR) - Net		43.78%	45.82%	43.88%	52.67%	61.18%	67.97%
Income / Expense ratio	Times	2.47	2.35	1.98	2.16	2.35	2.45
Cost / Income ratio		40.53%	42.50%	50.54%	46.19%	42.60%	40.83%
Growth in gross income		12.15%	30.85%	-2.74%	0.10%	13.76%	14.51%
Growth in net profit after tax		0.70%	2.54%	25.79%	13.43%	23.61%	16.56%
Total assets to shareholders' funds (Tier 1)	Times	15.25	14.55	15.02	15.48	14.96	15.77
Total assets to shareholders' funds (Tier 2)	Times	11.66	11.45	12.42	13.26	12.98	13.65
Intermediation cost ratio		2.65%	2.73%	2.81%	3.25%	3.55%	3.29%
NPL ratio		6.43%	7.03%	6.81%	7.15%	7.80%	6.98%
Net infection ratio		0.87%	1.05%	0.44%	1.08%	1.14%	1.29%
Weighted average cost of debt		4.56%	5.84%	5.66%	6.39%	6.35%	6.13%
Capital Adequacy ratio - unconsolidated		20.85%	19.75%	17.85%	16.17%	13.43%	13.84%
Breakup value per share without Surplus on Revaluation of Fixed Assets *	Rs.	71.93	64.53	54.78	42.37	34.85	29.00
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets *	Rs.	77.95	70.64	57.81	45.45	38.02	31.42
Weighted Average cost of deposit		3.94%	5.18%	5.07%	5.39%	5.38%	5.15%
Earning assets to total assets ratio		87.66%	87.48%	87.56%	86.67%	85.57%	85.57%
Gross Yield on Earning Assets		8.30%	9.09%	8.43%	9.01%	11.74%	11.69%
DUPONT ANALYSIS							
Profit Margin (Net Profit / Markup and Non Mark up Income)		18.47%	18.83%	22.94%	18.39%	17.26%	16.24%
Assets Turnover (Mark up plus Non Markup / Total Assets)		8.26%	9.47%	8.69%	9.99%	11.39%	11.26%
Equity Multiplier (Total Assets / Average Equity)	Times	15.25	14.55	15.02	15.48	14.96	15.77
SHARE INFORMATION							
Cash Dividend Per Share		70.00%	65.00%	52.50%	65.00%	50.00%	40.00%
Bonus Shares issues		0.00%	0.00%	10.00%	10.00%	10.00%	10.00%
Dividend Yield Ratio (based on cash dividend)		7.44%	5.75%	5.83%	8.84%	9.28%	5.67%
Dividend payout ratio (Total payout)		53.01%	49.57%	37.32%	52.84%	42.42%	38.03%
Earning Per Share (EPS) *	Rs.	13.20	13.11	12.79	10.17	8.96	7.25
Price to earning ratio *	Times	7.13	8.63	7.04	7.23	6.01	9.72
Price to book value ratio	Times	1.21	1.60	1.56	1.62	1.42	2.24
Market value per share - at the end of the year	Rs.	94.07	113.12	90.00	73.49	53.87	70.50
Market value per share - highest / lowest during the year	Rs.	117/89	138/83	93.5/54.92	76.00/52.00	74.00/53.35	71.11/48.51
Net assets per share	Rs.	77.95	70.64	57.81	45.44	38.02	31.42
Market Capitalisation	Rs. in Million	107,717	129,531	103,057	84,151	61,685	80,728
INDUSTRY SHARE							
Deposits		7.59%	8.01%	8.10%	7.72%	6.80%	7.25%
Advances		6.95%	7.31%	7.01%	7.49%	7.51%	7.73%
Total Assets		7.41%	7.43%	7.72%	7.07%	6.63%	6.64%
Trade Share							
Import & Export Volume	USD Million	2,783	3,359	3,400	2,852	2,777	2,254
Market Share		4.66%	5.20%	5.46%	4.74%	4.53%	4.43%
Home Remittance							
Remittances handled	USD Million	1,661	1,386	994	904	738	551
Market Share		8.61%	8.05%	6.81%	6.47%	6.03%	5.70%
OTHER INFORMATION							
Non - performing loans (NPLs)	Rs. in Million	21,904	22,922	19,424	20,668	20,452	18,688
Number of employees - Permanent	Nos.	9,792	9,654	9,675	9,291	9,496	8,947
Number of employees - Total	Nos.	10,244	10,121	10,213	9,932	13,029	12,588
Number of branches	Nos.	1,050	1,000	950	875	837	806
Number of ATMs	Nos.	1,011	890	794	618	601	574

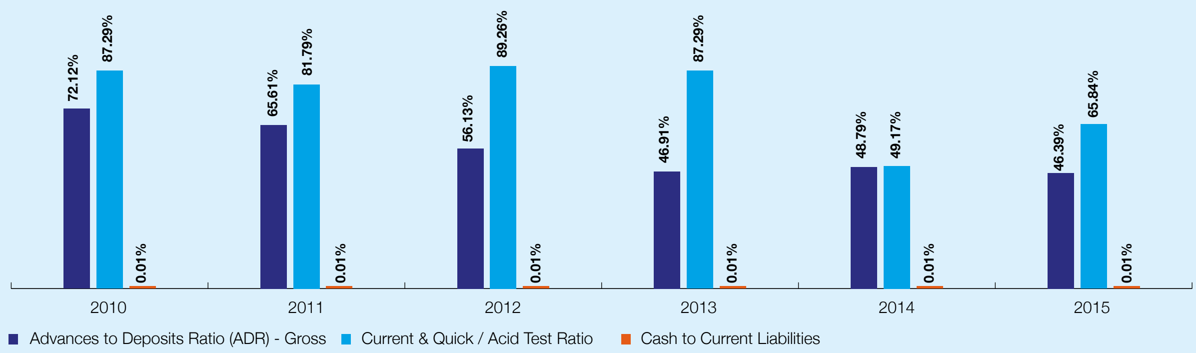
Restated

Performance Highlights

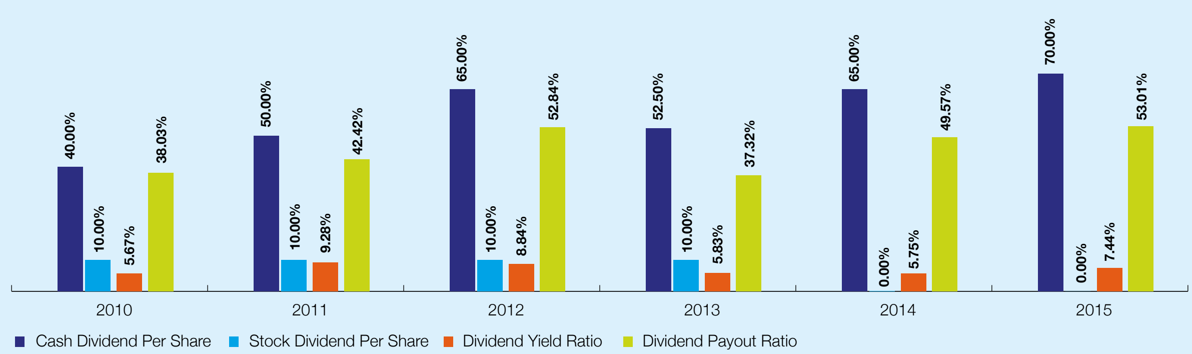
Profitability Ratios



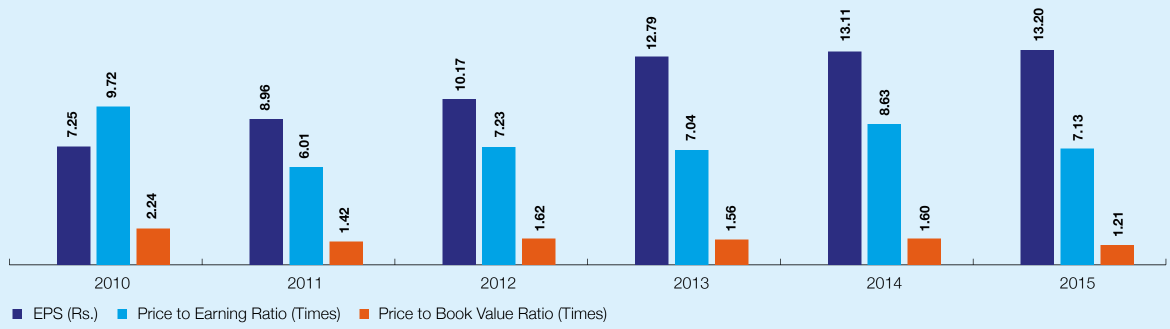
Liquidity Ratios



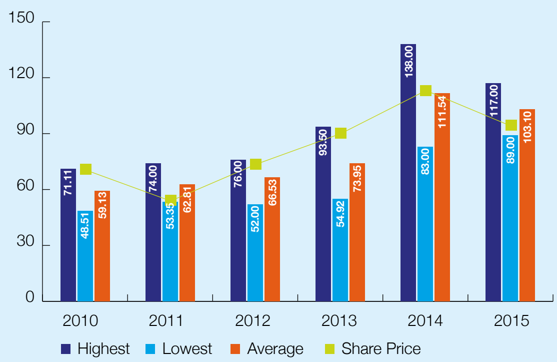
Investment / Market Ratios



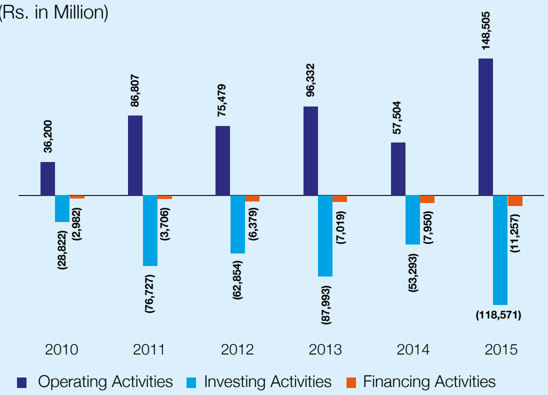
Investment / Market Ratios
(Rupees & Time)



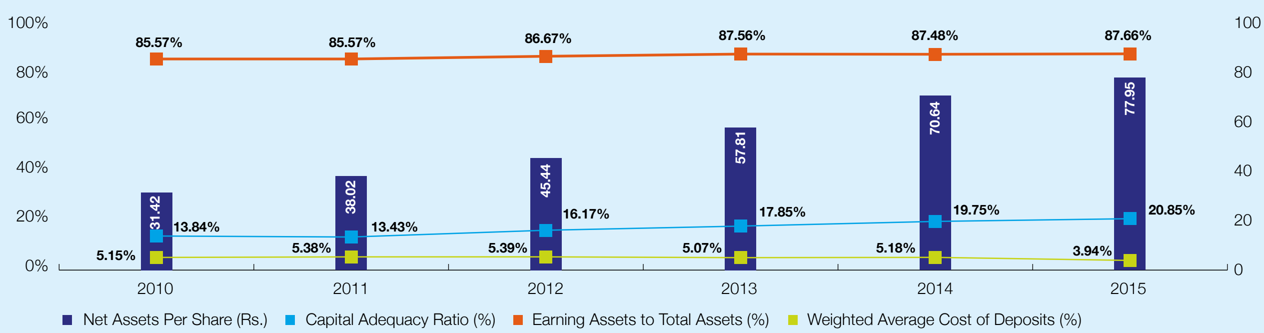
Share Price Movement
(Rupees)



Cash Flow Analysis
(Rs. in Million)



Capital Structure Ratios

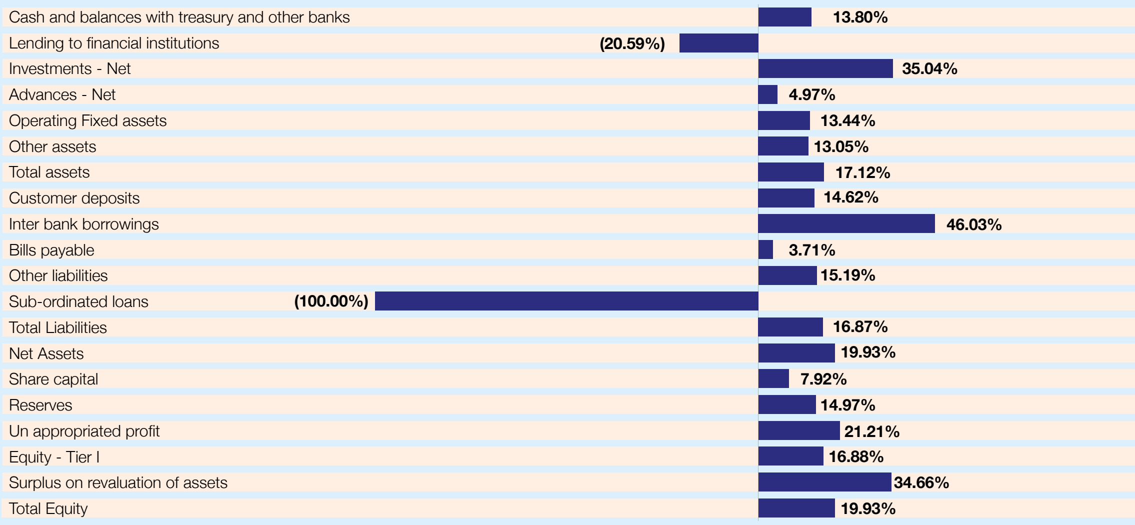


Horizontal Analysis

	2015 Rs. M	15 Vs 14 %	2014 Rs. M	14 Vs 13 %	2013 Rs. M	13 Vs 12 %	2012 Rs. M	12 Vs 11 %	2011 Rs. M	11 Vs 10 %	2010 Rs. M	10 Vs 09 %
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury and other banks	60,789	44%	42,129	-8%	45,775	3%	44,381	16%	38,159	20%	31,845	15%
Lending to financial institutions	3,628	79%	2,030	-84%	12,461	16%	10,721	687%	1,362	-88%	11,489	-59%
Investments - Net	544,077	27%	428,791	18%	363,379	36%	267,403	37%	195,694	61%	121,173	28%
Advances - Net	321,605	5%	306,014	15%	267,001	-2%	271,084	11%	244,433	-3%	252,345	6%
Operating Fixed assets	28,850	6%	27,250	23%	22,084	11%	19,871	10%	18,087	18%	15,360	23%
Other assets	32,716	-9%	36,055	53%	23,496	16%	20,245	11%	18,185	3%	17,719	-1%
Total Assets	**991,665**	**18%**	**842,269**	**15%**	**734,196**	**16%**	**633,705**	**23%**	**515,920**	**15%**	**449,931**	**8%**
LIABILITIES												
Bills payable	4,942	2%	4,832	-1%	4,879	-21%	6,203	54%	4,015	-3%	4,119	30%
Inter bank borrowings	137,960	109%	66,096	101%	32,952	-15%	38,916	-22%	49,993	141%	20,774	-48%
Customer deposits	734,596	10%	667,878	10%	608,412	18%	514,707	29%	399,562	8%	371,284	13%
Sub-ordinated loans	-	-100%	2,994	-29%	4,242	-23%	5,490	0%	5,493	0%	5,495	0%
Other liabilities	24,911	27%	19,579	12%	17,513	7%	16,351	23%	13,325	8%	12,284	11%
Total Liabilities	**902,409**	**19%**	**761,379**	**14%**	**667,998**	**15%**	**581,667**	**23%**	**472,388**	**14%**	**413,956**	**7%**
NET ASSETS	**89,256**	**10%**	**80,890**	**22%**	**66,198**	**27%**	**52,038**	**20%**	**43,532**	**21%**	**35,975**	**20%**
REPRESENTED BY												
Share capital	11,451	0%	11,451	10%	10,410	10%	9,463	10%	8,603	10%	7,821	10%
Reserves	15,102	11%	13,549	9%	12,438	14%	10,899	24%	8,763	17%	7,517	14%
Un - appropriated profit	41,415	12%	37,053	20%	30,855	30%	23,688	16%	20,447	29%	15,829	30%
Equity - Tier I	**67,968**	**10%**	**62,053**	**16%**	**53,703**	**22%**	**44,050**	**16%**	**37,813**	**21%**	**31,167**	**20%**
Surplus on revaluation of assets	21,288	13%	18,837	51%	12,495	56%	7,988	40%	5,719	19%	4,808	18%
Total Equity	**89,256**	**10%**	**80,890**	**22%**	**66,198**	**27%**	**52,038**	**20%**	**43,532**	**21%**	**35,975**	**20%**
PROFIT & LOSS ACCOUNT												
INTEREST / RETURN / NON INTEREST INCOME EARNED												
Markup / Return / Interest earned	72,116	8%	67,001	24%	54,222	10%	49,503	-4%	51,814	15%	44,993	9%
Fee, Commission, Brokerage and Exchange income	4,409	17%	3,758	1%	3,711	17%	3,169	-7%	3,395	17%	2,910	-16%
Capital gain, Dividend income and Unrealized gain	4,360	-44%	7,850	69%	4,645	-55%	10,353	195%	3,507	40%	2,511	2%
Other income	986	-13%	1,128	-10%	1,247	358%	272	472%	48	-81%	251	598%
Total Income	**81,871**	**3%**	**79,737**	**25%**	**63,825**	**1%**	**63,297**	**8%**	**58,764**	**16%**	**50,665**	**8%**
MARKUP / RETURN / NON INTEREST EXPENSE												
Markup / Return / Interest expensed	(35,977)	-7%	(38,815)	19%	(32,552)	5%	(31,142)	17%	(26,643)	19%	(22,428)	0%
Operating expenses	(18,603)	7%	(17,390)	10%	(15,804)	6%	(14,853)	9%	(13,684)	19%	(11,529)	20%
Donations	(139)	83%	(76)	-5%	(80)	-23%	(104)	69%	(61)	60%	(38)	-139%
Provisions	(1,649)	31%	(1,254)	100%	(628)	-54%	(1,362)	-58%	(3,267)	-24%	(4,326)	-2%
Taxation	(10,383)	44%	(7,187)	6014%	(118)	-97%	(4,195)	-16%	(4,969)	21%	(4,118)	21%
Total Expense	**(66,751)**	**3%**	**(64,722)**	**32%**	**(49,182)**	**-5%**	**(51,656)**	**6%**	**(48,624)**	**15%**	**(42,439)**	**7%**
Profit After Taxation	**15,120**	**1%**	**15,015**	**3%**	**14,643**	**26%**	**11,641**	**15%**	**10,140**	**23%**	**8,226**	**13%**

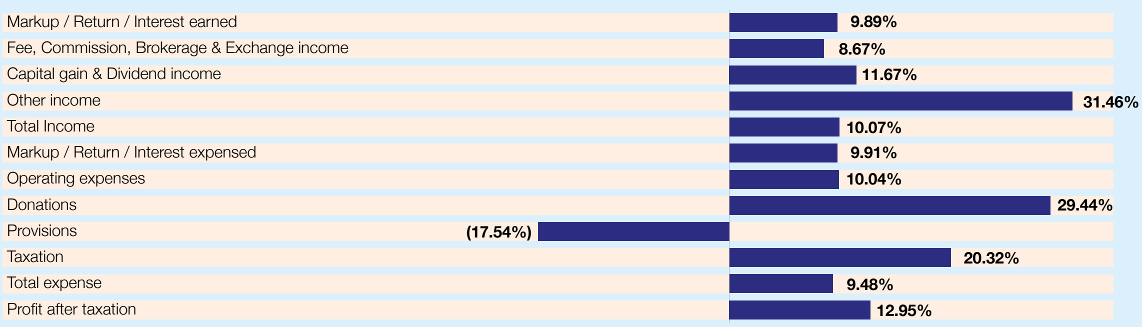
Statement of Financial Position Horizontal Analysis

Compound average growth rate for the last five years - annualised



Profit and Loss Horizontal Analysis

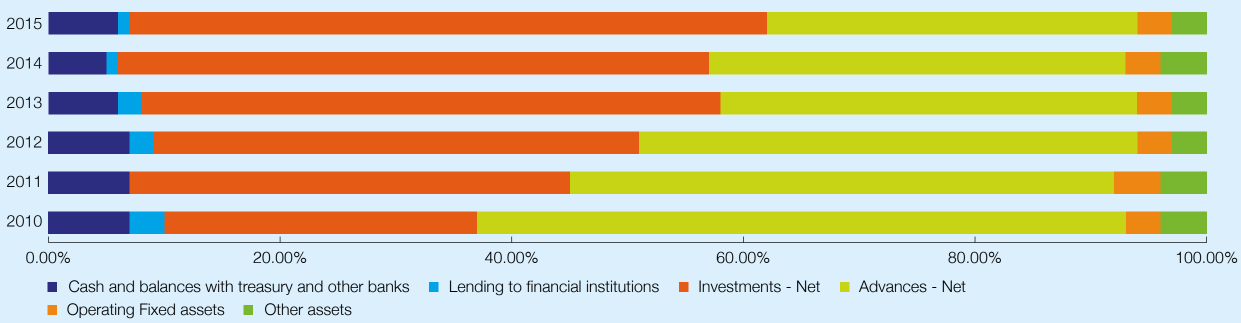
Compound average growth rate for the last five years - annualised



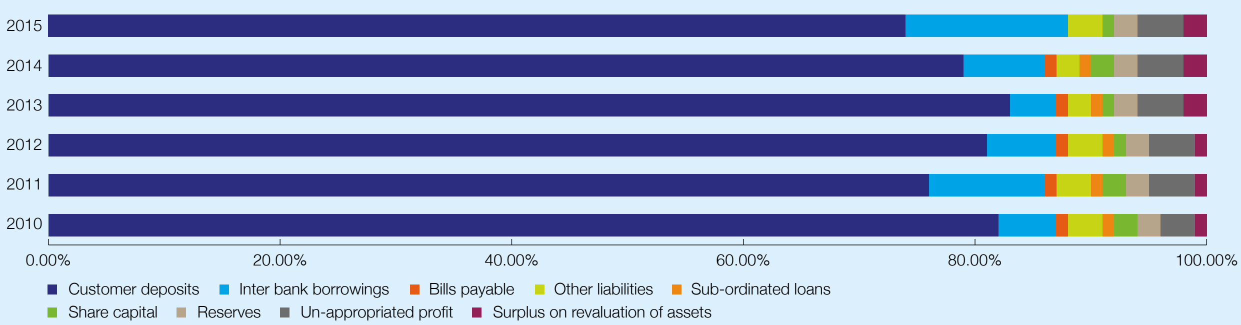
Vertical Analysis

	2015		2014		2013		2012		2011		2010	
	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	60,789	6%	42,129	5%	45,775	6%	44,381	7%	38,159	7%	31,845	7%
Lending to financial institutions	3,628	1%	2,030	1%	12,461	2%	10,721	2%	1,362	0%	11,489	3%
Investments - Net	544,077	55%	428,791	51%	363,379	50%	267,403	42%	195,694	38%	121,173	27%
Advances - Net	321,605	32%	306,014	36%	267,001	36%	271,084	43%	244,433	47%	252,345	56%
Operating Fixed assets	28,850	3%	27,250	3%	22,084	3%	19,871	3%	18,087	4%	15,360	3%
Other assets	32,716	3%	36,055	4%	23,496	3%	20,245	3%	18,185	4%	17,719	4%
Total Assets	**991,665**	**100%**	**842,269**	**100%**	**734,196**	**100%**	**633,705**	**100%**	**515,920**	**100%**	**449,931**	**100%**
LIABILITIES												
Bills payable	4,942	0%	4,832	1%	4,879	1%	6,203	1%	4,015	1%	4,119	1%
Inter bank borrowings	137,960	14%	66,096	7%	32,952	4%	38,916	6%	49,993	10%	20,774	5%
Customer deposits	734,596	74%	667,878	79%	608,412	83%	514,707	81%	399,562	77%	371,284	82%
Sub-ordinated loans	-	0%	2,994	1%	4,242	1%	5,490	1%	5,493	1%	5,495	1%
Other liabilities	24,911	3%	19,579	2%	17,513	2%	16,351	3%	13,325	3%	12,284	3%
Total Liabilities	**902,409**	**91%**	**761,379**	**90%**	**667,998**	**91%**	**581,667**	**92%**	**472,388**	**92%**	**413,956**	**92%**
NET ASSETS	**89,256**	**9%**	**80,890**	**10%**	**66,198**	**9%**	**52,038**	**8%**	**43,532**	**8%**	**35,975**	**8%**
REPRESENTED BY												
Share capital	11,451	1%	11,451	2%	10,410	1%	9,463	1%	8,603	1%	7,821	2%
Reserves	15,102	2%	13,549	2%	12,438	2%	10,899	2%	8,763	2%	7,517	2%
Un - appropriated profit	41,415	4%	37,053	4%	30,855	4%	23,688	4%	20,447	4%	15,829	3%
Equity - Tier I	**67,968**	**7%**	**62,053**	**8%**	**53,703**	**7%**	**44,050**	**7%**	**37,813**	**7%**	**31,167**	**7%**
Surplus on revaluation of assets	21,288	2%	18,837	2%	12,495	2%	7,988	1%	5,719	1%	4,808	1%
Total Equity	**89,256**	**9%**	**80,890**	**10%**	**66,198**	**9%**	**52,038**	**8%**	**43,532**	**8%**	**35,975**	**8%**
PROFIT & LOSS ACCOUNT												
INTEREST / RETURN / NON INTEREST INCOME EARNED												
Markup / Return / Interest earned	72,116	88%	67,001	84%	54,222	85%	49,503	78%	51,814	88%	44,993	89%
Fee, Commission, Brokerage and Exchange income	4,409	6%	3,758	5%	3,711	6%	3,169	5%	3,395	6%	2,910	6%
Capital gain, Dividend income and Unrealized gain	4,360	5%	7,850	10%	4,645	7%	10,353	17%	3,507	6%	2,511	5%
Other income	986	1%	1,128	1%	1,247	2%	272	0%	48	0%	251	0%
Total Income	**81,871**	**100%**	**79,737**	**100%**	**63,825**	**100%**	**63,297**	**100%**	**58,764**	**100%**	**50,665**	**100%**
MARKUP / RETURN / NON INTEREST EXPENSE												
Markup / Return / Interest expensed	(35,977)	44%	(38,815)	48%	(32,552)	51%	(31,142)	49%	(26,643)	46%	(22,428)	44%
Operating expenses	(18,603)	23%	(17,390)	22%	(15,804)	25%	(14,853)	24%	(13,684)	23%	(11,529)	23%
Donations	(139)	0%	(76)	0%	(80)	0%	(104)	0%	(61)	0%	(38)	0%
Provisions	(1,649)	2%	(1,254)	2%	(628)	1%	(1,362)	2%	(3,267)	6%	(4,326)	9%
Taxation	(10,383)	13%	(7,187)	9%	(118)	0%	(4,195)	7%	(4,969)	8%	(4,118)	8%
Total Expense - percentage of total income	**(66,751)**	**82%**	**(64,722)**	**81%**	**(49,182)**	**77%**	**(51,656)**	**82%**	**(48,624)**	**83%**	**(42,439)**	**84%**
Profit After Taxation	**15,120**	**18%**	**15,015**	**19%**	**14,643**	**23%**	**11,641**	**18%**	**10,140**	**17%**	**8,226**	**16%**

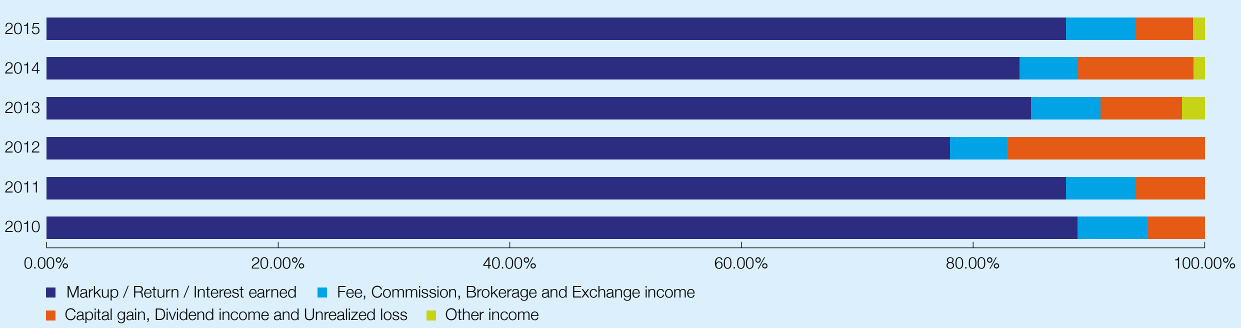
Statement of Financial Position Vertical Analysis - Assets
Composition for the last six years



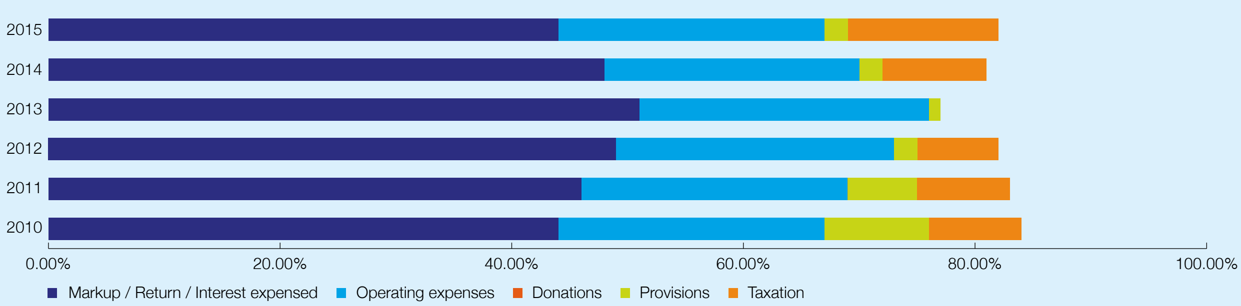
Statement of Financial Position Vertical Analysis - Liabilities & Equity
Composition for the last six years



Profit and Loss Vertical Analysis - Income
Composition for the last six years



Profit and Loss Vertical Analysis - Expense
As Percentage of Total Income for the last six years

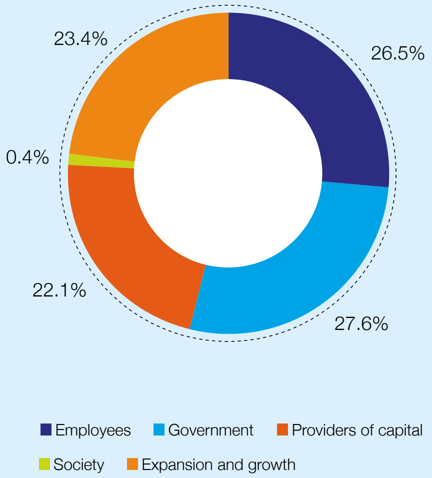


Statement of Value Addition

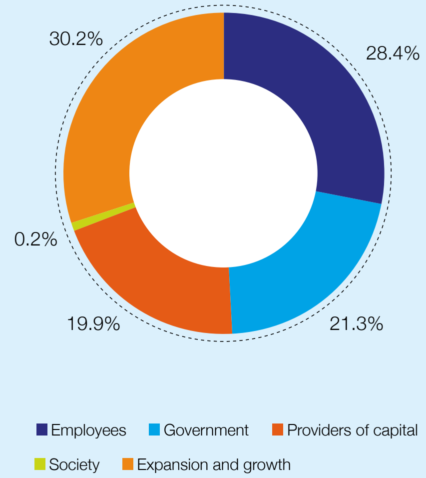
(Rs. in '000)

	2015	%	2014	%
VALUE ADDED				
Income from banking services	45,857,567		40,808,582	
Cost of services	(6,637,822)		(5,953,904)	
Value added by banking services	**39,219,745**		**34,854,678**	
Non - banking income	37,061		113,327	
Provision against non-performing assets	(1,649,106)		(1,254,414)	
Total Value Added	**37,607,700**		**33,713,591**	
VALUE ALLOCATED:				
to employees				
Salaries, allowances and other benefits	9,955,977	26.5%	9,570,416	28.4%
to Government				
Income tax	10,383,073	27.6%	7,186,665	21.3%
to providers of capital				
as dividends	8,301,785	22.1%	6,714,297	19.9%
to Society				
as donation	139,154	0.4%	75,900	0.2%
to expansion and growth				
Depreciation / Amortization	2,009,189	5.3%	1,865,518	5.6%
Retained in business	6,818,522	18.1%	8,300,795	24.6%
	8,827,711	23.4%	10,166,313	30.2%
	37,607,700	**100.0%**	**33,713,591**	**100.0%**

2015



2014

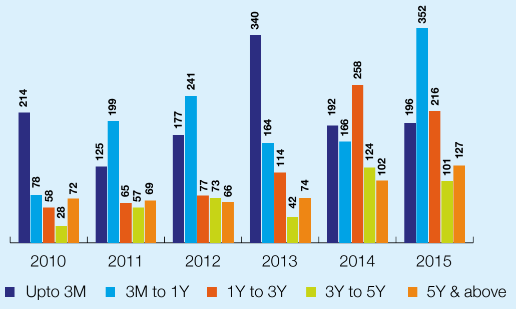


Cash Flows

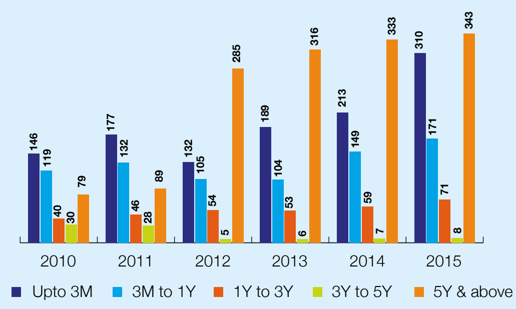
	2015	2014
		Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Mark-up / return / interest and commission receipts	77,426,293	62,726,399
Mark-up / return / interest payments	(37,328,929)	(39,422,713)
Cash payments to employees, suppliers and others	(13,976,406)	(14,625,096)
	26,120,958	8,678,590
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,598,304)	10,431,341
Held for trading securities	9,472,368	(6,489,025)
Advances	(15,302,618)	(41,125,068)
Other assets (excluding advance taxation)	(1,594,165)	(1,077,269)
	(9,022,719)	(38,260,021)
Increase / (decrease) in operating liabilities		
Bills payable	110,388	(46,793)
Borrowings	71,910,103	32,995,441
Deposits	66,718,551	59,465,945
Other liabilities (excluding current taxation)	(2,662,742)	184,843
	136,076,300	92,599,436
Cash flow from operating activities before tax	153,174,539	63,018,005
Income tax paid	(4,669,537)	(5,513,796)
Net cash flow from operating activities	**148,505,002**	**57,504,209**
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(117,054,506)	101,202,861
Net investments in 'held-to-maturity' securities	(1,832,810)	(155,044,297)
Dividend income received	3,528,218	3,601,469
Investments in operating fixed assets	(3,396,649)	(3,198,870)
Proceeds from sale of fixed assets	185,069	145,476
Net cash used in investing activities	**(118,570,678)**	**(53,293,361)**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(2,994,000)	(1,248,200)
Dividends paid	(8,262,818)	(6,701,666)
Net cash used in financing activities	**(11,256,818)**	**(7,949,866)**
Effect of translation of net investment in foreign wholesale branch	40,640	(56,448)
Increase in cash and cash equivalents during the year	18,718,146	(3,795,466)
Cash and cash equivalents at beginning of the year	41,979,844	45,947,890
Effect of exchange rate changes on opening cash and cash equivalents	(10,687)	(172,580)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**60,687,303**	**41,979,844**

Maturities of Assets and Liabilities

Maturities of Assets (2010-2015)
(Rs. in Billion)

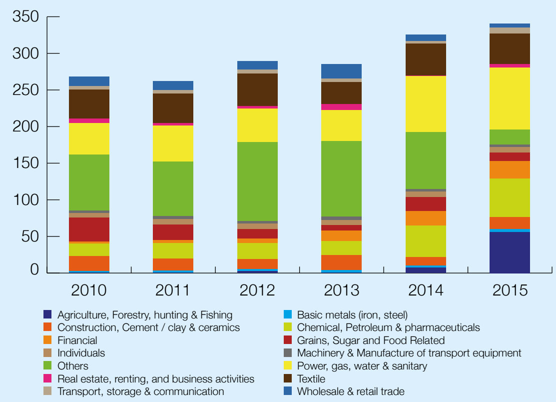


Maturities of Liabilities (2010-2015)
(Rs. in Billion)

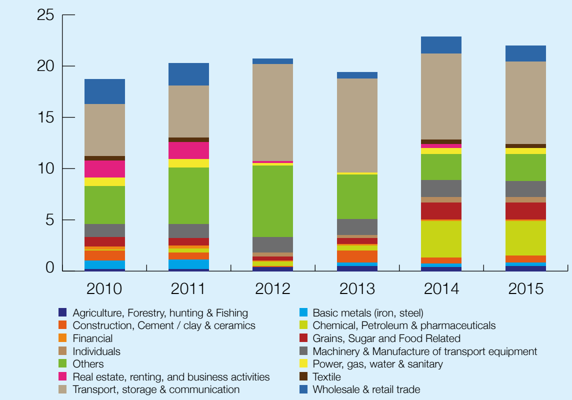


Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items

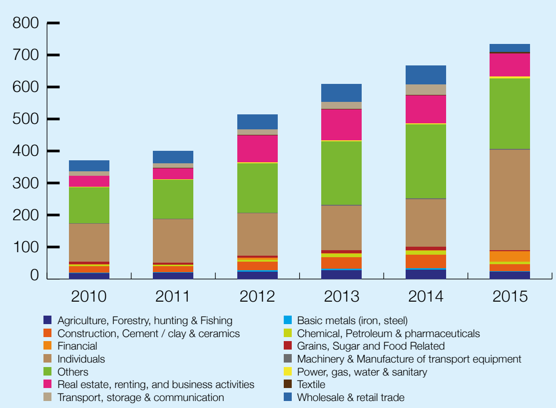
Gross Advances (2010-2015)
(Rs. in Billion)



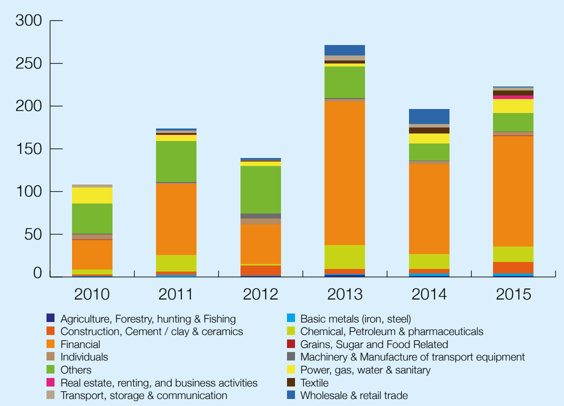
Classified Advances (2010-2015)
(Rs. in Billion)



Deposits (2010-2015)
(Rs. in Billion)



Contingencies and Commitments (2010-2015)
(Rs. in Billion)



Quarterly Comparison
of Financial Results

	2015				2014			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	Rs. in Million							
STATEMENT OF FINANCIAL POSITION								
ASSETS								
Cash and balances with treasury banks	56,712	33,459	54,442	49,243	41,255	48,065	54,247	42,805
Balances with other banks	4,078	1,094	1,527	1,635	874	1,474	1,238	1,487
Lendings to financial institutions	3,628	23,660	19,749	5,914	2,030	24,257	14,615	51,809
Investments - Net	544,077	545,839	476,925	454,986	428,791	381,368	395,621	339,691
Advances - Net	321,605	298,629	301,514	297,964	306,014	282,728	285,501	265,569
Operating fixed assets	28,850	27,663	27,404	27,320	27,250	22,277	22,027	22,296
Other assets	32,716	26,323	36,339	28,782	36,055	29,238	34,519	26,542
Total Assets	**991,666**	**956,667**	**917,900**	**865,844**	**842,269**	**789,407**	**807,768**	**750,199**
LIABILITIES								
Bills payable	4,942	4,699	12,780	5,310	4,832	5,464	11,060	5,380
Borrowings	137,959	131,432	81,130	83,604	66,096	44,151	58,872	41,135
Deposits and other accounts	734,596	705,963	711,054	665,619	667,878	643,372	645,872	610,621
Sub-ordinated loans	-	-	2,993	2,993	2,994	3,618	3,618	4,242
Deferred tax liabilities	8,907	8,852	8,648	4,581	3,623	2,466	2,094	1,921
Other liabilities	16,004	16,791	15,148	18,644	15,956	17,674	15,271	19,115
Total Liabilities	**902,409**	**867,737**	**831,753**	**780,751**	**761,379**	**716,745**	**736,787**	**682,414**
NET ASSETS	**89,256**	**88,929**	**86,147**	**85,093**	**80,890**	**72,662**	**70,981**	**67,785**
REPRESENTED BY								
Share Capital	11,451	11,451	11,451	11,451	11,451	11,451	11,451	11,451
Reserves	15,102	14,772	14,275	13,897	13,549	13,239	12,743	12,356
Unappropriated profit	41,416	41,500	39,422	38,576	37,054	35,878	33,560	31,508
Equity - Tier I	**67,969**	**67,723**	**65,148**	**63,924**	**62,054**	**60,568**	**57,754**	**55,315**
Surplus on revaluation of assets - net of tax	21,287	21,206	20,999	21,169	18,836	12,094	13,227	12,470
Total Equity	**89,256**	**88,929**	**86,147**	**85,093**	**80,890**	**72,662**	**70,981**	**67,785**
PROFIT AND LOSS ACCOUNT								
Mark-up earned	18,103	17,645	17,878	18,490	18,661	16,568	16,780	14,991
Mark-up expensed	(8,739)	(8,254)	(8,971)	(10,013)	(10,300)	(9,605)	(9,677)	(9,232)
Net Mark-up Income	**9,364**	**9,391**	**8,907**	**8,477**	**8,361**	**6,963**	**7,103**	**5,759**
Provision & write off	(1,065)	(16)	172	(740)	(1,238)	37	(64)	11
Non mark-up income	1,949	2,132	2,620	3,054	2,676	3,894	3,373	2,793
Non mark-up expenses	(5,258)	(4,572)	(4,593)	(4,319)	(4,835)	(4,434)	(4,185)	(4,013)
Profit Before Taxation	**4,990**	**6,935**	**7,106**	**6,472**	**4,964**	**6,460**	**6,227**	**4,550**
Taxation	(1,732)	(2,430)	(3,959)	(2,262)	(1,505)	(2,007)	(2,364)	(1,310)
Profit After Taxation	**3,258**	**4,505**	**3,147**	**4,210**	**3,459**	**4,453**	**3,863**	**3,240**
SUMMARY OF CASH FLOWS								
Cash flows from operating activities	44,178	49,862	13,012	41,453	28,435	(17,368)	67,592	(21,155)
Cash flows from investing activities	(16,067)	(66,310)	(5,437)	(30,757)	(73,246)	52,990	(54,237)	21,200
Cash flows from financing activities	(1,994)	(4,991)	(2,316)	(1,956)	(2,618)	(1,712)	(2,164)	(1,455)

Awards and Accolades

Strongest Bank by Balance Sheet – *Asian Banker Magazine*

The Best Enterprise for Human Resource Development
The Employers' Federation of Pakistan

Largest Transactions as ATM Acquirer
E-Banking Forum

Best Corporate Finance House
CFA Society of Pakistan

Bank of the Year (Large Bank)
CFA Society of Pakistan

Products and Services

Allied Bank Limited (the Bank) offers 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 as well as those with more sophisticated banking needs.

Branch Banking

With a vast network of over 1050 branches and 1011 ATMs, the Bank is committed to provide real time online banking solutions to its customers in an efficient and convenient manner.

Banking on Saturday & Extended Hours Banking

The Bank is amongst few banks in Pakistan offering its customers the added convenience of “full service” Saturday Banking. The extended week of banking operations, is currently available in 287 branches; each offers a full array of personal and business banking services (except FX Transactions) from 10:00 AM to 02:00 PM. Extended Hours Banking facility is also offered at selected branches to enable our customers to do banking at their convenience.

Current Account / PLS Saving Account

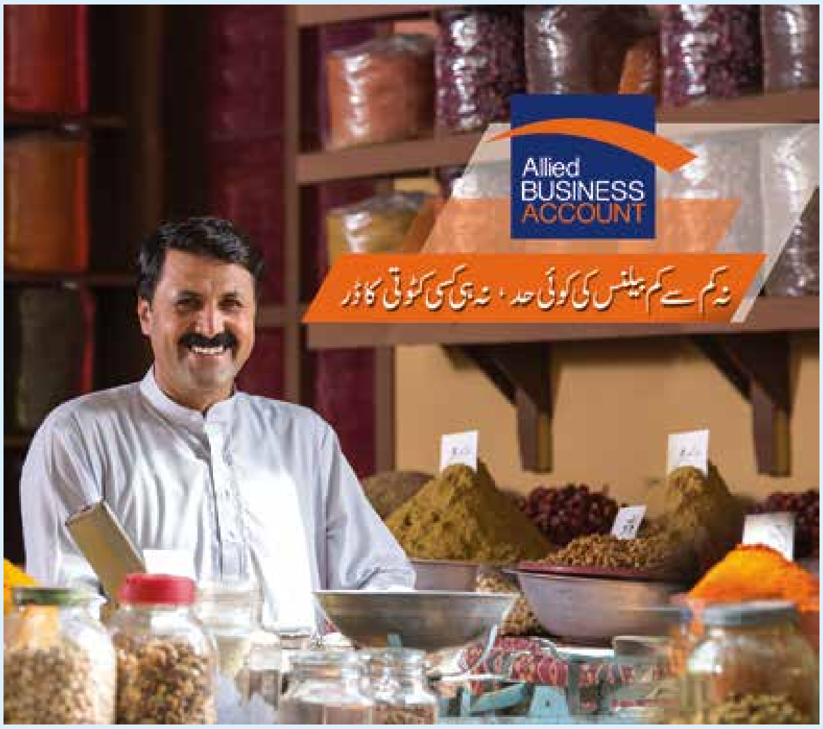
The Bank offers both Current & PLS Savings Deposit Account to various customer segments, who can avail a range of free / discounted services by maintaining certain minimum monthly average balances.

Allied Easy Current Account

Allied Easy Current Account offers exclusive features to various customer segments, who require banking with no minimum monthly balance requirement and offers host of free banking services by maintaining certain minimum monthly average balances.

Allied Business Account

The Bank understands the banking needs of business class customers and offers Allied Business Account (Current) with free facilities on Zero Balance Requirement. These include issuance / duplicate-issuance / cancellation of banker’s cheques, Demand Draft, intercity clearing and Nationwide Real Time online banking business / services.



Allied Express Account

The Bank fulfills the banking needs of Pakistanis receiving remittances from abroad through Allied Express Account, with free features like 1st cheque book, 1st ATM / Cash + VISA Debit Card, internet banking, phone banking, insurance coverage of beneficiary upto Rs. 500,000, no minimum balance requirement, no zakat deduction and non-deduction of withholding tax on any cash withdrawals.

Allied Rising Star – Youth’s 1st Bank Account

Allied Rising Star is a saving account designed for inculcating saving habits amongst the children with exclusive free features like Welcome Pack, Birthday Gift, accidental insurance coverage upto Rs. 500,000, ATM / VISA Debit card and cheque book.

Allied Term Plus Deposit

Allied Term Plus is a regular term deposit with the flexibility of tenure and frequency of profit payment which allows the customers to opt for investment plan which suites their choice.

Salary Management Account

The Bank understands the diversified needs of corporate/commercial clients including medium sized business enterprises, educational institutes, hospitals etc. regarding their payroll systems. ABL offers them quick and efficient payroll service with instant credit of salaries and offers Allied Salary Management Account for employees with free features such as free 1st Allied Cash+Shop Visa Debit Card, free SMS Alerts and free 1st cheque book.

Allied Asaan Account

Allied Asaan Account caters to banking needs of unbanked / common people of society with simplified account opening requirement / procedures. Customers can open current or saving account according to their needs with free facilities like no minimum balance requirement, 1st cheque book, 1st ATM Card and SMS Banking.

Third Party Products: Mutual Funds

ABL offers distinctive third party products; Mutual Funds (investment plans and competitive return oriented funds of Allied Asset Management Company-a wholly owned subsidiary of ABL).

Product and Services

Theme Branches

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

Allied Cash+Shop VISA Debit Card

Allied Cash+Shop Visa Debit Card is Allied Bank's flagship product that gives our 1.4 Million customers access to their bank accounts and convenience to use it at over 34,000 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 10,000 ATMs in Pakistan, including ABL's own network of ATMs.

Debit Card Variants

ABL has introduced Debit Card variants that allow customers to choose from a variety of 'Sapphire' packages offering wide-ranging transactional limits on debit cards to pay for everyday shopping or get access to funds at ATMs in Pakistan and abroad. So the next time you travel abroad or need to make high value purchases, simply opt for your desired package on your existing Allied Visa Debit Card without requiring a new one.

Allied SMS Banking Smartphone App

Banking on your Smartphone! Allied SMS Banking Smartphone App is the latest addition to the Bank's suite of e-Banking services. With the growth in adoption of smartphone and also to complement users' experience over a smartphone, ABL launched SMS Banking Smartphone App for Android and Blackberry platforms to facilitate technology-savvy customers and smartphone users. The SMS Banking Smartphone App features a set of transactions including Balance Inquiry, Funds Transfer, Mobile Top-ups and Bill Payments.

Allied SMS Banking (Mobile Banking)

Banking on an SMS - Whenever… Wherever! 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 Direct – Internet Banking

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

ATMs and CCDMs (Cash & Cheque Deposit Machines)

The vast network of over 1000 ATMs all over the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more. ABL has 4 CCDMs installed at selected branches. These CCDMs offer customers the facility to deposit cash & cheques anytime at their convenience beyond the regular banking hours.

Allied Business Finance (ABF)

Allied Business Finance is a specially designed for SME sector to meet liquidity requirements. It is available in all local branches of the Bank. Under this unique product, ABL is offering evergreen line in shape of Running Finance, Letter of Guarantee & Letter of Credit. Term Loan is also being offered under this product.

Allied Fast Finance (AFF)

Allied Fast Finance is a product secured against cash backed securities i.e. Lien on TDR & Account. AFF is designed to meet urgent liquidity requirements of customers. AFF is offered by all branches of ABL in Pakistan. This product offers evergreen line in shape of Running Finance, Letters of Guarantee & Letters of Credit. Term Loan is also being offered under this product.

Prime Minister Youth Business Loan

A long-term loan scheme, specifically launched for unemployed youth, has been launched under the directives of GOP/SBP. The scheme especially targets startups of both genders. Product is offered to people in the age bracket of 21-45 years, having sound business models. The loan is being offered to the customers at a fixed rate of 6.0% p.a, although the pricing is 1 year K + 500 bps. GOP/SBP will subsidize the Bank, by paying the difference.

Allied Visa Credit Card

Allied Visa Gold and Platinum Credit Cards are exclusively being offered to the bank's valued branch customers in major cities of Pakistan. Allied Visa Credit Card offers a host of privileges, benefits and savings, together with attractive service charges and a free credit period of up to 50 days.

Allied Personal Finance

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

Hari Bhari Agriculture Revolving Credit Scheme

This financing facility is designed to facilitate farmers in obtaining Agriculture Production Loans to meet working capital needs of farming. Credit is available on revolving basis against one time documentation for 3 years.

Tractor Financing

This financing facility is designed to facilitate the farmers in obtaining Agriculture Development Loans (Term Finance) for purchase of brand new Tractors.

Agriculture Finance for Dairy Farming

This product is designed to support dairy farmers in meeting working capital needs of the businesses as well as purchase of assets and construction of sheds for their dairy farms to increase productivity and ultimately earn profits.

Agriculture Finance for Poultry Farming & Allied Activities

The Bank is fully aware of financing requirements of poultry farmers and accordingly has developed this product program to cater to their needs of working capital as well as long term investment for purchase of incubators, generators, farms equipment and construction of sheds.

Allied Bank Lockers

Bank Lockers provide high-security protection for customers' 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 assisted in all transactions by our Interactive Voice Response System (IVR).

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 this is done at the click of a button through Allied Direct.

Interactive Touch-point

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

SME

The Bank has realigned its focus towards SME Business with a vision to capitalize on the bank's countrywide footprint and longstanding customer loyalty to become a preferred and prudent provider of a "Total Banking Solution". The Bank offers a wide range of funded and non-funded products and services to meet needs of various types of SME businesses.

Corporate Banking

The Corporate Banking works on long-term relationship based 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 including debt syndications, capital markets, project financing and advisory services.

Home Remittances

Home Remittances provide 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 providing customers with efficient Liquidity Management Solutions, across the entire network of the Bank.

Treasury Products

Having attained primary dealer status, the Bank is now offering fixed income products, having lucrative returns, to its institutional and retail clients. ABL's treasury is an active participant in the interbank securities trading and FX trading and provides excellent prices to customers for their fixed income and FX needs.

ISLAMIC BANKING

Deposit Products

Following key Islamic Banking deposit products are offered by the Bank:

Allied Islamic Current Account

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

Allied Islamic Saving Account

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

Allied Islamic Anmol Plus Account

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

Allied Islamic Business Plus Account

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

Allied Islamic Khalis Munafa Account

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

Allied Islamic Investment

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

Financing Products

Shariah compliant Murabaha and Ijarah financing has been introduced by the Bank. Going forward, Bank intends to extend range of financing products by introducing Istisna, Diminishing Musharakah and Salam.

Corporate Sustainability

Allied Bank Limited (ABL) firmly believes in building trust through long term strategic initiatives focused on the customers while supporting the community in which the Bank operates. The Bank is committed to function transparently in order to become a first choice bank of the customers in line with its slogan “App Kai Dil Main Hamara Account”.

Our Philosophy

Corporate Social Responsibility (CSR) vision of the bank – To be a socially responsible corporate citizen – has evolved into its CSR policy which clearly outlines Corporate Social Responsibility objectives of the Bank. According to CSR Policy of the Bank, it is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

In line with CSR objectives, Bank places primary focus on “Workplace”, “Environment”, “Community” and “Customer Relations” to achieve overall “Brand image” as a community caring organization.

Workplace

ABL’s special emphasis on healthy work environment is reflected in its strive to establish a workplace which promotes balanced work life along with provision of health care facilities; provide equal employment opportunities while encouraging employment of special persons; maintain high ethical standards and support social interaction among employees.

Equal opportunity employer and employment of special persons

ABL is equal opportunity employer and encourages employment of special persons. The bank has generated direct and indirect employment for a large number of people over the years; thereby positively impacting the staff and their families. ABL currently employs 1,426 females, representing 15% of total staff members, who are diligently performing their duties. Simultaneously, 301 special persons are honorably earning their livelihood while contributing towards the growth of the Bank.

Occupational Health and Safety

Health and safety of the employees is of paramount importance to the Bank.

During the year 2015, the Bank spent Rs. 82.9 million on 1,580 staff members who benefited from the Bank’s medical expense policy. In addition 36 executives were also provided complete medical checkup. The Bank arranged medical camp cum awareness seminar whereby the employees benefited from free Medical Examinations and Discount Coupons for laboratory tests from leading clinical laboratories.

Globally, Breast cancer is the most common cancer in women and Pakistan has one of the highest incidences of breast cancer in Asia. In collaboration with Shaukat Khanum Memorial Cancer Hospital and Research Centre (SKMCH&RC) the Bank arranged Breast cancer awareness session for ABL’s female employees.

Adhering to responsibility towards eligible ex-employees, the Bank provides medical facility to them as per respective entitlement. During the year, from the platform of “Post-retirement Medical Fund” the Bank contributed Rs. 132 million towards the health of its 927 ex-employees.

ABL ensures that maximum safety standards are met at all premises and encourages employees to promote the safety of their fellow team members. Provision of emergency lights, fire and smoke detection equipment, alarm system, portable fire extinguishers, periodic evacuation drills and emergency exit doors are some of the measures that have been taken by the Bank.

The Bank also believes in providing opportunities of social interaction and healthy activities to the staff members. Hence, Rs.4.6 million was spent by the Bank on staff cricket tournaments held at Lahore, Karachi, Islamabad and Multan.

Education and Wellbeing of the staff

Employees are driving force of the Bank. Therefore, investment in staff is paramount for future growth of any entity. Recognizing the importance of education, the Bank has spent Rs.27.2 million towards employee’s education during the year 2015, comprising of education allowance for clerical and non-clerical staff members and education subsidy for executive employees.

Clerical and non-clerical staff members having humble financial backgrounds are also recognized for their services. The Bank provides a helping hand to such staff members, in their hour of need, whether it is a time of festivity or sorrow. During the year the Bank through its platform of “Staff Welfare Fund” has spent Rs.15 million to assist 69 employees by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones. Moreover, Bank granted markup free Rain / Flood Finance to 24 clerical and non-clerical staff members amounting Rs.1.2 million on account of relief cum rebuilding measure to alleviate their sufferings due to torrential rainfall and flooding during the year.

Keeping in view the religious sentiments of our employees, the Bank sponsored its clerical, non-clerical and executive staff totaling 22 to perform Hajj by spending Rs.12.0 million.

Business ethics and anti-corruption measures

The Bank nurtures a culture of excellence, good governance, transparency, integrity and accountability. Controls and Compliance being an integral internal function of the Bank emerges into high business ethics and promotes positive compliance culture. The Bank is committed to best industry practices for compliance towards anti-money laundering practices.

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

Environment

In order to contribute positively to a better and healthy environment, we aim to promote paperless culture, renewable energy sources, reduction of carbon emissions and increasing plantation.

Energy conservation and environment protection

Considering the persistent energy crisis and as a responsible citizen, the Bank is keen to conserve energy. During the year, the Bank contributed towards energy saving solutions by investing Rs.36.5 million towards installation of solar panels at 15 branches. The Bank further invested Rs.82.2 million towards installation of 98 invertors during the year 2015, which replaced generators at offline times thus reducing carbon emissions and use of fossil fuel.

Various administrative measures including timely closure of branches and proper maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity and fossil fuel.

The Bank sponsored and participated in awareness session, “Lahore se Paris, on the road to 2015 Paris Climate Conference (COP21), which was organized by the French Embassy. Various public and private sector entities and other relevant people from all walks of life participated in this critical session which focused on awareness towards climate change, low carbon development, climate risk management and smart climate solutions.

Furthermore, the Bank financed three wind power projects amounting to Rs.3,101 million as at December 31, 2015; further enhancing its contribution towards elimination of energy gap through renewable energy.

Community

The Bank endeavors to establish its presence not only by business interactions but also by contributing towards critical social causes especially during the times of adversities and natural calamities.

Education, Heath and community welfare

Lack of education is another critical area within the country, which has not attracted the attention that it merits. Recognizing its importance in Nation building, Bank is supporting leading educational institutions which play pivotal roles in the enlightenment of our future generations. During the period, Bank contributed Rs.97.4 million directly to this cause and Rs.4.6 million through sponsorship of various educational institutions.

Limited Healthcare access is another area of concern with the country. During the year, the Bank contributed Rs.25.5 million towards various health care institutions in the shape of direct donations and sponsorships, thereby playing its role in easing the predicament of underprivileged patients.

During the year, Bank spent Rs.21.4 million on general welfare of the community. This included contributions towards Sadqa for feeding the poor, Jashan-e-Baharan (spring) celebrations, Literary Festival, Awareness Activities on the eve of International Anticorruption Day and sponsorship of sports activities. Further, the Bank sponsored various organization including Human Rights Society of Pakistan, Karachi Stock Exchange Guarantee Limited, Quetta Development Authority, in social events, conferences and awareness programs, during the year 2015 by spending Rs.10.9 million.

National cause donations

ABL always contributes generously in times of crises on national level. Widespread drought in the Tharparkar region of Sindh resulted in a severe famine like situation and residents lacked access to clean drinking water. During 2015, the Bank initiated installation of 16 solar water pumps in various parts of the region providing viable access to clean drinkable water by investing Rs.13.4 million towards this worthy cause.

Contribution to national exchequer

The Bank is one of leading institutions in its contribution to the national exchequer. During the year, the Bank paid Rs.4,670 million as Income Tax, contributed Rs.7,834 million as withholding tax agent and deposited Rs.509 million on account of Federal Excise duty and Sales Tax to the national exchequer.

Customer Relations

Strengthening customer relations by ensuring satisfaction and privacy is of utmost importance for a service oriented organization.

Customer Awareness Seminars

The Bank considers SME as a strategic segment for growth in advances, accordingly, conducted interactive sessions for its Commercial & SME Obligors on the topic “Challenges and Solutions for Sustainable Growth” in Faisalabad, Gujranwala, Islamabad, Karachi & Lahore. Three Hundred & Seven obligors attended these highly informative seminars.

Customer protection and quality assurance

We have a passion for excellence and we take pride in our ability to solve customers’ problems, focusing on delivering innovative solutions in a timely manner.

During the year 2015, 5,761 complaints were received and the Bank taking appropriate measures promptly achieved 98.14% resolution rate.

Contribution towards development of rural areas

Bank’s 207 rural branches are an important driver towards accomplishing its strategic goal of financial inclusion by enhancing knowledge and understanding of banking among rural population of the country thereby playing an important role in development of rural areas.

The bank is also involved in agricultural financing across the country and offers vast ranges of agricultural finance facilities through agri designated branches.

Notice of 70th Annual General Meeting

Notice is hereby given that the 70th Annual General Meeting of Allied Bank Limited will be held at Crystal Hall, Pearl Continental Hotel, Lahore on Monday, March 28, 2016 at 11:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm minutes of the Extra Ordinary General Meeting of Allied Bank Limited held on August 24, 2015.

2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2015 together with the Directors' and Auditors' Reports thereon. As required under SECP SRO 634(I)/2014, the Financial Statement of the Bank have been uploaded on the website of the Bank which can be downloaded from following link:

   https://abl.com/services/downloads/?cat_id=1

3. To consider and approve Final Cash Dividend @ 17.50% (i.e. Rs. 1.75 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 52.50% Interim Cash Dividends (aggregating Rs.5.25 per share) already paid for the year ended December 31, 2015.

4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2016 and fix their remuneration. The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible has offered themselves for reappointment. The audit firm appointed will hold office till conclusion of the next AGM to be held in 2017.

Special Business

5. To accord post facto approval for upward revision in the Directors' fee for attending Board and its Committees' meetings from Rs. 100,000/- to Rs. 150,000/- per meeting w.e.f. October 22, 2015.

*Note: Statement under section 160(1) (b) of the Companies Ordinance 1984 is appended below.

Other Business:

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

Date: March 04, 2016 By Order of the Board

Muhammad Raffat
Company Secretary

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

ITEM NO.5: To accord post facto approval for upward revision in the Directors' Meeting Fee for attending Board and its Committees' meetings.

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

In view of the foregoing, the Board in its 216th meeting held on October 22, 2015 increased meeting fee payable to Non-Executive Directors for attending meetings of the Board and its Committees, from Rs. 100,000/- to Rs. 150,000/- per meeting, besides usual travelling and accommodation expenses as allowed in terms of Article 111 of Articles of Association of the Bank. In terms of SBP, BPRD Circular No. 3 dated April 23, 2007 the matter is being placed before the shareholders for post facto approval.

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

> "Resolved that meeting fee payable to Non-Executive Director for attending the Board and Board Committees' meetings be and is hereby increased from Rs. 100,000/- to Rs. 150,000/- per meeting with effect from October 22, 2015."

Notice of 70th 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 notarized certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time for holding the Meeting.

iv) Share Transfer Books of Allied Bank Limited will remain closed from 22nd March, 2016 to 28th March, 2016 (both days inclusive). Share transfers requests received at M/s. Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi, the Shares Registrar of the Bank, before the close of business on 21st March, 2016 will be treated as being in time for the purpose of entitlement of cash dividend to the transferees.

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

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

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

i) In case of individuals, the CDC Account Holder or Sub-account Holder and / or the person whose securities are in CDC group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

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

iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.

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

Statement of Compliance
with Code of Corporate Governance

This statement is being presented to comply with the terms of the Code of Corporate Governance as contained in Regulation No. 5.19.23 of rule book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Bank has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

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

Category	Names
Independent Directors	1. Muhammad Akram Sheikh
	2. Zafar Iqbal
Non-Executive Directors	1. Mohammad Naeem Mukhtar
	2. Sheikh Mukhtar Ahmed
	3. Muhammad Waseem Mukhtar
	4. Abdul Aziz Khan
	5. Mubashir A. Akhtar

The independent directors meets the criteria of independence under clause i (b) of the CCG.

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

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

4. The Last Election of the Directors of the Bank was held on August 24, 2015 for a next term of three years.

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

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

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

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

9. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. The Pakistan Institute of Corporate Governance (PICG) had awarded four of the Board members (including the CEO) title of “Certified Director”. Whereas three directors are exempted from such course on account of the experience and qualification and remaining one director elected in 2015 will attend certification program in due course. The Bank also encourages participation of members of Board to attend seminars / workshops conducted by various forums.

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

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee which it comprises of three members, one of them is non-executive director whereas remaining two are independent directors including the Chairman of the committee.

16. The meetings of the Audit Committee were held at least once in 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 Human Resource & Remuneration Committee which comprises of three members including the CEO, remaining two including the Chairman are non- executive directors.

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, executives and stock exchange.

22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.

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 & Dated : Lahore, February 10, 2016

Review Report to the Members
On Statement of Compliance with the Code of Corporate Governance

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Service House
2-Main Gulberg Jail Road,
Lahore Pakistan

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Allied Bank Limited for the year ended 31 December, 2015 to comply with the requirements of rule book of Pakistan Stock Exchange Limited (Formerly Karachi, Lahore and Islamabad Stock Exchanges) where the Bank is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the 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 of Directors' 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.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December, 2015.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore
Date: February 10, 2016

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 unauthorized absences.
- Employees in workmen cadre (clerical / non-clerical) are not authorized to indulge into unfair labour practices.
- Employees are not authorized to use Bank's facilities to promote trade union or officer's association activities, or carry weapons into Bank premises unless so authorized. They must not carry on above mentioned activities during office hours.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgment in the best interest of the Bank and its clients. The Human Resource Group must be informed in case an employee:
- Holds and outside directorship; carries on business activity outside; holds majority shares / interest in a public or private business; takes direct advantage of securities of a public listed company, or serves as a client's personal representative.
- No employee shall bring political or other outside pressure / influence to bear on the authorities / superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
- Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource Group. Employees with financial or other interest in any family business must declare in advance by writing and seek no objection.
- Employees shall not borrow from or lend personal funds or property to any Client or Vendor who has a relationship with the Bank except on market terms and conditions from financial institutions. Borrowing or lending in personal capacity within the Bank is prohibited.
- Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource Group. Receipts of funds can only be issued on prescribed forms.
- Disciplinary action may be taken in case of misconduct or unsatisfactory performance including:
    - Breach of above mentioned rules; willful 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 behavior and tidy work areas are to be maintained at all times.

Responsibilities towards Employer (ABL)

- Employees must raise concerns and suspicions, in confidence, about any actual or potential illegal activity or misconduct according to the process in Whistle Blowing Policy and the Anti-Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- Guidance must be sought from relevant Group in case any employee receives any demand or request from information from outside party including law enforcement agencies.
- Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Email and Internet Usage Policy and Acceptable Use Policy.

- Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise integrity of Bank's record.
- Employees are required to identify all conflicts of interest and declare them immediately, including all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.

Information Management

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

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

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards the interest of the Bank, its customers and regulators is a must.
- Employees are not authorized to accept or agree to accept any gifts or conveyance of anything beyond prescribed value from any current or prospective Allied Bank customers or vendors or any person who has a business relationship with the Bank with exception of the following:
  - Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
- Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource Group.
- Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services.
- Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.
- Gambling / Betting between market participants is prohibited.
- Employees of Treasury are strongly cautioned against making frivolous quotes which they have no intention of honoring and which are designed merely to mislead market participants

Other Key Legal / Compliance Rules and Issues

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

Statement of Internal Controls

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

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

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

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Also projections of evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are an ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

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

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

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

Tariq Mahmood
Chief Executive Officer
Lahore.
February 10, 2016

Whistle Blowing Policy

Preamble:

The purpose of this Policy is to create a channel at Allied Bank Limited (the Bank) where the Bank's staff is encouraged to report, without any fear, any malicious activity or conduct of employees, which may cause financial or reputational loss to the Bank. Whistle Blowing Policy of the Bank provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests. It also provides incentives for the Whistleblowers on reporting of suspicious activities.

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 blow whistle where the know or suspect any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may cause financial or reputational 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 aforementioned activities or misconduct and take appropriate actions.

Scope

The scope of this policy includes, without limitation 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.

Independence of Whistle blowing Unit

An operationally ivndependent Whistle Blowing Unit has been established under supervision of ACOB, for handling and monitoring allegations, complaints and concerns raised by the complainant / whistle blower under whistle blowing policy.

Protection of Whistle blowers

All matters will be dealt with confidentially and the identification of the Whistle blower will not be disclosed except for inevitable situations, where disclosure of identity of the Whistle blower is essential. 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. If the Whistle blower feels that at his / her existing place of posting, he / she might be subjected to victimization or harassment by the alleged officials after blowing the Whistle, the management may consider transferring him / her to another suitable place on his / her request.

Incentives for Whistle Blowing

On the recommendation of the ACOB, the Whistle blower will be suitably awarded according to the significance of the information he / she had provided and impact of losses averted as a result.

Process of Whistle Blowing

The Bank has established the following communication channels for whistle blowing complaints:

a A dedicated e-mail address for whistle blowing (whistle.blowing@abl.com) accessible by the Chairman ACOB.

b Whistle blowing forms available on the Bank's corporate website

c Post / courier addressed to Chairman ACOB, Allied Bank Limited, Head Office, 3-4 Tipu Block, New Garden Town, Lahore.

Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in Year 2015: Seventeen (17).

Unconsolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2015

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Service House
2-Main Gulberg Jail Road ,
Lahore Pakistan

Auditors' Report
to the Members

We have audited the annexed unconsolidated statement of financial position of Allied Bank Limited ("the Bank") as at December 31, 2015 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 twenty four branches, which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our opinion:

   i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied, except for the changes referred to in note 5.1 to the 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 December 31, 2015 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and

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

The financial Statements of the Bank for the year ended December 31, 2014 were audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 10, 2015.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore
Date: February 10, 2016

Unconsolidated Statement of Financial Position
as at December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
		ASSETS			
541,446	393,876	Cash and balances with treasury banks	6	56,711,573	41,254,975
38,930	8,340	Balances with other banks	7	4,077,598	873,494
34,641	19,382	Lendings to financial institutions	8	3,628,366	2,030,062
5,194,501	4,093,819	Investments	9	544,077,215	428,790,733
3,070,480	2,921,630	Advances	10	321,605,140	306,014,402
275,437	260,170	Operating fixed assets	11	28,849,577	27,250,482
–	–	Deferred tax assets	12	–	–
312,352	344,230	Other assets	13	32,716,043	36,054,979
9,467,787	8,041,447			991,665,512	842,269,127
		LIABILITIES			
47,185	46,131	Bills payable	15	4,942,189	4,831,801
1,317,153	631,047	Borrowings	16	137,959,818	66,096,472
7,013,454	6,376,468	Deposits and other accounts	17	734,596,166	667,877,615
–	28,585	Sub-ordinated loans	18	–	2,994,000
–	–	Liabilities against assets subject to finance lease		–	–
85,043	34,587	Deferred tax liabilities	12	8,907,457	3,622,651
152,790	152,340	Other liabilities	19	16,003,425	15,956,263
8,615,625	7,269,158			902,409,055	761,378,802
852,162	772,289	**NET ASSETS**		89,256,457	80,890,325
		REPRESENTED BY			
109,324	109,324	Share capital	20	11,450,739	11,450,739
144,184	129,361	Reserves		15,102,026	13,549,355
395,412	353,765	Unappropriated profit		41,415,882	37,053,691
648,920	592,450			67,968,647	62,053,785
203,242	179,839	Surplus on revaluation of assets - net of tax	21	21,287,810	18,836,540
852,162	772,289			89,256,457	80,890,325
		CONTINGENCIES AND COMMITMENTS	22		

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

Chief Financial Officer　　President and Chief Executive　　Director

Director　　Chairman

Unconsolidated Profit and Loss Account
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
688,520	639,687	Mark-up / return / interest earned	24	72,116,230	67,001,497
343,483	370,584	Mark-up / return / interest expensed	25	35,976,740	38,815,342
345,037	269,103	Net mark-up / interest income		36,139,490	28,186,155
(2,751)	20,161	(Reversal) / provision against non-performing loans and advances	10.4	(288,120)	2,111,694
17,304	(4,796)	Provision / (reversal) for diminution in the value of investments	9.3	1,812,488	(502,387)
–	–	Bad debts written off directly	10.5	–	–
14,553	15,365			1,524,368	1,609,307
330,484	253,738	Net mark-up / interest income after provisions		34,615,122	26,576,848
		NON MARK-UP / INTEREST INCOME			
34,088	31,518	Fee, commission and brokerage income	26	3,570,398	3,301,188
33,679	33,534	Dividend income		3,527,589	3,512,429
8,003	4,359	Income from dealing in foreign currencies		838,256	456,592
7,955	39,785	Gain on sale of securities	27	833,214	4,167,097
		Unrealized gain on revaluation of investments			
–	1,629	classified as held-for-trading - net	9.11	–	170,616
9,411	10,768	Other income	28	985,681	1,127,832
93,136	121,593	Total non-markup / interest income		9,755,138	12,735,754
423,620	375,331			44,370,260	39,312,602
		NON MARK-UP / INTEREST EXPENSES			
173,524	161,939	Administrative expenses	29	18,175,080	16,961,650
604	332	Provision against other assets	13.2	63,242	34,816
587	(3,721)	Provision / (reversal) against off-balance sheet obligations	19.1	61,496	(389,709)
4,870	4,344	Workers welfare fund	31	510,068	455,044
544	468	Other charges	30	56,994	49,044
180,129	163,362	Total non-markup / interest expenses		18,866,880	17,110,845
–	–	Extra-ordinary / unusual items		–	–
243,491	211,969	**PROFIT BEFORE TAXATION**		25,503,380	22,201,757
		Taxation			
79,699	70,776	Current		8,347,670	7,413,119
13,941	–	Prior years		1,460,245	–
5,491	(2,162)	Deferred		575,158	(226,454)
99,131	68,614		32	10,383,073	7,186,665
144,360	143,355	**PROFIT AFTER TAXATION**		15,120,307	15,015,092
353,765	294,589	Unappropriated profit brought forward		37,053,691	30,855,565
395,414	353,765	**PROFIT AVAILABLE FOR APPROPRIATION**		41,415,882	37,053,691
In US$				In Rupees	
0.13	0.13	**Earnings per share - Basic and Diluted**	33	13.20	13.11

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Comprehensive Income
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
US $ in '000			Rupees in '000	
144,359	143,354	Profit after taxation for the year	15,120,307	15,015,092
		Other comprehensive income:		
		Items to be reclassified to profit and loss account in subsequent periods:		
		Exchange differences on translation of net investment		
388	(539)	in foreign operating branches	40,640	(56,448)
		Items not to be reclassified to profit and loss account in subsequent periods:		
(15,334)	886	Actuarial (loss) / gain relating to defined benefit plans	(1,606,112)	92,734
5,367	(310)	Related deferred tax charge	562,139	(32,457)
(9,967)	576		(1,043,973)	60,277
(9,579)	37	**Other comprehensive income for the year- net of tax**	(1,003,333)	3,829
134,780	143,391	**Comprehensive income transferred to equity**	14,116,974	15,018,921
		Components of comprehensive income not reflected in equity:		
		Items to be reclassified to profit and loss account in subsequent periods:		
74,763	42,070	Net change in fair value of available for sales securities	7,830,738	4,406,364
(50,332)	(15,189)	Related deferred tax charge	(5,271,787)	(1,590,837)
24,431	26,881		2,558,951	2,815,527

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Cash Flow
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
243,490	211,968	Profit before taxation		25,503,380	22,201,757
(33,679)	(33,534)	Less: Dividend income		(3,527,589)	(3,512,429)
209,811	178,434			21,975,791	18,689,328
		Adjustments for non-cash items:			
19,199	17,811	Depreciation / amortization		2,010,890	1,865,518
(2,751)	20,161	(Reversal) / provision against non-performing loans and advances		(288,120)	2,111,694
17,304	(4,796)	Provision / (reversal) for diminution in the value of investments		1,812,488	(502,387)
–	(1,629)	Unrealized gain on revaluation of held-for-trading securities		–	(170,616)
587	(3,721)	Provision / (reversal) against off balance sheet obligations		61,496	(389,709)
604	332	Provision against other assets		63,242	34,816
4,870	4,344	Provision for Workers' Welfare Fund		510,068	455,044
(238)	(643)	Gain on sale of operating fixed assets		(24,897)	(67,331)
39,575	31,859			4,145,167	3,337,029
249,386	210,293			26,120,958	22,026,357
		(Increase) / Decrease in operating assets			
(15,259)	99,591	Lendings to financial institutions		(1,598,304)	10,431,341
90,436	(61,953)	Net realizations in 'held-for-trading' securities		9,472,368	(6,489,025)
(146,100)	(392,636)	Advances		(15,302,618)	(41,125,068)
(15,220)	(138,341)	Other assets (excluding advance taxation)		(1,594,165)	(14,489,939)
(86,143)	(493,339)			(9,022,719)	(51,672,691)
		Increase / (Decrease) in operating liabilities			
1,054	(447)	Bills payable		110,388	(46,793)
686,552	315,019	Borrowings from financial institutions		71,910,103	32,995,441
636,986	567,743	Deposits and other accounts		66,718,551	59,465,945
(25,422)	2,384	Other liabilities		(2,662,742)	249,746
1,299,170	884,699			136,076,300	92,664,339
1,462,413	601,653			153,174,539	63,018,005
(44,582)	(52,642)	Income tax paid		(4,669,537)	(5,513,796)
1,417,831	549,011	**Net cash flow generated from operating activities**		148,505,002	57,504,209
		CASH FLOW FROM INVESTING ACTIVITIES			
(1,117,561)	966,220	Net investments in 'available-for-sale' securities		(117,054,506)	101,202,861
(17,498)	(1,480,264)	Net investments in 'held-to-maturity' securities		(1,832,810)	(155,044,297)
33,685	34,385	Dividend income received		3,528,218	3,601,469
(32,429)	(30,541)	Investments in operating fixed assets		(3,396,649)	(3,198,870)
1,767	1,389	Proceeds from sale of fixed assets		185,069	145,476
(1,132,036)	(508,811)	**Net cash used in investing activities**		(118,570,678)	(53,293,361)
		CASH FLOW FROM FINANCING ACTIVITIES			
(28,585)	(11,917)	Repayment of sub-ordinated loan		(2,994,000)	(1,248,200)
(78,888)	(63,983)	Dividends paid		(8,262,818)	(6,701,666)
(107,473)	(75,900)	**Net cash used in financing activities**		(11,256,818)	(7,949,866)
388	(539)	Effect of translation of net investment in foreign operating branches		40,640	(56,448)
178,710	(36,239)	**Increase / (decrease) in cash and cash equivalents during the year**		18,718,146	(3,795,466)
400,797	438,681	**Cash and cash equivalents at the beginning of the year**		41,979,844	45,947,890
(102)	(1,647)	**Effect of exchange rate changes on opening cash and cash equivalents**		(10,687)	(172,580)
579,405	400,795	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	34	60,687,303	41,979,844

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

Chief Financial Officer President and Chief Executive Director

Director Chairman

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2015

		Capital Reserves				Revenue Reserves		
	Share Capital	Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
	Rupees in '000							
Balance as at January 01, 2014	10,409,763	333,864	84,741	–	12,013,553	6,000	30,855,565	53,703,486
Comprehensive income for the year ended December 31, 2014								
Net profit for the year ended December 31, 2014	–	–	–	–	–	–	15,015,092	15,015,092
Effect of translation of net investment in foreign operating branches	–	–	(56,448)	–	–	–	–	(56,448)
Effect of remeasurement of defined benefit plan-net of deferred tax	–	–	–	–	–	–	60,277	60,277
	–	–	(56,448)	–	–	–	15,075,369	15,018,921
Transactions with owners recognized directly in equity								
Transfer to reserve for issue of bonus shares for the year ended December 31, 2013 @ 10%	–	(333,864)	–	1,040,976	–	–	(707,112)	–
Issue of bonus shares	1,040,976	–	–	(1,040,976)	–	–	–	–
Final cash dividend for the year ended December 31, 2013 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	(1,561,464)	(1,561,464)
First interim cash dividend for the year ended December 31, 2014 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	(1,431,342)	(1,431,342)
Second interim cash dividend for the year ended December 31, 2014 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	(1,717,611)	(1,717,611)
Third interim cash dividend for the year ended December 31, 2014 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	1,040,976	(333,864)	–	–	–	–	(7,421,409)	(6,714,297)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	45,675	45,675
Transfer to statutory reserve	–	–	–	–	1,501,509	–	(1,501,509)	–
Balance as at December 31, 2014	11,450,739	–	28,293	–	13,515,062	6,000	37,053,691	62,053,785
Comprehensive income for the year ended December 31, 2015								
Net profit for the year ended December 31, 2015	–	–	–	–	–	–	15,120,307	15,120,307
Effect of translation of net investment in foreign operating branches	–	–	40,640	–	–	–	–	40,640
Effect of remeasurement of defined benefit plan-net of deferred tax	–	–	–	–	–	–	(1,043,973)	(1,043,973)
	–	–	40,640	–	–	–	14,076,334	14,116,974

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2015

	Share Capital	Capital Reserves: Share Premium	Capital Reserves: Exchange Translation Reserve	Capital Reserves: Bonus Issue Reserve	Statutory Reserve	Revenue Reserves: General Reserve	Revenue Reserves: Un-appropriated Profit	Total
	Rupees in '000							
Transactions with owners recognized directly in equity								
Final cash dividend for the year ended December 31, 2014 (Rs. 2 per ordinary share)	–	–	–	–	–	–	(2,290,145)	(2,290,145)
First interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
Second interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
Third interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	–	–	–	–	–	–	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	99,673	99,673
Transfer to statutory reserve	–	–	–	–	1,512,031	–	(1,512,031)	–
Balance as at December 31, 2015	11,450,739	–	68,933	–	15,027,093	6,000	41,415,882	67,968,647

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

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 Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited). The Bank operates a total of 1,048 (2014: 998) branches in Pakistan including 27 (2014: 4) Islamic banking branches, 1 branch (2014: 1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2014: 1) in Bahrain. The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'. The Bank is the holding company of ABL Asset Management Company Limited.

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

2. (a) BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank are being issued separately.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure III to these financial statements.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank as well. The amounts are rounded to nearest thousand.

The US Dollar amounts reported in the statement of financial position, profit and loss account, statement of 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 104.7410 per US Dollar has been used for 2015 and 2014, as it was the prevalent rate as on reporting date.

(b) BASIS OF MEASUREMENT

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

- Investments (Note 5.4);
- Certain operating fixed assets (Note 5.6);
- Fair value of derivatives (Note 4 - v); and
- Staff retirement and other benefits (Note 5.8)

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) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) & Securities and Exchange Commission of Pakistan (SECP). In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by SBP and SECP differ from requirements of IFRSs and IFASs, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP and SECP shall prevail.

3.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40 - Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 - Financial Instruments Disclosure, has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

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

During the year, certain amendments to standards and new interpretations to accounting standards became effective, however, the amendments and interpretations did not have any material effect on the unconsolidated financial statements of the Bank, except for as disclosed in Note 5.1. SECP has granted exemption to the Bank from application of the requirements of IFRS 10 - Consolidated Financial Statements with respect to the investments in mutual funds managed by ABL Asset Management Company Limited.

3.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016. 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.

– Amendments to IAS 38 - Intangible Assets and IAS 16 - Property, Plant and Equipment introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 - Joint Arrangements clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

– Amendment to IAS 27 - Separate Financial Statement allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

– Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41). Bearer plants are now in the scope of IAS 16 - Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 - Agriculture. A bearer plant is a plant that; is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

– Annual Improvements 2012-2014 cycle. The new cycle of improvements contain amendments to the following standards:

– IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

– IFRS 7 - Financial Instruments- Disclosures. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

– IAS 19 - Employee Benefits. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

– IAS 34 - Interim Financial Reporting. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

i) Classification of investments

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

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

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

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

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

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 reporting date and the rates contracted.

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

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

vii) **Defined benefits plan**

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

viii) **Fair value hierarchy of assets and liabilities**

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Bank categorizes fair value measurements within the following fair value hierarchy;

a) **Level 1**

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

b) **Level 2**

These are inputs other than quoted prices included within Level 1 inputs that are observable for asset or liability, either directly or indirectly.

c) **Level 3**

These are unobservable inputs for the asset or liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank except for the change explained in Note 5.1. Significant accounting policies are enumerated as follows:

5.1 Change in accounting policies

5.1.1 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 now presented as per the Bank's functional and management reporting structure. The change in segment reporting is accounted for on retrospective basis. The Bank's primary segment reporting is based on following business segments:

Business segments

a) Corporate & Investment Banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Bank. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

b) Trading and sales (Treasury)

This segment undertakes the Bank's treasury and money 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 (conventional and Islamic) customers.

d) Commercial banking

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

e) Others

Others includes functions which cannot be classified in any of the above segments.

5.1.2 Fair Value Measurement

During the year, the Bank has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 01 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs. As a result, the Bank has included the additional disclosure in this regard in note 39.1 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Bank has applied the new fair value measurement guidance prospectively. The application of IFRS 13 does not have any significant impact on the financial statements of the Bank except for certain additional disclosures.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

(a) Sale under re-purchase agreements

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

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

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Return 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.

5.4 Investments

5.4.1 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 and dealer's margin.

(b) **Held-To-Maturity**

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

(c) **Available-For-Sale**

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

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

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

5.4.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as "Held-To-Maturity" and investments in subsidiaries, are carried at market value. Investments classified as "Held-To-Maturity" are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Bank's "Held-For-Trading" investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as "Available-For-Sale" is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

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

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

5.4.4 Investments in subsidiaries are stated at cost less impairment.

5.5 Advances (including net investment in finance lease)

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

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

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under IFAS 2 are recorded as income / revenue.

Advances are written off when there are no realistic prospects of recovery in accordance with the requirements of Prudential Regulations issued by the SBP.

5.6 Operating fixed assets and depreciation

Tangible assets

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

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

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

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

Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

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

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

Intangible assets

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

Capital work-in-progress

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

5.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, including those 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.

5.8 Staff retirement and other benefits

5.8.1 Staff retirement schemes

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

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

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

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

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

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

– A Contributory Provident Fund scheme to which equal contributions 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.

5.8.2 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 and loss account in the period of occurrence.

5.9 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.

5.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on accrual basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

5.11 Subordinated loans

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

5.12 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.

5.13 Provisions

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

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

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

5.14 Dividend distribution and appropriations

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

5.15 Foreign currencies

a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the 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 operating branches 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 comprehensive income and on disposal are recognised in profit and loss account. Regular translation gains and losses are taken to profit and loss account.

d) Commitments

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

5.16 Financial instruments

5.16.1 Financial assets and liabilities

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

5.16.2 Derivative financial instruments

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

5.17 Off setting

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

5.18 Revenue recognition

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

a) Advances and investments

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

Interest or mark-up recoverable on classified loans, 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.

5.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		12,368,391	8,514,853
Foreign currencies		887,146	672,759
		13,255,537	9,187,612
Remittances in transit		386,250	1,052,463
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	20,266,767	9,369,334
Foreign currency current account	6.2	40,019	83,165
		20,306,786	9,452,499
Foreign currency deposit accounts			
Non remunerative	6.3	2,686,554	3,211,415
Remunerative	6.3 & 6.4	8,059,663	9,634,244
		10,746,217	12,845,659
With National Bank of Pakistan in			
Local currency current accounts		11,831,544	8,631,088
National Prize Bonds		185,239	85,654
		56,711,573	41,254,975

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, 2015, carries mark-up at the rate of 0% (2014: 0%) per annum.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
On current accounts	7.1	2,457,367	445,167
On deposit accounts		1,620,231	428,327
		4,077,598	873,494

7.1 Included in Nostro accounts are balances, aggregating to Rs. 41.303 million (2014: Rs. 69.595 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.6	2,156,091	919,646
Certificates of investment	8.2	70,000	70,000
Call money lendings	8.3	1,200,000	1,110,416
Bai-Muajjal	8.4	272,275	–
	8.5	3,698,366	2,100,062
Provision against lendings to financial institutions	8.7	(70,000)	(70,000)
		3,628,366	2,030,062

8.1 These are short-term lendings to financial institutions against the government securities shown in note 8.6 below. These carry mark-up at rate of 6.45% to 6.50% (2014: 9.7%) per annum and will mature on, latest by January 08, 2016.

8.2 This represents a classified certificate of investment amounting to Rs. 70 million (2014: Rs. 70 million).

8.3 These call money lendings carry mark-up at rates of 6.5% (2014: 9.4% to 9.7%) per annum and are maturing on various dates, latest by January 08, 2016.

8.4 These represent lending by Islamic banking business under Bai Muajjal agreements at returns ranging from 5.990% to 5.995% per annum (2014: Nil) with maturity, latest by November 18, 2016

	December 31, 2015	December 31, 2014
	Rupees in '000	
8.5 Particulars of lending		
In local currency	3,698,366	1,597,647
In foreign currencies	–	502,415
	3,698,366	2,100,062

8.6 Securities held as collateral against lending to Financial Institutions

	December 31, 2015			December 31, 2014		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	1,491,091	–	1,491,091	919,646	–	919,646
Pakistan Investment Bonds	665,000	–	665,000	–	–	–
	2,156,091	–	2,156,091	919,646	–	919,646

	December 31, 2015	December 31, 2014
	Rupees in '000	
8.7 Particulars of provision		
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2015 Held by Bank	Given as collateral	Total	December 31, 2014 Held by Bank	Given as collateral	Total
				Rupees in '000			
9.1 Investments by types							
Held-for-trading securities							
Market Treasury Bills		–	–	–	2,474,557	–	2,474,557
Pakistan Investment Bonds		–	–	–	6,997,811	–	6,997,811
		–	–	–	9,472,368	–	9,472,368
Available-for-sale securities							
Market Treasury Bills		113,476,903	25,054,061	138,530,964	81,149,936	31,696,602	112,846,538
Pakistan Investment Bonds		83,273,356	71,436,281	154,709,637	72,370,892	–	72,370,892
Ordinary shares of listed companies /							
certificates of close ended mutual funds		13,614,525	–	13,614,525	20,088,582	–	20,088,582
Preference shares		25,000	–	25,000	136,855	–	136,855
Units of open ended mutual funds		150,000	–	150,000	250,000	–	250,000
Ordinary shares of unlisted companies		2,123,767	–	2,123,767	2,223,838	–	2,223,838
Investment in related parties							
- Listed shares		8,142,520	–	8,142,520	–	–	–
- Unlisted shares		1,352,894	–	1,352,894	456,155	–	456,155
- Units of open ended mutual funds		135,000	–	135,000	458,299	–	458,299
Sukuk bonds		1,945,563	–	1,945,563	2,233,278	–	2,233,278
GOP Sukuk		5,359,194	–	5,359,194	–	–	–
GOP Ijara Sukuk		700,275	–	700,275	–	–	–
Term finance certificates (TFCs)		4,179,005	–	4,179,005	2,837,451	–	2,837,451
		234,478,002	96,490,342	330,968,344	182,205,286	31,696,602	213,901,888
Held-to-maturity securities							
Pakistan Investment Bonds		185,697,197	–	185,697,197	184,587,797	–	184,587,797
GOP Sukuk		1,054,700	–	1,054,700	–	–	–
GOP Ijara Sukuk		150,319	–	150,319	151,602	–	151,602
Foreign Currency Bonds (US$)		4,906,147	–	4,906,147	4,570,147	–	4,570,147
TFCs, Bonds and PTCs		1,428,725	–	1,428,725	2,094,732	–	2,094,732
		193,237,088	–	193,237,088	191,404,278	–	191,404,278
Subsidiary							
ABL Asset Management Company							
Limited		500,000	–	500,000	500,000	–	500,000
Investment at cost		428,215,090	96,490,342	524,705,432	383,581,932	31,696,602	415,278,534
Provision for diminution in the							
value of investments	9.3	(2,777,721)	–	(2,777,721)	(977,183)	–	(977,183)
Investment (cost net of provisions)		425,437,369	96,490,342	521,927,711	382,604,749	31,696,602	414,301,351
Surplus on revaluation of							
held-for-trading securities		–	–	–	170,616	–	170,616
Surplus on revaluation of							
available-for-sale securities	21.2	18,654,545	3,494,959	22,149,504	14,245,549	73,217	14,318,766
Total investments at market value		444,091,914	99,985,301	544,077,215	397,020,914	31,769,819	428,790,733

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	138,530,964	115,321,095
- Pakistan Investment Bonds	9.2.1 - 9.2.2	340,406,834	263,956,500
- Foreign Currency Bonds (US$)	9.2.1 & 9.2.4	4,906,147	4,570,147
- GOP Ijara Sukuk	9.2.1	850,594	151,602
- GOP Sukuk	9.2.1	6,413,894	–
Fully paid up ordinary shares of listed companies / certificates of close ended mutual funds	9.4	21,757,045	20,088,582
Fully paid up ordinary shares of unlisted companies	9.5	3,476,661	2,679,993
Investment in units of open ended mutual funds	9.6	285,000	708,299
Fully paid up preference shares	9.7	25,000	136,855
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
Term Finance Certificates			
-Listed	9.8	2,523,862	1,089,082
-Unlisted	9.8	1,814,022	1,915,317
Sukuk Bonds	9.9	3,215,409	4,161,062
Subsidiary	9.5	500,000	500,000
Total investments at cost		524,705,432	415,278,534
Less: Provision for diminution in the value of investments	9.3	(2,777,721)	(977,183)
Investments (cost net of provisions)		521,927,711	414,301,351
Unrealized gain on revaluation of held-for-trading securities	9.11	–	170,616
Surplus on revaluation of available-for-sale securities	21.2	22,149,504	14,318,766
Total investments at market value		544,077,215	428,790,733

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills	January, 2016 To October, 2016	6.37% - 8.35%	On maturity	At maturity
Pakistan Investment Bonds	July, 2016 To March, 2025	8.75% - 12.00%	On maturity	Half Yearly
Foreign Currency Bonds (US$)	March, 2016 To June, 2017	6.875% - 7.125%	On maturity	Half Yearly
GOP Ijara Sukuk	March, 2016 To December, 2018	6M MTB minus (0.30% to 2.0%)	On maturity	Half Yearly
GOP Sukuk	December, 2019	6.75%	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 24,873.964 million (2014: Rs. 31,518.674 million) and Pakistan Investment Bonds having a book value of Rs. 71,436.281 (2014: Nil), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a book value of Rs. 180.097 million (2014: Rs 177.927 million), held by the SBP against Demand Loan and TT / DD discounting facilities sanctioned to the Bank.

9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2015	December 31, 2014
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-16	6.5 Years	312,055	292,184
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-16	5.9 Years	333,967	316,560
Euro Dollar Bond ($14,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-16	10 Years	1,547,930	1,439,272
Euro Dollar Bond ($1,800,000)	7.125%	05-Jan-11	31-Mar-16	30-Mar-16	5 Years	187,589	176,880
Euro Dollar Bond ($2,000,000)	7.125%	07-Mar-11	31-Mar-16	30-Mar-16	5 Years	207,702	193,328
Euro Dollar Bond ($3,000,000)	7.125%	08-Mar-11	31-Mar-16	30-Mar-16	5 Years	311,552	289,986
Euro Dollar Bond ($10,500,000)	6.875%	31-May-07	01-Jun-17	30-May-16	10 Years	1,054,374	984,520
Euro Dollar Bond ($5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-16	10 Years	488,451	447,995
Euro Dollar Bond ($4,457,000)	7.125%	01-Oct-10	31-Mar-16	30-Mar-16	5.5 Years	462,527	429,422
						4,906,147	4,570,147

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
9.3 Particulars of provision			
Opening balance		977,183	1,585,458
Charge for the year		1,820,557	175,339
Reversals		(8,069)	(677,726)
Net charge		1,812,488	(502,387)
Reversal on disposal of shares		(11,950)	(105,888)
Closing balance	9.3.1	2,777,721	977,183
9.3.1 Particulars of provision in respect of type and segment			
By type:			
Available-for-sale securities			
Ordinary shares / certificates of listed companies		2,289,386	389,481
Ordinary shares of unlisted companies		92,671	79,685
Preference shares		25,000	136,855
Sukuk Bonds		11,785	7,241
		2,418,842	613,262
Held-to-maturity securities			
TFCs, Debentures, Bonds and PTCs		358,879	363,921
		2,777,721	977,183
By Segment:			
Fully Paid up Ordinary Shares:			
- Listed companies		2,289,386	389,481
- Unlisted companies		92,671	79,685
- Preference Shares		25,000	136,855
		2,407,057	606,021
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Bonds		211,785	207,241
Term Finance Certificates		158,879	163,921
		370,664	371,162
		2,777,721	977,183

9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificates	2015 No. of shares / certificates	2015 Total Cost	2014 No. of shares / certificates	2014 Total Cost
	Rupees		Rupees in '000		Rupees in '000
Available-for-Sale					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	419.20	1,338,450	561,076	1,338,450	561,076
Dolmen City REIT	11.00	41,441,000	455,851	–	–
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	62,700,000	1,528,975
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	15,481,600	1,604,159
First Dawood Investment Bank Limited	8.43	10,362,554	87,405	–	–
Habib Bank Limited	168.01	6,622,992	1,112,707	–	–
Hub Power Company Limited - related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Co. Limited - related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Pakistan Oil field Limited	404.83	9,106,350	3,686,501	9,106,350	3,686,501
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	324.51	1,486,500	482,384	1,486,500	482,384
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	6,677,717	90,436
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	13,889,000	250,002
Trust Investment Bank Limited	10.00	2,500,000	25,000	1,250,000	12,500
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			21,757,045		20,088,582

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, 2015 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	0.70	10	5,000	30-Jun-14	Mr. Arif Ali Khan Abbasi
Atlas Power Limited - related party	7.49%	35,500,000	16.62	10	355,000	30-Jun-15	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	1.82%	14,833,333	5.88	10	148,333	31-Dec-14	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	36.25	10	40,300	30-Jun-14	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	3.10%	7,734,926	8.87	10	21,200	31-Dec-14	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.38%	5,803,275	211.93	£1.00	990,367	31-Dec-14	Mr. Abbas Hasan
Islamabad Stock Exchange*	0.83%	3,034,603	11.10	10	30,346	30-Jun-15	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.63	10	8,440	30-Jun-14	Mr. Aftab Ahmad Chaudary
National Institutional Facilitation Technologies							
(Pvt) Limited (NIFT) - related party	9.07%	2,266,609	44.70	10	1,527	30-Jun-14	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	78,747,541	10.24	10	787,475	30-Jun-14	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services							
Corporation Limited (PASSCO) - related party	3.33%	1,000	–	10	1,000	31-Mar-13	Capt (R) Tariq Masud
Security General Insurance Company Limited	18.22%	12,401,871	124.81	10	1,075,653	31-Dec-14	Ms. Nabiha Shahnawaz
SME Bank Limited	0.32%	774,351	2.88	10	5,250	31-Dec-14	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank							
Financial Telecommunication	0.01%	10	338,336	€125	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
Eastern Capital Limited	–	500,000	–	–	5,000		Under liquidation
					3,476,661		
ABL Assets Management Company-							
subsidiary	100.00%	50,000,000	27.37	10	500,000	31-Dec-15	Mr. Farid Ahmed Khan
					3,976,661		

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

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2015	No. of Units 2014	Paid-up value per Certificate	Total Cost 2015	Total Cost 2014
			Rupees	Rupees in '000	
ABL Cash Fund - related party	–	24,599,871	10	–	223,299
ABL Stock Fund - related party	–	10,000,000	10	–	100,000
HBL Islamic Stock Fund	–	579,833	100	–	100,000
ABL Islamic Stock Fund - related party	11,206,388	11,206,388	10	135,000	135,000
UBL Al Ameen Shariah Stock Fund	1,483,838	1,483,838	100	150,000	150,000
				285,000	708,299

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, 2015	Name of Chief Executive/ Managing Agent
				Rupees	Rupees in '000		
Trust Investment Bank Limited	9.7.1	30.96%	2,500,000	10	25,000	25,000	Mr. Ahsan Rafique
						25,000	

9.7.1 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 2015	No. of Units 2014	Paid-up value per Certificate	Total Cost 2015	Total Cost 2014
			Rupees	Rupees in '000	
Listed					
Habib Bank Limited	15,000	–	100,000	1,500,000	–
Bank Alfalah Limited TFC V	64,618	64,618	5,000	322,767	322,896
JS TFC II	37,500	37,500	5,000	161,719	180,469
Jahangir Siddiqi & Company Limited	30,000	30,000	5,000	37,500	75,000
Azgard Nine Limited	–	1,300	5,000	–	1,573
NIB Bank TFC II	76,800	76,800	5,000	383,770	383,923
Telecard Limited	75,888	75,888	5,000	118,106	125,221
				2,523,862	1,089,082
Unlisted					
Askari Bank Limited TFC II	–	20,000	5,000	–	99,780
(Chief Executive: Mr. Syed M. Husaini)					
Faysal Bank Limited	70,000	70,000	5,000	349,300	349,440
(Chief Executive: Mr. Nauman Ansari)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	30,274
(Chief Executive: Mr. Ishtiaq Ahmed)					
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	454
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	10,044	10,999
Bank Al-Habib TFC IV	90,000	90,000	5,000	449,190	449,370
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank TFC III	75,000	75,000	5,000	375,000	375,000
(Chief Executive: Mr. Shazad Dada)					
Askari Bank Limited TFC V	120,000	120,000	5,000	599,760	600,000
(Chief Executive: Mr. Syed M. Husaini)					
Total				1,814,022	1,915,317

9.9 Detail of Investment in Sukuk Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2015	Cost 2014
						Rupees in '000	
Sukuk Bonds							
Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	17-Mar-21	01-Jan-16	Quarterly	1,728,757	1,982,816
Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Jan-16	Quarterly	193,237	221,497
Quetta Textile Mills Limited	6 MK+1.75%	26-Sep-08	25-Sep-19	25-Mar-16	Quarterly	23,569	28,966
Shahraj Fabrics (Pvt.) Limited	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-13	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.70%	03-Dec-07	03-Dec-18	03-Mar-16	Quarterly	1,069,846	1,727,783
						3,215,409	4,161,062

9.10 Quality of Available-for-Sale Securities

Name of Security	2015 Market value / Book Value	2015 Rating	2014 Market value / Book Value	2014 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	138,608,982	Un Rated	113,003,550	Un Rated
Pakistan Investment Bonds	161,522,543	Un Rated	75,283,629	Un Rated
Listed TFCs				
Azgard Nine Limited	–	–	1,479	D
Habib Bank Limited	1,500,000	AA	–	–
NIB Bank TFC II	379,932	A+	378,971	A+
Bank Alfalah Limited - TFC V	328,657	AA-	321,140	AA-
JS TFC II	161,861	AA+	180,469	AA+
Jahangir Siddiqi & Company Limited	36,676	AA+	75,000	AA+
Unlisted TFCs				
Faysal Bank Limited	349,300	AA-	353,807	AA-
Askari Bank Limited TFC II	–	–	99,780	AA-
Bank Al-Habib Limited TFC IV	449,190	AA	449,370	AA
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited TFC V	599,760	AA-	600,000	AA
Shares Unlisted				
Arabian Sea Country Club Limited* - related party	5,000	**	5,000	**
Atlas Power Limited* - related party	355,000	AA-&A1+	355,000	A+&A1
Burj Bank Limited	148,333	A-&A2	148,333	A&A1
Central Depository Company	40,300	**	40,300	**
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	BBB+&A2	21,200	BBB+&A2
Habib Allied Holding Limited* - related party	990,367	**	449,628	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,440	**	8,440	**
NIFT* - related party	1,527	**	1,527	**
Nishat Hotels and Properties Limited*	531,546	A-&A2	531,546	A-&A2
Nishat Hotels and Properties Limited	255,930	A-&A2	–	–
PASSCO* - related party	1,000	**	1,000	**
Security General Insurance Company Limited	1,075,653	AA-	1,075,653	A1
SME Bank Limited*	5,250	BB&B	5,250	BBB-&A3
SWIFT	1,770	**	1,770	**

Name of Security	2015 Market value / Book Value	2015 Rating	2014 Market value / Book Value	2014 Rating
	Rupees '000		Rupees '000	
Shares / Certificates Listed				
Agritech Limited	130,543	D	108,204	D
Attock Petroleum Limited	676,078	**	722,201	**
Dolmen City REIT	444,662	RR1	–	–
Fatima Fertilizer Company Limited	2,804,571	AA-&A1	2,242,779	AA-&A1+
Fauji Fertilizer Company Limited	1,826,519	**	1,813,050	**
First Dawood Investment Bank	13,782	**	–	–
Habib Bank Limited	1,325,393	AAA&A1+	–	–
Hub Power Company Limited* - related party	6,248,340	AA+&A1+	4,772,124	AA+&A1+
Hub Power Company Limited - related party	5,242,860	AA+&A1+	4,004,196	AA+&A1+
Kot Addu Power Co. Limited.* - related party	7,128,000	AAA&A1+	6,946,720	AAA&A1+
Nishat Chunian Power Limited*	1,651,500	A-&A2	1,486,500	A&A2
Nishat Power Limited*	1,610,400	A+&A1	1,368,000	A+&A1
Pakistan Oilfield Limited*	945,843	**	1,338,761	**
Pakistan Oilfield Limited	1,494,841	**	2,115,823	**
Pakistan Petroleum Limited*	1,164,837	**	1,688,015	**
Pakistan State Oil Company Limited	484,257	AA+&A1+	532,033	AA+&A1+
PICIC Growth Mutual Fund	150,449	**	164,606	**
Pioneer Cement Limited	9,702	**	9,142	**
Saif Power Limited	454,865	A+&A1	512,782	A+&A1
United Bank Limited	939,741	AA+&A1+	1,071,711	AA+&A1+
Trust Investment Bank Limited	3,100	**	1,688	**
Preference Shares				
Trust Investment Bank Limited	25,000	**	37,500	**
First Dawood Investment Bank Limited	–	–	99,355	**
Investment in Mutual Funds				
ABL AMC Islamic Stock Fund - related party	140,813	MFR 4- Star	129,434	A(f)
ABL Cash Fund - related party	–	–	257,315	AA(f)
ABL Stock Fund - related party	–	–	130,200	MFR 5-Star
AL Ameen Shariah Stock Fund	173,594	MFR 3- Star	165,047	AAA(f)
HBL Islamic Stock Fund	-	-	80,208	AA(f)
Sukuk Bonds				
Liberty Power Tech Limited I	1,728,757	A+	1,982,816	AA+&A1+
Liberty Power Tech Limited II	193,237	A+	221,497	AA+&A1+
Quetta Textile Mills Limited	23,569	**	28,966	**
Maple Leaf Cement Factory Limited	1,069,846	A	1,727,783	A

* Strategic Investments of the Bank

** Ratings are not available

	December 31, 2015	December 31, 2014
	Rupees in '000	
9.11 Unrealized (loss) / gain on revaluation of investments classified as held for trading		
Market Treasury Bills	–	(249)
Pakistan Investment Bonds	–	170,865
	–	170,616

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.	**ADVANCES**			
	Loans, cash credits, running finances, etc.			
	In Pakistan		324,565,262	313,356,931
	Outside Pakistan		9,290,527	5,024,155
			333,855,789	318,381,086
	Islamic financing and related assets	A-III.2	139,983	–
	Net investment in finance lease - in Pakistan	10.2	2,072,857	2,041,392
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		1,355,182	1,963,256
	Payable outside Pakistan		3,345,595	3,439,232
			4,700,777	5,402,488
	Advances - gross		340,769,406	325,824,966
	Provision for non-performing advances	10.4	(19,092,777)	(19,694,645)
	General provision	10.4	(71,489)	(115,919)
			(19,164,266)	(19,810,564)
	Advances - net of provision		321,605,140	306,014,402
10.1	**Particulars of advances (Gross)**			
10.1.1	In local currency		303,940,965	309,546,419
	In foreign currencies		36,828,441	16,278,547
			340,769,406	325,824,966
10.1.2	Short term (for up to one year)		187,144,747	157,426,569
	Long term (for over one year)		153,624,659	168,398,397
			340,769,406	325,824,966

10.2 Net investment in Finance Lease

	December 31, 2015				December 31, 2014			
	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	614,849	1,084,489	128,694	1,828,032	674,979	1,031,494	116,946	1,823,419
Residual value	78,949	291,376	159,881	530,206	73,494	294,534	144,708	512,736
Minimum lease payments	693,798	1,375,865	288,575	2,358,238	748,473	1,326,028	261,654	2,336,155
Financial charges for future periods	(60,328)	(95,708)	(129,345)	(285,381)	(76,634)	(92,422)	(125,707)	(294,763)
Present value of minimum lease payments	633,470	1,280,157	159,230	2,072,857	671,839	1,233,606	135,947	2,041,392

10.3 Advances include Rs. 21,903.729 million (2014: Rs. 22,921.542 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	152,314	–	152,314	4,496	–	4,496	4,496	–	4,496
Substandard	1,459,082	–	1,459,082	362,376	–	362,376	362,376	–	362,376
Doubtful	586,044	–	586,044	293,022	–	293,022	293,022	–	293,022
Loss	19,706,289	–	19,706,289	18,432,883	–	18,432,883	18,432,883	–	18,432,883
	21,903,729	–	21,903,729	19,092,777	–	19,092,777	19,092,777	–	19,092,777

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

10.3.1 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

10.3.2 The Bank has participated in a Syndicated long term loan facility granted to Northern Power Generation Company Limited, valuing Rs. 5,339 million, which is secured against a government guarantee. The subject facility has not been classified pursuant to its restructuring at the syndicate level. In this regard, State Bank of Pakistan has also allowed relaxation vide Letter No. BPRD/ BRD-Policy/ 2015-22984 dated October 19, 2015, which is valid upto June 30, 2016.

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2015			December 31, 2014		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
	Charge for the year		1,612,696	–	1,612,696	3,554,105	–	3,554,105
	Reversals		(1,856,386)	(44,430)	(1,900,816)	(1,426,143)	(16,268)	(1,442,411)
	Charged to profit and loss account		(243,690)	(44,430)	(288,120)	2,127,962	(16,268)	2,111,694
	Amounts written off	10.5.1	(358,178)	–	(358,178)	(675,682)	–	(675,682)
	Closing balance		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
10.4.1	In local currency		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
	In foreign currencies		–	–	–	–	–	–
			19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		358,178	675,682
	Directly charged to Profit and Loss account		–	–
			358,178	675,682
10.5.2	Write Offs of Rs. 500,000 and above	10.6	358,178	675,641
	Write Offs of below Rs. 500,000		–	41
			358,178	675,682

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, 2015 is given in Annexure "I". However, these write-offs do not affect the Bank's right to recover debts from these customers.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.7	**Particulars of loans and advances to directors, related parties, etc.**			
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
	Balance at beginning of the year		6,802,974	6,367,039
	Loans granted during the year		2,026,159	2,256,997
	Repayments		(1,825,138)	(1,821,062)
	Balance at end of the year		7,003,995	6,802,974
	Details of loans and advances to associates, subsidiary and other related parties are given in note 41.			
11.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	11.1	2,345,600	2,076,027
	Property and equipment	11.2	25,716,725	24,209,331
	Intangible assets	11.3	787,252	965,124
			28,849,577	27,250,482
11.1	**Capital work-in-progress**			
	Civil works		1,641,015	1,307,574
	Equipment		523,238	583,060
	Advances to suppliers and contractors		181,347	185,393
			2,345,600	2,076,027

11.2 Property and equipment

Description	Note	Cost / Revaluation: At January 1, 2015	Additions / (Deletions) / Adjustment	Revaluation Surplus	Write–off	At December 31, 2015	Accumulated Depreciation: At January 1, 2015	Charge for the year / (depreciation on deletion) / Exchange and other adjustment	Revaluation deficit / (Surplus)	Write–off	At December 31, 2015	Net book value at December 31, 2015	Annual rate of depreciation %
		Rupees in '000											
Land - Freehold	11.4	9,329,747	1,190,938	–	–	10,485,685	–	–	–	–	–	10,485,685	–
			(35,000)										
Land - Leasehold	11.4	3,219,245	49,167	–	–	3,250,052	–	–	–	–	–	3,250,052	–
			(18,360)										
Buildings - Freehold	11.4	4,983,827	219,320	–	–	5,093,176	442,857	231,359	–	–	643,107	4,450,069	5
			(109,971)					(31,109)					
								–					
Buildings - Leasehold	11.4	2,758,763	167,579	–	–	2,917,601	–	142,204	–	–	142,119	2,775,482	5
			(8,741)					(85)					
								–					
Building improvements		1,737,601	433,972	–	–	2,171,449	1,094,686	241,036	–	–	1,335,598	835,851	20
(rented premises)			(124)					(124)					
								–					
Furniture		1,032,252	172,354	–	–	1,201,410	466,597	116,178	–	–	579,899	621,511	10
and fixtures			(3,196)					(2,882)					
								6					
Electrical, office		7,364,170	1,021,371	–	–	8,323,806	4,506,005	954,656	–	–	5,403,067	2,920,739	14.28 - 50
and computer			(61,735)					(57,611)					
equipments								17					
Vehicles		570,218	201,035	–	–	722,522	276,347	111,355	–	–	345,186	377,336	20
			(48,731)					(42,516)					
								–					
Total		30,995,823	3,455,736	–	–	34,165,701	6,786,492	1,796,788	–	–	8,448,976	25,716,725	
			(285,858)					(134,327)					
								23					

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

* Assets written off against provision held against operating fixed assets as per the directives of State Bank of Pakistan.

11.3 Intangible assets

Description	Cost: At January 1, 2015	Additions / (Deletions)	At December 31, 2015	Accumulated Amortization: At January 1, 2015	Amortization / (Deletions)	At December 31, 2015	Net book value at December 31, 2015	Rate of amortization %
	Rupees in ' 000							
Computer software	1,552,972	51,176	1,550,810	587,848	212,401	763,558	787,252	14.28
		(53,338)*			(36,691)			

*Intangible assets written off against provision held against operating fixed assets as per the directives of State Bank of Pakistan.

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

11.4 Bank arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers {Akbani & Javed , Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. The revalued amounts of properties have been determined on the basis of Fair Value Model. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	8,001,691
- Building	5,446,188

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

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	93,651	37,484
11.7	Restriction / discrepancy in the title of property having a net book value of		47,476	67,151
11.8	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		191,564	165,185
	Electrical, office and computer equipments		2,856,180	2,016,372
	Vehicles		50,170	53,870
	Intangible assets - software		134,454	74,856
	Amount of fully depreciated assets includes depreciation of Rs. 55.48 million of under Rs.10,000 items which are fully depreciated in the month of purchase.			
11.9	The carrying amount of property and equipment that have retired from active use and are held for disposal		145,684	274,738

11.10 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".

11.11 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".

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
12. DEFERRED TAX (LIABILITY) / ASSET - NET			
Deferred debits arising in respect of:			
Provision against:			
Investments		19,093	19,093
Other assets		38,959	38,959
Off balance sheet obligations		14,824	14,824
Advances		149,497	1,025,312
Post retirement medical benefits		42,980	42,980
Worker's welfare fund		747,457	568,933
		1,012,810	1,710,101
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(622,777)	(665,889)
Surplus on revaluation of investments		(7,752,326)	(2,480,539)
Actuarial gains		(458,519)	(1,020,658)
Accelerated tax depreciation / amortization		(1,073,439)	(1,152,460)
Excess of investment in finance lease over written down value of leased assets		(13,206)	(13,206)
		(9,920,267)	(5,332,752)
	12.1	(8,907,457)	(3,622,651)

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2014	Recognised in Profit and Loss Account	Recognised in comp. inc / sur. on ravl. of assets	Balance as at December 31, 2014	Recognised in Profit and Loss Account	Recognised in comp. inc / sur. on ravl. of assets	Balance as at December 31, 2015
	(Rupees in '000)						
Deferred debits arising in respect of:							
Provision against:							
Investments	19,093	–	–	19,093	–	–	19,093
Other assets	38,959	–	–	38,959	–	–	38,959
Off balance sheet obligations	14,824	–	–	14,824	–	–	14,824
Advances	1,058,233	(32,921)	–	1,025,312	(875,815)	–	149,497
Post retirement medical benefits	42,980	–	–	42,980	–	–	42,980
Worker's welfare fund	409,668	159,265	–	568,933	178,524	–	747,457
	1,583,757	126,344	–	1,710,101	(697,291)	–	1,012,810
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(262,486)	14,004	(417,407)	(665,889)	43,112	–	(622,777)
Surplus on revaluation of investments	(889,702)	–	(1,590,837)	(2,480,539)	–	(5,271,787)	(7,752,326)
Actuarial gains	(988,202)	–	(32,456)	(1,020,658)	–	562,139	(458,519)
Accelerated tax depreciation / amortization	(1,238,566)	86,106	–	(1,152,460)	79,021	–	(1,073,439)
Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)	–	–	(13,206)
	(3,392,162)	100,110	(2,040,700)	(5,332,752)	122,133	(4,709,648)	(9,920,267)
Deferred Tax (Liability) / Asset - Net	(1,808,405)	226,454	(2,040,700)	(3,622,651)	(575,158)	(4,709,648)	(8,907,457)

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 simplifies the taxation of banking companies and is applicable from the tax year 2009 (financial year ended on December 31, 2008).

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
13. OTHER ASSETS			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		22,858,068	21,619,570
- in foreign currencies		181,788	515,532
Advances, deposits, advance rent and other prepayments		682,914	438,372
Advance taxation (payments less provisions)		2,386,212	6,454,342
Stationery and stamps on hand		207,893	186,402
Due from the employees' retirement benefit schemes			
- Benevolent Fund	36.4	96,406	93,496
- Pension Fund	36.4	3,799,170	4,374,701
- Gratuity Fund	36.4	–	2,369
Receivable from SBP - customers encashments		34,845	58,417
ATM / POS settlement account		645,740	633,819
Non banking assets acquired in satisfaction of claims	13.1	2,432,388	2,282,689
Suspense account		686,480	678,274
Excise duty		11	11
Others		141,816	101,608
		34,153,731	37,439,602
Less: Provision held against other assets	13.2	(1,437,688)	(1,384,623)
Other assets (net of provision)		32,716,043	36,054,979
13.1 Market value of non banking assets acquired in satisfaction of claims		3,082,992	2,874,380

13.2 Provision against Other Assets:

	December 31, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	1,243,274	141,349	1,384,623	1,294,696	92,112	1,386,808
Charge for the year	17,350	48,000	65,350	6,512	52,000	58,512
Reversals	(2,108)	–	(2,108)	(23,696)	–	(23,696)
Net charge	15,242	48,000	63,242	(17,184)	52,000	34,816
Reversal on transfer to Non Banking Assets	–	–	–	(34,031)	–	(34,031)
Written off / adjusted	(7,686)	(2,491)	(10,177)	(207)	(2,763)	(2,970)
Closing balance	1,250,830	186,858	1,437,688	1,243,274	141,349	1,384,623

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2015 and December 31, 2014.

	December 31, 2015	December 31, 2014
	Rupees in '000	
15. BILLS PAYABLE		
In Pakistan	4,942,189	4,831,801

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
16.	**BORROWINGS**			
	In Pakistan		121,660,024	55,276,579
	Outside Pakistan		16,299,794	10,819,893
			137,959,818	66,096,472
16.1	**Particulars of borrowings with respect to currencies**			
	In local currency		121,660,024	54,956,812
	In foreign currencies		16,299,794	11,139,660
			137,959,818	66,096,472
16.2	**Details of borrowings (Secured / Unsecured)**			
	Secured			
	Borrowings from State Bank of Pakistan			
	Under export refinance scheme	16.3	10,114,230	12,190,540
	Long term financing facility - Export oriented projects	16.4	20,530	179,120
	Long term financing facility	16.5	5,445,140	5,993,860
	Modernization of SMEs	16.6	560	2,780
	Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	30,400	44,360
			15,610,860	18,410,660
	Repurchase agreement borrowings	16.8	99,542,397	31,581,822
	Unsecured			
	Call borrowings	16.9	22,675,643	15,907,040
	Overdrawn nostro accounts		101,868	148,625
	Other borrowings		29,050	48,325
			22,806,561	16,103,990
			137,959,818	66,096,472

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 borrowing carries mark-up at the rate of 4.5% (2014: 7.5%) 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 borrowing repayments to SBP correspond the respective repayment from customers. The borrowing carries mark-up at the rate of 6% (2014: 5%) per annum.

16.5 These borrowings had been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The borrowing carries mark-up at 3% to 4.5% (2014: 6% to 7.50%) per annum.

16.6 These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported/local plant & machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import/local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The borrowing carries mark-up at the rate of 3.00% to 3.50% (2014: 6.25%) per annum.

16.7 These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 7 years. The mark-up rates on these facilities are ranging from 2.50% to 3.50% (2014: 5.50% to 6.50%) per annum.

16.8 These represent funds borrowed from the SBP and local interbank market against government securities, carrying mark-up at the rate of 5.50% to 6.50% (2014: 9.50%) per annum maturing on various dates, latest by May 20, 2016.

16.9 These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 5.75% to 6.40% (2014: 9.05% to 9.50%) per annum for local currency borrowing, and at rates ranging from 1.15% to 3.53% (2014: 0.75% to 3.50%) per annum for foreign currency borrowing. These borrowings are maturing on various dates, latest by June 27, 2016.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Fixed deposits		195,785,765	169,396,519
	Savings deposits		196,673,748	170,309,462
	Current accounts - remunerative		88,514,515	104,880,803
	- non - remunerative		219,778,464	204,081,527
			700,752,492	648,668,311
	Financial Institutions			
	Remunerative deposits		30,912,849	17,508,613
	Non - remunerative deposits		2,930,825	1,700,691
			734,596,166	667,877,615
17.1	**Particulars of deposits**			
	In local currency		676,637,082	606,741,363
	In foreign currencies		57,959,084	61,136,252
			734,596,166	667,877,615
18.	**SUB-ORDINATED LOANS**			
	Term Finance Certificates - II	18.1	–	2,994,000
			–	2,994,000

18.1 TFCs were redeemed by exercising call option on August 28, 2015.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
19.	**OTHER LIABILITIES**			
	Mark-up / return / interest payable in local currency		2,834,222	4,087,890
	Mark-up / return / interest payable in foreign currency		140,321	238,842
	Accrued expenses		1,970,563	2,517,018
	Branch adjustment account		226,573	119,866
	Unrealized loss on forward foreign exchange contracts		12,874	710,905
	Provision for:			
	- gratuity	36.4	561,455	–
	- employees' medical benefits	36.4	1,217,945	970,059
	- employees' compensated absences	36.4	761,498	755,785
	Unclaimed dividends		185,143	148,369
	Dividend payable		20,256	18,063
	Provision against off-balance sheet obligations	19.1	571,231	509,735
	Retention money payable		152,700	102,831
	Security deposits		534,342	514,737
	Sundry deposits		1,983,883	1,363,307
	Workers welfare fund payable		2,150,909	1,641,327
	Others		2,679,510	2,257,529
			16,003,425	15,956,263

		December 31, 2015	December 31, 2014
		Rupees in '000	
19.1	**Provision against off-balance sheet obligations**		
	Opening balance	509,735	899,444
	Charge for the year	91,919	7,389
	Reversals	(30,423)	(397,098)
	Net charge	61,496	(389,709)
	Closing balance	571,231	509,735

The above provision includes provisions made against letters of guarantee issued by the Bank.

		December 31, 2015	December 31, 2014
19.2	**Particulars of other liabilities**		
	In local currency	15,743,102	15,717,421
	In foreign currencies	260,323	238,842
		16,003,425	15,956,263

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
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, 2015	December 31, 2014	Ordinary shares	December 31, 2015	December 31, 2014
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
		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)		
9,148,550	9,148,550		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		
8,400,000	8,400,000	in accordance with the share swap ratio stipulated therein.	84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Fibers Limited, related party of the Bank, holds 194,041,916 (16.95%) [2014: 194,041,916 (16.95%)] ordinary shares of Rs.10 each, as at reporting date.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
21.	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**			
	Surplus arising on revaluation of:			
	- operating fixed assets	21.1	6,890,632	6,998,313
	- securities	21.2	14,397,178	11,838,227
	Surplus on revaluation of assets - net of tax		21,287,810	18,836,540

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
21.1	**Surplus on revaluation of operating fixed assets**			
	Surplus on revaluation as at January 1, 2015		7,664,202	3,734,323
	Surplus on revaluation during the year		–	4,003,263
	Surplus realised on disposal of revalued properties		(57,142)	(35,900)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(60,873)	(23,480)
	Related deferred tax liability		(32,778)	(14,004)
		11.6	(93,651)	(37,484)
	Surplus on revaluation as at December 31, 2015		7,513,409	7,664,202
	Less: Related deferred tax liability on :			
	Revaluation surplus as at January 1, 2015		(665,889)	(262,486)
	Deferred tax liability on revaluation surplus of operating fixed assets		–	(417,407)
	Deferred tax on Surplus on disposal of revalued buildings	12.1	10,334	–
	Incremental depreciation charged during the year transferred to profit and loss account	12.1	32,778	14,004
			(622,777)	(665,889)
			6,890,632	6,998,313
21.2	**Surplus / (deficit) on revaluation of available-for-sale securities**			
	Federal Government Securities			
	Market Treasury Bills		78,008	157,012
	Pakistan Investment Bonds		6,812,917	2,912,738
	Term Finance Certificates		1,371	(2,435)
	Sukuk Bonds		(54,824)	–
	Shares / Certificates - Listed		15,282,624	11,197,546
	Open ended mutual funds		29,408	53,905
		9.1	22,149,504	14,318,766
	Less : related deferred tax (liability)	12.1	(7,752,326)	(2,480,539)
			14,397,178	11,838,227
22.	**CONTINGENCIES AND COMMITMENTS**			
22.1	**Direct credit substitutes**			
	Guarantees in favor of:			
	Banks and financial institutions		10,136,906	11,283,919
22.2	**Transaction-related contingent liabilities**			
	Guarantees in favor of:			
	Government		337,994	523,334
	Others		18,936,699	24,829,746
			19,274,693	25,353,080
22.3	**Trade-related contingent liabilities**		63,258,242	59,779,998
22.4	**Claims against the bank not acknowledged as debt**		4,538,697	5,674,919

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, 2015	December 31, 2014
		Rupees in '000	
22.6	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	64,741,951	65,524,611
	Sale	51,664,798	26,343,223
22.7	**Commitments in respect of forwards**		
	Forward purchase of Federal government securities	–	200,000
	Forward sale of Federal government securities	3,000,000	750,000
22.8	**Commitments in respect of:**		
	Civil works	909,419	663,398
	Acquisition of operating fixed assets	1,078,477	758,854
		1,987,896	1,422,252
22.9	**Commitments in respect of operating lease**	4,126,800	4,796,216

22.10 Other Contingencies

22.10.1 The income tax assessments of the Bank have been finalized upto and including tax year 2015 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2014, income tax authorities made certain add backs with aggregate tax impact of Rs. 20,572 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. 20,572 million. The management is confident that the outcome of these appeals / references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161 / 205 of Income Tax Ordinance, 2001 for tax year 2003, 2004, 2005, 2006 and tax year 2008 to 2014 and created an arbitrary demand of Rs. 1,290 million. The Bank's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) 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. 1,290 million.

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 / Sindh Sales Tax on Services Act, 2011 for the year 2008, 2009, 2010, 2011 to 2014 thereby creating arbitrary aggregate demand of Rs. 633 million. The Bank's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 633 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 Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury Group buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favourably, 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 opposite 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 script at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio, in both “held-for-trading” and “available-for-sale”, against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 5.16.2. The risk management framework of derivative instruments is given in note 43.

	December 31, 2015	December 31, 2014
	Rupees in ‘000	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances:		
Customers	24,957,086	30,044,307
On investments in:		
Available-for-sale securities	23,749,747	19,925,295
Held-to-maturity securities	22,398,526	16,009,049
Held-for-Trading	600,978	84,839
	46,749,251	36,019,183
On deposits with financial institutions	4,212	8,709
On securities purchased under resale agreements	361,750	890,003
On certificates of investment	5,393	–
On call money lending	38,538	39,295
	72,116,230	67,001,497

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
25.	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		25,857,592	30,586,721
	Long term borrowing		380,089	397,041
	Securities sold under repurchase agreements		6,387,054	2,880,158
	Call money borrowing		944,757	1,516,952
	Brokerage and commission		151,971	141,789
	Mark-up on sub-ordinated loans		203,896	427,924
	Other short term borrowings		2,051,381	2,864,757
			35,976,740	38,815,342
26.	FEE, COMMISSION AND BROKERAGE INCOME			
	Core fees, commission and brokerage		3,452,295	3,190,097
	Account maintenance charges		118,103	111,091
			3,570,398	3,301,188
27.	GAIN / (LOSS) ON SALE OF SECURITIES			
	Shares - Listed		2,709	3,307,595
	Open Ended Mutual Funds		61,772	792,699
	Market Treasury Bills		58,520	41,990
	Pakistan Investment Bonds		709,796	24,813
	Sukuk Bonds		417	–
			833,214	4,167,097
28.	OTHER INCOME			
	Gain on sale of operating fixed assets		24,897	67,331
	Profit on sale of other assets		1,658	5,025
	Recovery from written off loans / others		128,372	107,125
	Rent Received on Bank's Property		10,506	40,971
	Compensation on delayed tax refund	28.1	820,248	907,380
			985,681	1,127,832

28.1 Other income includes compensation on delayed refunds amounting to Rs. 820.248 million (2014: Rs. 907.380 million) under section 171 of the Income Tax Ordinance 2001 pertaining to assessment year 2007, 2011 to 2013 (2014: Assessment year 1997-98, 1999-00, 2000-01 and Tax year 2003 to 2007 & 2009 to 2011). This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	29.3	9,693,235	9,285,737
Charge for defined benefit plan - net	29.3 & 36	(3,852)	20,103
Contribution to defined contribution plan - provident fund		256,694	257,576
Non-executive directors' fees, allowances and other expenses		9,900	7,000
Rent, taxes, insurance, electricity, etc.		2,113,290	2,057,386
Legal and professional charges		95,657	72,616
Communications		360,477	349,342
Repairs and maintenance		517,696	447,531
Stationery and printing		215,028	228,881
Advertisement and publicity		350,000	233,005
Auditors' remuneration	29.1	15,735	13,694
Depreciation / Amortization	11.2 & 11.3	2,009,189	1,865,518
Depreciation - Islamic financing and related Assets		1,701	–
Security service charges		1,010,206	794,716
Travelling, conveyance and fuel expenses		185,142	160,765
Entertainment		169,250	122,840
Computer expenses		885,636	797,820
Subscription		124,348	105,695
Donations	29.2	139,154	75,900
Others		26,594	65,525
		18,175,080	16,961,650

29.1 Auditors' remuneration

	December 31, 2015			December 31, 2014		
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	Rupees in '000					
Annual audit	5,850	–	5,850	–	5,850	5,850
Annual audit oversees business unit*	1,216	–	1,216	–	1,194	1,194
Half year review	2,360	–	2,360	–	2,360	2,360
Special certifications and miscellaneous services	4,859	–	4,859	–	3,340	3,340
Out-of-pocket expenses	1,450	–	1,450	–	950	950
	15,735	–	15,735	–	13,694	13,694

* This includes audit fee amounting to Bahraini Dinar 4,250 (2014: 4,250) relating to Wholesale Bahrain Branch.

29.2 None of the directors, executives and their spouses had any interest in the donees, except Chairman of the Bank is on Board of Governors of Karachi Education Initiative (Sponsoring entity of KSBL), National Management Foundation (Sponsoring entity of LUMS), Industry Co-Chair Banking Sector of NUST Corporate Advisory Council and Senior Fellow of NUST Global Think Tank Network. Dr. Akram Sheikh (Independent Director) is Professor Emeritus in NUST, Co-Chair of NUST Corporate Advisory Council and Global Think Tank Network.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
Acumen Fund Pakistan		–	10,000
Al Mawrid		500	–
Al-Mustafa Trust		–	1,000
Chief Minister Fund For IDPS'		–	10,000
Bakhtawar Amin Memorial Trust Hospital		4,000	2,000
Benazir Shaheed Anf Matrec Fund		2,500	–
Construction of Houses at Flood Effected Areas		–	4,098
DHQ Teaching Hospital Sargodha		1,000	–
Falah Foundation - Chakwal		–	100
Fatimid Foundation		196	–
Friends of Punjab Institute of Cardiology		10,000	–
Karachi School of Business And Leadership		25,000	25,000
Khushal Khan Khattak University		–	500
Lahore Businessmen Association For Rehabilitation of The Disabled		500	–
Liver Foundation Trust		1,000	–
Marie Adelaide Leprosy Center		–	850
Markaz-e-Umeed		450	–
Namal Education Foundation		30,000	10,000
National University of Science and Technology		10,000	1,000
National Management Foundation (LUMS)		30,000	–
Nishtar Hospital Multan		200	800
Progressive Education Network		1,000	1,000
Solar Pumps for People of Tharparkar (Schneider Electric)		13,380	1,552
SOS Children'S Villages of Pakistan		–	500
Sundas Foundation		500	1,500
Shaukat Khanum Memorial Cancer Hospital & Research Centre		1,500	–
Tamir Welfare Organization		2,000	1,000
Tehzeeb Social Welfare Organization		–	200
Zubair Ibrahim Siddiqui (Student)		500	–
Anjuman Himayat-i-Islam	29.2.1	4,928	4,800
		139,154	75,900

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. One hundred and three (103) employees (2014: 100) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 313 million (2014: Rs. 246.6 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2015	December 31, 2014
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	39,517	30,898
Penalties imposed by other regulatory authorities	170	146
Education cess	16,920	16,564
Other assets written off	387	1,436
	56,994	49,044

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, 2015	December 31, 2014
			Rupees in '000	
32.	**TAXATION**			
	Current - for the year		8,347,670	7,413,119
	- for prior years	32.1	1,460,245	–
			9,807,915	7,413,119
	Deferred - current		575,158	(226,454)
	- for prior years		–	–
			10,383,073	7,186,665

32.1 The amount represents one time super tax levied on taxable income of the bank and impact of retrospective change in tax rate on capital gain and dividend income, promolugated through Finance Act, 2015, effective from Tax Year 2015.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
32.2	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		25,503,380	22,201,757
	Tax on income @ 35% (2014: 35%)		8,926,183	7,770,615
	Effect of permanent differences		(1,660)	5,171
	Adjustments in respect of tax at reduced rates		–	(1,120,110)
	Prior year charge		1,460,245	–
	Others		(1,695)	530,989
	Tax charge for the year		10,383,073	7,186,665
33.	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation		15,120,307	15,015,092
			Number of Shares	
	Weighted average number of ordinary shares outstanding during the year		1,145,073,830	1,145,073,830
			Rupees	
	Earnings per share - basic and diluted		13.20	13.11

There is no dilution effect on basic earnings per share.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	6	56,711,573	41,254,975
	Balances with other banks	7	4,077,598	873,494
	Overdrawn nostro accounts	16.2	(101,868)	(148,625)
			60,687,303	41,979,844
35.	**STAFF STRENGTH**		Number	
	Permanent		9,792	9,654
	Temporary / on contractual basis / trainee		203	250
	Bank's own staff strength at the end of the year		9,995	9,904
	Outsourced	35.1	249	217
	Total staff strength		10,244	10,121
	Average number of employees		10,183	10,167

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.

36.2 Number of Employees under the schemes

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

	December 31, 2015	December 31, 2014
	Numbers	
- Gratuity fund	9,994	9,996
- Pension fund	3,248	6,075
- Benevolent fund	113	136
- Employees' compensated absences	9,795	9,735
- Post retirement medical benefits	9,795	9,735

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2015 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2015	December 31, 2014
Withdrawal rate:			
Gratuity fund		High	Low
Pension fund		Low	Low
Benevolent fund		High	Moderate
Employees' compensated absences		High	Low
Post retirement medical benefits		High	Low
Mortality rate		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Discount rate	Yield on investments in Government Bonds	9.00%	11.25%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	9.00%	11.25%
Gratuity fund	Yield on investments in Government Bonds	9.00%	11.25%
Benevolent fund	Yield on investments in Government Bonds	9.00%	11.25%
Expected rate of salary increase	Rate of salary increase	7.00%	9.25%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

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

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Present value of defined benefit obligations	36.6	1,971,233	2,043,833	12,355	1,217,945	761,498
Fair value of plan's / scheme's assets	36.7	(5,770,403)	(1,482,378)	(205,166)	–	–
Net (asset) / liability		(3,799,170)	561,455	(192,811)	1,217,945	761,498
Benefit of the surplus not available to the Bank		–	–	96,405	–	–
Net (asset) / liability		(3,799,170)	561,455	(96,406)	1,217,945	761,498

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

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

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Opening balance		(4,374,701)	(2,369)	(93,496)	970,059	755,785
(Reversal) / charge for the year	36.9	(431,801)	227,106	(21,037)	135,634	226,388
Other Comprehensive Income		1,007,332	336,718	18,127	243,935	–
Contribution to the fund / benefits paid		–	–	–	(131,683)	(220,675)
Closing balance		(3,799,170)	561,455	(96,406)	1,217,945	761,498

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2014				
		Rupees in '000				
Opening balance		(3,781,464)	48,066	(163,509)	951,480	820,067
(Reversal) / charge for the year	36.9	(431,420)	204,896	(20,439)	144,589	192,529
Other Comprehensive Income		(161,817)	(43,300)	90,452	21,931	–
Contribution to the fund / benefits paid		–	(212,031)	–	(147,941)	(256,811)
Closing balance		(4,374,701)	(2,369)	(93,496)	970,059	755,785

36.6 Reconciliation of present value of defined benefit obligations

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	2,877,345	1,725,573	10,469	970,059	755,785
Current service cost	–	218,049	–	28,613	42,892
Interest cost	246,854	179,694	983	101,724	72,613
Benefits paid	(1,366,171)	(256,589)	(3,473)	(131,683)	(220,675)
VRS loss / Settlement Loss	60,353	9,323	–	5,296	65,171
Actuarial (gains) / losses	152,852	167,783	4,376	243,936	45,712
Closing balance	1,971,233	2,043,833	12,355	1,217,945	761,498

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

36.7 Reconciliation of fair value of plan assets

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	7,252,046	1,727,942	197,461	–	–
Expected return on plan assets	739,008	179,960	22,019	–	–
Bank's contribution	–	–	–	–	–
Benefits paid	(1,366,171)	(256,589)	(3,473)	–	–
Actuarial gains / (losses)	(854,480)	(168,935)	(10,841)	–	–
Closing balance	5,770,403	1,482,378	205,166	–	–

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

36.8 Composition of fair value of plan assets

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Equity securities	36.8.1	3,094,940	574,514	26,134	–	–
Cash and cash equivalents	36.8.1	2,675,463	907,864	179,032	–	–
		5,770,403	1,482,378	205,166	–	–
36.8.1 Fair value of Bank's financial instruments included in plan assets						
Shares of ABL		3,094,940	574,514	26,134	–	–
Term Deposit Receipts		2,409,698	873,644	164,716		
Bank balances with ABL		265,765	34,220	14,316	–	–
		5,770,403	1,482,378	205,166	–	–

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2014				
		Rupees in '000				
Equity securities	36.8.2	3,662,275	692,269	31,490	–	–
Cash and cash equivalents	36.8.2	3,589,771	1,035,673	165,971	–	–
		7,252,046	1,727,942	197,461	–	–
36.8.2 Fair value of Bank's financial instruments included in plan assets						
Shares of ABL		3,662,275	692,269	31,490	–	–
Term Deposit Receipts		3,165,346	888,817	122,390		
Bank balances with ABL		424,425	146,856	43,581	–	–
		7,252,046	1,727,942	197,461	–	–

36.9 Charge for defined benefit plan

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2015				
	Rupees in '000				
Current service cost	–	218,049	–	28,614	42,894
Interest cost	–	–	–	101,724	–
Net interest	(492,154)	(266)	(21,037)	–	72,611
Actuarial (gains) / losses recognised	–	–	–	–	45,712
VRS Loss	60,353	9,323	–	5,296	65,171
	(431,801)	227,106	(21,037)	135,634	226,388

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

36.10 Acturial Gain/(Losses) recognized in Other Comprehensive Income

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Acturial gain / loss on Obligations	(152,852)	(167,783)	4,376	(243,935)	–
Acturial gain / loss on Assets	(854,480)	(168,935)	10,841	–	–
Asset Ceiling Adjustment	–	–	2,910	–	–
Acturial gain / (losses) in comprehensive income	(1,007,332)	(336,718)	18,127	(243,935)	–

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Acturial gain / loss on Obligations	(316,213)	(93,984)	2,203	(21,931)	–
Acturial gain / loss on Assets	478,030	137,284	(5,247)	–	–
Asset Ceiling Adjustment	–	–	93,496	–	–
Acturial gain / (losses) in comprehensive income	161,817	43,300	90,452	(21,931)	–

	December 31, 2015	December 31, 2014
	Rupees in '000	
36.11 Actual return on plan assets		
- Pension fund	(115,472)	1,264,239
- Gratuity fund	11,025	315,461
- Benevolent fund	11,178	26,813

36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	1,971,233	2,877,345	2,810,086	2,873,602	4,239,314
Fair value of plan assets	(5,770,403)	(7,252,046)	(6,591,550)	(5,993,598)	(5,985,286)
Surplus	(3,799,170)	(4,374,701)	(3,781,464)	(3,119,996)	(1,745,972)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(152,852)	(316,213)	(25,739)	1,319,665	122,770
Actuarial gains / (losses) on assets	(854,480)	478,030	340,760	(137,618)	451,777

	Gratuity fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	2,043,833	1,725,573	1,486,417	1,384,215	1,193,848
Fair value of plan assets	(1,482,378)	(1,727,942)	(1,438,351)	(1,082,001)	(918,453)
Deficit / (surplus)	561,455	(2,369)	48,066	302,214	275,395
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(167,783)	(93,984)	92,014	(58,334)	(71,960)
Actuarial gains / (losses) on assets	(168,935)	137,284	155,526	(3,400)	(79,625)

	Benevolent fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	12,355	10,469	10,894	12,992	19,561
Fair value of plan assets	(205,166)	(197,461)	(174,403)	(161,107)	(160,816)
Surplus	(192,811)	(186,992)	(163,509)	(148,115)	(141,255)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(4,376)	(2,203)	(6,973)	(7,777)	1,266
Actuarial gains / (losses) on assets	(10,841)	5,247	4,593	(4,757)	3,053

	Post retirement medical				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	1,217,945	970,059	951,480	1,381,400	1,656,505
Fair value of plan assets	–	–	–	–	–
Deficit	1,217,945	970,059	951,480	1,381,400	1,656,505
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(243,936)	(21,931)	483,192	376,000	238,730

	Leave Encashment				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	761,498	755,785	820,067	1,020,459	962,292
Fair value of plan assets	–	–	–	–	–
Deficit	761,498	755,785	820,067	1,020,459	962,292
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(45,712)	(47,308)	186,066	(39,331)	(42,113)

36.13 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, 2016 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	(341,437)	295,773	(17,353)	135,217	105,804

36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Pension Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	+10% Death Rate	-10% Death Rate
	Rupees in 000'								
Pension fund	1,838,012	2,087,389	–	–	2,045,192	1,971,824	1,970,641	1,963,348	1,979,118
Gratuity fund	1,918,173	2,186,174	2,195,116	1,908,953	–	2,043,833	2,043,833	2,043,833	2,043,833
Benevolent fund	11,622	13,189	–	–	–	–	–	12,300	12,399
Post retirement medical	1,141,979	1,308,981	1,296,868	1,121,241	–	1,217,945	1,217,945	1,217,945	1,217,945
Leave encashment	725,285	801,863	803,076	723,651	–	762,488	760,508	761,422	761,574

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

36.15 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

37. DEFINED CONTRIBUTION PLAN

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

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
37.1	**Employee provident fund**			
	Size of the fund		6,840,459	5,922,796
	Investments made (cost)	37.2	5,864,185	5,208,975
	Percentage of investment made		85.73%	87.95%
	Fair value of investment		6,349,923	5,590,621
37.2	**Breakup of investment**			
	Investment in shares (Listed securities)		1,889,814	1,550,012
	Pakistan investment bonds		3,953,919	3,641,931
	Open ended mutual funds		20,452	17,032
			5,864,185	5,208,975
37.3	**Number of employees - Employees provident fund**		Number	
	Number of employees at the end of the year		8,653	8,782
	Average number of employees during the year		8,728	8,775

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President / Chief Executive*		Non-Executive Directors		Executive Director		Executives	
		2015	2014	2015	2014	2015	2014	2015	2014
		Rupees in '000							
Fees	38.1	–	–	9,900	7,000	–	–	–	–
Managerial remuneration		12,242	11,719	–	–	–	8,509	1,199,773	1,215,517
Charge for defined benefit plans		73	766	–	–	–	556	194,819	210,581
Contribution to defined contribution plan		1,020	976	–	–	–	709	99,941	102,846
Rent and house maintenance		7,322	6,622	–	–	–	4,276	597,658	529,404
Utilities		1,644	1,179	–	–	–	1,540	233,545	229,740
Medical		1,644	1,179	–	–	–	29	249,684	236,907
Bonus		19,000	17,500	–	–	–	14,000	503,041	422,885
Conveyance and others		3,354	3,335	–	–	–	63	613,714	616,705
		46,299	43,276	9,900	7,000	–	29,682	3,692,175	3,564,585
Number of persons	38.2**	1	1	5	4	–	0**	1,290	1,292

*This inculde benefits paid to interim President / CEO for the relevant period.

38.1 This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors, and Board Committees held during the year. This also includes fee of two directors retired from the board during 2015.

During the year, Board of Directors in their meeting held on October 22, 2015 approved an increase in meeting fee from Rs. 100,000 to Rs. 150,000 with immediate effect (including one sponsor director), subject to ratification by the shareholders in upcoming Annual General Meeting of the Bank.

38.2 Executive director retired from his position in June 2014.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in Note 5.5.

The effective rates and maturity and repricing profile are stated in Notes 43.2.4 and 43.3.1 respectively.

The following table shows the fair values of assets in accordance with their levels in the fair value hierarchy. It does not include the fair value information for assets and liabilities not measured at fair value if the carrying amount is the reasonable approximation of the fair value.

39.1 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000							
Investments	37,471,818	306,136,170	7,091,019	350,699,007	32,615,910	197,930,162	6,704,302	237,250,374
Fixed Assets	20,961,288	–	–	20,961,288	19,848,725	–	–	19,848,725

39.1.1 Level 3 Fair value measurements (reconciliation)

	Investments		
	Equity	Debt securities	Total
	Rupees in '000		
Balance as at 1 January 2015	2,600,308	4,103,994	6,704,302
Gain or losses in Profit & Loss	(12,987)	(4,543)	(17,530)
Purchases	796,668	–	796,668
Settlemets	–	(392,422)	(392,422)
Balance as at 31 December 2015	3,383,989	3,707,029	7,091,018

The valuation techniques used for above assets are same as disclosed in note 5.4 & 5.6 of these financial statements.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

2015	Corporate & Investment Banking	Trading & Sales (Treasury)	Retail Banking	Commercial Banking	Others	Eliminations	Total
	Rupees in '000						
Total income	28,125,085	47,517,280	19,308,902	28,546,514	1,139,823	(42,766,236)	81,871,368
Total expenses	(25,374,842)	(37,245,174)	(16,649,050)	(25,339,738)	(4,908,493)	42,766,236	(66,751,061)
Net income / (loss)	2,750,243	10,272,106	2,659,852	3,206,776	(3,768,670)	–	15,120,307
Segment assets (gross)	349,489,547	534,519,724	301,591,958	455,374,045	77,120,606	(702,980,693)	1,015,115,187
Segment non performing loans	5,604,536	–	171,989	1,794,287	14,332,917	–	21,903,729
Segment provision required	3,637,147	–	137,570	1,088,102	14,301,447	–	19,164,266
Segment liabilities	340,228,443	510,302,867	296,464,178	448,938,522	9,455,738	(702,980,693)	902,409,055
Segment return on net assets (ROA) (%)**	8.60%	10.45%	6.73%	7.11%	–	–	–
Segment cost of funds (%)**	7.39%	6.31%	2.88%	4.70%	–	–	–

2014*	Corporate & Investment Banking	Trading & Sales (Treasury)	Retail Banking	Commercial Banking	Others	Eliminations	Total
	Rupees in '000						
Total income	35,366,151	37,053,059	23,413,848	30,608,655	1,127,117	(47,831,579)	79,737,251
Total expenses	(30,246,820)	(34,519,860)	(16,959,057)	(26,608,480)	(4,219,521)	47,831,579	(64,722,159)
Net income / (loss)	5,119,331	2,533,199	6,454,791	4,000,175	(3,092,404)	–	15,015,092
Segment assets (gross)	330,188,727	417,298,961	289,591,721	452,743,339	67,720,565	(693,031,816)	864,511,497
Segment non performing loans	7,495,651	–	498,683	1,960,209	12,966,999	–	22,921,542
Segment provision required	5,553,648	–	343,868	956,616	12,956,432	–	19,810,564
Segment liabilities	360,785,885	404,722,663	279,436,041	401,713,513	7,752,516	(693,031,816)	761,378,802
Segment return on net assets (ROA) (%)**	11.96%	10.77%	9.07%	8.65%	–	–	–
Segment cost of funds (%)**	9.70%	8.88%	4.24%	5.90%	–	–	–

* The Bank has revised the composition of its reportable segments, which is in line with the management reporting structure. Accordingly the comparative segment information has been restated. This change shall have no impact on the Bank's overall Profit and Loss Account & Statement of Financial Position.

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

41. RELATED PARTY TRANSACTIONS

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

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

	December 31, 2015					December 31, 2014				
	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties
	Rupees in '000									
Nature of related party transactions										
Loans										
Loans at the beginning of the year	47,285	1,985	–	205,255	134	68,906	–	–	226,005	4,383,941
Loans given during the year	32,675	2,187,167	–	165,744	96,289,134	24,967	34,475	–	74,860	38,920,987
Loans repaid / adjustment during the year	(43,323)	(411,679)	–	(106,058)	(90,909,805)	(46,588)	(32,490)	–	(95,610)	(43,304,794)
Loans at the end of the year	36,637	1,777,473	–	264,941	5,379,463	47,285	1,985	–	205,255	134
Deposits										
Deposits at the beginning of the year	34,696	25,497	13,744	92,933	6,853,139	66,134	14,829	7,166	18,527	14,606,555
Deposits received during the year	5,060,426	11,448,550	2,794,505	303,540	101,649,234	10,238,173	13,627,731	855,935	774,621	94,676,833
Deposits repaid during the year	(5,054,254)	(11,371,145)	(2,750,767)	(373,636)	(98,929,979)	(10,269,611)	(13,617,063)	(849,357)	(700,215)	(102,430,249)
Deposits at the end of the year	40,868	102,902	57,482	22,837	9,572,394	34,696	25,497	13,744	92,933	6,853,139
Nostro balances	–	41,303	–	–	–	–	69,595	–	–	–
Borrowings	–	–	–	–	–	–	–	–	–	–
Lending	–	–	–	–	–	–	–	–	–	–
Investments in shares/ open end mutual funds	–	5,084,379	500,000	–	4,546,035	–	454,628	500,000	–	518,517
Other receivables	5,058	–	1,842	63,147	–	607	–	1,637	41,996	–
Net receivable from staff retirement benefit funds	–	–	–	–	4,741,357	–	–	–	–	4,470,566
Non funded exposure	–	–	–	–	1,266,951	–	–	–	–	–

	December 31, 2015					December 31, 2014				
	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies*	Subsidiary	Key management personnel	Other related parties
	Rupees in '000									
Mark-up earned	2,214	263,800	–	14,768	416,050	3,016	182	–	11,130	347,093
Income on Placements	–	2,336	–	–	–	–	1,979	–	–	–
Dividend Income	–	1,064,000	–	–	895,372	–	–	–	–	307,713
Capital Gain / (Loss)	–	–	–	–	77,875	–	–	–	–	527,687
Sales commission / management fee sharing	–	–	7,505	–	–	–	–	7,310	–	–
Mark-up expense on deposits	1,041	851	3,236	274	366,770	3,865	865	2,006	3,209	702,593
Fee commission / bank charges	33	77	16	71	558	31	95	19	67	510
Interest expense on borrowings	–	–	–	–	–	–	–	–	–	–
Directors' meeting fee	9,900	–	–	–	–	7,000	–	–	–	–
Remuneration	44,194	–	–	276,826	–	–	–	–	282,705	
Other charges	–	56,716	–	–	97,912	–	3,410	–	–	98,110
Rent Expense**	–	8,259	–	–	–	–	7,625	–	–	–
Rent Income***	–	1,420	1,637	–	–		1,200	–	–	–
Charge / (reversal) in respect of staff retirement benefit funds	–	–	–	–	(38,714)	–	–	–	–	10,613

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, 9.1, 9.4-9.6, 20.2, 29.2, 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) and Ibrahim Fibers Limited (Polyester Plant).

*** Two Offices located at Islamabad Stock exchange Building rented out to associated company (Ibrahim Fibers Limited) at market value and with prior permission of State Bank of Pakistan.

- Bank also purchased Software from its associated company i.e. 1Link (Guarantee) Limited against the consideration of Rs. 371,765.
- During the year the outgoing/existing key management personnel were given movable assets under bank's policy amounting to Rs. 2,665,192

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital Adequacy

42.1.1 Objectives of Managing Capital

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

Bank's capital management seeks:

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

42.1.2 Externally Imposed Capital Requirements

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

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 10.25% on standalone as well as on consolidated basis till December 31, 2015. Subsequently, a phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

	Year end as of December, 31					
	2014	2015	2016	2017	2018	2019
CET1	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
*CCB	-	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

*** Consisting of CET1 only.**

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 20.85% of its risk weighted exposure as at December 31, 2015.

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

42.1.3 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

42.1.4 Capital Structure - Basel III transition

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

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available for sale investments.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital). Bank has also implemented transitional standards of Basel III up to the extent of 40% as at 31 Dec 2015 as per road map laid down by SBP through BPRD Circular #6 dated August,15, 2013.

The required capital is achieved by the Bank through:

(a) enhancement in the risk profile of asset mix at the existing volume level;

(b) ensuring better recovery management; and

(c) maintain acceptable profit margins.

42.1.5 Leverage Ratio

"The leverage ratio of the bank as on December 31, 2015 is 5.02% (2014: 5.87%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2015; Total Tier 1 capital of the bank amounts to Rs. 63,273,157 thousands (2014: Rs. 59,201,360 thousands) whereas the total exposure measure amounts to Rs. 1,260,707,702 thousands (2014: Rs. 1,007,971,907 thousands).

Shift in leverage ratio is mainly due to increase in off balance sheet exposure i.e. increase in securities given as collateral, unconditionally cancellable commitments & commitments in respect of derivatives.

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

42.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2015

		December 31, 2015	December 31, 2014
		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		11,450,739	11,450,739
Balance in Share Premium Account		–	–
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		15,033,093	13,521,062
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profits/ (losses)		41,415,882	37,053,691
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		67,899,714	62,025,492
Common Equity Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments applied to CET1 (Note 42.2.1)		(4,626,557)	(2,824,132)
Common Equity Tier 1	a	63,273,157	59,201,360
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital (Note 42.2.2)		(150,000)	(200,000)
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy	b	–	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	63,273,157	59,201,360
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III			
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		–	2,395,200
		–	–
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		71,489	115,919
Revaluation Reserves		14,262,832	10,548,462
of which: Revaluation reserves on Property		4,616,723	3,919,055
of which: Unrealized Gains/Losses on AFS		9,646,109	6,629,407
Foreign Exchange Translation Reserves		68,933	28,293
Undisclosed/Other Reserves (if any)		–	–
T2 before regulatory adjustments		14,403,254	13,087,874
Total regulatory adjustment applied to T2 capital (Note 42.2.3)		(400,993)	(755,195)
Tier 2 capital (T2) after regulatory adjustments		14,002,261	12,332,679
Tier 2 capital recognized for capital adequacy		14,002,261	12,332,679
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy	(d)	14,002,261	12,332,679
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	77,275,418	71,534,039
Total Risk Weighted Assets	(f)	370,544,497	362,271,232
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	17.08%	16.34%
Tier-1 capital to total RWA	(c/f)	17.08%	16.34%
Total capital to RWA	(e/f)	20.85%	19.75%

	December 31, 2015	December 31, 2014
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	–	
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	17.08%	16.34%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital Minimum Ratio (Inclusive of 0.25% CCB for 2015)	10.25%	10.00%

	Regulatory Adjustments and Additional Information	December 31, 2015 Amount	December 31, 2015 Amounts subject to pre-basel III treatment	December 31, 2014 Amount	December 31, 2014 Amounts subject to pre-basel III treatment
		Rupees in '000			
42.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	(978,462)		(1,170,084)	
3	Shortfall in provisions against classified assets	(1,273,406)			
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5	Defined-benefit pension fund net assets	(1,519,668)	(2,279,502)	(874,940)	(3,499,761)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(495,479)		(579,108)	
7	Cash flow hedge reserve				
8	Investment in own shares/ CET1 instruments				
9	Securitization gain on sale				
10	Capital shortfall of regulated subsidiaries				
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS				
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(209,542)	(314,313)		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)				
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences				
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit				
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(150,000)		(200,000)	
22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	(4,626,557)		(2,824,132)	
42.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				
24	Investment in own AT1 capital instruments				
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities				
26	Investments in the capital instruments of banking, financial and				

Regulatory Adjustments and Additional Information	December 31, 2015 Amount	December 31, 2015 Amounts subject to pre-basel III treatment	December 31, 2014 Amount	December 31, 2014 Amounts subject to pre-basel III treatment
	Rupees in '000			
insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)				
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation				
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	(150,000)		(200,000)	
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions				
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	(150,000)		(200,000)	
42.2.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(150,000)		(200,000)	
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	–		(555,195)	
33 Investment in own Tier 2 capital instrument				
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(250,993)	(376,490)		
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(400,993)		(755,195)	

	December 31, 2015	December 31, 2014
	Rupees in '000	
42.2.4 Additional Information		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	265,815,830	269,620,073
(i) of which: deferred tax assets		
(ii) of which: Defined-benefit pension fund net assets	2,279,502	3,499,761
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	7,286,658	3,789,633
39 Significant investments in the common stock of financial entities	1,577,180	1,211,610
40 Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	71,489	115,919
42 Cap on inclusion of provisions in Tier 2 under standardized approach		
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		December 31, 2015		
		Rupees in '000		
42.3	**Capital Structure Reconciliation**			
42.3.1	**Step 1**			
	Assets			
	Cash and balances with treasury banks	56,711,573	56,711,573	
	Balances with other banks	4,077,598	4,077,598	
	Lendings to financial institutions	3,628,366	3,628,366	
	Investments	544,077,215	544,077,215	
	Advances	321,605,140	321,605,140	
	Operating fixed assets	28,849,577	28,849,577	
	Deferred tax assets	–	–	
	Other assets	32,716,043	32,716,043	
	Total assets	991,665,512	991,665,512	
	Liabilities & Equity			
	Bills payable	4,942,189	4,942,189	
	Borrowings	137,959,273	137,959,273	
	Deposits and other accounts	734,596,166	734,596,166	
	Sub-ordinated loans	–	–	
	Liabilities against assets subject to finance lease	–	–	
	Deferred tax liabilities	8,907,457	8,907,457	
	Other liabilities	16,003,970	16,003,970	
	Total liabilities	902,409,055	902,409,055	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	15,102,026	15,102,026	
	Unappropriated/ Unremitted profit/ (losses)	41,415,882	41,415,882	
	Minority Interest	–	–	
	Surplus on revaluation of assets	21,287,810	21,287,810	
	Total liabilities & equity	991,665,512	991,665,512	
42.3.2	**Step 2**			
	Assets			
	Cash and balances with treasury banks	56,711,573	56,711,573	
	Balanced with other banks	4,077,598	4,077,598	
	Lending to financial institutions	3,628,366	3,628,366	
	Investments	544,077,215	544,077,215	
	of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	460,535	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		495,479	d
	of which :Reciprocal cross holdings in Tier2		–	e
	of which: others (mention details)	–	–	f
	Advances	321,605,140	321,605,140	
	shortfall in provisions / excess of total EL amount over eligible provisions under IRB	–	1,273,406	g
	general provisions reflected in Tier 2 capital	–	71,489	h
	Fixed Assets	28,849,577	28,849,577	
	of which: Intangibles	–	994,278	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	32,716,043	32,716,043	
	of which: Goodwill	–	–	l
	of which: Defined-benefit pension fund net assets	–	3,799,170	m
	Total assets	991,665,512	991,665,512	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2015		
	Rupees in '000		
Liabilities & Equity			
Bills payable	4,942,189	4,942,189	
Borrowings	137,959,273	137,959,273	
Deposits and other accounts	734,596,166	734,596,166	
Sub-ordinated loans	–	–	
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	–	o
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	8,907,457	8,907,457	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	15,816	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	16,003,970	16,003,970	
Total liabilities	902,409,055	902,409,055	
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	–	11,450,739	t
of which: amount eligible for AT1	–	–	u
Reserves	15,102,026	15,102,026	
of which: portion eligible for inclusion in CET1:Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	–	15,033,093	w
of which: portion eligible for inclusion in Tier 2	–	68,933	x
Unappropriated profit / (losses)	41,415,882	41,415,882	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	21,287,810	21,287,810	
of which: Revaluation reserves on Property	–	4,616,723	ac
of which: Unrealized Gains / Losses on AFS	–	9,646,109	
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
Total liabilities & Equity	89,256,457	89,256,457	

42.3.3 Step 3

		Component of regulatory capital reported by bank	Source reference number from step 2
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital / Capital deposited with SBP	11,450,739	(t)
2	Balance in Share Premium Account	–	(v)
3	Reserve for issue of Bonus Shares	–	
4	General / Statutory Reserves	15,033,093	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated / unremitted profits/(losses)	41,415,882	(y)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	–	(z)
8	**CET 1 before Regulatory Adjustments**	67,899,714	
	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)	978,462	(i) - (q)
11	Shortfall of provisions against classified assets	1,273,406	(g)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	{(j) - (s)} * x%

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
13 Defined-benefit pension fund net assets	1,519,668	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	495,479	(d)
15 Cash flow hedge reserve	–	
16 Investment in own shares/ CET1 instruments	–	
17 Securitization gain on sale	–	
18 Capital shortfall of regulated subsidiaries	–	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	–	(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	209,542	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	(k)
23 Amount exceeding 15% threshold	–	
24 of which: significant investments in the common stocks of financial entities	–	
25 of which: deferred tax assets arising from temporary differences	–	
26 National specific regulatory adjustments applied to CET1 capital	–	
27 Investment in TFCs of other banks exceeding the prescribed limit	–	
28 Any other deduction specified by SBP (mention details)	–	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	150,000	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	4,626,557	
Common Equity Tier 1	63,273,157	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	–	
32 of which: Classified as equity	–	(u)
33 of which: Classified as liabilities	–	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
36 **AT1 before regulatory adjustments**	–	
Additional Tier 1 Capital: regulatory adjustments	–	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
38 Investment in own AT1 capital instruments	–	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	(150,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
44 Total of Regulatory Adjustment applied to AT1 capital	–	
45 Additional Tier 1 capital	–	

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
46 **Additional Tier 1 capital recognized for capital adequacy**		
Tier 1 Capital (CET1 + admissible AT1)	63,273,157	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	–	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	–	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	–	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	–	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	71,489	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	4,616,723	portion of (ac)
54 of which: portion pertaining to AFS securities	9,646,109	
55 Foreign Exchange Translation Reserves	68,933	(x)
56 Undisclosed / Other Reserves (if any)	–	
57 **T2 before regulatory adjustments**	14,403,254	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	150,000	
59 Reciprocal cross holdings in Tier 2 instruments	–	(e)
60 Investment in own Tier 2 capital instrument	–	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	250,993	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	–	
64 Tier 2 capital (T2)	–	
65 Tier 2 capital recognized for capital adequacy	–	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	400,993	
TOTAL CAPITAL (T1 + admissible T2)	77,275,418	

42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares
1	Issuer	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/ group/ group&solo	Group and standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739
9	Par value of instrument	10
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Rank inferior to all debt instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

42.5 Risk Weighted Exposures

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

	Capital Requirements		Risk Weighted Assets	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and Cash Equivalents	–	–	–	–
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–		
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,237,152	1,193,048	12,069,777	11,930,477
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
Claims on Multilateral Development Banks	–	–	–	–
Claims on Public Sector Entities in Pakistan	748,822	563,773	7,305,576	5,637,727
Claims on Banks	484,588	580,209	4,727,690	5,802,091
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	104,082	27,204	1,015,434	272,042
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	75,362	26,076	735,236	260,758
Claims on Corporates (excluding equity exposures)	13,704,663	12,933,791	133,704,030	129,337,913
Claims categorized as retail portfolio	967,677	1,666,365	9,440,750	16,663,650
Claims fully secured by residential property	236,079	221,705	2,303,208	2,217,049
Past Due loans:	393,379	1,060,880	3,837,841	10,608,799
Investments in premises, plant and equipment and all other fixed assets	2,856,789	2,608,040	27,871,115	26,080,398
Claims on all fixed assets under operating lease	–	–	–	–
All other assets	592,379	690,030	5,779,305	6,900,297
	21,400,972	21,571,121	208,789,962	215,711,201
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	1,928,076	2,302,735	18,810,506	23,027,348
Performance related contingencies	610,093	443,920	5,952,122	4,439,201
Trade Related contingencies/Other Commitments with original maturity of one year or less	487,691	521,682	4,757,962	5,216,820
	3,025,860	3,268,337	29,520,590	32,683,369
Market related Exposures	102,870	126,455	1,003,613	1,264,551

	Capital Requirements		Risk Weighted Assets	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees in '000			
Equity Exposure Risk in the Banking Book				
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	–	–	–
Unlisted equity investments (other than that deducted from capital) held in banking book	327,277	293,913	3,192,949	2,939,133
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,061,948	1,492,264	20,116,564	14,922,634
Unlisted equity investments (other than that deducted from capital) held in banking book	327,196	209,918	3,192,152	2,099,184
Investments in venture capital	–	–	–	–
	2,716,421	1,996,095	26,501,665	19,960,951
Total Credit Risk (A)	27,246,122	26,962,008	265,815,830	269,620,072
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	75,035	230,963	732,050	2,309,625
Equity position risk etc.	3,264,791	2,678,981	31,851,620	26,789,814
Foreign exchange risk	179,562	261,196	1,751,825	2,611,963
Operational Risk				
Capital Requirement for operational risks	7,215,300	6,093,976	70,393,172	60,939,758
Total Risk Weighted Assets	37,980,810	36,227,124	370,544,497	362,271,232

	December 31, 2015		December 31, 2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.0%	17.08%	5.5%	16.34%
Tier-1 capital to total RWA	7.5%	17.08%	7.0%	16.34%
Total capital to total RWA (Inclusive of 0.25% CCB for 2015)	10.25%	20.85%	10.0%	19.75%

43. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of Risk

The Bank generates most of its revenues by accepting Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

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

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

Market Risk The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).

Liquidity Risk The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

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

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

Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The CEO, COO and Group Chiefs are accountable for the management of risk collectively through their membership of Asset & Liability Committee (ALCO). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

43.1 Credit Risk

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

The Bank manages three principal sources of credit risk:

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

Sovereign Credit Risk

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

Non-Sovereign Credit Risk

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

Counter Party Credit Risk on Interbank Limits

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

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

Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes Export Credit Assessment (ECA) Scores published by The Organization for Economic Co-operation and Development (OECD), Moody's country ratings as well as country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. FID is responsible for monitoring of country exposure limits.

Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four 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 have been automated through the Bank's Risk Assessment and Management System (RAMS), and are given due weight age while extending credit to these asset classes. The Bank is also undertaking an initiative to validate the implemented models as per the Basel guidelines.

Stress Testing

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

Automated System

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

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved. The Bank has also implemented an Early Warning Alert engine that relays e-mail alerts to users based on breach of defined triggers.

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 2015, the coverage ratio was 87.49% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the Note 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

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

43.1.1 Segmental Information

43.1.1.1 Segments by class of business

	December 31, 2015					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and hunting hunting	56,079,517	16.46%	23,338,575	3.18%	1,028,723	0.46%
Basic metals (iron, steel)	3,756,901	1.10%	420,814	0.06%	2,813,832	1.26%
Cement / clay & ceramics	12,542,562	3.68%	7,543,644	1.03%	8,564,033	3.85%
Chemical & pharmaceutical	18,107,783	5.31%	5,224,512	0.71%	2,457,760	1.10%
Construction	3,761,643	1.10%	14,236,083	1.94%	5,101,715	2.29%
Education	185,016	0.05%	6,812,670	0.93%	54,578	0.02%
Financial	23,731,605	6.96%	33,843,674	4.61%	129,582,438	58.18%
Fishing	2,404	0.00%	11,994	0.00%	-	0.00%
Footwear & leather garments	1,138,342	0.33%	624,072	0.08%	428,115	0.19%
Furniture & sports goods	785,155	0.23%	116,163	0.02%	52,408	0.02%
Grains, food & beverages	7,191,315	2.11%	1,569,981	0.21%	95,390	0.04%
Health & social welfare	126,036	0.04%	5,684,530	0.77%	36,513	0.02%
Hotel, restaurant & clubs	2,004,119	0.59%	371,701	0.05%	960	0.00%
Individuals	7,712,402	2.26%	313,893,205	42.74%	4,316,940	1.94%
Machinery & equipment	2,919,094	0.86%	547,852	0.07%	1,020,967	0.46%
Manufacture of transport equipment	519,910	0.15%	1,636,428	0.22%	78,766	0.04%
Paper & paper boards	7,042,981	2.07%	187,952	0.03%	789,721	0.35%
Petroleum products	34,747,236	10.20%	2,477,908	0.34%	15,470,564	6.95%
Power, gas, water & sanitary	85,108,510	24.98%	6,196,160	0.84%	16,070,724	7.22%
Printing, publishing & allied	614,033	0.18%	280,099	0.04%	41,580	0.02%
Real estate, renting, and business activities	4,425,806	1.30%	72,210,356	9.83%	4,126,800	1.85%
Rubber & plastic	635,505	0.19%	280,612	0.04%	49,996	0.02%
Sugar	4,408,409	1.29%	1,046,287	0.14%	–	0.00%
Textile - Manufacture of made up & ready made garments	24,326,815	7.14%	221,853	0.03%	51,961	0.02%
Textile - Finishing	10,413,852	3.06%	139,132	0.02%	3,229,314	1.45%
Textile - Spinning	5,026,747	1.48%	249,247	0.03%	502,391	0.23%
Textile - Weaving	2,220,030	0.65%	63,873	0.01%	-	0.00%
Transport, storage & communication	7,634,999	2.24%	3,739,632	0.51%	5,493,047	2.47%
Wholesale & retail trade	5,986,870	1.76%	25,560,304	3.47%	1,171,059	0.53%
Others	7,613,809	2.23%	206,066,853	28.05%	20,099,688	9.02%
	340,769,406	100.00%	734,596,166	100.00%	222,729,983	100.00%

43.1.1.2 Segments by sector

	December 31, 2015					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	124,177,375	36.44%	144,615,579	19.69%	34,910,297	15.67%
Private	216,592,031	63.56%	589,980,587	80.31%	187,819,686	84.33%
	340,769,406	100.00%	734,596,166	100.00%	222,729,983	100.00%

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

	December 31, 2015		December 31, 2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry and Hunting	483,347	320,208	439,884	292,739
Basic metals (iron, steel)	279,105	245,631	284,052	275,060
Cement / clay & ceramics	148,137	91,313	71,591	71,591
Chemical & pharmaceutical	805,429	772,058	824,052	822,232
Construction	513,329	509,286	499,142	496,818
Education	237	24	–	–
Financial	72,454	72,454	72,454	72,454
Fishing	–	–	–	–
Footwear & leather garments	133,889	127,525	129,459	129,459
Furniture & sports goods	254,549	252,052	263,719	263,719
Grains, Food & Beverages	1,598,527	1,325,250	1,704,227	1,024,437
Health & social welfare	19,032	16,247	6,723	6,723
Hotel, restaurant & clubs	7,749	7,749	7,799	7,582
Individuals	472,198	452,297	480,700	432,760
Machinery & equipment	1,367,126	1,367,126	1,378,396	1,259,572
Manufacture of transport equipment	237,847	237,847	351,375	351,375
Paper & paper boards	269,300	269,300	257,432	237,057
Petroleum products	2,583,005	1,304,233	2,781,964	1,395,585
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	16,757	14,138	18,264	16,660
Real estate, renting, and business activities	12,595	12,595	412,595	212,595
Rubber & plastic	354,269	289,991	376,559	321,049
Sugar	52,516	28,141	3,766	3,766
Textile - Manufacture of made up & ready made garments	3,481,594	3,193,588	3,322,387	3,322,387
Textile - Finishing	3,048,893	3,020,926	3,562,827	3,547,202
Textile - Spinning	1,413,434	1,413,434	1,452,285	1,452,285
Textile - Weaving	55,735	55,735	60,032	60,032
Transport, storage & communication	442,178	133,475	398,788	109,437
Wholesale & retail trade	1,562,953	1,500,805	1,677,399	1,465,869
Others	1,580,530	1,422,334	1,446,656	1,407,185
	21,903,729	19,092,777	22,921,542	19,694,645

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

	December 31, 2015		December 31, 2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/ Government	137,180	137,180	137,180	137,180
Private	21,766,549	18,955,597	22,784,362	19,557,465
	21,903,729	19,092,777	22,921,542	19,694,645

43.1.1.5 Geographical Segment Analysis

	December 31, 2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operations	24,895,095	969,261,144	87,156,422	221,344,096
Middle East	322,198	17,897,498	972,938	1,385,887
Karachi Export Processing Zone	286,087	4,506,870	1,127,097	–
	608,285	22,404,368	2,100,035	1,385,887
	25,503,380	991,665,512	89,256,457	222,729,983

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

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

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

Selection of ECAIs

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

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

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

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

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

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

Use of ECAI Ratings

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

Mapping to SBP Rating Grades

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

Long – Term Rating Grades Mapping

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

Short – Term Rating Grades Mapping

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

Types of exposures and ECAI's used

December 31, 2015

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

Credit exposures subject to Standardized Approach

		December 31, 2015			December 31, 2014		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	40,957,253	779,810	40,177,443	39,256,462	–	39,256,462
	2	33,207,509	–	33,207,509	26,077,349	–	26,077,349
	3 , 4	–	–	–	1,878,733	–	1,878,733
	5 , 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	103,661,483	99,542,397	4,119,086	33,809,324	32,317,538	1,491,786
Retail	–	17,257,786	4,430,035	12,827,751	28,876,180	5,817,355	23,058,825
Public sector entities	1	41,992,323	52,461	41,939,862	23,107,102	–	23,107,102
Others	–	696,858,219	–	696,858,219	544,088,460	–	544,088,460
Unrated	–	189,327,082	69,800,848	119,526,234	203,453,195	64,196,501	139,256,694

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

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments, and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank and other reputable financial institutions etc.

43.2 Equity Position Risk in the Banking Book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for long term revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain and dividend to support the Bank's business activities.

Classification of investments

Under SBP's directives, equity investment may be classified as "Held For Trading (HFT)", "Available for Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the Bank's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

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

Profit and loss on sale of investments is included in income currently.

Composition of equity investments

	Held-for-trading	Available-for-sale	Investment in Subsidiary
		Rupees in '000	
Equity Investments - Publicly Traded	–	35,064,691	–
Equity Investments - Others	–	3,476,661	500,000
Total Value	–	38,541,352	500,000

The cumulative gain of Rs. 64.481 million (2014: 4,100.294 million) was realized from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 22,149.504 million (2014: Rs. 14,318.766 million) was recognized in the statement of financial position in respect of "AFS" securities.

43.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price Risk.

Market Risk performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees. The Bank appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

Market Risk Pertaining to the Trading Book

Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Bank's trading book includes securities classified as 'Held-for-Trading', 'Open Ended Mutual Fund' and listed equity placed in 'Available-for-sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

Risk Pertaining to Banking Book Investment Portfolio

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

i) Available-for-sale securities - (other than listed equity)
ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

i) Government securities
ii) Capital market investments
iii) 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.

Stress Testing

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

43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

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

	December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	927,617,112	827,254,113	(13,077,154)	87,285,845
United States Dollar	62,795,634	67,581,503	6,676,947	1,891,078
Great Britain Pound	734,001	4,787,974	4,081,969	27,996
Japanese Yen	14,190	7,964	(8,726)	(2,500)
Euro	409,265	2,766,077	2,392,491	35,679
Other Currencies	95,310	11,424	(65,527)	18,359
	64,048,400	75,154,942	13,077,154	1,970,612
	991,665,512	902,409,055	–	89,256,457

	December 31, 2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	805,800,129	688,334,409	(39,181,388)	78,284,332
United States Dollar	35,559,262	64,158,069	31,155,748	2,556,941
Great Britain Pound	433,344	5,605,212	5,197,902	26,034
Japanese Yen	12,322	2,584	(9,040)	698
Euro	447,683	3,275,374	2,839,871	12,180
Other Currencies	16,387	3,154	(3,093)	10,140
	36,468,998	73,044,393	39,181,388	2,605,993
	842,269,127	761,378,802	–	80,890,325

43.2.3 Equity Position Risk

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

Concentration Risk

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

Price Risk

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

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

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

	December 31, 2015											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Not exposed to Yield/ Interest Risk
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	56,711,573	8,059,663	-	-	-	-	-	-	-	-	48,651,910
Balances with other banks		4,077,598	1,620,231	-	-	-	-	-	-	-	-	2,457,367
Lendings to financial institutions	6.03%	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-	-
Investments - net	10.39%	544,077,215	16,865,299	33,626,699	1,921,994	231,253,667	59,937,773	65,600,182	44,591,321	51,702,264	-	38,578,016
Advances - net	8.36%	321,605,140	90,612,881	163,757,933	50,574,347	2,344,687	535,249	3,371,053	7,365,532	232,506	-	2,810,952
Other assets - net		27,112,093	-	-	-	-	-	-	-	-	-	27,112,093
		957,211,985	120,514,165	197,384,632	52,496,341	233,870,629	60,473,022	68,971,235	51,956,853	51,934,770	-	119,610,338
Liabilities												
Bills payable		4,942,189	-	-	-	-	-	-	-	-	-	4,942,189
Borrowings	6.34%	137,959,818	108,614,608	11,473,413	12,399,782	3,000	4,499	180,535	5,283,981	-	-	-
Deposits and other accounts	4.19%	734,596,166	95,981,950	175,223,561	61,177,251	213,828,738	7,380,448	1,743,773	778,512	161,429	121,402	178,199,102
Sub-ordinated loan	10.49%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		12,520,370	-	-	-	-	-	-	-	-	-	12,520,370
		890,018,543	204,596,558	186,696,974	73,577,033	213,831,738	7,384,947	1,924,308	6,062,493	161,429	121,402	195,661,661
On-balance sheet gap		67,193,442	(84,082,393)	10,687,658	(21,080,692)	20,038,891	53,088,075	67,046,927	45,894,360	51,773,341	(121,402)	(76,051,323)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		64,741,951	27,409,112	23,037,299	12,923,890	1,371,650	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(51,664,798)	(24,048,356)	(25,696,912)	(1,919,530)	-	-	-	-	-	-	-
Off-balance sheet gap		13,077,153	3,360,756	(2,659,613)	11,004,360	1,371,650	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		80,270,595	(80,721,637)	8,028,045	(10,076,332)	21,410,541	53,088,075	67,046,927	45,894,360	51,773,341	(121,402)	(76,051,323)
Cumulative yield / interest risk sensitivity gap		80,270,595	(80,721,637)	(72,693,592)	(82,769,924)	(61,359,383)	(8,271,308)	58,775,619	104,669,979	156,443,320	156,321,918	

Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2014											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
							Rupees in '000					
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	41,254,975	9,634,244	-	-	-	-	-	-	-	-	31,620,731
Balances with other banks		873,494	428,327	-	-	-	-	-	-	-	-	445,167
Lendings to financial institutions	7.97%	2,030,062	2,030,062	-	-	-	-	-	-	-	-	-
Investments - net	10.91%	428,790,733	7,905,033	68,398,002	1,084,056	49,607,115	129,213,775	38,860,300	71,713,411	20,623,232	-	41,385,809
Advances - net	10.66%	306,014,402	52,986,609	203,935,564	37,801,287	735,820	1,438,193	1,357,835	2,639,828	1,793,203	-	3,326,063
Other assets - net		26,765,693	-	-	-	-	-	-	-	-	-	26,765,693
		805,729,359	72,984,275	272,333,566	38,885,343	50,342,935	130,651,968	40,218,135	74,353,239	22,416,435	-	103,543,463
Liabilities												
Bills payable		4,831,801	-	-	-	-	-	-	-	-	-	4,831,801
Borrowings	8.18%	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-	-
Deposits and other accounts	5.53%	667,877,615	104,679,137	138,103,755	65,949,416	23,982,004	6,627,192	507,222	158,684,622	271,080	-	169,073,187
Sub-ordinated loan	11.15%	2,994,000	-	2,994,000	-	-	-	-	-	-	-	-
Other liabilities		13,170,598	-	-	-	-	-	-	-	-	-	13,170,598
		754,970,486	146,693,809	152,103,368	73,293,550	24,422,932	7,509,046	1,389,076	160,448,330	2,034,789	-	187,075,586
On-balance sheet gap		50,758,873	(73,709,534)	120,230,198	(34,408,207)	25,920,003	123,142,922	38,829,059	(86,095,091)	20,381,646	-	(83,532,123)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		65,524,611	17,971,515	30,816,338	15,767,196	969,562	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(26,343,223)	(10,085,847)	(12,000,776)	(3,842,891)	(413,709)	-	-	-	-	-	-
Off-balance sheet gap		39,181,388	7,885,668	18,815,562	11,924,305	555,853	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		89,940,261	(65,823,866)	139,045,760	(22,483,902)	26,475,856	123,142,922	38,829,059	(86,095,091)	20,381,646	-	
Cumulative yield / interest risk sensitivity gap		89,940,261	(65,823,866)	73,221,894	50,737,992	77,213,848	200,356,770	239,185,829	153,090,738	173,472,384	173,472,384	

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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

Reconciliation to total assets	December 31, 2015	December 31, 2014	Reconciliation to total liabilities	December 31, 2015	December 31, 2014
	(Rupees in '000)			(Rupees in '000)	
Balance as per Statement of Financial Position	991,665,512	842,269,127	Balance as per Statement of Financial Position	902,409,055	761,378,802
Less : Non financial assets			Less: Non financial liabilities		
Operating fixed assets	28,849,577	27,250,482	Deferred tax liability	8,907,457	3,622,651
Other assets	5,603,950	9,289,286	Other liabilities	3,483,055	2,785,665
	34,453,527	36,539,768		12,390,512	6,408,316
Total financial assets	957,211,985	805,729,359	Total financial liabilities	890,018,543	754,970,486

43.3 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. Bank's BOD have delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

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

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

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

	December 31, 2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	56,711,573	56,711,573								
Balances with other banks	4,077,598	4,077,598								
Lendings to financial institutions	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-
Investments - net	544,077,215	12,898,156	32,052,740	170,738	257,702,767	59,994,413	67,614,101	46,106,184	67,538,116	-
Advances - net	321,605,140	74,883,149	32,261,429	37,146,149	39,021,172	33,151,785	29,476,401	41,890,455	28,031,688	5,742,912
Operating fixed assets	28,849,577	320,655	641,318	961,977	1,923,954	1,367,306	646,939	1,294,289	1,285,598	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	32,716,043	5,378,706	8,647,918	12,959,316	931,698	902,829	-	-	-	3,895,576
	991,665,512	157,625,928	73,603,405	51,238,180	299,851,866	95,416,333	97,737,441	89,290,928	96,855,402	30,046,029
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,596,166	578,380,331	79,740,660	37,634,769	33,385,546	2,649,745	1,743,773	778,512	161,428	121,402
Deferred tax liabilities	8,907,457	28,047	56,095	84,142	93,536	7,096,228	309,266	618,531	621,612	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,003,425	4,355,116	5,375,659	1,759,596	528,972	480,703	567,003	913,946	2,022,430	-
	902,409,055	696,320,291	96,645,826	51,878,289	34,011,054	10,231,175	2,800,577	7,594,971	2,805,470	121,402
Net assets / (liabilities)	89,256,457	(538,694,363)	(23,042,421)	(640,109)	265,840,812	85,185,158	94,936,864	81,695,957	94,049,932	29,924,627
Share capital	11,450,739									
Reserves	15,102,026									
Unappropriated profit	41,415,882									
	67,968,647									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	89,256,457									

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

	December 31, 2014									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	41,254,975	41,254,975	-	-	-	-	-	-	-	-
Balances with other banks	873,494	873,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments	428,790,733	273,162	66,337,330	74,802	70,890,554	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances	306,014,402	33,395,984	45,083,279	35,903,962	39,081,233	32,698,844	37,747,987	42,982,986	31,514,565	7,605,562
Operating fixed assets	27,250,482	286,199	572,406	858,609	1,717,218	1,488,541	636,228	1,368,330	1,327,304	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	36,054,979	5,011,794	8,271,484	16,569,781	901,800	829,557	-	-	-	4,470,563
	842,269,127	83,125,670	120,264,499	53,407,154	112,590,805	168,503,321	82,439,707	119,826,796	71,039,403	31,071,772
Liabilities										
Bills payable	4,831,801	4,831,801	-	-	-	-	-	-	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,877,615	546,481,024	41,811,815	59,846,735	17,879,325	524,512	507,222	555,900	271,082	-
Deferred tax liabilities	3,622,651	21,472	42,944	64,416	(383,824)	1,430,854	202,714	405,428	712,247	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	15,956,263	3,780,328	6,017,139	2,409,390	458,886	402,245	485,379	758,772	1,644,124	-
	761,378,802	597,129,297	58,878,111	69,664,675	18,397,115	3,240,665	2,078,369	6,473,008	4,391,162	1,126,400
Net assets / (liabilities)	80,890,325	(514,003,627)	61,386,388	(16,257,521)	94,193,690	165,262,656	80,361,338	113,353,788	66,648,241	29,945,372
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,053,691									
	62,053,785									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	80,890,325									

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

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

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

	December 31, 2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	56,711,573	43,079,967	665,332	33,793	-	4,310,827	4,310,827	4,310,827	-	-
Balances with other banks	4,077,598	4,077,598	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-
Investments - net	544,077,215	12,898,156	32,052,740	170,738	257,702,767	59,994,413	67,614,101	46,106,184	67,538,116	-
Advances - net	321,605,140	49,539,530	35,287,379	38,036,845	39,021,172	40,294,109	36,618,726	49,032,779	28,031,688	5,742,912
Operating fixed assets	28,849,577	320,655	641,318	961,977	1,923,954	1,367,306	646,939	1,294,289	1,285,598	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	32,716,043	5,378,706	8,647,918	12,959,316	931,698	902,829	-	-	-	3,895,576
	991,665,512	118,650,703	77,294,687	52,162,669	299,851,866	106,869,484	109,190,593	100,744,079	96,855,402	30,046,029
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,596,166	95,981,951	79,832,186	72,847,746	82,910,427	37,862,722	24,500,104	778,512	161,428	339,721,090
Deferred tax liabilities	8,907,457	28,047	56,095	84,142	93,536	7,096,228	309,266	618,531	621,612	
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,003,425	4,355,116	5,375,659	1,759,596	528,972	480,703	567,003	913,946	2,022,430	-
	902,409,055	213,921,911	96,737,352	87,091,266	83,535,935	45,444,152	25,556,908	7,594,971	2,805,470	339,721,090
Net assets	89,256,457	(95,271,208)	(19,442,665)	(34,928,597)	216,315,931	61,425,332	83,633,685	93,149,108	94,049,932	(309,675,061)
Share capital	11,450,739									
Reserves	15,102,026									
Unappropriated profit	41,415,882									
	67,968,647									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	89,256,457									

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, 2014									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	41,254,975	29,467,252	522,773	39,427	-	3,741,841	3,741,841	3,741,841	-	-
Balances with other banks	873,494	873,494	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	428,790,733	273,162	66,337,330	74,802	70,890,554	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,014,402	33,395,986	45,083,279	35,903,962	39,081,231	32,698,844	37,747,987	42,982,986	31,514,565	7,605,562
Operating fixed assets	27,250,482	286,199	572,406	858,609	1,717,218	1,488,541	636,228	1,368,330	1,327,304	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,054,979	5,011,794	8,271,484	16,569,781	901,800	829,557	-	-	-	4,470,563
	842,269,127	71,337,949	120,787,272	53,446,581	112,590,803	172,245,162	86,181,548	123,568,637	71,039,403	31,071,772
Liabilities										
Bills payable	4,831,801	3,464,734	-	-	-	455,689	455,689	455,689	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,877,615	104,679,134	42,278,613	90,349,923	48,382,513	31,027,701	23,130,839	555,902	271,081	327,201,909
Deferred tax liabilities	3,622,651	21,472	42,944	64,416	(383,824)	1,430,854	202,714	405,428	712,247	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	15,956,263	3,780,328	6,017,139	2,409,390	458,886	402,245	485,379	758,772	1,644,124	-
	761,378,802	153,960,340	59,344,909	100,167,863	48,900,303	34,199,543	25,157,675	6,928,699	4,391,161	328,328,309
Net assets	80,890,325	(82,622,391)	61,442,363	(46,721,282)	63,690,500	138,045,619	61,023,873	116,639,938	66,648,242	(297,256,537)
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,053,691									
	62,053,785									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	80,890,325									

43.5 Operational Risk

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

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. Bank has also developed a Business Continuity Plan applicable to all its functional areas.

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

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

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

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 10, 2016 has proposed a cash dividend in respect of 2015 of Rs. 1.75 per share (2014: cash dividend Rs. 2 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2016.

45. GENERAL

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

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2016 by the Board of Directors of the Bank.

Chief Financial Officer	President and Chief Executive	Director
Director	Chairman	

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2015 TO 31st, DECEMBER 2015)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year							
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total	Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total 9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
1	Jan Agencies C-5A, Phase-1, S.i.t.e., Super Highway, Karachi	Muhammad Iqbal Qamer Siddiquei	42201-7396938-3	Muhammad Qamer Ud Din	6.885	4.066	-	10.951	-	-	1.157	1.157
2	Suzuki Sheikhupura Motors Mouza Jeevan Pura Kalan, Sheikhupura By Pass, Faisalabad Road, Sheikhupura	Zafar Iqbal Qureshi Adil Zafar Qureshi	61101-6678502-1 61101-6687052-1	Muhammad Amin Zafar Iqbal Qureshi	106.948	25.998	35.513	168.459	-	-	61.060	61.060
3	Sholl International (Pvt) Ltd., Plot No.71, Sector 24, Korangi Industial Area, Karachi"	Nadir Fazwani (Late) Nizar Fazwani Samina Fazwani	42101-1833397-5 42101-1833403-7 42101-1701154-6	Nizar M.fazwani Mohammad Ali Fazwani Nadir M.fazwani	50.000	1.589	30.204	81.793	18.999	-	31.793	50.792
4	Twin City Automobiles Plot No.55, I-10/3, Islamabad	Zafar Iqbal Qureshi Adil Zafar Qureshi Azra Zafar Saima Adil	61101-6678502-1 61101-6687052-1 61101-9937780-0 61101-5052905-6	Muhammad Amin Zafar Iqbal Qureshi Zafar Iqbal Qureshi Adil Zafar Qureshi	52.172	0.613	17.655	70.440	-	-	17.754	17.754
5	Chaudhry Cotton Ginning Presseing Factory & Oil Mills 63- Grain Market, Khanewal	Muhammad Ashfaq Akhter Muhammad Tahir Rafiq Ehsan-Ul-Haq	36103-0465336-3 36103-3062164-3 36103-2106656-3	Muhammad Siddiq Ch. Muhammad Rafique Muhammad Iqbal	7.500	-	4.516	12.016	-	-	3.863	3.863
6	Bismillah Cycle Works Shop No.4, Govt. Degree College Road, Baghbanpura, Lahore	Mohammad Khalid	35201-8163748-5	Qamar Din	0.396	0.048	0.480	0.924	-	-	0.501	0.501
7	New Sadaqat Machinery Store 83-Brandreth Road, Lahore	Sh. Niaz Ahmed	35202-0258775-9	Ghulam Nabi	7.430	0.727	1.988	10.145	1.530	-	2.715	4.245
8	Zeeshan Cotton Industries Mouza Qadir Pur, Dur Pur Link, Distt: Lodhran	Ch. Hushyar Din Ch. Muhammad Ramzan Liaqat Ali	36201-9598374-9 36201-4982889-1 36201-1820836-3	Ch. Jan Muhammad Ch. Hushyar Din Hussain Bux	0.621	0.403	0.234	1.258	0.621	-	0.638	1.259
9	Azgard Nine Limited M. Ismail, Awan-E-Science Building, Ferozpur Road, Lahore	Ahmed H. Shaikh Ahsun M.h. Shaikh Nasir Ali Khan Bhatti Usman Rasheed Farukh Hussain Saghir Ahmed Munir Alam	35201-8953938-7 35201-5252539-3 35200-1532448-1 45101-0633360-7 42201-6321622-5 35403-8098235-9 22401-1826695-7	Humayun Naseer Shaikh Humayun Naseer Shaikh Muhammmad Yousaf Bhatti Rasheed Ahmad Muhammmad Akram Muhammad Nazir Mir Alam Khan	250.573	268.910	-	519.483	215.958	-	268.910	484.868
10	Shadman Cotton Mills Limited 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg-Ii, Lahore	Shahid Mazhar Ahmed Bin Shahid Ghazala Shahid Naureen Rehan	35201-1575426-3 35201-9223604-9 35201-1467002-2 35201-3022231-4	Mazhar Hussain Shahid Mazhar W/O Shahid Mazhar W/O Rehan Qaiser	104.534	88.875	-	193.409	78.889	-	88.875	167.764
11	Toor Cotton Factory Ludden Road Vehari	Ghulam Mustafa Muhammad Saleem	36603-1384511-7 36603-1384494-7	Haji Qasim Ud Din Haji Qasim Ud Din	6.500	0.856	3.043	10.399	-	-	2.798	2.798

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2015 TO 31st, DECEMBER 2015)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
12	Islami Rice Factory 12-Km Near Adda Munerabad, Bahawal Pur Road Multan	Muhammad Asghar Bashir Ahmed	36302-0286622-9 36303-2424318-5	Barkat Ali Qadir Bux	15.000	-	6.709	21.709	-	-	6.130	6.130
13	Hazoori Sindh Rice Mills Village Bakhar Taluka Dokri, Distt: Larkana	Anwar Ali Shah	423-94-102022	Muhammad Jurial	1.307	0.410	0.455	2.172	-	-	0.618	0.618
14	Shah Builders & Developers Office No. 39, Karim Centre, Jungle Shah Road, Keamari, Karachi"	Muhammad Ismail	42301-1087373-7	Shah Gul Amber	9.499	0.571	-	10.070	-	-	0.571	0.571
15	Tash International (Pvt) Ltd. Bungalow No. D-3, Block A, Kazimabad, Model Colony, Malir, Karachi	Tariq Ghani Shahida Tariq Ijlal Tariq	42401-9221783-3 42201-6376479-6 42401-2865272-7	Addul Ghani W/O Tariq Ghani Tariq Ghani	5.223	0.368	3.223	8.814	-	-	3.197	3.197
16	Bonus Printers 9-C Darbar Road Lahore	Abdul Moeed Khan	35202-87691857	Abdul Hamid Khan	4.994	-	2.788	7.782	-	-	1.782	1.782
17	Pakistan Marble & Graynite House Opposite Hockey Stadium Susan Road, Faisalabad	Ajmal Hussain	33100-8592211-1	Khadim Hussain	3.949	0.675	1.261	5.885	-	-	1.846	1.846
18	Ahmad Usman Traders Shahi Road, Rahim Yar Khan	Muhammad Usman Warraich Jamshed Iqbal Warriach Mubashir Iqbal Warriach Liaqat Ali	31303-4021554-7 31301-9805058-5 31301-7981749-1 31301-4199917-1	Muhammad Siddique Warriach Muhammad Ashraf Muhammad Ashraf Muhammad Ali	1.899	0.073	1.111	3.083	-	-	0.684	0.684
19	M. Shoes Rafiq Plaza, C-1772-D, Near Begum Shahi Masjid, Moti Bazar, Masti Gate, Lahore."	Maqsood Ahmed	35404-1975794-5	Muhammad Rafique	5.996	-	2.750	8.746	-	-	2.746	2.746
20	ARC Knitwear (Pvt) Ltd. 72-U, Phase Ii, L.c.c.h.s., D.h.a.,Lahore	Syed Aziz Alam Zaidi Rifat Zehra Zaidi	35202-6266762-9 35201-2710544-2	Syed Ali Jafar Zaidi Syed Aziz Alam Zaidi	138.182	5.091	66.057	209.330	42.182	-	71.149	113.331
21	Ghulam Safdar Malik Village & Post Office Aroop Distt. Gujranwala	Ghulam Safdar Malik	34101-2994119-5	Malik Noor Ud Din Mehmood	0.528	0.562	0.442	1.532	-	-	0.907	0.907
22	Rehman Steel Furnace (Pvt.) Limited Carol Ghatti, Chowk Bhogiwal, Bund Road, Lahore	Mahmood Iqbal Mian Aziz Ur Rehman	35202-3022415-3 35201-1644147-5	Dil Muhammad Mian. M. Siddique	46.813	43.436	32.436	122.685	-	-	75.872	75.872
23	Siddique Iron Industries (Pvt.) Limited Carol Ghatti, Chowk Bhogiwal, Bund Road, Lahore	Mian Aziz Ur Rehman Mian Jamil Ur Rehman	35201-1644147-5 35201-1099030-7	Mian. M. Siddique Mian. M. Siddique	69.162	42.380	0.233	111.775	-	-	42.613	42.613

ANNEXURE I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2015 TO 31st, DECEMBER 2015)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors			Outstanding Liabilities at the Beginning of the Year				Principal Written - off	Interest / Mark - up Written - off	Other Financial Relief Provided	Total
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark - up	Other	Total				9+10+11
1	2	3		4	5	6	7	8	9	10	11	12
24	Babar Builders House No.144, Faisal Town, Lahore	Ayaz Mehmood	35202-9361440-1	Ch. Masood Khan	-	2.954	1.238	4.192	-	-	2.954	2.954
25	Tayyab Builders House # 178-A, Pak Block, Allama Iqbal Town, Lahore	Muhammad Iqbal	35202-5823411-3	Mian Jamal Din	4.898	-	1.208	6.106	-	-	1.107	1.107
26	Idrees Knitting Industries P 566 – F, Gulistan Colony, Faisalabad	Ijaz Idrees	33100-1649668-9	Muhammad Idrees	14.866	1.639	0.930	17.435	-	-	2.569	2.569
27	Azam Paper Mart 3- Paisa Akhbar, New Anarkali, Lahore	Muhammad Azam	35202-0820644-3	Mukhtar Ahmed	5.999	0.388	2.313	8.70a0	-	-	2.080	2.080
28	H. S. Z. Securities Pvt Ltd., 612, 6Th Floor, Lsc Building, Lahore.	Hameed Ghani Mrs.naghmana Hameed Seema Hameed Sana Hameed	35202-2185188-9 35202-2460055-6 35202-2124269-6 35202-2366005-6	Abdul Ghani W/O Hameed Ghani D/O Hameed Ghani D/O Hameed Ghani	-	-	9.919	9.919	-	-	9.919	9.919
29	Asad Electronics & Trade Centre Mohallah Nawazabad Noor Kot, Shakargarh.	M. Asadaullah Asad	34502-1539247-1	Ch.abdul Rehman	0.616	-	0.698	1.314	-	-	0.694	0.694
30	Tanveer Ahmed Khan Ex-Staff 3-B-2 Shami Road, Civil Lines Sheikhupura	Tanveer Ahmed Khan	35404-1612501-9	Muhammad Siddiq	0.735	0.135	0.591	1.461	-	-	0.726	0.726
31	Chaudhry Shoes 195-M Gulberg-Iii, Lahore	Akram Gill	35202-9165947-1	Ch.khushi Muhammad	0.724	2.666	2.220	5.610	-	-	4.365	4.365
32	Moiz Enterprises Manzil Shah, Sukkur	Syed Zamir Ahmed Shah	409-57-155878	Syed Zulfiqar Ali Shah	1.500	0.469	1.092	3.061	-	-	1.410	1.410
33	Khadija Rafique Model Farm Mouza Johran, Tehsil Khan Pur.	Khadija Rafiq	31301-1399963-2	Abdul Ghafoor	-		2.236	2.236	-	-	1.118	1.118
34	Bhori Model Farm Mouza Johran, Tehsil Khan Pur.	Abdul Ghafoor	31301-1447244-7	Haji Manzoor Ahmad	-	0.292	0.979	1.271	-	-	0.636	0.636
35	Insaf Fabrics Bohra Street, Multan	Malik Rang Ali	36302-2285981-5	Malik Bagh Ali	26.900	1.675	8.001	36.576	-	-	0.923	0.923
36	ACP Oil Mills (Pvt.) Ltd., Plot # 86, St # 10, I-9, Indusrtrial Area,Islamabad	Haji Abdul Islam Sh. Javed Islam Ms. Deeba Javed	37405-5197663-5 37405-9753081-1 37405-9753081-1	Abdul Majeed Abdul Islam Sh. Javed	88.696	11.480	11.246	111.422	-	-	11.480	11.480
37	Jafson Pharmaceuticals (Pvt.) Ltd. 65-Industrial Estate, Jamrud Road, Pehsawar.	Jaffer Hussain Nelofer Jaffer	17301-6326294-9 17301-8035977-0	Mir Afzal Khan Jaffer Hussain	8.840	3.765	5.753	18.358	-	-	9.377	9.377
					1,049.884	511.116	259.521	1,820.521	358	0.000	737.536	1,095.714

ANNEXURE II
As at December 31, 2015

As referred to in notes 11.10 & 11.11 to the financial statements

DISPOSAL OF FIXED ASSETS

Rupees in '000

Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
11.10						
Land						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Land Freehold	35,000	-	35,000	30,000	As Per Bank Policy	MR MUHAMMAD SHAHAB KHAN
Land Leasehold	18,360	-	18,360	15,789	As Per Bank Policy	MR. MAHMOOD MIRZA BARLAS
Total	**53,360**	**-**	**53,360**	**45,789**		
Building						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Building Freehold	16,878	8,314	8,564	12,000	As Per Bank Policy	MR. NAZIR AHMED S/O REHMAT ALI
Building Freehold	93,092	22,794	70,298	80,000	As Per Bank Policy	SITARA GROUP
Building leasehold	4,779	-	4,779	4,700	As Per Bank Policy	MR. MOHAMMAD ATHER
Building leasehold	3,600	75	3,525	2,900	As Per Bank Policy	MUHAMMAD NAEEM KHAN
Building leasehold	362	11	351	311	As Per Bank Policy	MR. MAHMOOD MIRZA BARLAS
Total	**118,711**	**31,194**	**87,517**	**99,911**		
Electrical, Office & Computer Equipments						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Computer Equipment	4,463	4,463	-	13	As Per Bank Policy	MR. BARVI TRADE WAYS
Electrical Equipment	9,140	8,791	349	2,645	As Per Bank Policy	KARACHI RENTAL POWER
Total	**13,603**	**13,254**	**349**	**2,658**		
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	1,680	952	728	1,595	Insurance Claim	EFU GENERAL INSURANCE
Motor Vehicle	1,645	960	685	1,645	Insurance Claim	EFU GENERAL INSURANCE
Motor Vehicle	10,169	8,305	1,864	2,203	As Per Bank Policy	MR. TARIQ MAHMOOD
Motor Vehicle	1,680	1,036	644	1,125	As Per Bank Policy	RASHID SALEEM
Motor Vehicle	1,679	1,035	643	1,163	As Per Bank Policy	ADNAN NASEER AHMAD
Motor Vehicle	1,679	1,035	643	1,133	As Per Bank Policy	ADNAN NASEER AHMAD
Motor Vehicle	1,679	1,035	643	1,179	As Per Bank Policy	IRFAN KHAN
Motor Vehicle	1,426	1,426	0	1,121	As Per Bank Policy	SHAFAQAT ALI
Motor Vehicle	1,325	1,325	0	1,001	As Per Bank Policy	ABDUL AHAD
Motor Vehicle	1,005	1,005	0	1,058	As Per Bank Policy	TARIQ MAHMOOD
Motor Vehicle	8,374	8,374	0	2,830	As Per Bank Policy	ZAHEER-UD-DIN BABER
Motor Vehicle	1,239	1,239	0	916	As Per Bank Policy	MUHAMMAD RIZWAN MUGHAL
Motor Vehicle	1,809	1,809	0	1,061	As Per Bank Policy	KHURRAM IMTIAZ
Motor Vehicle	1,147	784	363	1,096	Insurance Claim	EFU GENERAL INSURANCE
Total	**36,536**	**30,320**	**6,216**	**19,126**		
Other Disposals	**116,986**	**96,250**	**20,736**	**17,585**	As Per Policy	MISCELLANEOUS
31 December, 2015	**339,196**	**171,018**	**168,178**	**185,069**		
11.11						
Itemssold to Executives Otherwise Than Through a Regular Auction						
Electrical, Office & Computer Equipments						
Computer Equipment	-	-	-	-		
31 December, 2015	-	-	-	-		

ANNEXURE III

Islamic Banking Business
Shariah Board Members' Profile

Mufti Ehsan Waquar

Chairman Shariah Board

He is serving as Chairman Shariah Board of Allied Bank Limited and National Bank of Pakistan. He has professional experience of more than 19 years at senior level management of various prestigious institutions. His unique blend of educational combination gives him an ability to understand and correlate commercial transactions with Shariah principles. He graduated as a Mufti achieving Masters in Traditional Islamic Studies and also acquired Masters in Economics and MBA in Finance. He is a member of Technical Committee for Developing Accounting and Auditing Standard for Islamic Financial Institutions at the Institute of Chartered Accountants of Pakistan and a member of Shariah Advisers forum at State Bank of Pakistan. Furthermore, he is a frequent writer and contributes for different periodical being issued both internationally and locally as well.

Mufti Mahmood Ahmad

Member Shariah Board

He is serving Allied Bank Limited as member Shariah Board. He graduated as a scholar in Shahadat-ul-Almiah (Master in Arabic and Islamic studies) from Wifaq-ul-Almadaris Alarabia. He has also done his Masters in Arabic from Punjab University, Lahore, Takhassus-Fi-Alifta) in Islamic fiqh and fatwa from Jamia Darul-Uloom, Karachi. He has seven years' experience as a Shariah consultant with Islamic micro-finance and other organizations. He is a mufti and lecturer in world renowned Islamic university - Al Jamia Al Ashrafia Lahore.

Mufti Muhammad Iftikhar Baig

Resident Shariah Board Member

He is serving Allied Bank as resident Shariah Board Member (RSBM). He is a qualified Mufti from the Jamia Dar ul Uloom Karachi, which is one of the most reputed and prestigious religious institution in the country. He is also a Law graduate and in the process of completing his Ph.D thesis on the subject "Shariah Compliant Solution regarding foreign Trade". His previous experience includes Shariah Advisory services in local and international banks. He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions.

ANNEXURE III

Islamic Banking Business

Shariah Board's Report

For the year ended December 31, 2015

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Allied Bank Limited - Islamic Banking Group are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah compliance environment of Allied Bank Limited - Islamic Banking Group.

To form our opinion as expressed in this report, the Shariah Compliance Department of the Bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal Shariah audit. Based on above, we are of the view that:

The business affairs of ABL-IBG, especially with reference to transactions, relevant documentation and procedures, performed by the Bank during the year 2015 are in conformity with the principles and guidelines of Shariah and other guidelines issued by Shariah Advisor/ Board and State Bank of Pakistan.

The Bank has a mechanism in place to ensure Shari'ah compliance in their overall operations. However, the Bank is working to improve the overall mechanism as next year the branch network will be growing rapidly. The system within the Bank is sound enough to ensure any earning realized from prohibited sources is not made a part of the income. The same is duly credited in the charity account and are being utilized properly.

The management had a plan of opening 23 branches this year that was successfully completed. During the year, ABL – Islamic Banking Group opened 21 new branches and converted 2 conventional banking branches into Islamic Banking achieving the desired number.

In order to ensure that income distributed to the stakeholders remains pure and Halal, income of Rs. 11 thousand has been transferred to Charity Account.

Review & Development:

Asset Review: Bank's assets have increased to Rs. 140 Million. These mainly constitute of Murabahah 78% and Ijarah 22% of the total financing portfolio.

Investment Review: Investment portfolio consists of government Sukuk constituting the major share and that has risen to 2,205 Million.

Liability Review: The total deposits of the Bank have impressively increased by 511%, reaching Rs. 2,334 million as at December 31, 2015 compared to Rs. 382 million of last year.

Profit Distribution Policy: The allocation of Profit and charging of Losses to Mudharabah based remunerative deposits, which was reviewed and approved on monthly basis, is in conformity with the Shariah Rules & Principles and Pool Management guidelines of State Bank of Pakistan.

Product Development: Following Policies, Procedures and Products were launched during the year 2015:

Policies and Procedures prepared and approved during the year 2015

- Islamic Banking Policy for Charity Fund
- Manual for Management of Charity Fund

Asset Side Products

- Murabahah
- Salam
- Ijarah
- Diminishing Musharakah

Liability Side Products

- Allied Islamic Shaulat Account
- Allied Islamic Asaan Current Account
- Allied Islamic Asaan Saving Account

Drafts of the following Product, Policies and Procedures have been submitted to stakeholders for their review and feedback

- Investment Policy – IBG
- Credit Procedure Manual (respective portion of IBG)
- Trade Finance Manual (Imports, SG & Exports sections)

ANNEXURE III

Islamic Banking Business

Shariah Board's Report

For the year ended December 31, 2015

Product Programs

- Istisn'a
- Bai Muajjal – Securities
- Staff Car Ijarah
- Forward Cover
- Allied Islamic Premium Account
- Allied Islamic Institutions Account
- Allied Islamic Notice Period Certificates

Shariah Compliance Department has structured 05 Customized Process Flows for Asset side products.

Training & Development

Management's special attention was observed towards enhancing the Islamic Banking skills of the staff. Through Management Development Center, SCD has arranged various sessions related to Islamic Banking products and approximately more than eighty employees attended these sessions. Moreover, more than ten employees attended training session conducted by NIBAF and other reputed Islamic Banking Training institutes.

As the Bank plans to increase its branch network and induct new employees, the Bank needs to ensure adequate training related to Islamic banking products and services offered by the Bank especially to those employees dealing directly with customers.

However, following are some areas, which require further improvement:

1. Keeping in view the risk of non-compliance of Shariah guidelines & loss of income and reputational risk involved in centralization of Islamic Banking Group's operations with conventional set-ups, it is recommended that dedicated senior resources with good Islamic Banking knowledge and experience should be placed in the relevant group who exclusively supervise and manage the affairs/ transactions of Islamic Banking Group.
2. ABL-IBG has significantly worked towards product development during the year. However, now there is a need to focus on refining the existing products / manuals / process flows and documents.
3. ABL-IBG has conducted a Customer Awareness Program at Lahore. It is recommended that quantum of such programs should be increased and other cities should also be covered.
4. IT needs to develop a complete automation solution for profit distribution on multiple pool with proper asset tagging. This will ease the profit distribution and avoid chances of human errors.
5. Due care should be taken while appointing new staff members for Islamic Banking Branches ensuring that the new recruits are committed to the ideology of Islamic Banking. All staff prior taking any assignments should undergo training on fundamentals of Islamic Banking if they have not attended such training before in their professional career.
6. Viewing at the upcoming expansion plan, Shariah Board has advised the management to hire adequate resources for Shariah Compliance Department in order to discharge its duties effectively & efficiently.
7. Staff retirement benefits and staff finances working in Islamic Banking Group must comply with Shariah principles.

We pray to almighty ALLAH, for the success of Islamic banking and provide us guidance to adhere to his Shariah principles in day-to-day operations and absolve our mistakes.

Mufti Ehsan Waquar	**Mufti Mehmood Ahmad**	**Mufti Muhammad Iftikhar Baig**
Chairman Shariah Board	**Member Shariah Board**	**Resident Shariah Board Member**

Date: February 10, 2016

ANNEXURE III

Islamic Banking Business

The Bank is operating 27 Islamic banking branches at the end of December 31, 2015 (2014: 4).

Statement of Financial Position

As at December 31, 2015

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		135,599	30,636
Balances with other banks		–	–
Due from financial institutions		272,275	308,000
Investments		2,240,542	526,242
Islamic financing and receivables	A-III. 2	139,983	–
Operating fixed assets		46,302	24,765
Deferred tax assets		–	–
Due from Head Office		55,294	16,061
Other assets		23,254	4,279
		2,913,249	909,983
LIABILITIES			
Bills payable		11,456	11,372
Borrowings from financial institutions		18,500	–
Deposits and other accounts			
- Current accounts		988,294	144,961
- Saving accounts		1,009,745	236,761
- Term deposits		232,770	500
Deposit from Financial Institutions - Remunerative		103,948	–
Deposits from Financial Institutions - Non-Remunerative		–	–
Deferred tax liability		–	–
Due to Head Office		–	–
Other liabilities		41,943	3,528
		2,406,656	397,122
NET ASSETS		506,593	512,861
REPRESENTED BY			
Islamic Banking Fund		500,000	500,000
Reserves		–	–
Unappropriated profit		(28,510)	23,222
		471,490	523,222
Surplus/ (Deficit) on revaluation of assets - net of tax		35,103	(10,361)
		506,593	512,861
Remuneration to Shariah Advisor / Board		4,879	1,925
CHARITY FUND			
Opening balance		–	–
Additions during the year		11	–
Payments/ utilization during the year		-	–
Closing balance		11	–

ANNEXURE III

Islamic Banking Business

Profit and Loss Account

For the year ended December 31, 2015

	December 31, 2015	December 31, 2014
	Rupees in '000	
Income / return / profit earned	98,086	15,386
Income / return / profit expensed	37,205	3,224
Net income / profit	60,881	12,162
Provision / (reversal) against non-performing loans and advances - net	–	–
Provision / (reversal) against diminution in the value of investments - net	–	–
Bad debts written off directly	–	–
	–	–
Net profit / income after provisions	60,881	12,162
OTHER INCOME		
Fee, commission and brokerage income	4,180	934
Dividend income	17,458	47,880
Income from dealing in foreign currencies	–	–
Gain / (loss) on sale of securities	(15,707)	143
Unrealized loss on revaluation of investments classified as held for trading - net	–	–
Other income	23	1
Total other income	5,954	48,958
	66,835	61,120
OTHER EXPENSES		
Administrative expenses	118,566	37,895
Provision against other assets	–	–
Provision against off-balance sheet obligations - net	–	–
Other charges	–	3
Total other expenses	118,566	37,898
Extra-ordinary / unusual items	–	–
PROFIT BEFORE TAXATION	(51,731)	23,222
Taxation		
Current	–	–
Prior years	–	–
Deferred	–	–
	–	–
PROFIT AFTER TAXATION	(51,731)	23,222

ANNEXURE III

Islamic Banking Business

Statement of Cash Flow

For the year ended December 31, 2015

	December 31, 2015	December 31, 2014
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(51,731)	23,222
Less: Dividend income	(17,458)	(47,880)
	(69,189)	(24,658)
Adjustments for non-cash items:		
Depreciation / amortization	13,369	567
Provision against non-performing loans, advances and general provision - net	–	–
Reversal for diminution in the value of investments - net	–	–
Unrealized loss on revaluation of held for trading securities	–	–
Provision against off balance sheet obligations- net	–	–
Provision against other assets	–	–
Operating fixed assets written off	–	–
Provision for Workers' Welfare Fund	–	–
(Gain)/ Loss on sale of securities	15,707	–
	29,076	567
	(40,113)	(24,091)
(Increase) / Decrease in operating assets		
Lendings to financial institutions	35,725	(308,000)
Net realizations in 'held for trading' securities	–	–
Advances - net	(139,983)	–
Other assets (excluding advance taxation) - net	(18,975)	(4,279)
	(123,233)	(312,279)
Increase / (Decrease) in operating liabilities		
Bills payable	84	11,372
Borrowings from financial institutions	18,500	–
Deposits and other accounts	1,952,535	382,222
Other liabilities	36,715	3,528
	2,007,834	397,122
	1,844,488	60,752
Income tax paid - net	–	–
Net cash flow generated from operating activities	1,844,488	60,752
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in 'available-for-sale' securities	(615,981)	(385,000)
Net investments in 'held-to-maturity' securities	(1,068,564)	(151,602)
Due from Head Office	(39,233)	(16,061)
Dividend income received	17,458	47,880
Investments in operating fixed assets	(33,205)	(25,333)
Proceeds from sale of fixed assets	–	–
Net cash used in investing activities	(1,739,525)	(530,116)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	–	–
Dividends paid	–	–
Increase in Share Capital	–	500,000
Net cash used in financing activities	–	500,000
Effect of translation of net investment in foreign branch	–	–
Increase in cash and cash equivalents during the year	104,963	30,636
Cash and cash equivalents at beginning of the year	30,636	–
Effect of exchange rate changes on opening cash and cash equivalents	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	135,599	30,636

ANNEXURE III

Islamic Banking Business

Notes to the Annexure III

For the year ended December 31, 2015

A-III. 1. POOLS MANAGEMENT

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

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

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

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

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

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

A-III. 2. ISLAMIC FINANCING AND RELATED ASSETS

		December 31, 2015	December 31, 2014
	Notw	Rupees in '000	
Murabaha	A-III. 2.1.1	109,959	–
Ijarah	A-III. 2.1.2	30,024	–
Gross Advance		139,983	–
Provision held		–	–
Advance-net of provision		139,983	–

A-III. 2.1. ISLAMIC MODE OF FINANCING

A-III. 2.1.1 Murabaha

Financing	–	–
Advance	109,959	–
Inventories	–	–
	109,959	–

A-III. 2.1.2 Ijara

Financing	21,542	–
Advance	7,259	–
Inventories	1,223	–
	30,024	–

ANNEXURE III

Islamic Banking Business

Notes to the Annexure III

For the year ended December 31, 2015

A-III. 3. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Profit rate return earned on earning assets	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
				Rupees in '000			Rupees in '000
General Pool	Monthly	6.77%	50%	25,403	3.74%	25%	6,395

A-III. 4. AVENUES / SECTORS OF ECONOMY / BUSINESS WHERE MUDARABA BASED DEPOSITS HAVE BEEN DEPLOYED

	December 31, 2015	December 31, 2014
	Rupees in '000	
GOP Ijarah Sukuk	850,594	151,602
Sukuk Bonds	1,069,846	–
Others	285,000	385,000
Total gross Investments	2,205,440	536,602
Due from financial institution	272,275	308,000
Islamic Financings And Related Assets		
Ijarah	30,024	–
Murabaha	109,959	–
	139,983	–
Total invested funds	2,617,698	844,602

Consolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2015

Directors' Report on Consolidated Financial Statements
For the year ended December 31, 2015

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:

	2015	2014	Growth
	Rs. in Million		%
Profit after tax for the year	15,314	15,202	1%
Accumulated profits brought forward	37,728	31,343	20%
Effect of re-measurement of defined benefit plans - net of tax	(1,043)	60	-1838%
Transfer from surplus on revaluation of fixed assets - net of tax	99	45	120%
Profit available for appropriation	**52,098**	**46,650**	**12%**
Final cash dividend for the year ended December 31, 2014 at Rs. 2.00			
per share (2014: Year ended December 31, 2013 at Rs. 1.50 per share)	(2,290)	(1,561)	47%
1st interim cash dividend for the year ended			
December 31, 2015 at Rs. 1.75 per share (2014: Rs. 1.25 per share)	(2,004)	(1,431)	40%
2nd interim cash dividend for the year ended			
December 31, 2015 at Rs. 1.75 per share (2014: Rs. 1.50 per share)	(2,004)	(1,718)	17%
3rd interim cash dividend for the year ended			
December 31, 2015 at Rs. 1.75 per share (2014: Rs. 1.75 per share)	(2,004)	(2,004)	0%
Bonus shares for the year ended			
December 31, 2014 @ 0% (2014: Year ended December 31, 2013 @ 10%*)	-	(707)	-100%
Transfer to statutory Reserves	(1,512)	(1,501)	1%
Accumulated profits carried forward	**42,284**	**37,728**	**12%**
Earnings Per Share (EPS) (Rs.)	**13.37**	**13.28**	**1%**

* Balance appropriation of Rs. 334 million out of Share Premium Account.

Pattern of Shareholding
The pattern of shareholding as at December 31, 2015 is included in the Annual Report.

For and on behalf of the Board,

Tariq Mahmood
Chief Executive Officer

Place: Lahore
Dated: February 10, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Service House
2-Main Gulberg Jail Road ,
Lahore Pakistan

Auditors' Report
to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Allied Bank Limited and its subsidiary company (the Group) as at 31 December, 2015 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. We have also expressed separate opinion on the financial statements of Allied Bank Limited and its subsidiary company namely ABL Asset Management Company. 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, 2015 and the results of their operations for the year then ended.

The consolidated financial statements of the Bank for the year ended 31 December, 2014 were audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered accountants who had expressed an unqualified opinion thereon vide their report dated 10 February, 2015.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Lahore
Date: February 10, 2016

Consolidated Statement of Financial Position
as at December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
		ASSETS			
541,446	393,851	Cash and balances with treasury banks	6	56,711,623	41,252,303
38,930	8,340	Balances with other banks	7	4,077,613	873,500
34,641	19,382	Lendings to financial institutions	8	3,628,366	2,030,062
5,201,719	4,099,610	Investments	9	544,833,263	429,397,275
3,070,888	2,922,045	Advances	10	321,647,931	306,057,885
275,629	260,364	Operating fixed assets	11	28,869,612	27,270,823
–	–	Deferred tax assets	12	–	–
314,785	345,765	Other assets	13	32,970,839	36,215,718
9,478,038	8,049,357			992,739,247	843,097,566
		LIABILITIES			
47,185	46,131	Bills payable	15	4,942,189	4,831,801
1,317,152	631,047	Borrowings	16	137,959,818	66,096,472
7,012,975	6,376,337	Deposits and other accounts	17	734,546,015	667,863,871
–	28,585	Sub-ordinated loans	18	–	2,994,000
–	–	Liabilities against assets subject to finance lease		–	–
85,062	34,654	Deferred tax liabilities	12	8,909,508	3,629,645
155,210	153,874	Other liabilities	19	16,256,802	16,116,962
8,617,584	7,270,628			902,614,332	761,532,751
860,454	778,729	**NET ASSETS**		90,124,915	81,564,815
		REPRESENTED BY			
109,324	109,324	Share capital	20	11,450,739	11,450,739
144,184	129,361	Reserves		15,102,026	13,549,355
403,704	360,205	Unappropriated profit		42,284,340	37,728,181
657,212	598,890			68,837,105	62,728,275
203,242	179,839	Surplus on revaluation of assets - net of tax	21	21,287,810	18,836,540
860,454	778,729			90,124,915	81,564,815

CONTINGENCIES AND COMMITMENTS 22

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

Chief Financial Officer President and Chief Executive Director

Director Chairman

Consolidated Profit and Loss Account
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
688,545	639,703	Mark-up / return / interest earned	24	72,118,859	67,003,172
343,390	370,727	Mark-up / return / interest expensed	25	35,966,922	38,830,336
345,155	268,976	Net mark-up / interest income		36,151,937	28,172,836
(2,751)	20,161	(Reversal) / provision against non-performing loans and advances	10.4	(288,120)	2,111,694
17,304	(4,796)	Provision / (reversal) for diminution in the value of investments	9.3	1,812,488	(502,387)
–	–	Bad debts written off directly	10.5	–	–
14,553	15,365			1,524,368	1,609,307
330,602	253,611	Net mark-up / interest income after provisions		34,627,569	26,563,529
		NON MARK-UP / INTEREST INCOME			
38,471	34,665	Fee, commission and brokerage income	26	4,029,507	3,630,871
33,818	33,534	Dividend income		3,542,135	3,512,429
8,003	4,359	Income from dealing in foreign currencies		838,256	456,592
8,505	39,948	Gain on sale of securities	27	890,788	4,184,147
		Unrealized gain on revaluation of investments			
226	2,609	classified as held-for-trading - net	9.11	23,667	273,225
9,405	10,768	Other income	28	985,130	1,127,800
98,428	125,883	Total non-markup / interest income		10,309,483	13,185,064
429,030	379,494			44,937,052	39,748,593
		NON MARK-UP / INTEREST EXPENSES			
176,284	163,853	Administrative expenses	29	18,464,116	17,162,112
604	332	Provision against other assets	13.2	63,242	34,816
587	(3,721)	Provision / (reversal) against off-balance sheet obligations	19.1	61,496	(389,709)
4,923	4,389	Workers welfare fund	31	515,623	459,754
544	468	Other charges	30	56,994	49,044
182,942	165,321	Total non-markup / interest expenses		19,161,471	17,316,017
–	–	Extra-ordinary / unusual items		–	–
246,088	214,173	**PROFIT BEFORE TAXATION**		25,775,581	22,432,576
		Taxation			
80,485	71,124	Current		8,430,000	7,449,631
13,950	14	Prior years		1,461,091	1,501
5,444	(2,106)	Deferred		570,215	(220,556)
99,879	69,032		32	10,461,306	7,230,576
146,209	145,141	**PROFIT AFTER TAXATION**		15,314,275	15,202,000
360,205	299,244	Unappropriated profit brought forward		37,728,181	31,343,147
403,703	360,206	**PROFIT AVAILABLE FOR APPROPRIATION**		42,284,340	37,728,181
In US$				In Rupees	
0.13	0.13	**Earnings per share - Basic and Diluted**	33	13.37	13.28

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
US $ in '000			Rupees in '000	
146,211	145,139	Profit after taxation for the year	15,314,275	15,202,000
		Other comprehensive income:		
		Items to be reclassified to profit and loss account		
		in subsequent periods:		
		Exchange differences on translation of net investment		
388	(539)	in foreign operating branches	40,640	(56,448)
		Items not to be reclassified to profit and loss account		
		in subsequent periods:		
(15,334)	886	Actuarial (loss) / gain relating to defined benefit plans	(1,606,112)	92,734
5,367	(310)	Related deferred tax charge	562,139	(32,457)
(9,967)	576		(1,043,973)	60,277
(9,579)	37	**Other comprehensive income for the year- net of tax**	(1,003,333)	3,829
136,632	145,176	**Comprehensive income transferred to equity**	14,310,942	15,205,829
		Components of comprehensive income not reflected in equity:		
		Items to be reclassified to profit and loss account		
		in subsequent periods:		
74,763	42,070	Net change in fair value of available for sales securities	7,830,738	4,406,364
(50,332)	(15,189)	Related deferred tax charge	(5,271,787)	(1,590,837)
24,431	26,881		2,558,951	2,815,527

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Statement of Cash Flow
for the year ended December 31, 2015

December 31, 2015	December 31, 2014		Note	December 31, 2015	December 31, 2014
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
246,089	214,171	Profit before taxation		25,775,581	22,432,576
(33,818)	(33,534)	Less: Dividend income		(3,542,135)	(3,512,429)
212,271	180,637			22,233,446	18,920,147
		Adjustments for non-cash items:			
19,266	17,858	Depreciation / amortization		2,017,941	1,870,511
(2,751)	20,161	(Reversal) / provision against non-performing loans and advances		(288,120)	2,111,694
17,304	(4,796)	Provision / (reversal) for diminution in the value of investments		1,812,488	(502,387)
(226)	(2,609)	Unrealized gain on revaluation of held-for-trading securities		(23,667)	(273,225)
587	(3,721)	Provision / (reversal) against off balance sheet obligations		61,496	(389,709)
604	332	Provision against other assets		63,242	34,816
4,923	4,389	Provision for Workers' Welfare Fund		515,623	459,754
(246)	(643)	Gain on sale of operating fixed assets		(25,783)	(67,299)
39,461	30,971			4,133,220	3,244,155
251,732	211,608			26,366,666	22,164,302
		(Increase) / Decrease in operating assets			
(15,259)	99,591	Lendings to financial institutions		(1,598,304)	10,431,341
89,031	(62,662)	Net realizations in 'held-for-trading' securities		9,325,161	(6,563,313)
(146,093)	(392,716)	Advances		(15,301,926)	(41,133,458)
(16,181)	(138,978)	Other assets (excluding advance taxation)		(1,694,854)	(14,556,731)
(88,502)	(494,765)			(9,269,923)	(51,822,161)
		Increase / (Decrease) in operating liabilities			
1,054	(447)	Bills payable		110,388	(46,793)
686,552	315,019	Borrowings from financial institutions		71,910,103	32,995,441
636,638	567,660	Deposits and other accounts		66,682,144	59,457,242
(24,397)	3,089	Other liabilities		(2,555,354)	323,503
1,299,847	885,321			136,147,281	92,729,393
1,463,077	602,164			153,244,024	63,071,534
(45,313)	(53,062)	Income tax paid		(4,746,081)	(5,557,788)
1,417,764	549,102	**Net cash flow generated from operating activities**		148,497,943	57,513,746
		CASH FLOW FROM INVESTING ACTIVITIES			
(1,117,561)	966,220	Net investments in 'available-for-sale' securities		(117,054,506)	101,202,861
(17,498)	(1,480,264)	Net investments in 'held-to-maturity' securities		(1,832,810)	(155,044,297)
33,824	34,385	Dividend income received		3,542,764	3,601,469
(32,484)	(30,662)	Investments in operating fixed assets		(3,402,355)	(3,211,556)
1,776	1,394	Proceeds from sale of fixed assets		186,019	145,959
(1,131,943)	(508,927)	**Net cash used in investing activities**		(118,560,888)	(53,305,564)
		CASH FLOW FROM FINANCING ACTIVITIES			
(28,585)	(11,917)	Repayment of sub-ordinated loan		(2,994,000)	(1,248,200)
(78,888)	(63,983)	Dividends paid		(8,262,818)	(6,701,666)
(107,473)	(75,900)	**Net cash used in financing activities**		(11,256,818)	(7,949,866)
388	(539)	Effect of translation of net investment in foreign operating branches		40,640	(56,448)
178,736	(36,264)	**Increase / (decrease) in cash and cash equivalents during the year**		18,720,877	(3,798,132)
400,771	438,681	**Cash and cash equivalents at the beginning of the year**		41,977,178	45,947,890
(102)	(1,647)	**Effect of exchange rate changes on opening cash and cash equivalents**		(10,687)	(172,580)
579,405	400,770	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**	34	60,687,368	41,977,178

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2015

		Capital Reserves				Reserves		
	Share Capital	Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
	Rupees in '000							
Balance as at January 01, 2014	10,409,763	333,864	84,741	–	12,013,553	6,000	31,343,147	54,191,068
Comprehensive income for the year ended December 31, 2014								
Net profit for the year ended December 31, 2014	–	–	–	–	–	–	15,202,000	15,202,000
Effect of translation of net investment in foreign operating branches	–	–	(56,448)	–	–	–	–	(56,448)
Effect of remeasurement of defined benefit plan-net of deferred tax	–	–	–	–	–	–	60,277	60,277
	–	–	(56,448)	–	–	–	15,262,277	15,205,829
Transactions with owners recognized directly in equity								
Transfer to reserve for issue of bonus shares for the year ended December 31, 2013 @ 10%	–	(333,864)	–	1,040,976	–	–	(707,112)	–
Issue of bonus shares	1,040,976	–	–	(1,040,976)	–	–	–	–
Final cash dividend for the year ended December 31, 2013 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	(1,561,464)	(1,561,464)
First interim cash dividend for the year ended December 31, 2014 (Rs. 1.25 per ordinary share)	–	–	–	–	–	–	(1,431,342)	(1,431,342)
Second interim cash dividend for the year ended December 31, 2014 (Rs. 1.50 per ordinary share)	–	–	–	–	–	–	(1,717,611)	(1,717,611)
Third interim cash dividend for the year ended December 31, 2014 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	1,040,976	(333,864)	–	–	–	–	(7,421,409)	(6,714,297)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	45,675	45,675
Transfer to statutory reserve	–	–	–	–	1,501,509	–	(1,501,509)	–
Balance as at December 31, 2014	11,450,739	–	28,293	–	13,515,062	6,000	37,728,181	62,728,275
Comprehensive income for the year ended December 31, 2015								
Net profit for the year ended December 31, 2015	–	–	–	–	–	–	15,314,275	15,314,275
Effect of translation of net investment in foreign operating branches	–	–	40,640	–	–	–	–	40,640
Effect of remeasurement of defined benefit plan-net of deferred tax	–	–	–	–	–	–	(1,043,973)	(1,043,973)
	–	–	40,640	–	–	–	14,270,302	14,310,942

Consolidated Statement of Changes in Equity

for the year ended December 31, 2015

	Share Capital	Capital Reserves: Share Premium	Capital Reserves: Exchange Translation Reserve	Capital Reserves: Bonus Issue Reserve	Statutory Reserve	Reserves: General Reserve	Reserves: Un-appropriated Profit	Total
	Rupees in '000							
Transactions with owners recognized directly in equity								
Final cash dividend for the year ended December 31, 2014 (Rs. 2 per ordinary share)	–	–	–	–	–	–	(2,290,145)	(2,290,145)
First interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
Second interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
Third interim cash dividend for the year ended December 31, 2015 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	(2,003,880)	(2,003,880)
	–	–	–	–	–	–	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	–	–	–	–	–	–	99,673	99,673
Transfer to statutory reserve	–	–	–	–	1,512,031	–	(1,512,031)	–
Balance as at December 31, 2015	11,450,739	–	68,933	–	15,027,093	6,000	42,284,340	68,837,105

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

Allied Bank Limited ("the Bank"), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited). The Bank operates a total of 1,048 (2014: 998) branches in Pakistan including 27 (2014: 4) Islamic banking branches, 1 branch (2014: 1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2014: 1) in Bahrain. The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'. The Bank is the holding company of ABL Asset Management Company Limited.

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

Subsidiary Company

ABL Asset Management Company Limited (the Company) is a public unlisted company, incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The Company received certificate for commencement of business on December 31, 2007. The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131 [I] 2007 (the NBFC Rules).The company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005 . The registered office of the Company is situated at 11-B Lalazar, M.T. Khan Road, Karachi. The Company is a wholly owned subsidiary of Allied Bank Limited (the Holding Company). The management quality rating of the Company, as assigned by JCR-VIS Crediting Rating Company Limited, is AM2 (Stable).

ABL Asset Management company is managing following funds:

- ABL Income Fund	Launched on September 20, 2008
- ABL Stock Fund	Launched on June 28, 2009
- ABL Cash Fund	Launched on July 30, 2010
- ABL Islamic Income Fund	Launched on July 30, 2010
- ABL Government Securities Fund	Launched on November 30, 2011
- ABL Islamic Stock Fund	Launched on June 12, 2013
- ABL Islamic Principal Preservation Fund (Matured)	Launched on December 24, 2013
- ABL Islamic Principal Preservation Fund-II	Launched on March 31, 2014
- ABL Pension Fund	Launched on August 20, 2014
- ABL Islamic Pension Fund	Launched on August 20, 2014
- ABL Islamic Financial Planning Fund	Launched on December 22, 2015
- ABL Financial Planning Fund	Launched on December 31, 2015

2. (a) BASIS OF PRESENTATION

These consolidated financial statements consist of holding company and its subsidiary company for the year ended December 31, 2015.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.

The US Dollar amounts reported in the statement of financial position, profit and loss account, statement of comprehensive income and statement of cash flow are stated as an additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 104.7410 per US Dollar has been used for 2015 and 2014, as it was the prevalent rate as on reporting date.

(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 for the following which are stated at revalued amounts / fair values / present values:

- Investments (Note 5.4);
- Certain operating fixed assets (Note 5.6);
- Fair value of derivatives (Note 4-v); and
- Staff retirement and other benefits (Note 5.8)

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) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) & Securities and Exchange Commission of Pakistan (SECP). In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by SBP and SECP differ from requirements of IFRSs and IFASs, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP and SECP 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 7 – Financial Instruments Disclosure has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

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

During the year, certain amendments to standards and new interpretations to accounting standards became effective, however, the amendments and interpretations did not have any material effect on the consolidated financial statements of the Group, except for as disclosed in Note 5.1. SECP has granted exemption to the Group from application of the requirements of IFRS 10 – Consolidated Financial Statements with respect to the investments in mutual funds managed by ABL Asset Management Company Limited.

3.4 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016. 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.

– Amendments to IAS 38 – Intangible Assets and IAS 16 – Property, Plant and Equipment introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 – Joint Arrangements, clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

– Amendment to IAS 27 – Separate Financial Statement, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

– Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41]. Bearer plants are now in the scope of IAS 16 – Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 – Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

– Annual Improvements 2012-2014 cycle. The new cycle of improvements contain amendments to the following standards:

– IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

– IFRS 7 – Financial Instruments- Disclosures. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods.

– IAS 19 – Employee Benefits. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

– IAS 34 – Interim Financial Reporting. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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 requirements set out in Prudential Regulations.

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 reporting date and the rates contracted.

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

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

vii) **Defined benefits plan**

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

viii) **Fair value hierarchy of assets and liabilities**

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group categorizes fair value measurements within the following fair value hierarchy;

a) **Level 1**

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

b) **Level 2**

These are inputs other than quoted prices included within Level 1 inputs that are observable for asset or liability, either directly or indirectly.

c) **Level 3**

These are unobservable inputs for the asset or liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements of the Group except for the change explained in Note 5.1. Significant accounting policies are enumerated as follows:

5.1 Change in accounting policies

5.1.1 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 now presented as per the Group's functional and management reporting structure. The change in segment reporting is accounted for on retrospective basis. The Group's primary segment reporting is based on following business segments:

Business segments

a) Corporate & Investment banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Group. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

b) Trading and sales (Treasury)

This segment undertakes the Group's treasury and money 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 (conventional and Islamic) customers.

d) Commercial banking

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

e) Others

Others includes functions which cannot be classified in any of the above segments.

f) Asset Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

5.1.2 Fair Value Measurement

During the year, the Group has adopted IFRS 13 – Fair Value Measurement which became effective for the financial periods beginning on or after 01 January 2015. IFRS 13 – Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs. As a result, the Group has included the additional disclosure in this regard in note 39.1 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Group except for certain additional disclosures.

5.1.3 Subsidaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusions prospectively. The change did not have a material impact on the Group's financial statements.

5.2 Cash and cash equivalents

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

5.3 Lendings to / borrowings from financial institutions

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

(a) Sale under re-purchase agreements

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

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

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Return 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.

5.4 Investments

5.4.1 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 and dealer's margin.

(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.

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

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

5.4.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as "Held-To-Maturity" and investments in subsidiaries, are carried at market value. Investments classified as "Held-To-Maturity" are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Group's "Held-For-Trading" investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as "Available For Sale" is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

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

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

5.5 Advances (including net investment in finance lease)

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

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

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received / receivable on Ijarah under IFAS 2 are recorded as income / revenue.

Advances are written off when there are no realistic prospects of recovery in accordance with the requirements of Prudential Regulations issued by the SBP.

5.6 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 adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

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 reporting date. Adjustments in useful lives are treated as change in accounting estimate.

Capital work-in-progress

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

5.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, including those 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.

5.8 Staff retirement and other benefits

5.8.1 Staff retirement schemes

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

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

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

- An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:
  - i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
  - ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

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

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

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Group 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.

5.8.2 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 and loss account in the period of occurrence.

5.9 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.

5.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on accrual basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. “Qard” and “Modaraba”. Deposits taken on Qard basis are classified as ‘Current accounts’ and Deposits generated on Modaraba basis are classified as ‘Saving deposits / Fixed deposits’.

5.11 Subordinated loans

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

5.12 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.

5.13 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.

5.14 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.

5.15 Foreign currencies

a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the 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 operating branches 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 comprehensive income and on disposal are recognised in profit and loss account. Regular translation gains and losses are taken to profit and loss account.

d) Commitments

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

5.16 Financial instruments

5.16.1 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 extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.16.2 Derivative financial instruments

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

5.17 Off setting

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

5.18 Revenue recognition

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

a) Advances and investments

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

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

b) Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

c) Fees, brokerage and commission

Fees, brokerage and commission on letters of credit / guarantee and other services are amortized over the tenure of the respective facility, whereas account maintenance and service charges are recognized when realized. Remuneration of asset management, and investment advisory services and sales load are recognized on accrual basis.

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
6.	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand			
	Local currency		12,368,441	8,512,181
	Foreign currencies		887,146	672,759
			13,255,587	9,184,940
	Remittances in transit		386,250	1,052,463
	With State Bank of Pakistan (SBP) in			
	Local currency current accounts	6.1	20,266,767	9,369,334
	Foreign currency current account	6.2	40,019	83,165
			20,306,786	9,452,499
	Foreign currency deposit accounts			
	Non remunerative	6.3	2,686,554	3,211,415
	Remunerative	6.3 & 6.4	8,059,663	9,634,244
			10,746,217	12,845,659
	With National Bank of Pakistan in			
	Local currency current accounts		11,831,544	8,631,088
	National Prize Bonds		185,239	85,654
			56,711,623	41,252,303

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, 2015, carries mark-up at the rate of 0% (2014: 0%) per annum.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
7.	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	On current accounts		16	6
	Outside Pakistan			
	On current accounts	7.1	2,457,366	445,167
	On deposit accounts		1,620,231	428,327
			4,077,613	873,500

7.1 Included in Nostro accounts are balances, aggregating to Rs. 41.303 million (2014: Rs. 69.595 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.6	2,156,091	919,646
Certificates of investment	8.2	70,000	70,000
Call money lendings	8.3	1,200,000	1,110,416
Bai-Muajjal	8.4	272,275	–
	8.5	3,698,366	2,100,062
Provision against lendings to financial institutions	8.7	(70,000)	(70,000)
		3,628,366	2,030,062

8.1 These are short-term lendings to financial institutions against the government securities shown in note 8.6 below. These carry mark-up at rate of 6.45% to 6.50% (2014: 9.7%) per annum and will mature on, latest by January 08, 2016.

8.2 This represents a classified certificate of investment amounting to Rs. 70 million (2014: Rs. 70 million).

8.3 These call money lendings carry mark-up at rates of 6.5% (2014: 9.4% to 9.7%) per annum and are maturing on various dates, latest by January 08, 2016.

8.4 These represent lending by Islamic banking business under Bai Muajjal agreements at returns ranging from 5.990% to 5.995% per annum (2014: Nil) with maturity, latest by November 18, 2016

	December 31, 2015	December 31, 2014
	Rupees in '000	
8.5 Particulars of lending		
In local currency	3,698,366	1,597,647
In foreign currencies	–	502,415
	3,698,366	2,100,062

8.6 Securities held as collateral against lending to Financial Institutions

	December 31, 2015			December 31, 2014		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	1,491,091	–	1,491,091	919,646	–	919,646
Pakistan Investment Bonds	665,000	–	665,000	–	–	–
	2,156,091	–	2,156,091	919,646	–	919,646

	December 31, 2015	December 31, 2014
	Rupees in '000	
8.7 Particulars of provision		
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	70,000	70,000

9. INVESTMENTS

	Note	December 31, 2015			December 31, 2014		
		Held by Group	Given as collateral	Held by Total	Given as Group	collateral	Total
					Rupees in '000		
9.1 Investments by types							
Held-for-trading securities							
Market Treasury Bills		–	–	–	2,474,557	–	2,474,557
Pakistan Investment Bonds		–	–	–	6,997,811	–	6,997,811
Units of open-ended mutual funds / pension funds - related parties		1,212,748	–	1,212,748	1,003,933	–	1,003,933
Sukuk bonds		19,633	–	19,633	–	–	–
		1,232,381	–	1,232,381	10,476,301	–	10,476,301
Available-for-sale securities							
Market Treasury Bills		113,476,903	25,054,061	138,530,964	81,149,936	31,696,602	112,846,538
Pakistan Investment Bonds		83,273,356	71,436,281	154,709,637	72,370,892	–	72,370,892
Ordinary shares of listed companies / certificates of close ended mutual funds		13,614,525	–	13,614,525	20,088,582	–	20,088,582
Preference shares		25,000	–	25,000	136,855	–	136,855
Units of open ended mutual funds		150,000	–	150,000	250,000	–	250,000
Ordinary shares of unlisted companies		2,123,767	–	2,123,767	2,223,838	–	2,223,838
Investment in related parties							
- Listed shares		8,142,520	–	8,142,520	–	–	–
- Unlisted shares		1,352,894	–	1,352,894	456,155	–	456,155
- Units of open ended mutual funds		135,000	–	135,000	458,299	–	458,299
Sukuk bonds		1,945,563	–	1,945,563	2,233,278	–	2,233,278
GOP Sukuk		5,359,194	–	5,359,194	–	–	–
GOP Ijara Sukuk		700,275	–	700,275	–	–	–
Term finance certificates (TFCs)		4,179,005	–	4,179,005	2,837,451	–	2,837,451
		234,478,002	96,490,342	330,968,344	182,205,286	31,696,602	213,901,888
Held-to-maturity securities							
Pakistan Investment Bonds		185,697,197	–	185,697,197	184,587,797	–	184,587,797
GOP Sukuk		1,054,700	–	1,054,700	–	–	–
GOP Ijara Sukuk		150,319	–	150,319	151,602	–	151,602
Foreign Currency Bonds (US$)		4,906,147	–	4,906,147	4,570,147	–	4,570,147
TFCs, Bonds and PTCs		1,428,725	–	1,428,725	2,094,732	–	2,094,732
		193,237,088	–	193,237,088	191,404,278	–	191,404,278
Investment at cost		428,947,471	96,490,342	525,437,813	384,085,865	31,696,602	415,782,467
Provision for diminution in the value of investments	9.3	(2,777,721)	–	(2,777,721)	(977,183)	–	(977,183)
Investment (cost net of provisions)		426,169,750	96,490,342	522,660,092	383,108,682	31,696,602	414,805,284
Surplus on revaluation of held-for-trading securities		23,667	–	23,667	273,225	–	273,225
Surplus on revaluation of available-for-sale securities	21.2	18,654,545	3,494,959	22,149,504	14,245,549	73,217	14,318,766
Total investments at market value		444,847,962	99,985,301	544,833,263	397,627,456	31,769,819	429,397,275

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	138,530,964	115,321,095
- Pakistan Investment Bonds	9.2.1 - 9.2.2	340,406,834	263,956,500
- Foreign Currency Bonds (US$)	9.2.1 & 9.2.4	4,906,147	4,570,147
- GOP Ijara Sukuk	9.2.1	850,594	151,602
- GOP Sukuk	9.2.1	6,413,894	–
Fully paid up ordinary shares of listed companies / certificates of close ended mutual funds	9.4	21,757,045	20,088,582
Fully paid up ordinary shares of unlisted companies	9.5	3,476,661	2,679,993
Investment in units of open ended mutual funds	9.6	1,497,748	1,712,232
Fully paid up preference shares	9.7	25,000	136,855
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates:			
Term Finance Certificates			
-Listed	9.8	2,523,862	1,089,082
-Unlisted	9.8	1,814,022	1,915,317
Sukuk Bonds	9.9	3,235,042	4,161,062
Total investments at cost		525,437,813	415,782,467
Less: Provision for diminution in the value of investments	9.3	(2,777,721)	(977,183)
Investments (cost net of provisions)		522,660,092	414,805,284
Unrealized gain on revaluation of held-for-trading securities	9.11	23,667	273,225
Surplus on revaluation of available-for-sale securities	21.2	22,149,504	14,318,766
Total investments at market value		544,833,263	429,397,275

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills	January, 2016 To October, 2016	6.37% - 8.35%	On maturity	At maturity
Pakistan Investment Bonds	July, 2016 To March, 2025	8.75% - 12.00%	On maturity	Half Yearly
Foreign Currency Bonds (US$)	March, 2016 To June, 2017	6.875% - 7.125%	On maturity	Half Yearly
GOP Ijara Sukuk	March, 2016 To December, 2018	6M MTB minus (0.30% to 2.0%)	On maturity	Half Yearly
GOP Sukuk	December, 2019	6.75%	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 24,873.964 million (2014: Rs. 31,518.674 million) and Pakistan Investment Bonds having a book value of Rs. 71,436.281 (2014: Nil), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a book value of Rs. 180.097 million (2014: Rs 177.927 million), held by the SBP against Demand Loan and TT / DD discounting facilities sanctioned to the Bank.

9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2015	December 31, 2014
US $ Bonds						Rupees in '000	
Euro Dollar Bond ($3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-16	6.5 Years	312,055	292,184
Euro Dollar Bond ($3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-16	5.9 Years	333,967	316,560
Euro Dollar Bond ($14,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-16	10 Years	1,547,930	1,439,272
Euro Dollar Bond ($1,800,000)	7.125%	05-Jan-11	31-Mar-16	30-Mar-16	5 Years	187,589	176,880
Euro Dollar Bond ($2,000,000)	7.125%	07-Mar-11	31-Mar-16	30-Mar-16	5 Years	207,702	193,328
Euro Dollar Bond ($3,000,000)	7.125%	08-Mar-11	31-Mar-16	30-Mar-16	5 Years	311,552	289,986
Euro Dollar Bond ($10,500,000)	6.875%	31-May-07	01-Jun-17	30-May-16	10 Years	1,054,374	984,520
Euro Dollar Bond ($5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-16	10 Years	488,451	447,995
Euro Dollar Bond ($4,457,000)	7.125%	01-Oct-10	31-Mar-16	30-Mar-16	5.5 Years	462,527	429,422
						4,906,147	4,570,147

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
9.3 Particulars of provision			
Opening balance		977,183	1,585,458
Charge for the year		1,820,557	175,339
Reversals		(8,069)	(677,726)
Net charge		1,812,488	(502,387)
Reversal on disposal of shares		(11,950)	(105,888)
Closing balance	9.3.1	2,777,721	977,183
9.3.1 Particulars of provision in respect of type and segment			
By type:			
Available-for-sale securities			
Ordinary shares / certificates of listed companies		2,289,386	389,481
Ordinary shares of unlisted companies		92,671	79,685
Preference shares		25,000	136,855
Sukuk Bonds		11,785	7,241
		2,418,842	613,262
Held-to-maturity securities			
TFCs, Debentures, Bonds and PTCs		358,879	363,921
		2,777,721	977,183
By Segment:			
Fully Paid up Ordinary Shares:			
- Listed companies		2,289,386	389,481
- Unlisted companies		92,671	79,685
- Preference Shares		25,000	136,855
		2,407,057	606,021
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Bonds		211,785	207,241
Term Finance Certificates		158,879	163,921
		370,664	371,162
		2,777,721	977,183

9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

Name of Company / Mutual Fund	Cost per share / certificates	2015 No. of shares / certificates	2015 Total Cost	2014 No. of shares / certificates	2014 Total Cost
	Rupees		Rupees in '000		Rupees in '000
Available-for-Sale					
Agritech Limited	12.59	13,961,851	175,755	13,961,851	175,755
Attock Petroleum Limited	419.20	1,338,450	561,076	1,338,450	561,076
Dolmen City REIT	11.00	41,441,000	455,851	–	–
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	62,700,000	1,528,975
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	15,481,600	1,604,159
First Dawood Investment Bank Limited	8.43	10,362,554	87,405	–	–
Habib Bank Limited	168.01	6,622,992	1,112,707	–	–
Hub Power Company Limited - related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Co. Limited - related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Pakistan Oil field Limited	404.83	9,106,350	3,686,501	9,106,350	3,686,501
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	324.51	1,486,500	482,384	1,486,500	482,384
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	6,677,717	90,436
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	13,889,000	250,002
Trust Invewstment Bank Limited	10.00	2,500,000	25,000	1,250,000	12,500
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			21,757,045		20,088,582

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, 2015 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	0.70	10	5,000	30-Jun-14	Mr. Arif Ali Khan Abbasi
Atlas Power Limited - related party	7.49%	35,500,000	16.62	10	355,000	30-Jun-15	Mr. Maqsood Ahmed Basraa
Burj Bank Limited	1.82%	14,833,333	5.88	10	148,333	31-Dec-14	Mr. Ahmed Khizer Khan
Central Depository Company	1.00%	650,000	36.25	10	40,300	30-Jun-14	Mr. Muhammad Hanif Jakhura
First Women Bank Limited	3.10%	7,734,926	8.87	10	21,200	31-Dec-14	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.38%	5,803,275	211.93	£1.00	990,367	31-Dec-14	Mr. Abbas Hasan
Islamabad Stock Exchange*	0.83%	3,034,603	11.10	10	30,346	30-Jun-15	Mr. Mian Ayyaz Afzal
Lahore Stock Exchange*	0.66%	843,975	11.63	10	8,440	30-Jun-14	Mr. Aftab Ahmad Chaudary
National Institutional Facilitation Technologies							
(Pvt) Limited (NIFT) - related party	9.07%	2,266,609	44.70	10	1,527	30-Jun-14	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	78,747,541	10.24	10	787,475	30-Jun-14	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services							
Corporation Limited (PASSCO) - related party	3.33%	1,000	–	10	1,000	31-Mar-13	Capt (R) Tariq Masud
Security General Insurance Company Limited	18.22%	12,401,871	124.81	10	1,075,653	31-Dec-14	Ms. Nabiha Shahnawaz
SME Bank Limited	0.32%	774,351	2.88	10	5,250	31-Dec-14	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank							
Financial Telecommunication	0.01%	10	338,336	€125	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
Eastern Capital Limited	–	500,000	–	–	5,000		Under liquidation
					3,476,661		

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

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units 2015	No. of Units 2014	Paid-up value per Certificate	Total Cost 2015	Total Cost 2014
			Rupees	Rupees in '000	
ABL Cash Fund- related party	1,155,552	61,988,781	10	11,573	591,416
ABL Government Securities Fund- related party	3,788,879	–	10	39,247	–
ABL Income Fund- related party	16,502,806	27,959,967	10	169,685	267,582
ABL Stock Fund- related party	3,807,389	12,996,439	10	50,364	129,387
HBL Islamic Stock Fund	–	579,833	100	–	100,000
Al Ameen Shariah Stock Fund	1,483,838	1,483,838	100	150,000	150,000
ABL AMC Islamic Stock Fund - related party	11,206,388	17,411,918	10	135,000	193,656
ABL Islamic Principal Preservation Fund - related party	–	10,368,391	10	–	100,191
ABL Islamic Financial Planning Fund - related party	2,501,654	–	10	250,165	–
ABL Financial Planning Fund - related party	5,000,000	–	10	500,000	–
ABL Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	33,544	30,000
ABL Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	32,729	30,000
ABL Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	30,712	30,000
ABL Islamic Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	33,563	30,000
ABL Islamic Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	30,558	30,000
ABL Islamic Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	30,608	30,000
				1,497,748	1,712,232

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, 2015	Name of Chief Executive/ Managing Agent
				Rupees	Rupees in '000		
Trust Investment Bank Limited	9.7.1	30.96%	2,500,000	10	25,000	25,000	Mr. Ahsan Rafique
						25,000	

9.7.1 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 2015	No. of Units 2014	Paid-up value per Certificate	Total Cost 2015	Total Cost 2014
			Rupees	Rupees in '000	
Listed					
Habib Bank Limited	15,000	–	100,000	1,500,000	–
Bank Alfalah Limited TFC V	64,618	64,618	5,000	322,767	322,896
JS TFC II	37,500	37,500	5,000	161,719	180,469
Jahangir Siddiqi & Company Limited	30,000	30,000	5,000	37,500	75,000
Azgard Nine Limited	–	1,300	5,000	–	1,573
NIB Bank TFC II	76,800	76,800	5,000	383,770	383,923
Telecard Limited	75,888	75,888	5,000	118,106	125,221
				2,523,862	1,089,082

Name of Company	No. of Units 2015	No. of Units 2014	Paid-up value per Certificate	Total Cost 2015	Total Cost 2014
			Rupees	Rupees in '000	
Unlisted					
Askari Bank Limited TFC II	–	20,000	5,000	–	99,780
(Chief Executive: Mr. Syed M. Husaini)					
Faysal Bank Limited	70,000	70,000	5,000	349,300	349,440
(Chief Executive: Mr. Nauman Ansari)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	30,274
(Chief Executive: Mr. Ishtiaq Ahmed)					
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	454
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	10,044	10,999
Bank Al-Habib TFC IV	90,000	90,000	5,000	449,190	449,370
(Chief Executive: Mr. Abbas D. Habib)					
Standard Chartered Bank TFC III	75,000	75,000	5,000	375,000	375,000
(Chief Executive: Mr. Shazad Dada)					
Askari Bank Limited TFC V	120,000	120,000	5,000	599,760	600,000
(Chief Executive: Mr. Syed M. Husaini)					
Total				1,814,022	1,915,317

9.9 Detail of Investment in Sukuk Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost 2015	Cost 2014
						Rupees in '000	
Sukuk Bonds							
Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	17-Mar-21	01-Jan-16	Quarterly	1,728,757	1,982,816
Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Jan-16	Quarterly	193,237	221,497
Quetta Textile Mills Limited	6 MK+1.75%	26-Sep-08	25-Sep-19	25-Mar-16	Quarterly	23,569	28,966
Shahraj Fabrics (Pvt.) Limited	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-13	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.70%	03-Dec-07	03-Dec-18	03-Mar-16	Quarterly	1,089,479	1,727,783
						3,235,042	4,161,062

9.10 Quality of Available-for-Sale Securities

Name of Security	2015 Market value / Book Value	2015 Rating	2014 Market value / Book Value	2014 Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	138,608,982	Un Rated	113,003,550	Un Rated
Pakistan Investment Bonds	161,522,543	Un Rated	75,283,629	Un Rated
Listed TFCs				
Azgard Nine Limited	–	–	1,479	D
Habib Bank Limited	1,500,000	AA	–	–
NIB Bank TFC II	379,932	A+	378,971	A+
Bank Alfalah Limited - TFC V	328,657	AA-	321,140	AA-
JS TFC II	161,861	AA+	180,469	AA+
Jahangir Siddiqi & Company Limited	36,676	AA+	75,000	AA+

Name of Security	2015 Market value / Book Value	2015 Rating	2014 Market value / Book Value	2014 Rating
	Rupees '000		Rupees '000	
Unlisted TFCs				
Faysal Bank Limited	349,300	AA-	353,807	AA-
Askari Bank Limited TFC II	–	–	99,780	AA-
Bank Al-Habib Limited TFC IV	449,190	AA	449,370	AA
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited TFC V	599,760	AA-	600,000	AA
Shares Unlisted				
Arabian Sea Country Club Limited* - related party	5,000	**	5,000	**
Atlas Power Limited* - related party	355,000	AA-&A1+	355,000	A+&A1
Burj Bank Limited	148,333	A-&A2	148,333	A&A1
Central Depository Company	40,300	**	40,300	**
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	BBB+&A2	21,200	BBB+&A2
Habib Allied Holding Limited* - related party	990,367	**	449,628	**
Islamabad Stock Exchange	30,346	**	30,346	**
Lahore Stock Exchange	8,440	**	8,440	**
NIFT* - related party	1,527	**	1,527	**
Nishat Hotels and Properties Limited*	531,546	A-&A2	531,546	A-&A2
Nishat Hotels and Properties Limited	255,930	A-&A2	–	–
PASSCO* - related party	1,000	**	1,000	**
Security General Insurance Company Limited	1,075,653	AA-	1,075,653	A1
SME Bank Limited*	5,250	BB&B	5,250	BBB-&A3
SWIFT	1,770	**	1,770	**
Shares / Certificates Listed				
Agritech Limited	130,543	D	108,204	D
Attock Petroleum Limited	676,078	**	722,201	**
Dolmen City REIT	444,662	RR1	–	–
Fatima Fertilizer Company Limited	2,804,571	AA-&A1	2,242,779	AA-&A1+
Fauji Fertilizer Company Limited	1,826,519	**	1,813,050	**
First Dawood Investment Bank	13,782	**	–	–
Habib Bank Limited	1,325,393	AAA&A1+	–	–
Hub Power Company Limited* - related party	6,248,340	AA+&A1+	4,772,124	AA+&A1+
Hub Power Company Limited - related party	5,242,860	AA+&A1+	4,004,196	AA+&A1+
Kot Addu Power Co. Ltd.* - related party	7,128,000	AAA&A1+	6,946,720	AAA&A1+
Nishat Chunian Power Limited*	1,651,500	A-&A2	1,486,500	A&A2
Nishat Power Limited*	1,610,400	A+&A1	1,368,000	A+&A1
Pakistan Oilfield Limited*	945,843	**	1,338,761	**
Pakistan Oilfield Limited	1,494,841	**	2,115,823	**
Pakistan Petroleum Limited*	1,164,837	**	1,688,015	**
Pakistan State Oil Company Limited	484,257	AA+&A1+	532,033	AA+&A1+
PICIC Growth Mutual Fund	150,449	**	164,606	**
Pioneer Cement Limited	9,702	**	9,142	**
Saif Power Limited	454,865	A+&A1	512,782	A+&A1
United Bank Limited	939,741	AA+&A1+	1,071,711	AA+&A1+
Trust Investment Bank Limited	3,100	**	1,688	**

Name of Security	2015 Market value / Book Value	2015 Rating	2014 Market value / Book Value	2014 Rating
	Rupees '000		Rupees '000	
Preference Shares				
Trust Investment Bank Limited	25,000	**	37,500	**
First Dawood Investment Bank Limited	–	–	99,355	**
Investment in Mutual Funds				
ABL Cash Fund- related party	11,911	AA(f)	648,444	AA(f)
ABL Government Securities Fund- related party	39,593	A(f)	–	–
ABL Income Fund- related party	171,614	A(f)	300,561	A+(f)
ABL Stock Fund- related party	50,440	MFR 4-Star	169,218	MFR 5-Star
HBL Islamic Stock Fund	–	–	80,208	AA(f)
Al Ameen Shariah Stock Fund	173,594	MFR 3-Star	165,047	AAA(f)
ABL AMC Islamic Stock Fund - related party	140,813	MFR 4-Star	201,079	A(f)
ABL Islamic Principal Preservation Fund - related party	–	–	112,474	**
ABL Islamic Financial Planning Fund - related party	250,394	**	–	–
ABL Financial Planning Fund - related party	500,062	**	–	–
ABL Pension Fund - Equity Sub Fund - related party	38,644	**	33,544	**
ABL Pension Fund - Debt Sub Fund - related party	37,392	**	32,729	**
ABL Pension Fund - Money Market Sub Fund - related party	32,277	**	30,712	**
ABL Islamic Pension Fund - Equity Sub Fund - related party	39,270	**	33,562	**
ABL Islamic Pension Fund - Debt Sub Fund - related party	32,419	**	30,558	**
ABL Islamic Pension Fund - Money Market Sub Fund - related party	32,008	**	30,607	**
Sukuk Bonds				
Liberty Power Tech Limited I	1,728,757	A+	1,982,816	AA+&A1+
Liberty Power Tech Limited II	193,237	A+	221,497	AA+&A1+
Quetta Textile Mills Limited	23,569	**	28,966	**
Maple Leaf Cement Factory Limited	1,089,872	A	1,727,783	A

* Strategic Investments of the Bank

** Ratings are not available

		December 31, 2015	December 31, 2014
		Rupees in '000	
9.11	**Unrealized gain / (loss) on revaluation of investments classified as held for trading**		
	ABL Cash Fund	338	23,012
	ABL Financial Planning Fund	62	–
	ABL Income Fund	1,929	32,979
	ABL Stock Fund	76	9,632
	ABL Government Securities Fund	346	–
	ABL Islamic Financial Planning Fund	229	–
	ABL Islamic Stock Fund	–	12,990
	ABL Islamic Principal Preservation Fund	–	12,283
	ABL Pension Fund - Equity Sub Fund	5,100	3,544
	ABL Pension Fund - Debt Sub Fund	4,661	2,729
	ABL Pension Fund - Money Market Sub Fund	1,565	712
	ABL Islamic Pension Fund - Equity Sub Fund	5,707	3,563
	ABL Islamic Pension Fund - Debt Sub Fund	1,861	558
	ABL Islamic Pension Fund - Money Market Sub Fund	1,401	607
	Sukuks	392	
	Market Treasury Bills	–	(249)
	Pakistan investment bonds	–	170,865
		23,667	273,225

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.	**ADVANCES**			
	Loans, cash credits, running finances, etc.			
	In Pakistan		324,608,053	313,400,414
	Outside Pakistan		9,290,527	5,024,155
			333,898,580	318,424,569
	Islamic financing and related assets		139,983	–
	Net investment in finance lease - in Pakistan	10.2	2,072,857	2,041,392
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		1,355,182	1,963,256
	Payable outside Pakistan		3,345,595	3,439,232
			4,700,777	5,402,488
	Advances - gross		340,812,197	325,868,449
	Provision for non-performing advances	10.4	(19,092,777)	(19,694,645)
	General provision	10.4	(71,489)	(115,919)
			(19,164,266)	(19,810,564)
	Advances - net of provision		321,647,931	306,057,885
10.1	**Particulars of advances (Gross)**			
10.1.1	In local currency		303,983,756	309,589,902
	In foreign currencies		36,828,441	16,278,547
			340,812,197	325,868,449
10.1.2	Short term (for up to one year)		187,147,249	157,436,882
	Long term (for over one year)		153,664,948	168,431,567
			340,812,197	325,868,449

10.2 Net investment in Finance Lease

	December 31, 2015				December 31, 2014			
	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	614,849	1,084,489	128,694	1,828,032	674,979	1,031,494	116,946	1,823,419
Residual value	78,949	291,376	159,881	530,206	73,494	294,534	144,708	512,736
Minimum lease payments	693,798	1,375,865	288,575	2,358,238	748,473	1,326,028	261,654	2,336,155
Financial charges for future periods	(60,328)	(95,708)	(129,345)	(285,381)	(76,634)	(92,422)	(125,707)	(294,763)
Present value of minimum lease payments	633,470	1,280,157	159,230	2,072,857	671,839	1,233,606	135,947	2,041,392

10.3 Advances include Rs. 21,903.729 million (2014: Rs. 22,921.542 million) which have been placed under non-performing status as detailed below:

December 31, 2015									
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	152,314	–	152,314	4,496	–	4,496	4,496	–	4,496
Substandard	1,459,082	–	1,459,082	362,376	–	362,376	362,376	–	362,376
Doubtful	586,044	–	586,044	293,022	–	293,022	293,022	–	293,022
Loss	19,706,289	–	19,706,289	18,432,883	–	18,432,883	18,432,883	–	18,432,883
	21,903,729	–	21,903,729	19,092,777	–	19,092,777	19,092,777	–	19,092,777

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

10.3.1 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

10.3.2 The Bank has participated in a Syndicated long term loan facility granted to Northern Power Generation Company Limited, valuing Rs. 5,339 million, which is secured against a government guarantee. The subject facility has not been classified pursuant to its restructuring at the syndicate level. In this regard, State Bank of Pakistan has also allowed relaxation vide Letter No. BPRD/ BRD-Policy/ 2015-22984 dated October 19, 2015, which is valid upto June 30, 2016.

10.4 Particulars of provision against non-performing advances

		Note	December 31, 2015			December 31, 2014		
			Specific	General	Total	Specific	General	Total
			Rupees in '000					
	Opening balance		19,694,645	115,919	19,810,564	18,242,365	132,187	18,374,552
	Charge for the year		1,612,696	–	1,612,696	3,554,105	–	3,554,105
	Reversals		(1,856,386)	(44,430)	(1,900,816)	(1,426,143)	(16,268)	(1,442,411)
	Charged to profit and loss account		(243,690)	(44,430)	(288,120)	2,127,962	(16,268)	2,111,694
	Amounts written off	10.5.1	(358,178)	–	(358,178)	(675,682)	–	(675,682)
	Closing balance		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
10.4.1	In local currency		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
	In foreign currencies		–	–	–	–	–	–
			19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.5	**Particulars of write offs**			
10.5.1	Against provisions		358,178	675,682
	Directly charged to Profit and Loss account		–	–
			358,178	675,682
10.5.2	Write Offs of Rs. 500,000 and above	10.6	358,178	675,641
	Write Offs of below Rs. 500,000		–	41
			358,178	675,682

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, 2015 is given in Annexure "I" of the unconsolidated financial statements of Allied Bank Limited. However, these write-offs do not affect the Bank's right to recover debts from these customers.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
10.7	**Particulars of loans and advances to directors, related parties, etc.**			
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
	Balance at beginning of the year		6,846,305	6,402,063
	Loans granted during the year		2,037,520	2,270,179
	Repayments		(1,835,453)	(1,825,937)
	Balance at end of the year		7,048,372	6,846,305
	Details of loans and advances to associates, subsidiary and other related parties are given in note 41.			
11.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	11.1	2,345,890	2,076,317
	Property and equipment	11.2	25,731,840	24,223,741
	Intangible assets	11.3	791,882	970,765
			28,869,612	27,270,823
11.1	**Capital work-in-progress**			
	Civil works		1,641,015	1,307,574
	Equipment		523,238	583,060
	Advances to suppliers and contractors		181,637	185,683
			2,345,890	2,076,317

11.2 Property and equipment

Description	Note	Cost / Revaluation: At January 1, 2015	Additions / (Deletions) / Adjustment	Revaluation Surplus	Write–off	At December 31, 2015	Accumulated Depreciation: At January 1, 2015	Charge for the year / (depreciation on deletion) / Exchange and other adjustment	Revaluation deficit / (Surplus)	Write–off	At December 31, 2015	Net book value at December 31, 2015	Annual rate of depreciation %
		Rupees in '000											
Land-Freehold	11.4	9,329,747	1,190,938	–	–	10,485,685	–	–	–	–	–	10,485,685	–
			(35,000)										
Land-Leasehold	11.4	3,219,245	49,167	–	–	3,250,052	–	–	–	–	–	3,250,052	–
			(18,360)										
Buildings-Freehold	11.4	4,983,826	219,320	–	–	5,093,175	442,857	231,359	–	–	643,107	4,450,068	5
			(109,971)					(31,109)					
			–										
Buildings-Leasehold	11.4	2,758,763	167,579	–	–	2,917,601	–	142,204	–	–	142,119	2,775,482	5
			(8,741)					(85)					
			–										
Building improvements		1,737,601	433,972	–	–	2,171,449	1,094,686	241,036	–	–	1,335,598	835,851	20
(rented premises)			(124)					(124)					
			–										
Furniture		1,036,484	172,524	–	–	1,205,812	468,619	116,603	–	–	582,346	623,466	10
and fixtures			(3,196)					(2,882)					
								6					
Electrical, office		7,388,683	1,024,869	–	–	8,351,639	4,519,203	958,089	–	–	5,419,584	2,932,055	10 - 50
and computer			(61,913)					(57,725)					
equipments								17					
Vehicles		572,699	202,464	–	–	725,507	277,942	111,825	–	–	346,326	379,181	20
			(49,656)					(43,441)					
			–										
Total		31,027,048	3,460,833	–	–	34,200,920	6,803,307	1,801,116	–	–	8,469,080	25,731,840	
			(286,961)					(135,366)					
								23					

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

* Assets written off against provision held against operating fixed assets as per the directives of State Bank of Pakistan.

11.3 Intangible assets

Description	Cost: At January 1, 2015	Additions/ Deletions	At December 31, 2015	Accumulated Amortization: At January 1, 2015	Amortization/ Deletions	At December 31, 2015	Net book value at December 31, 2015	Rate of amortization %
	Rupees in ' 000							
Computer software	1,568,037	52,888	1,567,587	597,272	215,124	777,705	791,882	14.28 - 33.33
		(53,338)*			(36,691)			

* Intangible assets written off against provision held against operating fixed assets as per the directives of State Bank of Pakistan.

Description	Cost: At January 1, 2014	Additions/ Deletions	At December 31, 2014	Accumulated Amortization: At January 1, 2014	Amortization/ Deletions	At December 31, 2014	Net book value at December 31, 2015	Rate of amortization %
	Rupees in ' 000							
Computer software	1,493,791	74,246	1,568,037	384,154	213,118	597,272	970,765	14.28 - 33.33

11.4 Bank arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers {Akbani & Javed, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt.) Ltd.}. The revalued amounts of properties have been determined on the basis of Fair Value Model. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	8,001,691
- Building	5,446,188

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

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	93,651	37,484
11.7	Restriction / discrepancy in the title of property having a net book value of		47,476	67,151
11.8	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		191,564	165,185
	Electrical, office and computer equipments		2,856,180	2,016,372
	Vehicles		50,170	53,870
	Intangible assets - software		134,454	74,856
	Amount of fully depreciated assets includes depreciation of Rs. 56.10 million of under Rs.10,000 items which are fully depreciated in the month of purchase.			
11.9	The carrying amount of property and equipment that have retired from active use and are held for disposal		145,684	274,738

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

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

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
12. DEFERRED TAX (LIABILITY) / ASSET - NET			
Deferred debits arising in respect of:			
Provision against:			
Investments		19,093	19,093
Other assets		38,959	38,959
Off balance sheet obligations		14,824	14,824
Advances		149,497	1,025,312
Post retirement medical benefits		42,980	42,980
Worker's welfare fund		747,457	568,933
		1,012,810	1,710,101
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(622,777)	(665,889)
Surplus on revaluation of investments		(7,753,187)	(2,486,141)
Actuarial gains		(458,519)	(1,020,658)
Accelerated tax depreciation / amortization		(1,074,629)	(1,153,852)
Excess of investment in finance lease over written down value of leased assets		(13,206)	(13,206)
		(9,922,318)	(5,339,746)
	12.1	(8,909,508)	(3,629,645)

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2014	Recognised in Profit and Loss Account	Recognised in comp. inc / sur. on ravl. of assets	Balance as at December 31, 2014	Recognised in Profit and Loss Account	Recognised in comp. inc / sur. on ravl. of assets	Balance as at December 31, 2015
				(Rupees in '000)			
Deferred debits arising in respect of:							
Provision against:							
Investments	19,093	–	–	19,093	–	–	19,093
Other assets	38,959	–	–	38,959	–	–	38,959
Off balance sheet obligations	14,824	–	–	14,824	–	–	14,824
Advances	1,058,233	(32,921)	–	1,025,312	(875,815)	–	149,497
Post retirement medical benefits	42,980	–	–	42,980	–	–	42,980
Worker's welfare fund	409,668	159,265	–	568,933	178,524	–	747,457
	1,583,757	126,344	–	1,710,101	(697,291)	–	1,012,810
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(262,486)	14,004	(417,407)	(665,889)	43,112	–	(622,777)
Surplus on revaluation of investments	(889,702)	(5,602)	(1,590,837)	(2,486,141)	4,741	(5,271,787)	(7,753,187)
Actuarial gains	(988,202)	–	(32,456)	(1,020,658)	–	562,139	(458,519)
Accelerated tax depreciation / amortization	(1,239,662)	85,810	–	(1,153,852)	79,223	–	(1,074,629)
Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)	–	–	(13,206)
	(3,393,258)	94,212	(2,040,700)	(5,339,746)	127,076	(4,709,648)	(9,922,318)
Deferred Tax (Liability) / Asset - Net	(1,809,501)	220,556	(2,040,700)	(3,629,645)	(570,215)	(4,709,648)	(8,909,508)

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 simplifies the taxation of banking companies and is applicable from the tax year 2009 (financial year ended on December 31, 2008).

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
13.	**OTHER ASSETS**			
	Income / mark-up accrued on advances, investments and lending to financial institutions:			
	- in local currency		22,861,867	21,622,650
	- in foreign currencies		181,788	515,532
	Advances, deposits, advance rent and other prepayments		931,063	586,553
	Advance taxation (payments less provisions)		2,389,060	6,463,822
	Stationery and stamps on hand		207,893	186,402
	Due from the employees' retirement benefit schemes			
	- Benevolent Fund	36.4	96,406	93,496
	- Pension Fund	36.4	3,799,170	4,374,701
	- Gratuity Fund	36.4	–	2,369
	Receivable from SBP - customers encashments		34,845	58,417
	ATM / POS settlement account		645,740	633,819
	Non banking assets acquired in satisfaction of claims	13.1	2,432,388	2,282,689
	Suspense account		686,480	678,274
	Excise duty		11	11
	Others		141,816	101,606
			34,408,527	37,600,341
	Less: Provision held against other assets	13.2	(1,437,688)	(1,384,623)
	Other assets (net of provision)		32,970,839	36,215,718
13.1	Market value of non banking assets acquired in satisfaction of claims		3,082,992	2,874,380

13.2 Provision against Other Assets:

	December 31, 2015			December 31, 2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	1,243,274	141,349	1,384,623	1,294,696	92,112	1,386,808
Charge for the year	17,350	48,000	65,350	6,512	52,000	58,512
Reversals	(2,108)	–	(2,108)	(23,696)	–	(23,696)
Net charge	15,242	48,000	63,242	(17,184)	52,000	34,816
Reversal on transfer to Non Banking Assets	–	–	–	(34,031)	–	(34,031)
Written off / adjusted	(7,686)	(2,491)	(10,177)	(207)	(2,763)	(2,970)
Closing balance	1,250,830	186,858	1,437,688	1,243,274	141,349	1,384,623

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2015 and December 31, 2014.

		December 31, 2015	December 31, 2014
		Rupees in '000	
15.	**BILLS PAYABLE**		
	In Pakistan	4,942,189	4,831,801

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
16.	**BORROWINGS**			
	In Pakistan		121,660,024	55,276,579
	Outside Pakistan		16,299,794	10,819,893
			137,959,818	66,096,472
16.1	**Particulars of borrowings with respect to currencies**			
	In local currency		121,660,024	54,956,812
	In foreign currencies		16,299,794	11,139,660
			137,959,818	66,096,472
16.2	**Details of borrowings (Secured / Unsecured)**			
	Secured			
	Borrowings from State Bank of Pakistan			
	Under export refinance scheme	16.3	10,114,230	12,190,540
	Long term financing facility - Export oriented projects	16.4	20,530	179,120
	Long term financing facility	16.5	5,445,140	5,993,860
	Modernization of SMEs	16.6	560	2,780
	Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	30,400	44,360
			15,610,860	18,410,660
	Repurchase agreement borrowings	16.8	99,542,397	31,581,822
	Unsecured			
	Call borrowings	16.9	22,675,643	15,907,040
	Overdrawn nostro accounts		101,868	148,625
	Other borrowings		29,050	48,325
			22,806,561	16,103,990
			137,959,818	66,096,472

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 borrowing carries mark-up at the rate of 4.5% (2014: 7.5%) 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 borrowing repayments to SBP correspond the respective repayment from customers. The borrowing carries mark-up at the rate of 6% (2014: 5%) per annum.

16.5 These borrowings had been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The borrowing carries mark-up at 3% to 4.50% (2014: 6% to 7.50%) per annum.

16.6 These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported / local plant & machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The borrowing carries mark-up at the rate of 3.00% to 3.50% (2014: 6.25%) per annum.

16.7 These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 7 years. The mark-up rates on these facilities are ranging from 2.50% to 3.50% (2014: 5.50% to 6.50%) per annum.

16.8 These represent funds borrowed from the SBP and local interbank market against government securities, carrying mark-up at the rate of 5.50% to 6.50% (2014: 9.50%) per annum maturing on various dates, latest by May 20, 2016.

16.9 These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 5.75% to 6.40% (2014: 9.05% to 9.50%) per annum for local currency borrowing, and at rates ranging from 1.15% to 3.53% (2014: 0.75% to 3.50%) per annum for foreign currency borrowing. These borrowings are maturing on various dates, latest by June 27, 2016.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
17.	**DEPOSITS AND OTHER ACCOUNTS**			
	Customers			
	Fixed deposits		195,785,765	169,396,519
	Savings deposits		196,673,748	170,309,462
	Current accounts - remunerative		88,514,515	104,880,803
	- non - remunerative		219,778,464	204,081,527
			700,752,492	648,668,311
	Financial Institutions			
	Remunerative deposits		30,862,698	17,494,869
	Non - remunerative deposits		2,930,825	1,700,691
			734,546,015	667,863,871
17.1	**Particulars of deposits**			
	In local currency		676,586,931	606,727,619
	In foreign currencies		57,959,084	61,136,252
			734,546,015	667,863,871
18.	**SUB-ORDINATED LOANS**			
	Term Finance Certificates - II	18.1	–	2,994,000
			–	2,994,000

18.1 TFCs were redeemed by exercising call option on August 28, 2015.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
19.	**OTHER LIABILITIES**			
	Mark-up / return / interest payable in local currency		2,834,222	4,087,890
	Mark-up / return / interest payable in foreign currency		140,321	238,842
	Accrued expenses		2,019,874	2,556,758
	Branch adjustment account		226,573	119,866
	Unrealized loss on forward foreign exchange contracts		12,874	710,905
	Provision for:			
	- gratuity	36.4	561,455	–
	- employees' medical benefits	36.4	1,217,945	970,059
	- employees' compensated absences	36.4	763,257	757,179
	Unclaimed dividends		185,143	148,369
	Dividend payable		20,256	18,063
	Provision against off-balance sheet obligations	19.1	571,231	509,735
	Retention money payable		152,700	102,831
	Security deposits		534,342	514,737
	Sundry deposits		1,983,883	1,363,307
	Workers welfare fund payable		2,173,335	1,658,198
	Others		2,859,391	2,360,223
			16,256,802	16,116,962

		December 31, 2015	December 31, 2014
		Rupees in '000	
19.1	**Provision against off-balance sheet obligations**		
	Opening balance	509,735	899,444
	Charge for the year	91,919	7,389
	Reversals	(30,423)	(397,098)
	Net charge	61,496	(389,709)
	Closing balance	571,231	509,735

The above provision includes provisions made against letters of guarantee issued by the Bank.

		December 31, 2015	December 31, 2014
19.2	**Particulars of other liabilities**		
	In local currency	15,996,479	15,878,120
	In foreign currencies	260,323	238,842
		16,256,802	16,116,962

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
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, 2015	December 31, 2014	Ordinary shares	December 31, 2015	December 31, 2014
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
9,148,550	9,148,550	18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.	84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Fibers Limited, related party of the Bank, holds 194,041,916 (16.95%) [2014: 194,041,916 (16.95%)] ordinary shares of Rs.10 each, as at reporting date.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
21.	**SURPLUS ON REVALUATION OF ASSETS - NET OF TAX**			
	Surplus arising on revaluation of:			
	- operating fixed assets	21.1	6,890,632	6,998,313
	- securities	21.2	14,397,178	11,838,227
	Surplus on revaluation of assets - net of tax		21,287,810	18,836,540

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
21.1	**Surplus on revaluation of operating fixed assets**			
	Surplus on revaluation as at January 1, 2015		7,664,202	3,734,323
	Surplus on revaluation during the year		–	4,003,263
	Surplus realised on disposal of revalued properties		(57,142)	(35,900)
	Transferred to unappropriated profit in respect of incremental			
	depreciation charged during the year - net of deferred tax		(60,873)	(23,480)
	Related deferred tax liability		(32,778)	(14,004)
		11.6	(93,651)	(37,484)
	Surplus on revaluation as at December 31, 2015		7,513,409	7,664,202
	Less: Related deferred tax liability on :			
	Revaluation surplus as at January 1, 2015		(665,889)	(262,486)
	Deferred tax liability on revaluation surplus of			
	operating fixed assets		–	(417,407)
	Derferred tax on Surplus on disposal of revalued buildings	12.1	10,334	–
	Incremental depreciation charged during the year			
	transferred to profit and loss account	12.1	32,778	14,004
			(622,777)	(665,889)
			6,890,632	6,998,313
21.2	**Surplus / (deficit) on revaluation of available-for-sale securities**			
	Federal Government Securities			
	Market Treasury Bills		78,008	157,012
	Pakistan Investment Bonds		6,812,917	2,912,738
	Term Finance Certificates		1,371	(2,435)
	Sukuk Bonds		(54,824)	–
	Shares / Certificates - Listed		15,282,624	11,197,546
	Open ended mutual funds		29,408	53,905
		9.1	22,149,504	14,318,766
	Less : related deferred tax (liability)		(7,752,326)	(2,480,539)
			14,397,178	11,838,227
22.	**CONTINGENCIES AND COMMITMENTS**			
22.1	**Direct credit substitutes**			
	Guarantees in favor of:			
	Banks and financial institutions		10,136,906	11,283,919
22.2	**Transaction-related contingent liabilities**			
	Guarantees in favor of:			
	Government		337,994	523,334
	Others		18,936,699	24,829,746
			19,274,693	25,353,080
22.3	**Trade-related contingent liabilities**		63,258,242	59,779,998
22.4	**Claims against the Group not acknowledged as debt**		4,538,697	5,674,919

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, 2015	December 31, 2014
		Rupees in '000	
22.6	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	64,741,951	65,524,611
	Sale	51,664,798	26,343,223
22.7	**Commitments in respect of forwards**		
	Forward purchase of Federal government securities	–	200,000
	Forward sale of Federal government securities	3,000,000	750,000
22.8	**Commitments in respect of:**		
	Civil works	909,419	663,398
	Acquisition of operating fixed assets	1,078,477	758,854
		1,987,896	1,422,252
22.9	**Commitments in respect of operating lease**	4,126,800	4,796,216
22.10	**Other Commitments**	43,651	1,154

22.11 Other Contingencies

22.11.1 The income tax assessments of the Group have been finalized upto and including tax year 2015 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2014, income tax authorities made certain add backs with aggregate tax impact of Rs. 20,584 million. As a result of appeals filed by the Group before appellate authorities, most of the add backs have been deleted . However, the Group 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 Group on aggregate sum of Rs. 20,584 million. The management is confident that the outcome of these appeals/references will be in favor of the Group.

Tax Authorities have conducted proceedings of withholding tax audit under section 161 / 205 of Income Tax Ordinance, 2001 for tax year 2003, 2004, 2005, 2006 and tax year 2008 to 2014 and created an arbitrary demand of Rs. 1,300 million. The Group's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Group; therefore, no provision has been made against the said demand of Rs. 1,300 million.

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 / Sindh Sales Tax on Services Act, 2011 for the year 2008, 2009, 2010, 2011 to 2014 thereby creating arbitrary aggregate demand of Rs. 633 million. The Group's appeals before CIR(A) / Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 633 million.

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance 1971 whereby it is alleged that Collective Investment Schemes (CISs) / Mutual Funds whose income exceeds Rs. 0.5 Million in a tax year are liable to pay WWF. A writ petition has been filed in Sindh High Court to challenge the applicablity of WWF. ABL AMC has undertaken to bear amount of Rs. 27 million, if applicable, in respect of CISs managed by it. Therefore, no provision is made in these financial statements for said amount of RS. 27 Million because the management is confident that based on MUFAP's legal Council opinion dated December 12, 2011, the matter will be decided favourably in due course.

22.11.2 As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honourable High Court of Sindh, 16,376,106 shares of ABL were sold in accordance with section 19 (3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, after complying with the due and complete transparent process. Sealed bids were invited from interested parties. The bidding process was scheduled for July 23, 2004 and the Rs. 25 per share was fixed reserve price. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited filed suit in the High Court of Sindh challenging the above sale of shares. The High Court had not granted a stay order against the said sale. The sale of shares was, therefore; concluded.

23. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury Group buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favourably, 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 opposite 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 script at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio, in both "held-for-trading" and "available-for-sale", against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 5.16.2. The risk management framework of derivative instruments is given in note 43.

			December 31, 2015	December 31, 2014
			Rupees in '000	
24.	**MARK-UP / RETURN / INTEREST EARNED**			
	On loans and advances:			
	Customers		24,958,573	30,045,853
	On investments in:			
	Available-for-sale securities		23,749,747	19,925,295
	Held-to-maturity securities		22,398,526	16,009,049
	Held-for-Trading		601,973	84,839
			46,750,246	36,019,183
	On deposits with financial institutions		4,359	8,838
	On securities purchased under resale agreements		361,750	890,003
	On certificates of investment		5,393	–
	On call money lending		38,538	39,295
			72,118,859	67,003,172
25.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		25,854,355	30,584,715
	Long term borrowing		380,089	397,041
	Securities sold under repurchase agreements		6,387,054	2,880,158
	Call money borrowing		944,757	1,516,952
	Brokerage and commission		145,390	158,789
	Mark-up on sub-ordinated loans		203,896	427,924
	Other short term borrowings		2,051,381	2,864,757
			35,966,922	38,830,336
26.	**FEE, COMMISSION AND BROKERAGE INCOME**			
	Core fees, commission and brokerage	26.1	3,911,404	3,519,780
	Account maintenance charges		118,103	111,091
			4,029,507	3,630,871

26.1 This includes fee from investment advisory services earned by the Subsidiary amounting to Rs. 39.921 million (2014: 14,371 million).

			December 31, 2015	December 31, 2014
			Rupees in '000	
27.	**GAIN / (LOSS) ON SALE OF SECURITIES**			
	Shares - Listed		2,709	3,307,595
	Open Ended Mutual Funds		119,346	809,749
	Market Treasury Bills		58,520	41,990
	Pakistan Investment Bonds		709,796	24,813
	Sukuk Bonds		417	–
			890,788	4,184,147
28.	**OTHER INCOME**			
	Gain on sale of operating fixed assets		25,783	67,299
	Profit on sale of other assets		1,658	5,025
	Recovery from written off loans / others		128,372	107,125
	Rent Received on Bank's Property		9,069	40,971
	Compensation on delayed tax refund	28.1	820,248	907,380
			985,130	1,127,800

28.1 Other income includes compensation on delayed refunds amounting to Rs. 820.248 million (2014: Rs. 907.380 million) under section 171 of the Income Tax Ordinance 2001 pertaining to assessment year 2007, 2011 to 2013 (2014: Assessment year 1997-98, 1999-00, 2000-01 and Tax year 2003 to 2007 & 2009 to 2011). This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	29.3	9,864,279	9,427,449
Charge for defined benefit plan - net	29.3 & 36	(2,558)	21,187
Contribution to defined contribution plan - provident fund		262,422	262,157
Non-executive directors' fees, allowances and other expenses		10,400	7,325
Rent, taxes, insurance, electricity, etc.		2,134,130	2,075,988
Legal and professional charges		99,306	75,351
Communications		365,422	353,951
Repairs and maintenance		522,927	451,364
Stationery and printing		215,956	229,838
Advertisement and publicity		368,831	243,259
Auditors' remuneration	29.1	16,220	14,132
Depreciation / Amortization	11.2 & 11.3	2,016,240	1,870,511
Depreciation - Islamic financing and related Assets		1,701	–
Security service charges		1,010,206	794,716
Travelling, conveyance and fuel expenses		187,680	162,049
Entertainment		170,995	124,170
Computer expenses		885,636	798,320
Subscription		168,576	108,924
Donations	29.2	139,154	75,900
Others		26,593	65,521
		18,464,116	17,162,112

29.1 Auditors' remuneration

	December 31, 2015			December 31, 2014		
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	Rupees in '000					
Annual audit	5,850	–	5,850	–	5,850	5,850
Annual audit oversees business unit*	1,516	–	1,516	–	2,499	2,499
Half year review	2,360	–	2,360	–	2,360	2,360
Special certifications and miscellaneous services	4,559	–	4,559	–	2,035	2,035
Out-of-pocket expenses	1,450	–	1,450	–	950	950
Subsidiary Company						
Audit Fee	375	–	375		345	345
Other Certification	75	–	75		15	15
Out-of-pocket expenses	35	–	35		78	78
	16,220	–	16,220	–	14,132	14,132

* This includes audit fee amounting to Bahraini Dinar 4,250 (2014: 4,250) relating to Wholesale Bahrain Branch.

29.2 None of the directors, executives and their spouses had any interest in the donees, except Chairman of the Bank is on Board of Governors of Karachi Education Initiative (Sponsoring entity of KSBL), National Management Foundation (Sponsoring entity of LUMS), Industry Co-Chair Banking Sector of NUST Corporate Advisory Council and Senior Fellow of NUST Global Think Tank Network. Dr. Akram Sheikh (Independent Director) is Professor Emeritus in NUST, Co-Chair of NUST Corporate Advisory Council and Global Think Tank Network.

	Note	December 31, 2015	December 31, 2014
		Rupees in '000	
Acumen Fund Pakistan		–	10,000
Al Mawrid		500	–
Al-Mustafa Trust		–	1,000
Chief Minister Fund For IDPS'		–	10,000
Bakhtawar Amin Memorial Trust Hospital		4,000	2,000
Benazir Shaheed Anf Matrec Fund		2,500	–
Construction of Houses at Flood Effected Areas		–	4,098
DHQ Teaching Hospital Sargodha		1,000	–
Falah Foundation - Chakwal		–	100
Fatimid Foundation		196	–
Friends of Punjab Institute of Cardiology		10,000	–
Karachi School of Business And Leadership		25,000	25,000
Khushal Khan Khattak University		–	500
Lahore Businessmen Association for Rehabilitation of the Disabled		500	–
Liver Foundation Trust		1,000	–
Marie Adelaide Leprosy Center		–	850
Markaz-e-Umeed		450	–
Namal Education Foundation		30,000	10,000
National University of Science and Technology		10,000	1,000
National Management Foundation (LUMS)		30,000	–
Nishtar Hospital Multan		200	800
Progressive Education Network		1,000	1,000
Solar Pumps for People of Tharparkar (Schneider Electric)		13,380	1,552
SOS Children'S Villages of Pakistan		–	500
Sundas Foundation		500	1,500
Shaukat Khanum Memorial Cancer Hospital & Research Centre		1,500	–
Tamir Welfare Organization		2,000	1,000
Tehzeeb Social Welfare Organization		–	200
Zubair Ibrahim Siddiqui (Student)		500	–
Anjuman Himayat-i-Islam	29.2.1	4,928	4,800
		139,154	75,900

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. One hundred and three (103) employees (2014: 100) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 313 million (2014: Rs. 246.6 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2015	December 31, 2014
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	39,517	30,898
Penalties imposed by other regulatory authorities	170	146
Education cess	16,920	16,564
Other assets written off	387	1,436
	56,994	49,044

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, 2015	December 31, 2014
			Rupees in '000	
32.	**TAXATION**			
	Current - for the year		8,430,000	7,449,631
	- for prior years	32.1	1,461,091	1,501
			9,891,091	7,451,132
	Deferred - current		570,215	(220,556)
	- for prior years		–	–
			10,461,306	7,230,576

32.1 The amount represents one time super tax levied on taxable income of the Bank and impact of retrospective change in tax rate on capital gain and dividend income, promulgated through Finance Act, 2015, effective from Tax Year 2015.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
32.2	**Relationship between tax expense and accounting profit**			
	Accounting profit for the year		25,775,581	22,432,576
	Tax on income @ 35% * (2014: 35%)		9,013,287	7,849,092
	Effect of permanent differences		(1,660)	5,171
	Adjustments in respect of tax at reduced rates		(9,717)	(1,156,177)
	Prior year charge		1,461,091	–
	Others		(1,695)	532,490
	Tax charge for the year		10,461,306	7,230,576
	*Rate of Tax for subsidiary is 32% (2014: 34%)			
33.	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Profit after taxation		15,314,275	15,202,000
			Number of Shares	
	Weighted average number of ordinary shares outstanding during the year		1,145,073,830	1,145,073,830
			Rupees	
	Earnings per share - basic and diluted		13.37	13.28

There is no dilution effect on basic earnings per share.

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	6	56,711,623	41,252,303
	Balances with other banks	7	4,077,613	873,500
	Overdrawn nostro accounts	16.2	(101,868)	(148,625)
			60,687,368	41,977,178
35.	**STAFF STRENGTH**		Number	
	Permanent		9,898	9,727
	Temporary / on contractual basis / trainee		203	250
	Group's own staff strength at the end of the year		10,101	9,977
	Outsourced	35.1	249	217
	Total staff strength		10,350	10,194
	Average number of employees		10,272	10,241

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.

36.2 Number of Employees under the schemes

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

	December 31, 2015	December 31, 2014
	Numbers	
- Gratuity fund	9,994	9,996
- Pension fund	3,248	6,075
- Benevolent fund	113	136
- Employees' compensated absences	9,920	9,735
- Post retirement medical benefits	9,795	9,735

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2015 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2015	December 31, 2014
Withdrawal rate:			
Gratuity fund		High	Low
Pension fund		Low	Low
Benevolent fund		High	Moderate
Employees' compensated absences		High	Low
Post retirement medical benefits		High	Low
Mortality rate		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Discount rate	Yield on investments in Government Bonds	9.00%	11.25%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	9.00%	11.25%
Gratuity fund	Yield on investments in Government Bonds	9.00%	11.25%
Benevolent fund	Yield on investments in Government Bonds	9.00%	11.25%
Expected rate of salary increase	Rate of salary increase	7.00%	9.25%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

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

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Present value of defined benefit obligations	36.6	1,971,233	2,043,833	12,355	1,217,945	763,257
Fair value of plan's / scheme's assets	36.7	(5,770,403)	(1,482,378)	(205,166)	–	–
Net (asset) / liability		(3,799,170)	561,455	(192,811)	1,217,945	763,257
Benefit of the surplus not available to the Bank		–	–	96,405	–	–
Net (asset) / liability		(3,799,170)	561,455	(96,406)	1,217,945	763,257

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

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

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Opening balance		(4,374,701)	(2,369)	(93,496)	970,059	757,179
(Reversal) / charge for the year	36.9	(431,801)	227,106	(21,037)	135,634	227,684
Other Comprehensive Income		1,007,332	336,718	18,127	243,935	–
Contribution to the fund / benefits paid		–	–	–	(131,683)	(221,606)
Closing balance		(3,799,170)	561,455	(96,406)	1,217,945	763,257

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

36.6 Reconciliation of present value of defined benefit obligations

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	2,877,345	1,725,573	10,469	970,059	757,179
Current service cost	–	218,049	–	28,613	42,892
Interest cost	246,854	179,694	983	101,724	73,909
Benefits paid	(1,366,171)	(256,589)	(3,473)	(131,683)	(221,606)
VRS loss / Settlement Loss	60,353	9,323	–	5,296	65,171
Actuarial (gains) / losses	152,852	167,783	4,376	243,936	45,712
Closing balance	1,971,233	2,043,833	12,355	1,217,945	763,257

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

36.7 Reconciliation of fair value of plan assets

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	7,252,046	1,727,942	197,461	–	–
Expected return on plan assets	739,008	179,960	22,019	–	–
Bank's contribution	–	–	–	–	–
Benefits paid	(1,366,171)	(256,589)	(3,473)	–	–
Actuarial gains / (losses)	(854,480)	(168,935)	(10,841)	–	–
Closing balance	5,770,403	1,482,378	205,166	–	–

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

36.8 Composition of fair value of plan assets

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2015				
		Rupees in '000				
Equity securities	36.8.1	3,094,940	574,514	26,134	–	–
Cash and cash equivalents	36.8.1	2,675,463	907,864	179,032	–	–
		5,770,403	1,482,378	205,166	–	–
36.8.1 Fair value of Bank's financial instruments included in plan assets						
Shares of ABL		3,094,940	574,514	26,134	–	–
Term Deposit Receipts		2,409,698	873,644	164,716		
Bank balances with ABL		265,765	34,220	14,316	–	–
		5,770,403	1,482,378	205,166	–	–

	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		December 31, 2014				
		Rupees in '000				
Equity securities	36.8.2	3,662,275	692,269	31,490	–	–
Cash and cash equivalents	36.8.2	3,589,771	1,035,673	165,971	–	–
		7,252,046	1,727,942	197,461	–	–
36.8.2 Fair value of Bank's financial instruments included in plan assets						
Shares of ABL		3,662,275	692,269	31,490	–	–
Term Deposit Receipts		3,165,346	888,817	122,390		
Bank balances with ABL		424,425	146,856	43,581	–	–
		7,252,046	1,727,942	197,461	–	–

36.9 Charge for defined benefit plan

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	December 31, 2015				
	Rupees in '000				
Current service cost	–	218,049	–	28,614	42,894
Interest cost	–	–	–	101,724	–
Net interest	(492,154)	(266)	(21,037)	–	73,907
Actuarial (gains) / losses recognised	–	–	–	–	45,712
VRS Loss	60,353	9,323	–	5,296	65,171
	(431,801)	227,106	(21,037)	135,634	227,684

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

36.10 Acturial Gain / (Losses) recognized in Other Comprehensive Income

	December 31, 2015				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Acturial gain / loss on Obligations	(152,852)	(167,783)	4,376	(243,935)	–
Acturial gain / loss on Assets	(854,480)	(168,935)	10,841	–	–
Asset Ceiling Adjustment	–	–	2,910	–	–
Acturial gain / (losses) in comprehensive income	(1,007,332)	(336,718)	18,127	(243,935)	–

	December 31, 2014				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Acturial gain / loss on Obligations	(316,213)	(93,984)	2,203	(21,931)	–
Acturial gain / loss on Assets	478,030	137,284	(5,247)	–	–
Asset Ceiling Adjustment	–	–	93,496	–	–
Acturial gain / (losses) in comprehensive income	161,817	43,300	90,452	(21,931)	–

	December 31, 2015	December 31, 2014
	Rupees in '000	
36.11 Actual return on plan assets		
- Pension fund	(115,472)	1,264,239
- Gratuity fund	11,025	315,461
- Benevolent fund	11,178	26,813

36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	1,971,233	2,877,345	2,810,086	2,873,602	4,239,314
Fair value of plan assets	(5,770,403)	(7,252,046)	(6,591,550)	(5,993,598)	(5,985,286)
Surplus	(3,799,170)	(4,374,701)	(3,781,464)	(3,119,996)	(1,745,972)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(152,852)	(316,213)	(25,739)	1,319,665	122,770
Actuarial gains / (losses) on assets	(854,480)	478,030	340,760	(137,618)	451,777

	Gratuity fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	2,043,833	1,725,573	1,486,417	1,384,215	1,193,848
Fair value of plan assets	(1,482,378)	(1,727,942)	(1,438,351)	(1,082,001)	(918,453)
Deficit / (surplus)	561,455	(2,369)	48,066	302,214	275,395
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(167,783)	(93,984)	92,014	(58,334)	(71,960)
Actuarial gains / (losses) on assets	(168,935)	137,284	155,526	(3,400)	(79,625)

	Benevolent fund				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	12,355	10,469	10,894	12,992	19,561
Fair value of plan assets	(205,166)	(197,461)	(174,403)	(161,107)	(160,816)
Surplus	(192,811)	(186,992)	(163,509)	(148,115)	(141,255)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(4,376)	(2,203)	(6,973)	(7,777)	1,266
Actuarial gains / (losses) on assets	(10,841)	5,247	4,593	(4,757)	3,053

	Post retirement medical				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	1,217,945	970,059	951,480	1,381,400	1,656,505
Fair value of plan assets	–	–	–	–	–
Deficit	1,217,945	970,059	951,480	1,381,400	1,656,505
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(243,936)	(21,931)	483,192	376,000	238,730

	Leave Encashment				
	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	763,257	757,179	821,360	1,020,459	962,292
Fair value of plan assets	–	–	–	–	–
Deficit	763,257	757,179	821,360	1,020,459	962,292
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	(45,712)	(47,308)	186,066	(39,331)	(42,113)

36.13 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, 2016 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	(341,437)	295,773	(17,353)	135,217	105,804

36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Pension Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	+10% Death Rate	-10% Death Rate
	Rupees in 000'								
Pension fund	1,838,012	2,087,389	–	–	2,045,192	1,971,824	1,970,641	1,963,348	1,979,118
Gratuity fund	1,918,173	2,186,174	2,195,116	1,908,953	–	2,043,833	2,043,833	2,043,833	2,043,833
Benevolent fund	11,622	13,189	–	–	–	–	–	12,300	12,399
Post retirement medical	1,141,979	1,308,981	1,296,868	1,121,241	–	1,217,945	1,217,945	1,217,945	1,217,945
Leave encashment	725,285	801,863	803,076	723,651	–	762,488	760,508	761,422	761,574

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

36.15 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

37. DEFINED CONTRIBUTION PLAN

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

		Note	December 31, 2015	December 31, 2014
			Rupees in '000	
37.1	**Employee provident fund**			
	Size of the fund		6,895,392	5,966,948
	Investments made (cost)	37.2	5,901,493	5,250,280
	Percentage of investment made		85.59%	87.99%
	Fair value of investment		6,387,425	5,633,382
37.2	**Breakup of investment**			
	Investment in shares (Listed securities)		1,927,122	1,580,478
	Pakistan investment bonds		3,953,919	3,641,931
	GOP ijara Sukuk		–	12,295
	Open ended mutual funds		20,452	17,032
			5,901,493	5,251,736
37.3	**Number of employees - Employees provident fund**		Number	
	Number of employees at the end of the year		8,759	8,855
	Average number of employees during the year		8,830	8,849

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President / Chief Executive*		Non-Executive Directors		Executive Director		Executives	
		2015	2014	2015	2014	2015	2014	2015	2014
		Rupees in '000							
Fees	38.1	–	–	10,400	7,325	–	–	–	–
Managerial remuneration		32,254	30,501	–	–	–	8,509	1,267,054	1,267,306
Charge for defined benefit plans		386	2,074	–	–	–	556	195,229	213,379
Contribution to defined contribution plan		2,146	976	–	–	–	709	103,053	102,846
Rent and house maintenance		7,322	6,622	–	–	–	4,276	597,658	529,404
Utilities		1,644	1,179	–	–	–	1,540	233,545	229,740
Medical		1,644	1,179	–	–	–	29	249,684	236,907
Bonus		28,000	25,000	–	–	–	14,000	523,446	434,720
Conveyance and others		3,813	3,335	–	–	–	63	613,714	616,705
		77,209	70,866	10,400	7,325	–	29,682	3,783,383	3,631,007
Number of persons	38.2**	2	2	7	6	–	0**	1,319	1,314

*This inculde benefits paid to interim President/ CEO of the Bank for the relevant period.

38.1 This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors, and Board Committees held during the year. This also includes fee of two directors retired from the board during 2015.

During the year Board of Directors in their meeting held on October 22, 2015 recommended an increase in meeting fee from Rs. 100,000 to Rs. 150,000, which will be approved in upcoming Annual General Meeting of the Bank.

38.2 Executive director retired from his position in June 2014.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in Note 5.5.

The effective rates and maturity and repricing profile and stated in Notes 43.2.4 and 43.3.1 respectively.

The following table shows the fair values of assets in accordance with their levels in the fair value hierarchy. It does not include the fair value information for assets and liabilities not measured at fair value if the carrying amount is the reasonable approximation of the fair value.

39.1 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000							
Investments	38,727,867	306,136,170	7,091,019	351,955,056	33,619,843	197,930,162	6,704,302	238,254,307
Fixed Assets	20,961,288	–	–	20,961,288	19,848,725	–	–	19,848,725

39.1.1 Level 3 Fair value measurements (reconciliation)

	Investments		
	Equity	Debt securities	Total
	Rupees in '000		
Balance as at 1 January 2015	2,600,308	4,103,994	6,704,302
Gain or losses in Profit & Loss	(12,987)	(4,543)	(17,530)
Purchases	796,668	–	796,668
Settlemets	–	(392,422)	(392,422)
Balance as at 31 December 2015	3,383,989	3,707,029	7,091,018

The valuation techniques used for above assets are same as disclosed in note 5.4 & 5.6 of these financial statements.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

2015	Corporate & Investment Banking	Trading & Sale (Treasury)	Retail Banking	Commercial Banking	Other	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	28,125,085	47,517,280	19,308,902	28,546,514	1,139,823	568,229	(42,777,491)	82,428,342
Total expenses	(25,374,842)	(37,245,174)	(16,649,050)	(25,339,738)	(4,908,493)	(374,261)	42,777,491	(67,114,067)
Net income / (loss)	2,750,243	10,272,106	2,659,852	3,206,776	(3,768,670)	193,968	–	15,314,275
Segment assets (gross)	349,489,547	534,519,724	301,591,958	455,374,045	77,120,608	1,625,730	(703,532,689)	1,016,188,923
Segment non performing loans	5,604,536	–	171,989	1,794,287	14,332,917	–	–	21,903,729
Segment provision required	3,637,147	–	137,570	1,088,102	14,301,447	–	–	19,164,266
Segment liabilities	340,228,443	510,302,867	296,464,178	448,938,522	9,455,739	257,272	(703,032,689)	902,614,332
Segment return on net assets (ROA) (%)**	8.60%	10.45%	6.73%	7.11%	–	11.93%	–	–
Segment cost of funds (%)**	7.39%	6.31%	2.88%	4.70%	–	0.00%	–	–

2014*	Corporate & Investment Banking	Trading & Sale (Treasury)	Retail Banking	Commercial Banking	Other	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	35,366,151	37,053,059	23,413,848	30,608,655	1,117,782	460,320	(47,831,579)	80,188,236
Total expenses	(30,246,820)	(34,519,860)	(16,959,057)	(26,608,480)	(4,210,181)	(273,417)	47,831,579	(64,986,236)
Net income / (loss)	5,119,331	2,533,199	6,454,791	4,000,175	(3,092,399)	186,903	–	15,202,000
Segment assets (gross)	330,188,727	417,298,961	289,591,721	452,743,339	67,205,184	1,343,822	(693,031,816)	865,339,938
Segment non performing loans	7,495,651	–	498,683	1,960,209	12,966,999	–	–	22,921,542
Segment provision required	5,553,648	–	343,868	956,616	12,956,432	–	–	19,810,564
Segment liabilities	360,785,885	404,722,663	279,436,041	401,713,513	7,737,134	169,331	(693,031,816)	761,532,751
Segment return on net assets (ROA) (%)**	11.96%	10.77%	9.07%	8.65%	–	13.91%	–	–
Segment cost of funds (%)**	9.70%	8.88%	4.24%	5.90%	–	0.00%	–	–

* The Group has revised the composition of its reportable segments, which is in line with the management reporting structure. Accordingly the comparative segment information has been restated. This change shall have no impact on the Group's overall Profit and Loss Account & Statement of Financial Position.

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

41. RELATED PARTY TRANSACTIONS

The Bank 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, 2015				December 31, 2014			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
	Rupees in '000							
Nature of related party transactions								
Loans								
Loans at the beginning of the year	47,285	1,985	217,707	134	68,906	–	239,437	4,383,941
Loans given during the year	32,675	2,187,167	165,744	96,289,134	24,967	34,475	74,860	38,920,987
Loans repaid/ adjustment during the year	(43,323)	(411,679)	(107,038)	(90,909,805)	(46,588)	(32,490)	(96,590)	(43,304,794)
Loans at the end of the year	36,637	1,777,473	276,413	5,379,463	47,285	1,985	217,707	134
Deposits								
Deposits at the beginning of the year	34,696	25,497	92,933	6,853,139	66,134	14,829	18,527	14,606,555
Deposits received during the year	5,060,426	11,448,550	303,540	101,649,234	10,238,173	13,627,731	774,621	94,676,833
Deposits repaid during the year	(5,054,254)	(11,371,145)	(373,636)	(98,929,979)	(10,269,611)	(13,617,063)	(700,215)	(102,430,249)
Deposits at the end of the year	40,868	102,902	22,837	9,572,394	34,696	25,497	92,933	6,853,139
Nostro balances	–	41,303	–	–	–	69,595	–	–
Investments in shares / open end mutual funds*	–	5,084,379	–	5,782,059	–	454,628	–	1,625,017
Other receivables	5,058	–	63,147	217,087	607	–	41,996	135,279
Other payables	–	–	–	–	–	–	–	110
Net receivable from								
staff retirement benefit funds	–	–	–	4,741,357	–	–	–	4,470,566
Non funded exposure	–	–	–	1,266,951	–	–	–	–

	December 31, 2015				December 31, 2014			
	Directors	Associated Companies*	Key management personnel	Other related parties	Directors	Associated Companies*	Key management personnel	Other related parties
	Rupees in '000							
Mark-up earned	2,214	263,800	15,137	416,050	3,016	182	11,595	347,093
Income on Placements	–	2,336	–	–	–	1,979	–	–
Dividend Income	–	1,064,000	–	909,918	–	–	–	307,713
Capital Gain / (Loss)	–	–	–	77,875	–	–	–	527,687
Sales commission / management fee sharing	–	–	–	13,274	–	–	–	5,712
Management fee Income	–	–	–	412,495	–	–	–	317,114
Mark-up expense on deposits	1,041	851	274	366,770	3,865	865	3,209	702,593
Fee commission / bank charges	33	77	71	558	31	95	67	510
Directors' meeting fee	10,400	–	–	–	7,325	–	–	–
Remuneration	44,194	–	307,736	–	–	–	310,295	
Other charges	–	56,716	–	97,912	–	3,410	–	98,110
Rent Expense**	–	23,860	–	–	–	21,308	–	–
Rent Income***	–	1,420	–	–	–	1,200	–	–
Charge / (reversal) in respect of staff								
retirement benefit funds	–	–	–	(32,986)	–	–	–	15,194

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, 9.1, 9.4-9.6, 20.2, 29.2, 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) and Ibrahim Fibers Limited (Polyester Plant).

*** Two Offices located at Islamabad Stock exchange Building rented out to associated company (Ibrahim Fibers Limited) at market value and with prior permission of State Bank of Pakistan.

- Bank also purchased Software from its associated company i.e. 1Link (Guarantee) Limited against the consideration of Rs. 371,765.

- During the year the outgoing/existing Key management personnel were given movable assets under bank's policy amounting to Rs. 2,665,192

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Capital Adequacy

42.1.1 Objectives of Managing Capital

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

Bank's capital management seeks:

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

42.1.2 Externally Imposed Capital Requirements

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

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 10.25% on standalone as well as on consolidated basis till December 31, 2015. Subsequently, a phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

	Year end as of December, 31					
	2014	2015	2016	2017	2018	2019
CET1	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
*CCB	-	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

*** Consisting of CET1 only.**

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 21.00% of its risk weighted exposure as at December 31, 2015.

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

42.1.3 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

42.1.4 Capital Structure - Basel III transition

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

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial, and insurance entities and deficit on revaluation of available for sale investments.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital). Bank has also implemented transitional standards of Basel III up to the extent of 40% as at 31 Dec 2015 as per road map laid down by SBP through BPRD Circular #6 dated August,15, 2013.

The required capital is achieved by the Bank through:

(a) enhancement in the risk profile of asset mix at the existing volume level;

(b) ensuring better recovery management; and

(c) maintain acceptable profit margins.

42.1.5 Leverage Ratio

"The leverage ratio of the Group as on December 31, 2015 is 5.10% (2014: 5.95%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2015; Total Tier 1 capital of the Group amounts to Rs. 64,302,411 thousands (2014: Rs. 60,069,919 thousands) whereas the total exposure measure amounts to Rs. 1,261,781,437 thousands (2014: Rs. 1,008,800,346 thousands).

Shift in leverage ratio is mainly due to increase in off balance sheet exposure i.e. increase in securities given as collateral, unconditionally cancellable commitments & commitments in respect of derivatives.

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

42.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2015

		December 31, 2015	December 31, 2014
		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital / Capital deposited with SBP		11,450,739	11,450,739
Balance in Share Premium Account		–	–
Reserve for issue of Bonus Shares		–	–
General / Statutory Reserves		15,033,093	13,521,062
Gain / (Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated / unremitted profits / (losses)		42,284,340	37,728,177
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		68,768,172	62,699,978
Common Equity Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments applied to CET1 (Note 42.2.1)		(4,465,761)	(2,630,063)
Common Equity Tier 1	a	64,302,411	60,069,915
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which:			
instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital (Note 42.2.2)		–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy	b	–	–
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	64,302,411	60,069,915
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III			
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		–	2,395,200
		–	–
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		71,489	115,919
Revaluation Reserves		14,262,832	10,548,462
of which: Revaluation reserves on Property		4,616,723	3,919,055
of which: Unrealized Gains / Losses on AFS		9,646,109	6,629,407
Foreign Exchange Translation Reserves		68,933	28,293
Undisclosed / Other Reserves (if any)		–	–
T2 before regulatory adjustments		14,403,254	13,087,874
Total regulatory adjustment applied to T2 capital (Note 42.2.3)		(232,168)	(555,195)
Tier 2 capital (T2) after regulatory adjustments		14,171,086	12,532,679
Tier 2 capital recognized for capital adequacy		14,171,086	12,532,679
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy	(d)	14,171,086	12,532,679
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	78,473,497	72,602,594
Total Risk Weighted Assets	(f)	373,749,213	365,222,555
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	(a/f)	17.20%	16.45%
Tier-1 capital to total RWA	(c/f)	17.20%	16.45%
Total capital to RWA	(e/f)	21.00%	19.88%

	December 31, 2015	December 31, 2014
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	–	
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	17.20%	16.45%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital Minimum Ratio (Inclusive of 0.25% CCB for 2015)	10.25%	10.00%

		December 31, 2015		December 31, 2014	
	Regulatory Adjustments and Additional Information	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
		Rupees in '000			
42.2.1	**Common Equity Tier 1 capital: Regulatory adjustments**				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	(983,382)		(1,176,015)	
3	Shortfall in provisions against classified assets	(1,273,406)			
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)				
5	Defined-benefit pension fund net assets	(1,519,668)	(2,279,502)	(874,940)	(3,499,761)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(495,479)		(579,108)	
7	Cash flow hedge reserve				
8	Investment in own shares / CET1 instruments				
9	Securitization gain on sale				
10	Capital shortfall of regulated subsidiaries				
11	Deficit on account of revaluation from bank's holdings of fixed assets / AFS				
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(193,826)	(290,739)		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)				
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold				
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences				
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit				
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–		–	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(4,465,761)		(2,630,063)	
42.2.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				
24	Investment in own AT1 capital instruments				
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities				
26	Investments in the capital instruments of banking, financial and				

Regulatory Adjustments and Additional Information	December 31, 2015 Amount	December 31, 2015 Amounts subject to pre-basel III treatment	December 31, 2014 Amount	December 31, 2014 Amounts subject to pre-basel III treatment
	Rupees in '000			
insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)				
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–		–	
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital				
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–		–	
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)				
42.2.3 Tier 2 Capital: regulatory adjustments				
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–		–	
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	–		(555,195)	
33 Investment in own Tier 2 capital instrument				
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(232,168)	(348,252)	–	
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation				
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(232,168)		(555,195)	

	December 31, 2015 Amount	December 31, 2014 Amount
	Rupees in '000	
42.2.4 Additional Information		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	265,645,829	269,567,585
(i) of which: deferred tax assets		
(ii) of which: Defined-benefit pension fund net assets	2,279,502	3,499,761
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	7,286,658	3,789,633
39 Significant investments in the common stock of financial entities	1,077,180	1,111,610
40 Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	71,489	115,919
42 Cap on inclusion of provisions in Tier 2 under standardized approach		
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		December 31, 2015		
		Rupees in '000		
42.3	**Capital Structure Reconciliation**			
42.3.1	**Step 1**			
	Assets			
	Cash and balances with treasury banks	56,711,623	56,711,623	
	Balances with other banks	4,077,613	4,077,613	
	Lendings to financial institutions	3,628,366	3,628,366	
	Investments	544,833,263	544,833,263	
	Advances	321,647,931	321,647,931	
	Operating fixed assets	28,869,612	28,869,612	
	Deferred tax assets	–	–	
	Other assets	32,970,839	32,970,839	
	Total assets	992,739,247	992,739,247	
	Liabilities & Equity			
	Bills payable	4,942,189	4,942,189	
	Borrowings	137,959,818	137,959,818	
	Deposits and other accounts	734,546,015	734,546,015	
	Sub-ordinated loans	–	–	
	Liabilities against assets subject to finance lease	–	–	
	Deferred tax liabilities	8,909,508	8,909,508	
	Other liabilities	16,256,802	16,256,802	
	Total liabilities	902,614,332	902,614,332	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	15,102,026	15,102,026	
	Unappropriated/ Unremitted profit/ (losses)	42,284,340	42,284,340	
	Minority Interest	–	–	
	Surplus on revaluation of assets	21,287,810	21,287,810	
	Total liabilities & equity	992,739,247	992,739,247	
42.3.2	**Step 2**			
	Assets			
	Cash and balances with treasury banks	56,711,623	56,711,623	
	Balanced with other banks	4,077,613	4,077,613	
	Lending to financial institutions	3,628,366	3,628,366	
	Investments	544,833,263	544,833,263	
	of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	425,994	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	–	495,479	d
	of which :Reciprocal cross holdings in Tier 2	–	–	e
	of which: others (mention details)	–	–	f
	Advances	321,647,931	321,647,931	
	shortfall in provisions / excess of total EL amount over eligible provisions under IRB	–	1,273,406	g
	general provisions reflected in Tier 2 capital	–	71,489	h
	Fixed Assets	28,869,612	28,869,612	
	of which: Intangibles	–	999,198	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	32,970,839	32,970,839	
	of which: Goodwill	–	–	l
	of which: Defined-benefit pension fund net assets	–	3,799,170	m
	Total assets	992,739,247	992,739,247	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2015		
	Rupees in '000		
Liabilities & Equity			
Bills payable	4,942,189	4,942,189	
Borrowings	137,959,818	137,959,818	
Deposits and other accounts	734,546,015	734,546,015	
Sub-ordinated loans	–	–	
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	–	o
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	8,909,508	8,909,508	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	15,816	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	16,256,802	16,256,802	
Total liabilities	902,614,332	902,614,332	
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	–	11,450,739	t
of which: amount eligible for AT1	–	–	u
Reserves	15,102,026	15,102,026	
of which: portion eligible for inclusion in CET1:Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General / Statutory Reserve	–	15,033,093	w
of which: portion eligible for inclusion in Tier 2	–	68,933	x
Unappropriated profit / (losses)	42,284,340	42,284,340	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	21,287,810	21,287,810	
of which: Revaluation reserves on Property	–	4,616,723	ac
of which: Unrealized Gains / Losses on AFS	–	9,646,109	
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
Total liabilities & Equity	90,124,915	90,124,915	

42.3.3 Step 3

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital / Capital deposited with SBP	11,450,739	(t)
2 Balance in Share Premium Account	–	(v)
3 Reserve for issue of Bonus Shares	–	
4 General / Statutory Reserves	15,033,093	(w)
5 Gain / (losses) on derivatives held as Cash Flow Hedge	–	
6 Unappropriated / unremitted profits/(losses)	42,284,340	(y)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	–	(z)
8 **CET 1 before Regulatory Adjustments**	68,768,172	
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)	983,382	(i) - (q)
11 Shortfall of provisions against classified assets	1,273,406	(g)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	{(j) - (s)} * x%

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
13 Defined-benefit pension fund net assets	1,519,668	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	495,479	(d)
15 Cash flow hedge reserve	–	
16 Investment in own shares/ CET1 instruments	–	
17 Securitization gain on sale	–	
18 Capital shortfall of regulated subsidiaries	–	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	–	(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	193,826	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	(k)
23 Amount exceeding 15% threshold	–	
24 of which: significant investments in the common stocks of financial entities	–	
25 of which: deferred tax assets arising from temporary differences	–	
26 National specific regulatory adjustments applied to CET1 capital	–	
27 Investment in TFCs of other banks exceeding the prescribed limit	–	
28 Any other deduction specified by SBP (mention details)	–	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	4,465,761	
Common Equity Tier 1	64,302,411	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	–	
32 of which: Classified as equity	–	(u)
33 of which: Classified as liabilities	–	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
36 AT1 before regulatory adjustments	–	
Additional Tier 1 Capital: regulatory adjustments	–	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
38 Investment in own AT1 capital instruments	–	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
44 Total of Regulatory Adjustment applied to AT1 capital	–	
45 Additional Tier 1 capital	–	

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
46 Additional Tier 1 capital recognized for capital adequacy		
Tier 1 Capital (CET1 + admissible AT1)	64,302,411	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	–	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	–	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	–	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	–	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	71,489	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	4,616,723	portion of (ac)
54 of which: portion pertaining to AFS securities	9,646,109	
55 Foreign Exchange Translation Reserves	68,933	(x)
56 Undisclosed / Other Reserves (if any)	–	
57 **T2 before regulatory adjustments**	14,403,254	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	
59 Reciprocal cross holdings in Tier 2 instruments	–	(e)
60 Investment in own Tier 2 capital instrument	–	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	232,168	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	–	
64 Tier 2 capital (T2)	–	
65 Tier 2 capital recognized for capital adequacy	–	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	232,168	
TOTAL CAPITAL (T1 + admissible T2)	78,473,497	

42.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares
1	Issuer	Allied Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ABL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo / group / group&solo	Group and standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739
9	Par value of instrument	10
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	coupon rate and any related index / benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Rank inferior to all debt instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

42.5 Risk Weighted Exposures

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

	Capital Requirements		Risk Weighted Assets	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and Cash Equivalents	–	–	–	–
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	–	–	–	–
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	–	–		
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,237,152	1,193,048	12,069,777	11,930,477
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	–	–	–	–
Claims on Multilateral Development Banks	–	–	–	–
Claims on Public Sector Entities in Pakistan	748,822	563,773	7,305,576	5,637,727
Claims on Banks	484,588	580,209	4,727,690	5,802,091
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	104,082	27,204	1,015,434	272,042
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	75,362	26,076	735,236	260,758
Claims on Corporates (excluding equity exposures)	13,704,759	12,933,791	133,704,970	129,337,913
Claims categorized as retail portfolio	971,248	1,669,857	9,475,594	16,698,572
Claims fully secured by residential property	236,079	221,705	2,303,208	2,217,049
Past Due loans:	393,433	1,060,880	3,838,367	10,608,799
Investments in premises, plant and equipment and all other fixed assets	2,858,339	2,609,481	27,886,230	26,094,808
Claims on all fixed assets under operating lease	–	–	–	–
All other assets	617,828	704,848	6,027,586	7,048,477
	21,431,692	21,590,872	209,089,668	215,908,713
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	1,928,076	2,302,735	18,810,506	23,027,348
Performance related contingencies	610,093	443,920	5,952,122	4,439,201
Trade Related contingencies/Other Commitments with original maturity of one year or less	487,691	521,682	4,757,962	5,216,820
	3,025,860	3,268,337	29,520,590	32,683,369
Market related Exposures	102,870	126,455	1,003,613	1,264,551

	Capital Requirements		Risk Weighted Assets	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees in '000			
Equity Exposure Risk in the Banking Book				
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	–	–	–	–
Unlisted equity investments (other than that deducted from capital) held in banking book	276,027	268,913	2,692,949	2,689,133
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,064,286	1,492,264	20,139,377	14,922,635
Unlisted equity investments (other than that deducted from capital) held in banking book	327,962	209,918	3,199,632	2,099,184
Investments in venture capital	–	–	–	–
	2,668,275	1,971,095	26,031,958	19,710,952
Total Credit Risk (A)	27,228,698	26,956,759	265,645,829	269,567,585
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	75,035	230,963	732,050	2,309,625
Equity position risk etc.	3,523,361	2,900,290	34,374,256	29,002,897
Foreign exchange risk	179,562	261,196	1,751,825	2,611,963
Operational Risk				
Capital Requirement for operational risks	7,302,638	6,173,049	71,245,253	61,730,485
Total Risk Weighted Assets	38,309,295	36,522,257	373,749,213	365,222,555

	December 31, 2015		December 31, 2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.0%	17.20%	5.5%	16.45%
Tier-1 capital to total RWA	7.5%	17.20%	7.0%	16.45%
Total capital to total RWA (Inclusive of 0.25% CCB for 2015)	10.25%	21.00%	10.0%	19.88%

43. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

Categories of Risk

The Bank generates most of its revenues by accepting Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

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

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

Market Risk The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).

Liquidity Risk The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

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

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

Risk Responsibilities

- The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The CEO, COO and Group Chiefs are accountable for the management of risk collectively through their membership of Asset & Liability Committee (ALCO). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Framework of the Bank.

Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

43.1 Credit Risk

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

The Bank manages three principal sources of credit risk:

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

Sovereign Credit Risk

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

Non-Sovereign Credit Risk

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

Counter Party Credit Risk on Interbank Limits

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

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

Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes Export Credit Assessment (ECA) Scores published by The Organization for Economic Co-operation and Development (OECD), Moody's country ratings as well as country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. FID is responsible for monitoring of country exposure limits.

Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four 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 have been automated through the Bank's Loan Origination System, and are given due weight age while extending credit to these asset classes. The Bank is also undertaking an initiative to validate the implemented models as per the Basel guidelines.

Stress Testing

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

Automated System

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

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved. The Bank has also implemented an Early Warning Alert engine that relays email alerts to users based on breach of defined triggers.

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 2015, the coverage ratio was 87.49% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the Note 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 2015, the Bank's focus remained on pruning and consolidation of advances portfolio, while concomitantly channelizing the available liquidity towards risk free assets i.e. Treasury Bills and PIBs. The advances show an overall increase by 5.09%.

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

43.1.1 Segmental Information

43.1.1.1 Segments by class of business

	December 31, 2015					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and hunting	56,079,517	16.45%	23,338,575	3.18%	1,028,723	0.46%
Basic metals (iron, steel)	3,756,901	1.10%	420,814	0.06%	2,813,832	1.27%
Cement / clay & ceramics	12,542,562	.68%	7,543,644	1.03%	8,564,033	3.84%
Chemical & pharmaceutical	18,107,783	5.31%	5,224,512	0.71%	2,457,760	1.10%
Construction	3,761,643	1.10%	14,236,083	1.94%	5,101,715	2.29%
Education	185,016	0.05%	6,812,670	0.93%	54,578	0.02%
Financial	23,731,605	6.96%	33,793,523	4.60%	129,582,438	58.17%
Fishing	2,404	0.01%	11,994	0.00%	-	0.00%
Footwear & leather garments	1,138,342	0.33%	624,072	0.08%	428,115	0.19%
Furniture & sports goods	785,155	0.23%	116,163	0.02%	52,408	0.02%
Grains, food & beverages	7,191,315	2.11%	1,569,981	0.21%	95,390	0.04%
Health & social welfare	126,036	0.04%	5,684,530	0.77%	36,513	0.02%
Hotel, restaurant & clubs	2,004,119	0.59%	371,701	0.05%	960	0.00%
Individuals	7,755,193	2.28%	313,893,205	42.74%	4,316,940	1.94%
Machinery & equipment	2,919,094	0.86%	547,852	0.07%	1,020,967	0.46%
Manufacture of transport equipment	519,910	0.15%	1,636,428	0.22%	78,766	0.04%
Paper & paper boards	7,042,981	2.07%	187,952	0.03%	789,721	0.35%
Petroleum products	34,747,236	10.20%	2,477,908	0.34%	15,470,564	6.94%
Power, gas, water & sanitary	85,108,510	24.97%	6,196,160	0.84%	16,070,724	7.21%
Printing, publishing & allied	614,033	0.18%	280,099	0.04%	41,580	0.02%
Real estate, renting, and business activities	4,425,806	1.30%	72,210,356	9.83%	4,128,220	1.85%
Rubber & plastic	635,505	0.19%	280,612	0.04%	49,996	0.02%
Sugar	4,408,409	1.29%	1,046,287	0.14%	-	0.00%
Textile - Manufacture of made up & ready made garments	24,326,815	7.14%	221,853	0.03%	51,961	0.02%
Textile - Finishing	10,413,852	3.06%	139,132	0.02%	3,229,314	1.46%
Textile - Spinning	5,026,747	1.47%	249,247	0.03%	502,391	0.23%
Textile - Weaving	2,220,030	0.65%	63,873	0.01%	-	0.00%
Transport, storage & communication	7,634,999	2.24%	3,739,632	0.51%	5,493,047	2.47%
Wholesale & retail trade	5,986,870	1.76%	25,560,304	3.47%	1,171,059	0.53%
Others	7,613,809	2.23%	206,066,853	28.06%	20,141,919	9.04%
	340,812,197	100.00%	734,546,015	100.00%	222,773,634	100.00%

43.1.1.2 Segments by sector

	December 31, 2015					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	124,177,375	36.44%	144,615,579	19.69%	34,910,297	15.67%
Private	216,634,822	63.56%	589,930,436	80.31%	187,863,337	84.33%
	340,812,197	100.00%	734,546,015	100.00%	18,646,834	100.00%

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

	December 31, 2015		December 31, 2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry and Hunting	483,347	320,208	439,884	292,739
Basic metals (iron, steel)	279,105	245,631	284,052	275,060
Cement / clay & ceramics	148,137	91,313	71,591	71,591
Chemical & pharmaceutical	805,429	772,058	824,052	822,232
Construction	513,329	509,286	499,142	496,818
Education	237	24	–	–
Financial	72,454	72,454	72,454	72,454
Fishing	–	–	–	–
Footwear & leather garments	133,889	127,525	129,459	129,459
Furniture & sports goods	254,549	252,052	263,719	263,719
Grains, Food & Beverages	1,598,527	1,325,250	1,704,227	1,024,437
Health & social welfare	19,032	16,247	6,723	6,723
Hotel, restaurant & clubs	7,749	7,749	7,799	7,582
Individuals	472,198	452,297	480,700	432,760
Machinery & equipment	1,367,126	1,367,126	1,378,396	1,259,572
Manufacture of transport equipment	237,847	237,847	351,375	351,375
Paper & paper boards	269,300	269,300	257,432	237,057
Petroleum products	2,583,005	1,304,233	2,781,964	1,395,585
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	16,757	14,138	18,264	16,660
Real estate, renting, and business activities	12,595	12,595	412,595	212,595
Rubber & plastic	354,269	289,991	376,559	321,049
Sugar	52,516	28,141	3,766	3,766
Textile - Manufacture of made up & ready made garments	3,481,594	3,193,588	3,322,387	3,322,387
Textile - Finishing	3,048,893	3,020,926	3,562,827	3,547,202
Textile - Spinning	1,413,434	1,413,434	1,452,285	1,452,285
Textile - Weaving	55,735	55,735	60,032	60,032
Transport, storage & communication	442,178	133,475	398,788	109,437
Wholesale & retail trade	1,562,953	1,500,805	1,677,399	1,465,869
Others	1,580,530	1,422,334	1,446,656	1,407,185
	21,903,729	19,092,777	22,921,542	19,694,645

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

	December 31, 2015		December 31, 2014	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/ Government	137,180	137,180	137,180	137,180
Private	21,766,549	18,955,597	22,784,362	19,557,465
	21,903,729	19,092,777	22,921,542	19,694,645

43.1.1.5 Geographical Segment Analysis

	December 31, 2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan operations	25,167,296	970,334,879	88,024,880	221,387,747
Middle East	322,198	17,897,498	972,938	1,385,887
Karachi Export Processing Zone	286,087	4,506,870	1,127,097	–
	608,285	22,404,368	2,100,035	1,385,887
	25,775,581	992,739,247	90,124,915	222,773,634

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

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

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

Selection of ECAIs

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

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

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

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

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

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

Use of ECAI Ratings

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

Mapping to SBP Rating Grades

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

Long – Term Rating Grades Mapping

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

Short – Term Rating Grades Mapping

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

Types of exposures and ECAI's used

December 31, 2015

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

Credit exposures subject to Standardized Approach

		December 31, 2015			December 31, 2014		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	40,957,253	779,810	40,177,443	39,256,462	–	39,256,462
	2	33,207,509	–	33,207,509	26,077,349	–	26,077,349
	3 , 4	–	–	–	1,878,733	–	1,878,733
	5 , 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	103,661,483	99,542,397	4,119,086	33,809,324	32,317,538	1,491,786
Retail	–	17,304,245	4,430,035	12,874,210	28,922,743	5,817,355	23,105,389
Public sector entities	1	41,992,323	52,461	41,939,862	23,107,102	–	23,107,102
Others	–	696,945,527	-	696,945,527	544,160,585	–	544,160,585
Unrated	–	189,328,023	69,800,848	119,527,175	203,453,195	64,196,501	139,256,694

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

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments, and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank and other reputable financial institutions etc.

43.2 Equity Position Risk in the Banking Book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for long term revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain and dividend to support the Bank's business activities.

Classification of investments

Under SBP's directives, equity investment may be classified as "Held For Trading (HFT)", "Available for Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted.

Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the bank's held for trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

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

Profit and loss on sale of investments is included in income currently.

Composition of equity investments

	Held-for-Trading 2015	Held-for-Sale 2014
	Rupees in '000	
Equity Investments - Publicly Traded	1,236,023	35,064,691
Equity Investments - Others	–	3,476,661
Total Value	1,236,023	38,541,352

The cumulative gain of Rs. 122.055 million (2014: 4,117.344 million) was realized from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 22,149.504 million (2014: Rs. 14,318.766 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 tradawbility. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Bank's trading book includes securities classified as 'Held-for-Trading', 'Open Ended Mutual Fund' and listed equity placed in 'Available-for-sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

Risk Pertaining to Banking Book Investment Portfolio

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

i) Available-for-sale securities - (other than listed equity)
ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

i) Government securities
ii) Capital market investments
iii) 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 movement

Stress Testing

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

43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

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

	December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	928,690,847	827,459,390	(13,077,154)	88,154,303
United States Dollar	62,795,634	67,581,503	6,676,947	1,891,078
Great Britain Pound	734,001	4,787,974	4,081,969	27,996
Japanese Yen	14,190	7,964	(8,726)	(2,500)
Euro	409,265	2,766,077	2,392,491	35,679
Other Currencies	95,310	11,424	(65,527)	18,359
	64,048,400	75,154,942	13,077,154	1,970,612
	992,739,247	902,614,332	–	90,124,915

	December 31, 2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	806,628,568	688,488,358	(39,181,388)	78,958,822
United States Dollar	35,559,262	64,158,069	31,155,748	2,556,941
Great Britain Pound	433,344	5,605,212	5,197,902	26,034
Japanese Yen	12,322	2,584	(9,040)	698
Euro	447,683	3,275,374	2,839,871	12,180
Other Currencies	16,387	3,154	(3,093)	10,140
	36,468,998	73,044,393	39,181,388	2,605,993
	843,097,566	761,532,751	–	81,564,815

43.2.3 Equity Position Risk

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

Concentration Risk

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

Price Risk

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

43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2015											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk: Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield / Interest Risk
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	56,711,623	8,059,663	-	-	-	-	-	-	-	-	48,651,960
Balances with other banks		4,077,613	1,620,231	-	-	-	-	-	-	-	-	2,457,382
Lendings to financial institutions	6.03%	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-	-
Investments - net	10.39%	544,833,263	16,865,298	33,626,699	3,178,043	231,253,667	59,937,773	65,600,182	44,591,321	51,202,264	-	38,578,016
Advances - net	8.36%	321,647,931	90,613,088	163,758,349	50,574,970	2,345,934	537,742	3,373,546	7,369,686	242,892	20,772	2,810,952
Other assets - net		27,366,889	-	-	-	-	-	-	-	-	-	27,366,889
		958,265,685	120,514,371	197,385,048	53,753,013	233,871,876	60,475,515	68,973,728	51,961,007	51,445,156	20,772	119,865,199
Liabilities												
Bills payable		4,942,189	-	-	-	-	-	-	-	-	-	4,942,189
Borrowings	6.34%	137,959,818	108,614,608	11,473,413	12,399,782	3,000	4,499	180,535	5,283,981	-	-	-
Deposits and other accounts	4.19%	734,546,015	95,981,412	175,223,561	61,172,453	213,783,923	7,380,448	1,743,773	778,512	161,429	121,402	178,199,102
Sub-ordinated loan	10.49%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		12,773,747	-	-	-	-	-	-	-	-	-	12,773,747
		890,221,769	204,596,020	186,696,974	73,572,235	213,786,923	7,384,947	1,924,308	6,062,493	161,429	121,402	195,915,038
On-balance sheet gap		68,043,916	(84,081,649)	10,688,074	(19,819,222)	20,084,953	53,090,568	67,049,420	45,898,514	51,283,727	(100,630)	(76,049,839)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		64,741,951	27,409,112	23,037,299	12,923,890	1,371,650	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		(51,664,798)	(24,048,356)	(25,696,912)	(1,919,530)	-	-	-	-	-	-	-
Off-balance sheet gap		13,077,153	3,360,756	(2,659,613)	11,004,360	1,371,650	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		81,121,069	(80,720,893)	8,028,461	(8,814,862)	21,456,603	53,090,568	67,049,420	45,898,514	51,283,727	(100,630)	
Cumulative yield / interest risk sensitivity gap		81,121,069	(80,720,893)	(72,692,432)	(81,507,294)	(60,050,691)	(6,960,123)	60,089,297	105,987,811	157,271,538	157,170,908	

Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	December 31, 2014											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Not exposed to Yield/ Interest Risk
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	41,252,303	9,631,572	-	-	-	-	-	-	-	-	31,620,731
Balances with other banks		873,500	428,327	-	-	-	-	-	-	-	-	445,173
Lendings to financial institutions	7.97%	2,030,062	2,030,062	-	-	-	-	-	-	-	-	-
Investments - net	10.91%	429,397,275	7,905,033	68,398,002	1,084,056	49,607,115	129,213,775	38,860,300	71,713,411	20,623,232	-	41,992,351
Advances - net	10.66%	306,057,885	52,986,609	203,935,564	37,801,287	735,820	1,481,676	1,357,835	2,639,828	1,793,203	-	3,326,063
Other assets - net		26,765,693	-	-	-	-	-	-	-	-	-	26,765,693
		806,376,718	72,981,603	272,333,566	38,885,343	50,342,935	130,695,451	40,218,135	74,353,239	22,416,435	-	104,150,011
Liabilities												
Bills payable		4,831,801	-	-	-	-	-	-	-	-	-	4,831,801
Borrowings	8.18%	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-	-
Deposits and other accounts	5.53%	667,863,871	104,665,393	138,103,755	65,949,416	23,982,004	6,627,192	507,222	158,684,622	271,080	-	169,073,187
Sub-ordinated loan	11.15%	2,994,000	-	2,994,000	-	-	-	-	-	-	-	-
Other liabilities		13,170,598	-	-	-	-	-	-	-	-	-	13,170,598
		754,956,742	146,680,065	152,103,368	73,293,550	24,422,932	7,509,046	1,389,076	160,448,330	2,034,789	-	187,075,586
On-balance sheet gap		51,419,976	(73,698,462)	120,230,198	(34,408,207)	25,920,003	123,186,405	38,829,059	(86,095,091)	20,381,646	-	(82,925,575)
Off-balance sheet financial instruments												
Commitments in respect of forward												
exchange contracts - purchase		65,524,611	17,971,515	30,816,338	15,767,196	969,562	-	-	-	-	-	-
Commitments in respect of forward												
exchange contracts - sale		(26,343,223)	(10,085,847)	(12,000,776)	(3,842,891)	(413,709)	-	-	-	-	-	-
Off-balance sheet gap		39,181,388	7,885,668	18,815,562	11,924,305	555,853	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		90,601,364	(65,812,794)	139,045,760	(22,483,902)	26,475,856	123,186,405	38,829,059	(86,095,091)	20,381,646	-	
Cumulative yield / interest risk sensitivity gap		90,601,364	(65,812,794)	73,232,966	50,749,064	77,224,920	200,411,325	239,240,384	153,145,293	173,526,939	173,526,939	

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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

Reconciliation to total assets	December 31, 2015	December 31, 2014	Reconciliation to total liabilities	December 31, 2015	December 31, 2014
	(Rupees in '000)			(Rupees in '000)	
Balance as per Statement of Financial Position	992,739,247	843,097,566	Balance as per Statement of Financial Position	902,614,332	761,532,751
Less : Non financial assets			Less: Non financial liabilities		
Operating fixed assets	28,869,612	27,270,824	Deferred tax liability	8,909,508	3,629,645
Other assets	5,603,950	9,450,025	Other liabilities	3,483,055	2,946,364
	34,473,562	36,720,849		12,392,563	6,576,009
Total financial assets	958,265,685	806,376,717	Total financial liabilities	890,221,769	754,956,742

43.3 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. Bank's BoD have delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

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

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

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

	December 31, 2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	56,711,623	56,711,623	-	-	-	-	-	-	-	-
Balances with other banks	4,077,613	4,077,613	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-
Investments - net	544,833,263	12,898,155	33,308,789	170,738	257,702,767	59,994,413	67,614,101	46,106,184	67,038,116	-
Advances - net	321,647,931	74,883,362	32,261,844	37,146,771	39,022,419	33,154,277	29,478,893	41,894,608	28,042,074	5,763,683
Operating fixed assets	28,869,612	321,547	643,099	964,648	1,929,297	1,371,419	648,531	1,297,982	1,285,548	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	32,970,839	5,619,192	8,650,915	12,963,140	932,639	904,329	2,049	2,999	-	3,895,576
	992,739,247	157,867,583	74,864,647	51,245,297	299,859,397	95,424,438	97,743,574	89,301,773	96,365,738	30,066,800
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,546,015	578,330,180	79,740,660	37,634,769	33,385,546	2,649,745	1,743,773	778,512	161,428	121,402
Deferred tax liabilities	8,909,508	28,388	56,778	85,167	93,536	7,096,228	309,266	618,531	621,614	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,256,802	4,533,604	5,409,805	1,779,036	530,093	482,946	569,246	918,431	2,033,641	-
	902,614,332	696,448,969	96,680,655	51,898,754	34,012,175	10,233,418	2,802,820	7,599,456	2,816,683	121,402
Net assets / (liabilities)	90,124,915	(538,581,386)	(21,816,008)	(653,457)	265,847,222	85,191,020	94,940,754	81,702,317	93,549,055	29,945,398
Share capital	11,450,739									
Reserves	15,102,026									
Unappropriated profit	42,284,340									
	68,837,105									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	90,124,915									

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

	December 31, 2014									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	41,252,303	41,252,303	-	-	-	-	-	-	-	-
Balances with other banks	873,500	873,500	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments	429,397,275	273,162	66,337,330	74,802	71,497,096	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances	306,057,885	33,396,856	45,085,017	35,906,557	39,086,340	32,708,490	37,756,260	42,998,238	31,514,565	7,605,562
Operating fixed assets	27,270,823	286,655	573,318	859,977	1,719,954	1,494,013	641,700	1,371,051	1,328,508	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	36,215,718	5,034,137	8,308,360	16,643,652	905,820	833,255	-	-	-	4,490,494
	843,097,566	83,146,675	120,304,025	53,484,988	113,209,210	168,522,137	82,453,452	119,844,769	71,040,607	31,091,703
Liabilities										
Bills payable	4,831,801	4,831,801	-	-	-	-	-	-	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,929	881,854	881,854	1,763,708	1,763,708	-
Deposits and other accounts	667,863,871	546,467,280	41,811,815	59,846,735	17,879,325	524,512	507,222	555,900	271,082	-
Deferred tax liabilities	3,629,645	23,129	45,581	65,472	(383,623)	1,431,030	202,927	405,761	712,968	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	16,116,962	3,818,401	6,077,739	2,433,655	463,508	406,296	490,267	766,414	1,660,682	-
	761,532,751	597,155,283	58,941,348	69,689,996	18,401,939	3,244,892	2,083,470	6,480,983	4,408,440	1,126,400
Net assets / (liabilities)	81,564,815	(514,008,608)	61,362,677	(16,205,008)	94,807,271	165,277,245	80,369,982	113,363,786	66,632,167	29,965,303
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,728,181									
	62,728,275									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	81,564,815									

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

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

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

	December 31, 2015									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	56,711,623	43,080,017	665,332	33,793	-	4,310,827	4,310,827	4,310,827	-	-
Balances with other banks	4,077,613	4,077,613	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,628,366	3,356,091	-	-	272,275	-	-	-	-	-
Investments - net	544,833,263	12,898,155	33,308,789	170,738	257,702,767	59,994,413	67,614,101	46,106,184	67,038,116	-
Advances - net	321,647,931	49,539,737	35,287,795	38,037,468	39,022,419	40,296,602	36,621,219	49,036,933	28,042,074	5,763,684
Operating fixed assets	28,869,612	321,547	643,099	964,648	1,929,297	1,371,419	648,531	1,297,982	1,285,548	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	32,970,839	5,619,192	8,650,915	12,963,140	932,639	904,328	2,049	2,999	-	3,895,577
	992,739,247	118,892,352	78,555,930	52,169,787	299,859,397	106,877,589	109,196,727	100,754,925	96,365,738	30,066,802
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,546,015	95,981,412	79,832,186	72,846,146	82,905,177	37,861,122	24,500,104	778,512	161,428	339,679,928
Deferred tax liabilities	8,909,508	28,388	56,778	85,167	93,536	7,096,228	309,266	618,531	621,614	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,256,802	4,533,604	5,409,805	1,779,036	530,093	482,946	569,246	918,431	2,033,641	-
	902,614,332	214,100,201	96,772,181	87,110,131	83,531,806	45,444,795	25,559,151	7,599,456	2,816,683	339,679,928
Net assets	90,124,915	(95,207,849)	(18,216,251)	(34,940,344)	216,327,591	61,432,794	83,637,576	93,155,469	93,549,055	(309,613,126)
Share capital	11,450,739									
Reserves	15,102,026									
Unappropriated profit	42,284,340									
	68,837,105									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	90,124,915									

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, 2014									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	41,252,303	29,464,580	522,773	39,427	-	3,741,841	3,741,841	3,741,841	-	-
Balances with other banks	873,500	873,500	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,030,062	2,030,062	-	-	-	-	-	-	-	-
Investments - net	429,397,275	273,162	66,337,330	74,802	71,497,096	133,486,379	44,055,492	75,475,480	38,197,534	-
Advances - net	306,057,885	33,396,856	45,085,017	35,906,557	39,086,340	32,708,490	37,756,260	42,998,238	31,514,565	7,605,562
Operating fixed assets	27,270,823	286,655	573,318	859,977	1,719,954	1,494,013	641,700	1,371,051	1,328,508	18,995,647
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,215,718	5,034,137	8,308,360	16,643,652	905,820	833,255	-	-	-	4,490,494
	843,097,566	71,358,952	120,826,798	53,524,415	113,209,210	172,263,978	86,195,293	123,586,610	71,040,607	31,091,703
Liabilities										
Bills payable	4,831,801	3,464,734	-	-	-	455,689	455,689	455,689	-	-
Borrowings	66,096,472	42,014,672	11,005,613	7,344,134	440,928	881,854	881,854	1,763,708	1,763,709	-
Deposits and other accounts	667,863,871	104,665,390	42,278,613	90,349,923	48,382,513	31,027,701	23,130,839	555,902	271,081	327,201,909
Deferred tax liabilities	3,629,645	23,129	45,581	65,472	(383,623)	1,431,030	202,927	405,761	712,968	1,126,400
Sub-ordinated loan	2,994,000	-	600	-	1,800	1,200	1,200	2,989,200	-	-
Other liabilities	16,116,962	3,818,401	6,077,739	2,433,655	463,508	406,296	490,267	766,414	1,660,682	-
	761,532,751	153,986,326	59,408,146	100,193,184	48,905,126	34,203,770	25,162,776	6,936,674	4,408,440	328,328,309
Net assets	81,564,815	(82,627,374)	61,418,652	(46,668,769)	64,304,084	138,060,208	61,032,517	116,649,936	66,632,167	(297,236,606)
Share capital	11,450,739									
Reserves	13,549,355									
Unappropriated profit	37,728,181									
	62,728,275									
Surplus on revaluation of assets										
- net of tax	18,836,540									
	81,564,815									

43.5 Operational Risk

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

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. Bank has also developed a Business Continuity Plan applicable to all its functional areas.

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

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

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

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

44. NON ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 10, 2016 has proposed a cash dividend in respect of 2015 of Rs. 1.75 per share (2014: cash dividend Rs. 2 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2016.

45. GENERAL

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

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 10, 2016 by the Board of Directors of the Bank.

Chief Financial Officer	President and Chief Executive	Director
Director	Chairman	

ANNEXURE I

As on December 31, 2015

As referred to in notes 11.10 & 11.11 to the financial statements.

DISPOSAL OF FIXED ASSETS

Rupees in '000

Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
11.10						
Land						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Land Freehold	35,000	-	35,000	30,000	As Per Bank Policy	MR MUHAMMAD SHAHAB KHAN
Land Leasehold	18,360	-	18,360	15,789	As Per Bank Policy	MR. MAHMOOD MIRZA BARLAS
Total	**53,360**	**-**	**53,360**	**45,789**		
Building						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Building Freehold	16,878	8,314	8,564	12,000	As Per Bank Policy	MR. NAZIR AHMED S/O REHMAT ALI
Building Freehold	93,092	22,794	70,298	80,000	As Per Bank Policy	SITARA GROUP
Building leasehold	4,779	-	4,779	4,700	As Per Bank Policy	MR. MOHAMMAD ATHER
Building leasehold	3,600	75	3,525	2,900	As Per Bank Policy	MUHAMMAD NAEEM KHAN
Building leasehold	362	11	351	311	As Per Bank Policy	MR. MAHMOOD MIRZA BARLAS
Total	**118,711**	**31,194**	**87,517**	**99,911**		
Electrical, Office & Computer Equipments						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Computer Equipment	4,463	4,463	-	13	As Per Bank Policy	MR. BARVI TRADE WAYS
Electrical Equipment	9,140	8,791	349	2,645	As Per Bank Policy	KARACHI RENTAL POWER
Total	**13,603**	**13,254**	**349**	**2,658**		
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	1,680	952	728	1,595	Insurance Claim	EFU GENERAL INSURANCE
Motor Vehicle	1,645	960	685	1,645	Insurance Claim	EFU GENERAL INSURANCE
Motor Vehicle	10,169	8,305	1,864	2,203	As Per Bank Policy	MR. TARIQ MAHMOOD
Motor Vehicle	1,680	1,036	644	1,125	As Per Bank Policy	RASHID SALEEM
Motor Vehicle	1,679	1,035	643	1,163	As Per Bank Policy	ADNAN NASEER AHMAD
Motor Vehicle	1,679	1,035	643	1,133	As Per Bank Policy	ADNAN NASEER AHMAD
Motor Vehicle	1,679	1,035	643	1,179	As Per Bank Policy	IRFAN KHAN
Motor Vehicle	1,426	1,426	-	1,121	As Per Bank Policy	SHAFAQAT ALI
Motor Vehicle	1,325	1,325	-	1,001	As Per Bank Policy	ABDUL AHAD
Motor Vehicle	1,005	1,005	-	1,058	As Per Bank Policy	TARIQ MAHMOOD
Motor Vehicle	8,374	8,374	-	2,830	As Per Bank Policy	ZAHEER-UD-DIN BABER
Motor Vehicle	1,239	1,239	-	916	As Per Bank Policy	MUHAMMAD RIZWAN MUGHAL
Motor Vehicle	1,809	1,809	-	1,061	As Per Bank Policy	KHURRAM IMTIAZ
Motor Vehicle	1,147	784	363	1,096	Insurance Claim	EFU GENERAL INSURANCE
Total	**36,536**	**30,320**	**6,216**	**19,126**		
Other Disposals	**118,089**	**97,289**	**20,800**	**18,534**	As Per Policy	MISCELLANEOUS
31 December, 2015	**340,299**	**172,057**	**168,242**	**186,018**		
11.11						
Itemssold to Executives Otherwise Than Through a Regular Auction						
Electrical, Office & Computer Equipments						
Computer Equipment	-	-	-	-		
31 December, 2015	-	-	-	-		

Pattern of Shareholding
Allied Bank Limited

Information for annual financial statement as on December 31, 2015.

1 Issued, Subscribed and Paid-up Capital:

ORDINARY SHARES	As on December 31, 2015		As on December 31, 2014	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
Fully paid in cash	406,780,094	4,067,800,940	406,780,094	4,067,800,940
Increase in Share Capital	–	–	–	–
Issued as bonus shares	720,745,186	7,207,451,860	720,745,186	7,207,451,860
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
TOTAL	1,145,073,830	11,450,738,300	1,145,073,830	11,450,738,300

2 Major shareholding

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

Name of Shareholder	No. of Shares Held	Percentage Held
Mohammad Naeem Mukhtar	266,143,269	23.24
Muhammad Waseem Mukhtar	267,122,274	23.33
Sheikh Mukhtar Ahmad	238,571,651	20.83
Ibrahim Fibres Limited	194,041,916	16.95
TOTAL	965,879,110	84.35

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
6,150	1	100	238,150
9,470	101	500	2,637,121
1,262	501	1,000	927,849
2,305	1,001	5,000	4,986,856
426	5,001	10,000	3,122,521
163	10,001	15,000	2,039,872
82	15,001	20,000	1,471,362
64	20,001	25,000	1,455,831
31	25,001	30,000	872,458
34	30,001	35,000	1,120,910
17	35,001	40,000	640,341
10	40,001	45,000	423,954
16	45,001	50,000	785,687
7	50,001	55,000	371,758
7	55,001	60,000	403,056
4	60,001	65,000	251,622
8	65,001	70,000	543,171
3	70,001	75,000	221,900
6	80,001	85,000	501,701
2	85,001	90,000	173,563
11	95,001	100,000	1,098,588
5	100,001	105,000	509,785
2	105,001	110,000	210,300

No. of Shareholders	Shareholdings From	To	Total Shares Held
1	110,001	115,000	113,269
2	115,001	120,000	237,100
3	120,001	125,000	363,000
1	125,001	130,000	130,000
2	130,001	135,000	265,600
1	135,001	140,000	140,000
3	145,001	150,000	443,200
2	150,001	155,000	304,127
1	155,001	160,000	156,956
1	160,001	165,000	162,650
2	170,001	175,000	349,000
2	175,001	180,000	355,450
1	180,001	185,000	181,820
1	190,001	195,000	194,000
2	195,001	200,000	400,000
1	205,001	210,000	210,000
1	210,001	215,000	215,000
1	215,001	220,000	218,400
1	220,001	225,000	221,900
1	225,001	230,000	227,700
1	235,001	240,000	236,437
1	240001	245,000	242,000
1	245,001	250,000	250,000
2	250,001	255,000	508,900
2	260,001	265,000	525,800
2	295,001	300,000	600,000
1	300,001	305,000	300,400
2	315,001	320,000	638,200
1	320,001	325,000	324,400
1	325,001	330,000	329,545
1	335,001	340,000	340,000
1	340,001	345,000	343,000
1	415,001	420,000	418,945
1	425,001	430,000	428,000
1	450,001	455,000	454,545
1	460,001	465,000	461,500
1	470,001	475,000	473,821
1	495,001	500,000	500,000
1	530,001	535,000	533,829
1	590,001	595,000	592,700
1	595,001	600,000	600,000
1	635,001	640,000	640,000
1	710,001	715,000	712,151
1	725,001	730,000	726,600

No. of Shareholders	Shareholdings From		Shareholdings To	Total Shares Held
1	750,001		755,000	754,800
2	840,001		845,000	1,682,411
1	895,001		900,000	900,000
1	935,001		940,000	936,300
1	940,001		945,000	941,000
1	995,001		1,000,000	1,000,000
1	1,015,001		1,020,000	1,015,897
1	1,090,001		1,095,000	1,092,614
1	1,260,001		1,265,000	1,265,000
1	1,340,001		1,345,000	1,342,400
1	1,505,001		1,510,000	1,509,852
1	1,555,001		1,560,000	1,558,604
1	1,640,001		1,645,000	1,643,318
1	1,735,001		1,740,000	1,739,247
1	1,765,001		1,770,000	1,770,000
1	1,770,001		1,775,000	1,771,735
1	1,790,001		1,795,000	1,794,914
1	1,900,001		1,905,000	1,904,433
1	1,955,001		1,960,000	1,956,900
1	1,995,001		2,000,000	2,000,000
1	2,740,001		2,745,000	2,745,000
1	3,025,001		3,030,000	3,029,300
1	3,325,001		3,330,000	3,329,300
1	4,055,001		4,060,000	4,057,936
1	4,125,001		4,130,000	4,129,133
1	4,140,001		4,145,000	4,143,128
1	4,825,001		4,830,000	4,825,400
1	6,135,001		6,140,000	6,136,450
1	9,755,001		9,760,000	9,755,604
1	29,995,001		30,000,000	30,000,000
1	37,385,001		37,390,000	37,385,743
1	194,040,001		194,045,000	194,041,916
1	238,570,001		238,575,000	238,571,651
1	266,140,001		266,145,000	266,143,269
1	267,120,001		267,125,000	267,122,274
20,179				1,145,073,830

Categories of Shareholders
Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
Associated Companies, Undertakings and Related Parties			
Ibrahim Fibres Limited	1	194,041,916	16.9458
Trustees of ABL Employees Superannuation (Pension) Funds	1	37,385,743	3.2649
Sub Total	2	231,427,659	20.2107
Directors, Chief Executive Officer, their Spouses and Minor Children			
Mohammad Naeem Mukhtar	1	266,143,269	23.2425
Muhammad Waseem Mukhtar	1	267,122,274	23.3280
Sheikh Mukhtar Ahmed	1	238,571,651	20.8346
Abdul Aziz Khan	1	26,620	0.0023
Zafar Iqbal	1	50,000	0.0044
Dr. Muhammad Akram Sheikh	1	2,500	0.0002
Mubashir A. Akhtar & Taqdees Akhtar	1	2,500	0.0002
Sub Total	7	771,918,814	67.4121
Banks, Development Financial Institutions and Non Banking Financial Institutions			
Samba Bank Limited	1	150,000	0.0131
Habib Metropolitan Bank Limited	1	640,000	0.0559
Bank Al Habib Limited	1	754,800	0.0659
Bank Alfalah Limited	1	841,700	0.0735
The Bank of Khyber	1	300,000	0.0262
National Bank of Pakistan	5	6,158,740	0.5378
MCB Bank Limited	1	4,825,400	0.4214
Pak-Oman Investment Company Limited	1	215,000	0.0188
Askari Bank Limited	1	600,000	0.0524
First Dawood Investment Bank Limited	1	8,600	0.0008
The Bank of Punjab	2	2,210,000	0.1930
Summit Bank Limited	1	105,200	0.0092
First Credit & Investment Bank Limited	1	20,000	0.0017
Escorts Investment Bank Limited	1	77	0.0000
Sindh Bank Limited	1	900,000	0.0786
Trust Leasing Corporation Limited	1	200	0.0000
Al-Faysal Investment Bank	1	55	0.0000
Standard Chartered Bank	1	22,118	0.0019
Habib Bank Limited	1	3,029,300	0.2646
Sub Total	24	20,781,190	1.8148

Categories of Shareholders
Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
NIT and ICP			
IDBL (ICP Unit)	1	826	0.0001
Investment Corporation of Pakistan	3	14,438	0.0013
Sub Total	4	15,264	0.0014
Executives*	1	308	0.0000
Other Employees	957	1,252,271	0.1094
Sub Total	958	1,252,579	0.1094
Insurance Companies			
Premier Insurance Limited	1	23,700	0.0021
EFU General Insurance Limited	1	120,000	0.0105
EFU Life Assurance Limited	1	3,329,300	0.2907
Alpha Insurance Company Limited	1	121,000	0.0106
Jubilee Life Insurance Company Limited	1	1,794,914	0.1568
Habib Insurance Company Limited	1	37,500	0.0033
Century Insurance Company Limited	1	31,900	0.0028
Atlas Insurance Limited	1	98,588	0.0086
Asia Care Health & Life Insurance Company Limited	1	2,391	0.0002
Alfalah Insurance Company Limited	1	29,000	0.0025
Habib Insurance Company Limited	1	12,500	0.0011
Adamjee Insurance Company Limited	1	4,143,128	0.3618
Gulf Insurance Company Limited	1	723	0.0001
Orient Insurance Company Limited	1	404	0.0000
State Life Insurance Corporation Of Pakistan	1	1,739,247	0.1519
Sub Total	15	11,484,295	1.0029
Modarabas and Mutual Funds			
Trustees - ICI M.S.D.C Superannuation Fund	1	35,000	0.0031
Modaraba Al Mali	1	116	0.0000
CDC - Trustee Atlas Stock Market Fund	1	726,600	0.0635
CDC - Trustee Alfalah GHP Value Fund	1	20,000	0.0017
CDC - Trustee AKD Index Tracker Fund	1	36,362	0.0032
CDC - Trustee NAFA Stock Fund	1	1,342,400	0.1172
CDC - Trustee NAFA Multi Asset Fund	1	263,900	0.0230
CDC - Trustee APF-Equity Sub Fund	1	50,000	0.0044
CDC - Trustee Alfalah GHP Stock Fund	1	218,400	0.0191
CDC - Trustee Alfalah GHP Alpha Fund	1	147,400	0.0129
CDC - Trustee NIT-Equity Market Opportun	1	1,092,614	0.0954
CDC - Trustee Lakson Equity Fund	1	592,700	0.0518
CDC - Trustee NAFA Asset Allocation Fund	1	227,700	0.0199
CDC - Trustee First Capital Mutual Fund	1	39,295	0.0034

*CEO, COO, all Chiefs & the Group Heads are termed as Executives.

Categories of Shareholders
Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
CDC - Trustee PIML Value Equity Fund	1	40,000	0.0035
First Tawakkal Modaraba	1	347	0.0000
First Fidelity Leasing Modaraba	1	614	0.0001
Sub Total	17	4,833,448	0.4221
Foreign Investors			
Russell INSTI FNDS PLC - Consilium Investment Management	1	1,771,735	0.1547
The Bank of New York Mellon	1	1	0.0000
RTCC EMP Benefit FDS TRT Russell Frontier	1	418,945	0.0366
Credit Suisse (Hong Kong) Limited	1	145,800	0.0127
Magna Umbrella Fund PLC - Magna New Frontier	1	254,900	0.0223
Consilium Frontier Equity Fund LP	1	4,129,133	0.3606
Coeli Sicav I - Frontier Markets Fund	1	1,000,000	0.0873
Oaks Emerging Umbrella Fund Public Limited	1	318,200	0.0278
Russell Investment Company- Russell Emer	1	1,643,318	0.1435
J.P. Morgan Securities PLC	1	117,100	0.0102
The Northern Trust Company	1	1,600	0.0001
BNP Paribas Arbitrage	1	189	0.0000
Tundra Pakistan Fund	1	1,904,433	0.1663
NTGI-QM Common Diversified Frontier Mark	1	261,900	0.0229
Fisher Investments Institutional Group F	1	131,100	0.0114
Morgan Stanley Mauritius Company Limited	1	473,821	0.0414
Mohammad Tahir Butt	1	3,824	0.0003
Habib Bank AG Zurich, Zurich,Switzerland	1	4,057,936	0.3544
Habib Bank AG Zurich, Deira Dubai	1	2,745,000	0.2397
Habibsons Bank Limited	1	10,000	0.0009
TARIIC Holding Company BSC (Closed)	1	101,600	0.0089
Alpha Beta Finance Limited	1	221,900	0.0194
LR Global Frontier Master Fund Limited	1	53,144	0.0046
Sub Total	23	19,765,579	1.7261
General Public - Individuals	18,961	36,939,864	3.2260
Others	168	46,655,138	4.0744
Sub Total	19,129	83,595,002	7.3004
Grand Total	20,179	1,145,073,830	100.0000

All the trades in shares carried out by the Directors, Executives and their spouses and minor children are reported, as under:

Sr#	Name	Designation	Sale	Purchased
1	Mr. Mubashir A Akhtar	Director	3,000	110
2	Dr. Muhammad Akram Sheikh	Director	–	2,500
3	Mr. Zafar Iqbal*	Director	–	50,000
4	Mrs. Azra Idrees W/o			
	Mr. Muhammad Idrees GC-IBG	Executive	9,821	9,821

Apart from the above, there have been no trade in the shares of the Bank carried out by its Directors, Executives, their spouses and minor children.

*Shares purchased before elected as Director on the Board of the Bank.

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

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

Basis point
One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share
Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

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

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

Capital Adequacy Ratio
The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

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

Coupon Rate
Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

Call Deposits
These include short notice and special notice deposits

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

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

CAGR
An abbreviation for Compound Annual Growth Rate.

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

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

Derivatives
A financial instrument or a contract where;

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

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

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

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

Dividend Payout Ratio
Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio
Dividend per share divided by the market value of share.

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

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

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

Fixed Deposits
Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)
Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

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

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

Historical Cost Convention
Recording transactions at the actual value received or paid.

Impairment

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

Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a `Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating / floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

Interest Spread

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

Interest in Suspense

Interest suspended on non–performing loans and advances.

KIBOR – (Karachi Interbank Offered Rate)

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

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

Liquid Assets

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

Market Capitalization

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

Materiality

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

Non-Performing Loan

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

Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

Non Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

Non Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

Nostro Account

An account held with a bank outside Pakistan.

Net Interest Income

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

Off Balance Sheet Transactions

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

Pakistan Investment Bonds (PIBs)

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

Prudence

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

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Risk Weighted Assets

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

Repurchase Agreement

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

Reverse Repurchase Agreement

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

Return on Average Equity

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

Return on Average Assets

Profit after tax divided by the average assets.

Related Parties

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

Revenue Reserve

Reserves set aside for future distribution and investment.

Subsidiary Company

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

Shareholders' Funds

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

Statutory Reserve Funds

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

Weighted Average Cost of Deposits

Percentage of the total interest expensed on average deposits of the bank for the period.

Notes

AGM

On Monday,
March 28, 2016 at 11:00 am
Pearl Continental Hotel, Lahore.

Notes

Notes

Form of Proxy

70th Annual General Meeting
Allied Bank Limited

I/We ________________________________ S/o/ D/o/ W/o ________________________________

of ________________________________ being a

member of Allied Bank Limited and holder of ______________ ordinary shares as per share Registered Folio No. ________________

and/or CDC Participant ID No. ________ and Account/sub-account No. ________ do hereby appoint Mr./Mrs./Miss ________________

Folio No./CDC No. __________ of __________ failing him/her, Mr./Mrs./Miss ____________ Folio No./ CDC No. ____________

of ____________________ as my/our proxy and to attend, act and vote for me/us on my/our behalf at the 70th Annual General Meeting of the Bank to be held on Monday, the March 28, 2016 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 ___________2016.

AFFIX
Revenue
Stamp of Rs. 5/-

Witness

1. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

Signature
The signature should
agree with the specimen
registered with the Company

Witness

2. Signature ____________________
   Name ____________________
   Address ____________________
   CNIC # ____________________

IMPORTANT NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy to attend, speak and vote for him / her. The proxy appointed should be a member of Allied Bank Limited.
2. For additional copies of the instrument of proxy, the shareholder may use photocopies of the instrument.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.
4. For CDC Account holders / Corporate Entities:

   i) Attested copies of computerized National Identity Cards ("CNIC") or the passport of the beneficial owners and the proxy shall be provided with proxy form.

   ii) The Proxy shall produce his / her original CNIC or Passport at the time of the meeting.

   iii) In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted along with proxy form to the Company
5. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar, all such instruments of proxy shall be rendered invalid.
6. Members are requested to immediately notify changes in their registered address, if any, to Bank's Share Registrar M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before start of the book closure so that entitlement, if any, be dispatched at the correct address.

AFFIX
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Company Secretary
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

پراکسی فارم

70 واں سالانہ اجلاسِ عام

الائیڈ بینک لمیٹڈ

میں مسمّی / مسمّاۃ ____________ ولد/ زوجہ ____________ ساکن ____________ ضلع ____________

بحیثیت ممبرالائیڈ بینک لمیٹڈ اورحامل عام حصص بمطابق شیئر رجسٹرڈ فولیونمبر ________ اور / یا سی ڈی سی شراکت دارآئی ڈی نمبر ________ اور اکاؤنٹ/ ذیلی اکاؤنٹ نمبر ________

محترم / محترمہ ____________ کواپنے/ ہمارے ایماء پربطورمختار(پراکسی) مقررکرتا / کرتی ہوں تاکہ وہ میری جگہ میری/ہماری طرف سے بینک کے اِجلاسِ عام جو بتاریخ 28 مارچ 2016ء بروز پیرمنعقدہورہاہے میں اوریااس کے کسی ملتوی شدہ اِجلاس میں شرکت کرے، بات کرے اورحق رائے دہی استعمال کرے بالکل اِس طرح جیسے اگر میں خوداس جگہ موجودہوتا/ہوتی۔

میرے دستخط بتاریخ ____________ 2016ء

پانچ روپے کا ریونیو سٹیمپ

دستخط بینک میں رجسٹرڈ نمونے سے مطابقت رکھنے چاہیے۔

گواہ نمبر1

نام ____________

پتہ ____________

شناختی کارڈنمبر ____________

دستخط ____________

گواہ نمبر2

نام ____________

پتہ ____________

شناختی کارڈنمبر ____________

دستخط ____________

اہم نوٹ:۔

1) اجلاس میں شرکت کرنے، ووٹ دینے کےاہل رکن کواپنا/اپنی پراکسی مقررکرسکتاہے، جس کوشرکت کرنے، بولنےاور ووٹ دینے کاحق حاصل ہوگا۔ مقررہ پراکسی کو الائیڈ بینک لمیٹڈ کاممبر ہونا چاہیے۔

2) اگرکوئی شراکت داراضافی پراکسی فارم استعمال کرنا چاہےتووہ اس فارم کی فوٹوکاپی استعمال کرسکتاہے۔

3) پراکسی مقررکئے جانے سےمتعلق دستاویز(INSTRUMENT)اورپاورآف اٹارنی(POWER OF ATTORNEY)یادیگرکوئی اوراتھارٹی جس کےتحت اِس پردستخط کئے گئے ہیں یااس پاورآف اٹارنی کی نوٹری سےتصدیق شدہ نقل کوموثرہونے کے لئے الائیڈ بینک لمیٹڈ کے رجسٹرڈ آفس میں اِجلاس کے وقت سے کم ازکم 48 گھنٹےقبل لازماً جمع کروانا ہوگی۔

4) سی ڈی سی اکاونٹ رکھنےوالوں / کارپوریٹ اداروں کے لیے:

* مستفید مالکان کو شناختی کارڈ/پاسپورٹ کی تصدیق شدہ نقل پراکسی فارم کے ساتھ جمع کروانا ہوگی۔
* اِجلاس کےموقع پر پراکسی اپنااصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا/کرے گی۔
* کارپوریٹ ادارہ ہونےکی صورت میں بورڈ آف ڈائریکٹرزکی قرارداد/ مختارنامہ مخصوص دستخط کےساتھ پراکسی فارم کےساتھ کمپنی کوجمع کروانا ہوگی۔

5) اگرایک رکن ایک سےزیادہ پراکسی مقررکرتاہےاورشیئر رجسٹرار کے پاس رکن کی طرف سے پراکسی فارم کی ایک سےزائد دستاویزات جمع کرائی جاتی ہیں توپراکسی کی ایسی تمام دستاویزات کالعدم تصور ہوں گی۔

6) ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی سے، اگرکوئی ہو، بینک کےشیئر رجسٹرار میسرز ٹیکنالوجی ٹریڈ(پرائیویٹ)لمیٹڈ، ڈاگیا ہاؤس C-241، بلاک - 2 پی ای سی ایچ ایس، کراچی، کوفوری طورپرمطلع کریں۔ایسی درخواستیں کتب کی بندش سےقبل پہنچ جانا چاہئیں تاکہ استحقاق، اگرکوئی ہوتو، درست پتہ پرروانہ کیا جاسکے۔

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Company Secretary
Allied Bank Limited

Head Office / Registered Office
3 Tipu Block, Main Boulevard
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Lahore - Pakistan.
Postal Code: 54000
Phone: +92 42 35880043
Website: www.abl.com

abl.com

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