

# Vision, Mission & Core Values

## 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

## Audit Committee

- a) Sheikh Mukhtar Ahmad  
*Chairman*
- b) Farrakh Qayyum
- c) Mubashir A. Akhtar
- d) Sheikh Jalees Ahmed

### Terms of Reference:

The committee determines appropriate measures to safeguard the bank's assets, ensures consistency of accounting policies, reviews financial statements and recommends appointment of and coordinates with external auditors. The committee is also responsible to ascertain the internal control system including financial and operational controls, ensuring adequate and effective accounting and reporting structure, determining and monitoring the compliance with best practices of corporate governance.

## Strategic Planning & Monitoring Committee

- a) Abdul Aziz Khan  
*Chairman*
- b) Sheikh Jalees Ahmed
- c) Mohammad Waseem Mukhtar
- d) Mohammad Aftab Manzoor

### Terms of Reference:

Strategic plans of the bank, annual operating plan, proposals for acquisition, divestures and alliances are considered by the committee for recommendation to the Board. The committee among other things monitors progress against annual plan / budget. Besides overseeing certain management committees and groups, it also approves filing of legal suits and criminal complaints.

## Risk Management Committee

- a) Abdul Aziz Khan  
*Chairman*
- b) Muhammad Waseem Mukhtar
- c) Nazrat Bashir
- d) Mohammad Aftab Manzoor

### Terms of Reference:

The primary functions of the committee are monitoring of management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and providing risk appetite to the business units. It also ensures development of risk management principles to build stakeholders' confidence, safeguard and enhance reputation. The committee approves proposals regarding rescheduling / write-offs and filing of recovery suits. Overseeing of certain management committees and groups is also undertaken by the committee.

## e-Vision Committee

- a) Mohammad Naeem Mukhtar  
*Chairman*
- b) Mohammad Waseem Mukhtar
- c) Pervaiz Iqbal Butt
- d) Mohammad Aftab Manzoor

### Terms of Reference:

One of the key missions of e-Vision committee is to provide strategic direction for e-banking and adoption of evolving technology. Strategic plans for IT infrastructure and implementation of medium to long term plans, including alternate delivery channels, is reviewed by the committee. The committee provides assistance to the Board with insights regarding international developments in the field of e-banking adoption. It also oversees performance of IT steering committee and IT Group.

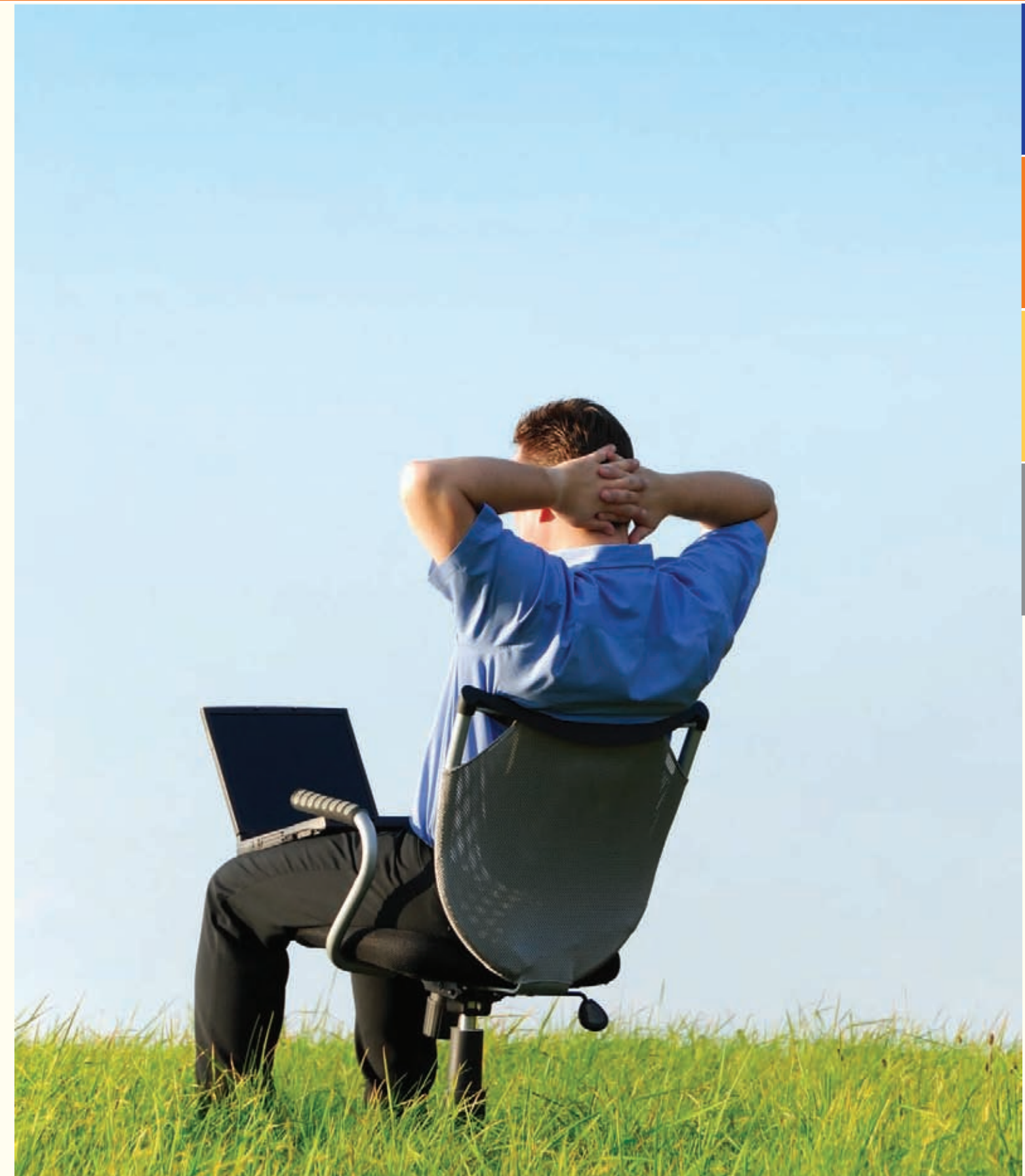
## Human Capital Committee

- a) Sheikh Jalees Ahmed  
*Chairman*
- b) Abdul Aziz Khan
- c) Mohammad Waseem Mukhtar
- d) Tasneem M. Noorani
- e) Mohammad Aftab Manzoor

### Terms of Reference:

The committee defines the organization structure and functional responsibilities of each group. It approves staff strength, key appointments, salary revisions, bonuses and any special allowances. It nominates the management personnel on the board of any company / subsidiary. It also recommends amendments in Human Resources policies to the Board. Besides monitoring performance of Human Resources Group, the committee also oversees certain management committees.

The most important skill to acquire now is learning how to learn new ideas and concepts





**Board of Directors** (left to right)

Pervaiz Iqbal Butt  
Farrakh Qayyum  
Abdul Aziz Khan  
Sheikh Jalees Ahmed  
Mohammad Aftab Manzoor  
Mohammad Naeem Mukhtar  
Mohammad Waseem Mukhtar  
Sheikh Mukhtar Ahmed  
Tasneem M. Noorani  
Nazrat Bashir  
Mubashir A. Akhtar



# Chairman's Message

I am pleased to present to you the annual review of your Bank. After taking up the management control of Allied Bank, we have come a long way from a balance sheet footing of Rs. 155 billion in 2004 to a closing balance sheet footing of Rs. 320 billion in 2007. All this was possible because of a visionary and robust strategy implementation by the Board of Directors, Management and Employees of your Bank who displayed perseverance, dedication and commitment.



2007 was an exciting year full of new initiatives on various fronts such as induction of fresh and quality human resources; new methods in creating an enabling and conducive working environment for all; acquisition and process implementation of state-of-the-art technology; development of model branches and further expansion of ATM network; and our first steps towards introducing Consumer Banking at Allied Bank.

Based on its robust business prospects emanating from its extensive outreach, sound capital structure and ongoing restructuring of its systems and resources – human and technology infrastructure, your Bank was assigned a long-term rating of AA and short-term rating of A1+ by the premier credit rating agency PACRA.

In recognition of your Bank's high level of corporate governance, JCR-VIS Credit Rating Company assigned CGR-8 rating to Allied Bank, which is only two notches away from the highest level of Corporate Governance Rating.

## People

Realizing the importance of quality human resource, the Bank has been recruiting the best in class individuals from the industry. As part of our strategy to mix youth with experience, we have started inducting Management Trainee Officers (MTOs) from leading business schools from across the country. We recruited 835 young individuals having sound academic background during the year 2007 – some 435 of them have already been trained and inducted into various functions of the Bank while 400 have started training in January 2008.

Our thrust is upon following competency based recruitment process with equal opportunities for all. Our Human Resource policy is to ensure implementation of clearly defined performance management system, effective career development process, comprehensive succession plans and alignment of meritocracy.

## Technology

In order to have a world class technological base, your Bank achieved a number of milestones in 2007. We are in the process of implementing T-24, a banking software solution which we had acquired from TEMENOS, a reputable Swiss Company. This system would improve our service capability, achieve customer centricity, enhance efficiency and create capacity.

We are in the process of signing an agreement with First Data International to acquire another system called VisionPlus for credit card services such as data hosting, authorization of transactions, monthly bills generations and collections.

Your Bank also acquired a state-of-the-art customer contact center solution – an interactive voice response system from Teradata International, for convenient self banking services.

Another initiative in the pipeline is deploying SAS, an analytical tool for risk management, customer segmentation and behavioral scoring.

## Branch Renovations and Re-branding

Providing international standard services to Allied Bank customers is our top most strategic priority. As part of this

strategy and keeping in mind the Consumer feedback, we renovated a large number of branches nationwide. Other important measures such as re-branding of some of the branches and environmental improvement around them were also carried out in order to improve customer perception and visibility of those branches. These renovated and re-branded branches were equipped with modern infrastructure and facilities and Customer Relationship Officers, regardless of size and location. Improved ambience, facilities and personalized services at these branches will result in a greater Customer Experience. Moving forward, our strategic intent is to bring all our branches at par with that of any international bank operating in the Country.

Allied Bank's ATM network continues to grow by the day. We now proudly lead the way by having the largest number of ATMs in the country.

## Emergence of Consumer Banking

Exciting yet challenging times await us in 2008 when we move one step closer to establishing our Consumer Banking portfolio, an integral part of our future business plans. Treading into this area would complete our product suite and consumer product portfolio by offering Credit Cards, Auto Finance, Personal Loans and Mortgages.

## Business Mix

In corporate, investment and retail banking, the growth momentum continues and it remains the bed rock of our loan portfolio. We are strengthening our relationships and

building new ones. Value added initiatives are translating into profitable relationships.

Focus on SME and agriculture portfolio resulted in 26 percent growth while on retail banking side, CASA registered a growth of 13 percent. A phenomenal growth of 28 percent was registered in liabilities.

I would like to thank our valued customers for their continued support and trust in Allied Bank and would like to assure them, on behalf of the management and the board, of our continuous efforts to provide better service and value.

My appreciation and thanks to the entire management team and employees of Allied Bank for their commitment, dedication and hard work. I would also like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and Allied Bank's Board of Directors for their support, trust and valuable contributions.

Mohammad Naeem Mukhtar  
Chairman



# Company Information

## Board of Directors

Mohammad Naeem Mukhtar <i>Chairman</i>	Non-Executive Director
Sheikh Mukhtar Ahmad	Non-Executive Director
Mohammad Waseem Mukhtar	Non-Executive Director
Abdul Aziz Khan	Non-Executive Director
Farrakh Qayyum <i>Government Nominee</i>	Non-Executive Director
Nazrat Bashir <i>Government Nominee</i>	Non-Executive Director
Tasneem M. Noorani	Independent Director
Mubashir A. Akhtar	Independent Director
Pervaiz Iqbal Butt	Independent Director
Sheikh Jalees Ahmed	Executive Director
Mohammad Aftab Manzoor <i>Chief Executive Officer</i>	Executive Director

## Company Secretary

Waheed-Ur-Rehman, FCA

## Auditors

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

## Legal Adviser

Haider Mota and Company,  
Advocates and Solicitors

## Shares Registrar

Technology Trade (Pvt.) Ltd.

## Central Office

Bath Island, Khayaban-e-Iqbal,  
Main Clifton Road,  
Karachi - 75600  
UAN: (92 21) 111-110-110

## Head Office/Registered Office

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

## Website & Email

Website [www.abl.com.pk](http://www.abl.com.pk)  
E-mail [info@abl.com.pk](mailto:info@abl.com.pk)

## Audit Committee

Sheikh Mukhtar Ahmad  
*Chairman*

Farrakh Qayyum  
*Member*

Mubashir A. Akhtar  
*Member*

Sheikh Jalees Ahmed  
*Member*





Allied Bank is socially committed to contribute towards bringing a positive change in the communities it operates in. This is done by rendering various services and supporting activities aimed at education, healthcare, arts and sports. Our Corporate Social Responsibility (CSR) philosophy and objective is to re-enforce the Bank's image as 'Not just for profit'. We firmly believe in behaving ethically by following Best Practice and contributing to the economic development of the Country at large.

Being one of the leading banks in Pakistan, we are committed to considering the interests of the Society by taking responsibility for the impact of our activities on customers, employees, shareholders, communities and the environment in all aspects of the Bank's operations.

## Education

Allied Bank has always been in the forefront of supporting the cause of education through donations to leading educational institutions and not-for-profit organizations. In line with our past records, during 2007, we

- have been a regular and worthy donor to Lahore University of Management Sciences (LUMS) over the years.
- led the sponsorship of a high-profile e-exhibition by Pakistan Software Export Board
- donated a handsome amount to The Citizen's Foundation to organize a fundraising program for underprivileged students
- contributed financial assistance to CARE Foundation, Lahore
- partnered with the National Accountability Bureau to create awareness about the menace of corruption.
- assisted the Federal Investigation Agency (FIA) to hold a seminar on Cyber Crimes

## Healthcare

We add value by focusing on issues that are universally important like health and development of the human capital in the communities we serve. We devote resources to develop programs that help communities overcome the challenges they face. For this purpose, the Bank has in the previous years made contributions to Shaukat Khanum Memorial Cancer Hospital; Agha Khan Hospital; Sahara for Life Trust; and The Kidney Center

In 2007, the Bank made contributions to the following institutions:

- Shaukat Khanum Memorial Cancer Hospital
- The Pakistan Society for the Rehabilitation of the Disabled
- Civil Hospital Poor Patients Aid Society
- Aga Khan Hospital
- Bait-ul-Sukoon, Karachi
- DHQ Hospital, Dera Ghazi Khan
- Lever Foundation Trust, Faisalabad

## Sports

The zeal of sports runs high in the people of Pakistan. It is a passion to which the Bank is also an equal partner. To share the sporting arena with our countrymen, the Bank has allocated an extensive budget in terms of sponsoring events, tournaments and awards for the players.

Some of the sports that Allied Bank has sponsored and promoted over the years are Cricket, Squash, Golf, Football, Polo and Tennis.

In 2007, the Bank sponsored the following:

- Friendship series between Chandigar Golf Club and Royal Palm Golf & Country Club, Lahore
- 13th Allama Iqbal Open Golf Tournament, Sialkot

- Olympic Football qualifying round match between Pakistan and Singapore in Lahore
- Aid to Multan Golf Club
- Aid to Llyalpur Golf Club, Faisalabad
- Tournament by Women International Squash Players Association
- 18th All Pakistan Multan Open Golf Championship
- 1-4 Polo Tournament in Lahore
- 3rd All Pakistan Allied Bank Golf Tournament at Llyalpur Golf Club, Faisalabad

## Arts

Supporting Arts and Artists of Pakistan is our newer initiative. Allied Bank intends to financially assist the young artists in holding their exhibitions; and buying their paintings to be displayed at our branches.

Following are some of the exhibitions we supported last year:

- Iqbal Hussain's exhibition at Tanzara Art Gallery, Islamabad
- Exhibition of Pakistani paintings by Retro Arts in London, UK
- Paintings exhibition: A tribute to Jamil Naqsh

## Others

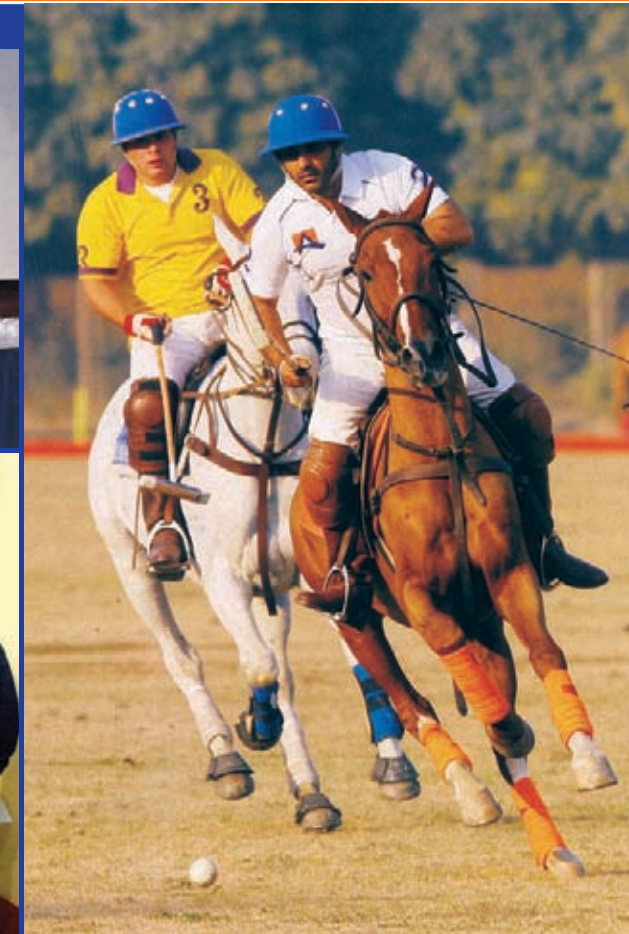
The Bank continued to fulfill its commitment by contributing in other areas of the society that make positive social impact. During 2007, such commitments translated into contributions made to:

- Taehzeeb Social Welfare Organization, Lahore
- Tamir Welfare Organization, Faisalabad

We intend to take this initiative one step further by joining hands with a credible and non-profit organization, in order to hold exhibitions for their art students.

## Sharing our growth with the nation

Sheikh Jalees Ahmed, Director ABL, handing over donation cheque to Mr. Razzak Dawood for engineering school, LUMS



Polo Cup sponsored by ABL at Lahore Polo Club



Art exhibition of Iqbal Durrani sponsored by ABL



ABL sponsored painting exhibition by Jamil Naqsh held in Karachi



Imran Khan receiving a donation cheque for Shaukat Khanum Cancer Hospital from Afzal H. Bokhari, Group Head, CRBG, ABL



Sheikh Jalees Ahmed, Director ABL, distributing awards to the winners of ABL sponsored India -Pakistan Friendship Golf Tournament held at Royal Palm Lahore



ABL sponsored 3rd All Pakistan Open Golf Championship held in Faisalabad



Players at ABL sponsored Golf Tournament at Arabian Sea Country & Golf Club Karachi



# Directors' Report to the Shareholders

## Dear Shareholders

On behalf of the Board, we are pleased to present the annual report of your Bank for the year ended December 31, 2007.

### Economic Review

Pakistan's economy continued its strong performance during FY07 with real GDP growth reaching its target of 7.0%, as compared with 6.6% growth in FY06. Agriculture, industry and services sectors witnessed improved performance over the previous year.

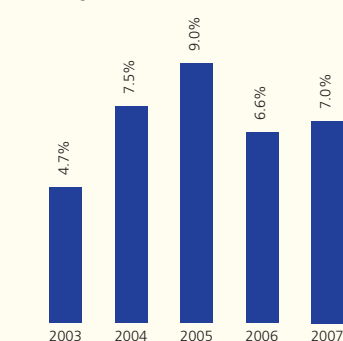
Growth in private consumption increased to 4.1% from 3.3% in FY06. Fixed capital formation increased to 20.6% due to higher FDI inflows and acceleration in public investment as a result of higher PSDP. As a result of the increase in public and private investment, the investment to GDP ratio rose to a record 23.0% in FY07.

Agricultural growth recovered in FY07 to 5%, primarily due to exceptional growth in wheat, sugarcane and livestock sub-sector. The achievement surpassed the target of 4.5% and is an improvement on the 1.6% growth recorded in FY06.

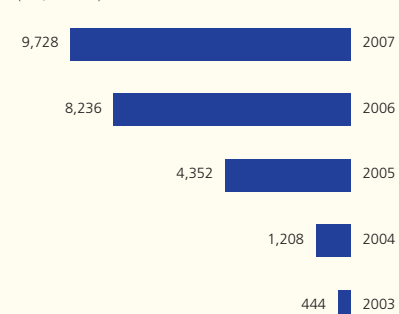
Manufacturing sector growth in FY07 has been 8.4%, decelerating from 10% in FY06 and below the FY07 target of 11%. Although below target, the contribution of this sector made it possible for GDP growth to achieve its target. Large Scale Manufacturing, with target of 13% growth, achieved 8.8% in FY07 due to moderation in demand and input capacity constraints.

The services sector expanded by 8% in FY07, higher than its target of 7.1%, for the second consecutive year. The sustained strong growth by this sector for the last six successive years has contributed to a structural shift in the economy, with services contributing over half of GDP in FY07.

GDP Growth (Percentage)



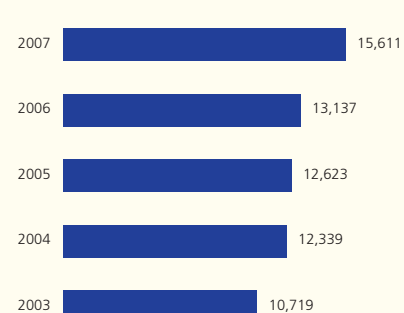
Trade Deficit (US\$ million)



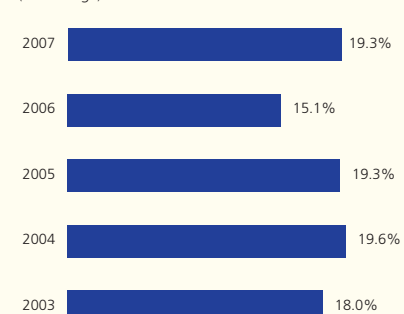
However, CPI Inflation was 7.8% which was significantly higher than the annual target of 6.5%. This was principally due to the unexpected strength of food price inflation during the year, which considerably offset the gains from (1) the demand management policies and (2) the government subsidies that partially cushioned the domestic economy from high international oil prices.

Pakistan's fiscal deficit for FY07 was 4.3% of GDP, slightly higher than the target of 4.2%. The above-target 22.9% increase in tax collection pushed up the tax-to-GDP ratio to 10.2% in FY07, up from 9.9% in the previous year. The strong growth in taxes was caused by an extraordinary growth of 48.2% in direct tax collection during FY07.

Foreign Exchange Reserves (US\$ million)



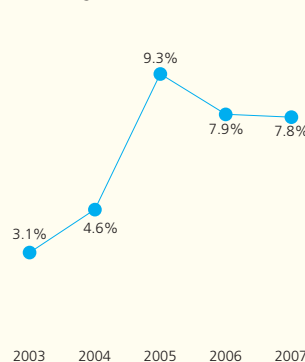
M2 Growth (Percentage)



As a result of a relative slowdown in the growth of the current account deficit and a record increase in investment inflows, Pakistan's external account surplus improved substantially to US\$3.7 billion during FY07 as compared to US\$1.3 billion in FY06.

After persistent widening during last four years, the difference between import and export growth seems to be converging during FY07 on the back of substantial slowdown in import growth, from 38.7% in FY06 to 6.9% in FY07. However, this welcome slowdown in import growth could not help in reducing the trade deficit due to a concurrent slowdown in export growth from an average 15.9% during last four years to 3.4% during FY07.

Consumer Price Index (Percentage)



Nonetheless, the trade deficit as compared to size of economy slightly declined from record high level of 9.46% during FY06 to 9.31% during FY07.

### Bank's Financial Review

Continuing with the momentum, your Bank's operating profit increased by 17% to Rs. 8.8 billion during FY07, the highest ever earning in the Bank's history of over 60 years. The profit after tax, however, was down by 7% to Rs. 4.07 billion during FY07 compared to Rs. 4.39 billion for FY06 owing to the stricter provisioning rules introduced by the State Bank of Pakistan later this year. These rules disallowed banks to take into account the Forced Sale Value (FSV) of illiquid assets while calculating the provisioning against NPLs. The Bank has recorded a sum of Rs. 1.91 billion in terms of these rules. If this impact is excluded, the profit after tax would increase by 21%.

However, your Bank will gain from this regulation by expediting recoveries, write-backs and becoming more prudent in credit risk management.

Net interest income grew by over 7% to Rs. 11.2 billion compared to Rs. 10.4

6 Months KIBOR (Year 2007)



billion during FY06 driven by higher volume as well as improved yield. The increased volume backed by rise in yield lead to higher mark-up / return income of over 23% to Rs. 21.2 billion in FY07. Mark-up / interest expense rose to Rs. 10.0 billion depicting a rise of 47%, which is remarkably well below 67% annualized growth registered in June 2007. The growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and a stable liability margin.

Non mark-up income witnessed an exceptional growth of over 60% to Rs. 3.9 billion in FY07. As a result of our efforts to grow our market share in key segments, the Bank's net fee and commission income now contributes over 23% to total operating income in FY07, 5.5% up from FY06. Capital gain and dividend income grew by 194% owing to increased volume in tax efficient fixed income funds and improved yield.

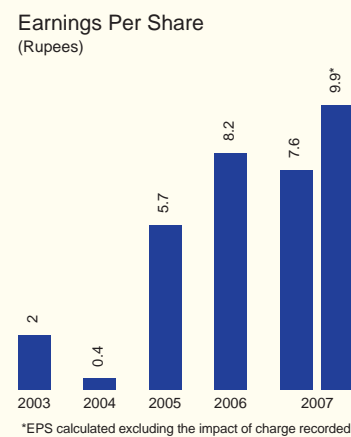
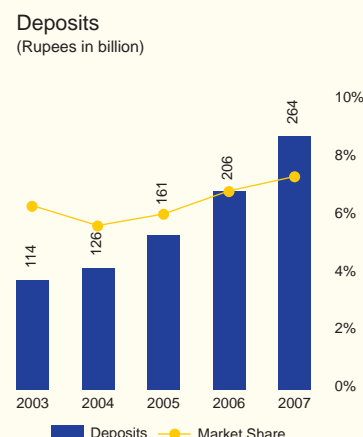
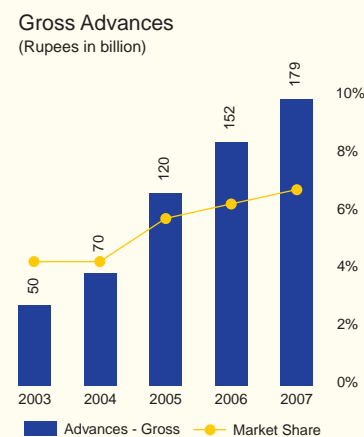
Owing to our planned expansion coupled with inflationary impact, operating expenses increased by 18% to Rs. 6.3 billion. The 17% rise in operating profit was well managed with a modest increase of 9% in human

resources cost. Cost to revenue ratio maintained its last year's level as it was recorded at 41.4% slightly down from last year's 41.1%. However, Intermediation cost ratio improved to 2.7% compared to 2.9% during FY06.

Total assets of your Bank crossed the Rs. 300 billion mark this year as these grew sustainably by 27% to over Rs. 320 billion while tier-I equity improved by over 13% to Rs. 18.4 billion at the year end.

Despite increased dependence of corporates on debt instruments, your Bank was able to grow its loan book by 18% to Rs. 179 billion besides concurrently continuing to exercise effective credit risk management and remained watchful of the impact on capital adequacy. To diversify our loan portfolio, your Bank also registered growth in Small and Medium Enterprises (SME) segment besides expanding corporate loan book with consumer financing being on the horizon for FY08.

Total investment book grew by 79% as the Bank channeled excess funds towards right mix of investments by ensuring balance between risk and effective returns.



\*EPS calculated excluding the impact of charge recorded under new SBP Rules, for analysis purpose only

Customer deposits increased to Rs. 264 billion from last year's Rs. 206 billion, depicting a growth of over 28%. Despite tough market conditions, your Bank was not only able to maintain its Current and Saving Accounts (CASA) but also grew these by 13%. New schemes attracted favorable customer response as fixed and other remunerative deposits rose by over 51%, reflecting greater reliance on banking with your Bank.

On the market share front, your Bank has managed to increase its market share in deposits by 50 basis points and advances by 40 basis points to reach 7.4% and 6.7% respectively, based on the SBP's provisional data.

Recent economic slow-down, worsening key economic indicators, law and order situation, global financial and economic events and blurred post election scenario of our country entails challenges ahead for the banking industry on the risk management front. Your Bank is not an exception to this, as Non Performing Loans (NPLs) saw a slight increase by over 8% to Rs. 11.4 billion compared to Rs. 10.5 billion last year. However, NPL ratio improved from

last year's 6.9% to 6.4% this year with net infection ratio improved significantly to 0.74% from 1.96% witnessed last year.

### Earnings Per Share

The Earnings per Share of your Bank for the year ended 2007 is Rs. 7.57 per share, down by 7.2% from last year's Rs. 8.16 per share.

### Appropriations

The Board of Directors has recommended the following appropriations of the profit for the year ended December 31, 2007.

	Rs. in millions
Profit after tax for the year	4,076
Accumulated profits brought forward	5,608
Transfer from surplus on revaluation of fixed assets – net of tax	33
Profit available for appropriation	9,717
Interim cash dividend for the year ended December 31, 2007 (Rs. 1.5 per share @15%)	808
Cash dividend for the year ended December 31, 2006 declared subsequent to the year end (Rs. 2.5 per share @25%)	1,122
Bonus shares for the year ended December 31, 2006 declared subsequent to the year end (Rs. 2.0 per share @20%) *	–
Transfer to Statutory Reserves	815
Accumulated profits carried forward	6,971

\* Appropriated out of Share Premium Account

The Board of Directors has proposed a cash dividend of Rs. 1.5 per share and to issue bonus shares in the proportion of one share for every five shares held, i.e., 20%, for the financial year 2007. This will be put up for approval in the forthcoming annual general meeting.

### Statement of Internal Control

The Board is pleased to endorse the statement made by the management relating to internal control. The Management's Statement on Internal Control is included in the annual report.

### Risk Management Framework

The Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring process that are closely aligned with our long term strategy. The Risk Management Group (RMG) is mandated to implement this framework as a function independent of commercial lines of business.

In addition, a Management Committee comprising members of senior management discusses significant risk issues that arise, and recommends risk policies prepared by RMG to the Board Risk Management Committee for approval. This ensures that risk oversight and governance occur at the highest levels of management.

During 2007, RMG took several steps to further strengthen the Risk Management Framework, for example:

- Concluded the Basel II Gap Analysis, and prepared Implementation Plans. Engaged PricewaterhouseCoopers (PwC) in the fourth quarter 2007

to assist the Bank in the Implementation Phase for Credit, and Operational Risks. Various Projects have been identified, that will be executed over a time span of two years, to bring the Bank in compliance with the Basel II approaches. This is an important step in the alignment of regulatory and economic capital requirements.

- Appointed Deutsche Bank Risk Advisory Services, Singapore, in last quarter of 2007 to seek their assistance in establishment of a market risk management framework at ABL so that the Bank can efficiently manage liquidity and market risk. The project is currently underway and expected to be completed by the third quarter of 2008.
- Implemented a new Credit Approval Matrix that complies with the SBP Guidelines on Corporate Governance, and empowers a select group of Bank officials with enhanced credit authorities.
- Evaluated various risk management software to meet the sophisticated data management and reporting requirements under Basel II. The Bank intends to procure appropriate software that would enable the Bank to meet the regulatory requirements as set out by the SBP to achieve compliance with Basel II.

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.

### Credit Rating

Your Bank's credit rating has been improved to 'AA' for long term, as assigned by Pakistan Credit Rating Agency Limited from 'A+' as assigned by JCR-VIS Credit Rating Company Limited. 'AA' denotes the lowest expectation of credit risk, indicates very strong capacity for timely payment of financial commitments and not significantly vulnerable to foreseeable events.

The short term rating was maintained at 'A1+', which is the uppermost possible rating under this category and represents highest capacity for timely repayment.

### Corporate Governance Rating

Corporate Governance Rating (CGR) is meant to indicate the relative level to which an organization accepts and follows the codes and guidelines of corporate governance practices. In this context, JCR-VIS Credit Rating Company Limited has assigned a corporate governance rating of 'CGR-8' to your Bank, which denotes 'high level of corporate governance', which is only two notches away from the highest level of CGR.

CGR is arrived at after evaluating key governance elements of the rated enterprise, which include regulatory compliance, ownership structure, composition and operations of the board of directors and executive management, self-regulation, financial transparency and relationship with stakeholders.





Zia Ijaz, Group Chief - CRBG addressing the prize distribution ceremony of ABL - Career Building Campaign

Mohammad Afraz Manzoor, CEO ABL expressing his views at a conference in Lahore on ABL's 3 years performance

## Whistle Blowing Policy

With a view to encourage the employees of the Bank to voice their concerns about suspected fraudulent activities and malpractices that may have an adverse impact on the business or goodwill of the Bank or in some cases, even on the society at large, the Board of Directors of your Bank has approved the Whistle Blowing Policy, providing the basis of an effective whistle blowing arrangement in the Bank. The function is established under direct supervision of the Audit Committee. This initiative provides a transparent working environment in the Bank.

The concern might not only be of a financial nature but it could also be illegal conduct posing a danger to the repute of the Bank.

## ABL Asset Management Company Limited – Wholly Owned Subsidiary

In order to provide a wide range of investment products and to complement its banking business, your Bank has launched its wholly owned subsidiary to conduct asset management business. The first Board meeting of the newly incorporated company was held on October 19, 2007.

ABL Asset Management Company will shortly be introducing a range of investment products and services to its customers.

## Liquidation of Allied Management Services (Private) Limited (AMSL)

The Board of Directors of the Bank in its meeting held on October 30, 2006 approved the liquidation of Allied

Management Services (Private) Limited (AMSL), a wholly owned subsidiary of the Bank, consequent to the merger of First Allied Bank Modaraba (managed by AMSL) into the Bank. Subsequently, shareholders of Allied Management Services (Private) Limited in Extra Ordinary General Meeting held on April 28, 2007 resolved to wind up the AMSL under the provision of sections 362 to 370 of the Companies Ordinance, 1984 and appointed a liquidator.

During the year, on account of liquidation, the Bank received Rs. 146 million against the holding of 6,248,800 shares (99.99%) valuing Rs. 62 million.

## ATM Network

Your Bank continued to maintain its lead of being the top Bank with highest number of ATMs by the end of the year. The number of ATMs increased impressively to 450. This achievement is enhanced with an extended reach – covering 145+ cities, thereby, making

it the widest geographical network for ATM based services amongst all the banks in Pakistan.

## Awards and Recognitions

We are pleased to inform you that your Bank has been ranked among the top 1000 banks of the world by UK's 'The Banker', published by Financial Times London. The categories and ranking are as follows.

Rank Categories	Rank in the world
Performance based	
• Profit on average capital	38th
• Return on assets	131st
• Real profit growth	262nd
Soundness based	
• Capital assets ratio	523rd
Size based	
• Assets	833rd
Overall world ranking	932nd

## Statement under Code of Corporate Governance

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

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

- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from them has been adequately disclosed.

- 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.

- 'Management Discussion & Analysis' gives a detailed overview of the operating results and significant variations.

- There has been no material departure from the best practices of corporate governance.

- A summary of key operating and financial data for last six years is included in this Annual Report.

- The book value of investment and accrued profit on investment of Pension Fund, Provident Fund, Gratuity Fund and Welfare Fund is Rs. 5,058 million, Rs. 1,410 million, Rs. 373 million, Rs. 161 million respectively as per audited accounts of the funds for the year ended December 31, 2006.

- Pattern of Shareholding is annexed.

- Statement of Compliance with Code of Corporate Governance is annexed.

- We have criteria for nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company. The Human Capital Committee of the Board decides the nominations.

- Board of Directors has the following sub-committees with clearly laid down Terms of Reference.

1. Audit Committee
2. Human Capital Committee
3. Risk Management Committee
4. e-Vision Committee
5. Strategic Planning & Monitoring Committee

## Meetings of the Board

Seven meetings of the Board were held during the year under review. The Board granted leave of absence to the directors not attended the meetings. The numbers of meetings attended by each director for this period are as under:

# Directors' Report to the Shareholders

Name	Designation	Attendance
Mohammad Naeem Mukhtar	Chairman	6
Sheikh Mukhtar Ahmed	Director	6
Mohammad Waseem Mukhtar	Director	7
Abdul Aziz Khan	Director	2
Sheikh Jalees Ahmed	Director	7
Farrakh Qayyum	Director	2
Nazrat Bashir	Director	4
Tasneem M. Noorani	Director	6
Mubashir A. Akhtar	Director	6
* Kamal Monnoo	Director	5
** Khalid A. Sherwani	Director /CEO	5
Pervaiz Iqbal Butt	Director	2
Mohammad Aftab Manzoor	Director/CEO	2

## Auditors

The present auditors Messrs M. Yousuf Adil Saleem and Co., Chartered Accountants retire and being eligible offer themselves for re-appointment. Messrs Ford Rhodes Sidat Hyder and Co., Chartered Accountants retire and in pursuance of the Code of Corporate Governance become ineligible for re-appointment for having completed a term of five years.

The Board of Directors, on the suggestion of the Audit Committee, recommended Messrs KPMG Taseer Hadi & Co., Chartered Accountants (local representative of KPMG International), and M. Yousuf Adil Saleem and Co., Chartered Accountants (local representative of Deloitte Touche Tohmatsu) for the next term.

## Year 2008 Prospects

Pakistan's economy has entered a challenging phase. Major economic indicators show a concerning situation, with deterioration witnessed in trade balance, fiscal deficit, price levels, monetary conditions and external debt.

Uncertain political situation is having an underlying impact on the investment climate in the country. On the external front, Pakistan has remained mostly shielded from global financial and economic events thus far, but volatility and changes in the foreign exchange markets could impact Pakistan's external trade and balances. GDP growth rate is likely to be below target.

Under the current economic situation, and with the implementation of the Basel Accord II, the banking industry may have to confront issues of capital adequacy, risk profile and growing NPLs. Fund mobilization by banks also faces a predicament with increasing the deposits requiring high cost.

With continuous monitoring of economic and industry environment, your Bank is pursuing a managed growth approach, where quality of growth is given higher preference than just growing the balance sheet. As a result, emphasis is placed on better quality assets and lower cost of deposits. With this approach, the Bank intends to maintain a steady growth trajectory.

Through ABL Asset Management Company Limited, your Bank will shortly be introducing a range of products to meet the growing demand for savings and investments. Together with consumer centric asset products, your Bank will continue to increase its product range and penetrate market share.

## Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

## New Chief Executive Officer

The Board welcomes new Chief Executive Officer, Mr. Mohammad Aftab Manzoor, who has assumed his responsibility with effect from November 1, 2007.

## Acknowledgements

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

Mohammad Aftab Manzoor  
*Chief Executive Officer*

Mohammad Naeem Mukhtar  
*Chairman*

Dated: February 29, 2008  
Place: Lahore



# Entity Ratings

## Credit Rating by PACRA

Long term	AA
Short term	A1+

### Definitions by PACRA:

#### AA

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

#### A1+

Obligations supported by the highest capacity for timely repayment.

## Corporate Governance Rating by JCR-VIS

### 'CGR-8'

### Definition by JCR-VIS:

High level of corporate governance

# Management Committees

## Management Committee

Mohammad Aftab Manzoor  
*Chairman*  
Muhammad Jawaid Iqbal  
Zia Ijaz  
Fareed Vardag  
Tariq Mehmood  
Javed Iqbal  
Azfar Naqvi  
Shafique Ahmed Uqaili

### Terms of Reference:

The committee monitors and reviews all matters pertaining to the Bank's operations. It discusses and implements improvements in operational structure / model based on emerging global trends and innovation.

The committee is responsible to review annual business plan and evaluating new products / initiatives for recommending to the Board and its committees.

Besides, acting as a Basel II Steering Committee, it also approves risk procedures and product programs for recommending it to the Board's Risk Management Committee.

## Assets & Liabilities Committee (ALCO)

Mohammad Aftab Manzoor  
*Chairman*  
Muhammad Yaseen  
Azfar Naqvi  
Fareed Vardag  
Muhammad Jawaid Iqbal  
Zia Ijaz  
Asim Tufail

### Terms of Reference:

ALCO oversees management of the Bank's liquidity position, maturity and interest rate gaps and pricing strategy. ALCO monitors the Bank's capital position for regulatory requirements as well. Investment activities of the Bank are reviewed by ALCO together with the formulation of future strategies. Besides implementing transfer pricing policy, ALCO also reviews foreign currency exposure of the Bank.

## Compliance Committee

Iqbal Zaidi  
*Chairman*  
Muhammad Sardar Khawaja  
Tariq Mehmood  
Fareed Vardag  
Azfar Naqvi

The committee is responsible for periodically reviewing anti-money laundering framework and "Know Your Customer" mechanism. It also suggests quality assurance processes for ensuring compliance of SBP Prudential Regulations along with monitoring of suspicious transactions. The committee recommends to the Management Committee / Board for approval, periodical submission of IRAF to SBP.

## Human Resources Committee

Mohammad Aftab Manzoor  
*Chairman*  
Muhammad Jawaid Iqbal  
Tariq Mehmood  
Zia Ijaz  
Azfar Naqvi  
Shafique Ahmed Uqaili

### Terms of Reference:

The committee ensures that HR policy guidelines are complied. It ensures remunerations / rewards are aligned with performance evaluation and are benchmarked with market including recruitment, training, promotions, awards and retirements. As a key function, it also reviews career moves and development needs.

## I.T. Steering Committee

Mohammad Aftab Manzoor  
*Chairman*  
Azfar Naqvi  
Zia Ijaz  
Tariq Mehmood  
Javed Iqbal  
Asim Tufail

### Terms of Reference:

I.T. Steering Committee gives strategic direction to IT Group for formulation of IT plans. It reviews the performance of major projects and approves major hardware and software acquisitions for e-Banking / automation besides overseeing staff and training requirements of IT Group.

We are inquisitive people with an appetite to learn new things





# Management Discussion and Analysis



Mohammad Aftab Manzoor  
Chief Executive Officer

## Profit

The Bank made significant strides towards strategic priorities. Strong growth in key areas enabled us to increase our operating profit by 17% to Rs.8.8 billion. Strong corporate banking performance, increased emphasis on middle market, targeted deposit mobilization, improved customer confidence, largest ATM

network with the widest geographical coverage and strong branch network were few key factors behind the impressive growth.

The after tax profit during FY07, however, slipped by 7% to Rs. 4.1 billion compared to Rs. 4.4 billion for FY06 primarily due to the stricter provisioning rules introduced by the State Bank of Pakistan (SBP) later this

year. The rules disallowed banks to take into account the Forced Sale Value (FSV) of illiquid assets while calculating the provisioning against Non-Performing Loans (NPLs). The Bank has recorded a sum of Rs.1.91 billion under the rules. Eliminating the impact of FSVs, the profit after tax would have increased by 21%.

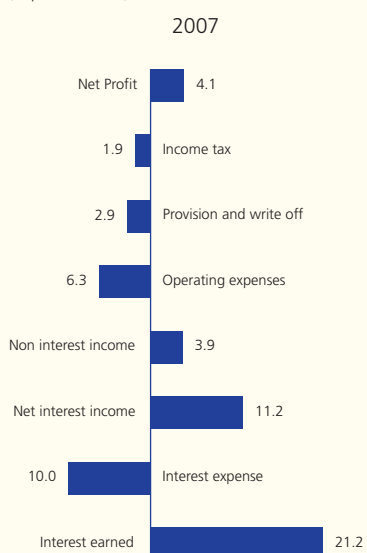
Consequently, Return on Equity (RoE) was down to 23.5% from last year's 30.2%, with Return on Assets (RoA) reaching 1.42% over last year's 1.98%. Without provisioning impact in terms of the rules, RoE and RoA would increase to 30.7% and 1.9% respectively.

The Bank's RoE was rated as one of the top 40 in the world, besides other ratings, by UK's 'The Banker', published by Financial Times London. The categories and ranking are as follows.

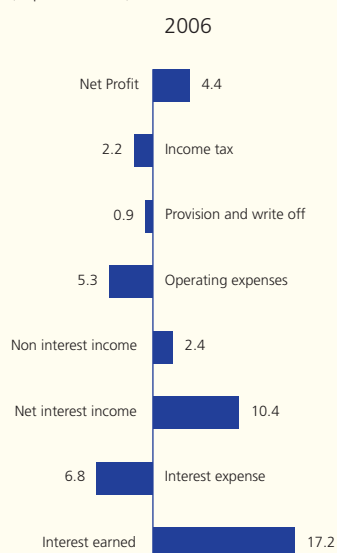
Rank Categories	Rank in the world
Performance based	
Profit on average capital (RoE)	38th
Return on assets (RoA)	131st
Real profit growth	262nd

Soundness based	
Capital assets ratio	523rd
Size based	
Assets	833rd
Overall world ranking	932nd

Profit and Loss Composition  
(Rupees in billion)



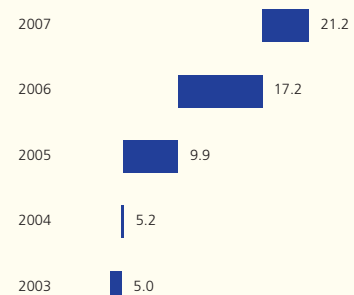
Profit and Loss Composition  
(Rupees in billion)



## Net Mark-up / Interest Income

Mark-up / interest income of the Bank grew by over 23% to reach Rs.21.2 billion. The quality of growth was given priority over just growing balance sheet. Yet, the Bank was able to grow its average earning assets by 18% with

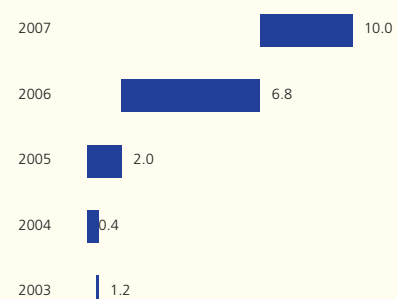
Interest Income  
(Rupees in billion)



overall yield improving by over 40 basis points.

Mark-up / interest expense rose to Rs.10.0 billion depicting a rise of 48%, which is remarkably well below 67% annualized growth registered in June 2007 and 236% witnessed in FY06. The growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and a stable liability margin. Due to the tough competition in banking industry on low cost deposits mobilization front, cost of deposits rose by 60 basis points. The Bank, however, is following a balanced growth trajectory with due weightage given to low cost core deposits yet maintaining stable balance sheet growth.

Interest Expense  
(Rupees in billion)

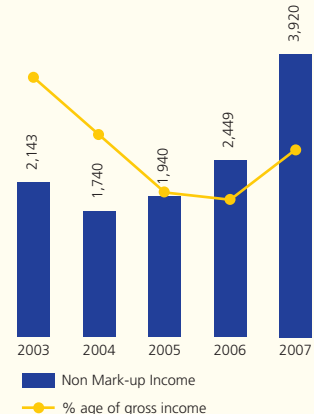


Net mark-up / interest income rose by over 7% to Rs.11.2 billion compared to Rs.10.4 billion. This growth underscores performance due to funds channeled to tax efficient mutual funds, the income whereof appears under non-interest income and is reflected in operating income growth. Despite this, interest rate spread was maintained above 5.0% when compared with past two years' spreads.

## Non Mark-up Income

Non mark-up income witnessed an exceptional growth of 60% to Rs.3.9 billion in FY07, contributing over 23% to total operating income, 5.5% up from FY06. Fee, commission and brokerage income grew by over 52% to Rs.2.41 billion. Besides, investment banking income rose to Rs.241 million portraying a growth of 43%, improved income was also driven by increased trade volume and local remittances business.

Non Markup / Interest Income  
(Rupees in million)



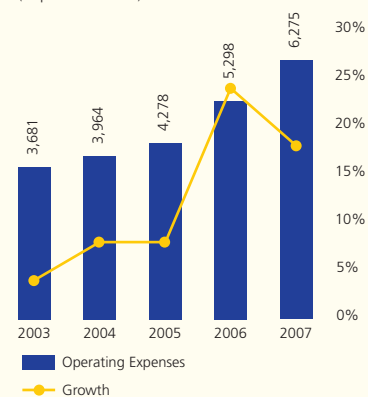
Account maintenance charges grew by over 100% to Rs.408 million. Changing depositors' behavior owing to interalia inflationary pressures, certain changes in our schedule of charges and increased deposit accounts drove this growth during 2007.

Capital gain and dividend income increased significantly by 194% to Rs.1.6 billion compared to Rs.0.5 billion during FY06. This growth was driven primarily by funds directed towards tax efficient mutual funds, which remained one of top yielding earning asset of the Bank. The Bank also continued to capitalize on the opportunities created by buoyant equity market.

## Operating Expenses

Owing to our planned expansion coupled with inflationary impact, operating expenses increased by 18% to Rs. 6.3 billion. The 17% rise in operating profit was managed with a modest increase of 9% in human resources cost, reflecting strong cost control measures.

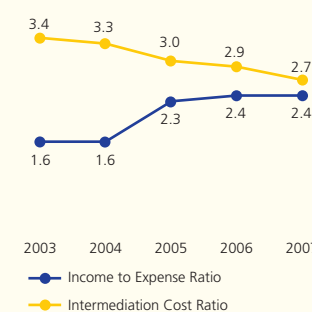
Operating Expenses  
(Rupees in million)



The surge in real estate prices proportionately impacted rentals during FY07 and we were not an exception where such expenses increased by over 20%. Our branch renovation plan also contributed to increase in operating expenses as repairs, maintenance and depreciation expense grew by 36% and 43% respectively. These expenses are expected to improve our image and, in turn, would contribute towards Bank's medium to long term growth and profitability.

Cost to revenue ratio maintained its last year's level as it was recorded at 41.4% slightly down from last year's 41.1%. However, Intermediation cost ratio improved to 2.7% compared to 2.9% during FY06.

Intermediation Cost Ratio and Income to Expense Ratio  
(Percentage)



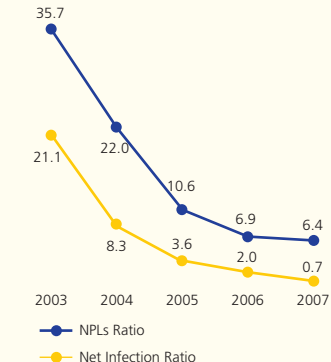
## Loans Quality Analysis

In determining the classification of loan portfolio, we align our judgment with a series of criterias that are derived from SBP guidelines. The table below sets forth, as of the dates indicated, the distribution of our loan portfolio by five-category loan classification.

Recent economic slow-down, concerning key economic indicators, law and order situation, global financial and economic events and blurred post-election scenario of our country entails challenges ahead for the banking industry on risk management front.

Rupees in million	December 31, 2007		December 31, 2006	
Performing Loans	167,169	93.6%	141,227	93.1%
Non-Performing Loans				
Other Assets Especially Mentioned	33	0.02%	36	0.02%
Substandard	1,312	0.7%	535	0.4%
Doubtful	533	0.3%	659	0.4%
Loss	9,477	5.3%	9,249	6.1%
Sub-total	11,355	6.4%	10,479	6.9%
<b>Total Advances</b>	<b>178,524</b>		<b>151,705</b>	

NPL Ratios  
(Percentage)



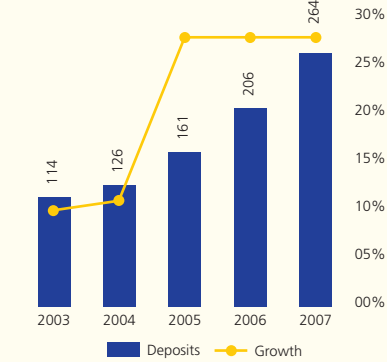
Our Bank is not an exception to this, as Non-Performing Loans (NPLs) saw a slight increase by over 8% to Rs.11.4 billion compared to Rs.10.5 billion last year.

The management is watchful of its loan portfolio and has been pursuing stringent risk management policies with a balanced growth approach. Despite rise in NPLs, NPL ratio improved from last year's 6.9% to 6.4% this year with net infection ratio improved remarkably to 0.74% from 1.96% witnessed last year. The loan loss coverage ratio improved to 89.0% from last year's 73.1%.

## Deposits

Customer deposits remained our major source of funding during FY07. Strong M2 growth over the years, improved

Deposits  
(Rupees in billion)



per capita income, increased offered profit rates on deposits, improved customer service, online banking and wide geographical presence helped us to achieve an impressive growth of over 28%. Customer deposits reached Rs.264 billion compared to last year's Rs.206 billion. The deposits thus far have grown at CAGR of 21% over last five years.

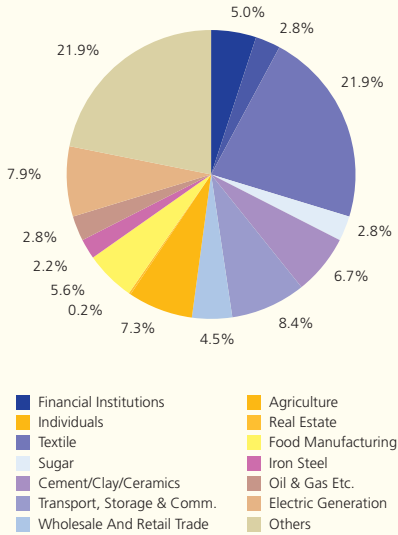
Despite tough market conditions, the Bank was not only able to maintain its Current & Saving Accounts (CASA) but also grew these by 13%. New schemes attracted favorable customer response as fixed and other remunerative deposits rose by over 51%, reflecting greater reliance on banking with the Bank. Increased banking by diversified depositor base would also allow us to cross-sell other products going forward.

This impressive growth has enabled us to increase our market share by 50 basis points, in only one year's time, to reach 7.4% by the year end (based on SBP's provisional data).



# Management Discussion and Analysis

Advances Segemental Analysis  
(Percentage)



The growth was well diversified among various segments and was achieved despite increased dependence of corporate sector on debt instruments.

The management is also watchful of impact of this growth on capital adequacy.

On market share front, the Bank has managed to increase its market share by 40 basis points to 6.7% by the year end (based on SBP's provisional data).

While monitoring the margin available in Capital Adequacy Ratio (CAR), the Bank increased its portfolio wisely among different asset categories and remained vigilant about their impact on CAR as well. Due to this fact coupled with the impact of additional provisioning in terms of the SBP rules, CAR was down to 9.29% as at December 31, 2007 compared to 12.80% as at December 31, 2006.

## Earnings Per Share (EPS)

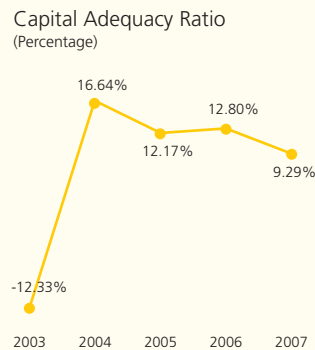
The Earnings per Share of the Bank for the year ended 2007 is Rs. 7.57 per share, down by 7.2% from last year's Rs. 8.16 per share.

Mohammad Aftab Manzoor  
Chief Executive Officer

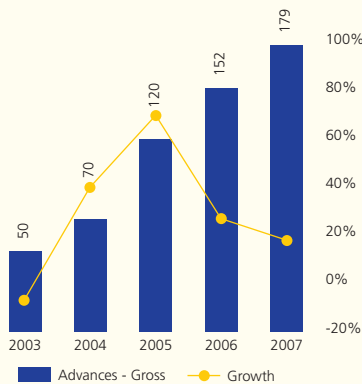
## Loan Book

Loan portfolio (gross) of the Bank grew by 18% to Rs.179 billion compared to Rs.152 billion last year with corporate loans and SME loans contributing 80% and 15% respectively of the loan book. With consumer financing on cards for FY08, loan portfolio is expected to further diversify among different products.

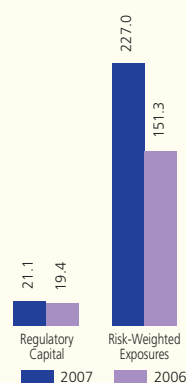
## Capital Adequacy



Advances - Gross  
(Rupees in billion)



Risk Weighted Asstes and Regulatory Capital  
(Rupees in billion)

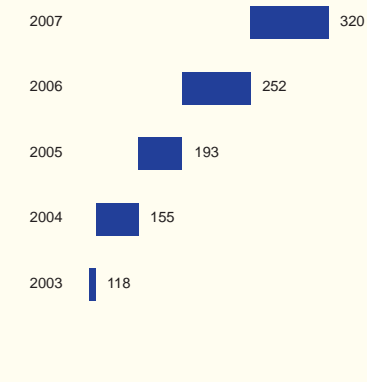


# Performance Highlights

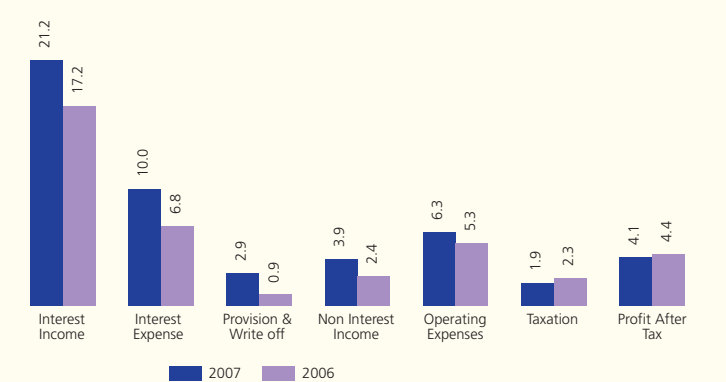
December 31	2002	2003	2004	2005	2006	2007
				Restated		
<b>Assets</b>						
Cash and balances with treasury and other banks	11,472	11,205	12,320	18,035	24,745	30,408
Lending to financial institutions	10,839	15,361	16,175	5,777	19,050	18,419
Investments- Gross	34,001	41,126	57,657	45,269	47,156	84,151
Advances - Gross	54,032	49,987	69,949	119,866	151,705	178,524
Operating fixed assets	2,835	2,596	2,552	4,721	6,445	7,549
Other assets	8,760	7,305	7,499	7,908	10,800	11,368
<b>Total assets - Gross</b>	<b>121,939</b>	<b>127,581</b>	<b>166,153</b>	<b>201,575</b>	<b>259,902</b>	<b>330,419</b>
Provisions against non-performing advances	(9,065)	(9,673)	(10,890)	(8,659)	(7,672)	(10,117)
Provisions against diminution in value of investments	(409)	(392)	(336)	(342)	(203)	(192)
<b>Total assets - net of provision</b>	<b>112,465</b>	<b>117,516</b>	<b>154,926</b>	<b>192,574</b>	<b>252,027</b>	<b>320,110</b>
<b>Liabilities</b>						
Customer deposits	103,883	114,218	126,392	161,410	206,031	263,972
Inter bank borrowings	7,483	2,665	12,538	9,694	18,410	22,934
Bills payable	1,400	1,773	2,534	2,449	2,278	3,494
Other liabilities	3,204	2,835	3,206	4,472	5,119	7,333
Sub-ordinated loans	-	-	-	-	2,500	2,499
<b>Total liabilities</b>	<b>115,970</b>	<b>121,490</b>	<b>144,671</b>	<b>178,025</b>	<b>234,339</b>	<b>300,232</b>
<b>Net Assets / Liabilities</b>						
Share capital	1,063	1,063	4,405	4,489	4,489	5,386
Share premium	-	-	10,640	4,316	4,316	3,419
Reserves	481	558	717	1,377	1,817	2,632
Un - appropriated profit / (loss)	(6,811)	(6,490)	(6,314)	2,732	5,608	6,971
<b>Equity - Tier I</b>	<b>(5,267)</b>	<b>(4,869)</b>	<b>9,448</b>	<b>12,914</b>	<b>16,230</b>	<b>18,408</b>
<b>Surplus on revaluation of assets - net of tax</b>	<b>1,762</b>	<b>895</b>	<b>808</b>	<b>1,636</b>	<b>1,458</b>	<b>1,470</b>
<b>Profitability</b>						
Markup / Return / Interest earned	7,497	4,985	5,245	9,892	17,216	21,201
Markup / Return / Interest expensed	3,727	1,155	794	2,025	6,793	10,019
<b>Net Markup / Interest income</b>	<b>3,770</b>	<b>3,830</b>	<b>4,451</b>	<b>7,867</b>	<b>10,423</b>	<b>11,182</b>
Fee, Commission, Brokerage and Exchange income	723	617	1,520	1,471	1,636	2,258
Capital gain & Dividend income	477	1,198	65	196	540	1,585
Other income	272	328	155	273	273	77
<b>Non interest income</b>	<b>1,472</b>	<b>2,143</b>	<b>1,740</b>	<b>1,940</b>	<b>2,449</b>	<b>3,920</b>
<b>Gross income</b>	<b>5,242</b>	<b>5,973</b>	<b>6,191</b>	<b>9,807</b>	<b>12,872</b>	<b>15,103</b>
Operating expenses	3,537	3,681	3,964	4,264	5,289	6,248
<b>Profit before provisions</b>	<b>1,705</b>	<b>2,292</b>	<b>2,227</b>	<b>5,543</b>	<b>7,583</b>	<b>8,855</b>
Donations	-	-	-	15	9	28
Provisions - (expense) / reversal	(3,222)	(870)	(1,594)	(694)	(913)	(2,874)
Additional charge for employee benefit & other obligations	(70)	(468)	(151)	-	-	-
<b>Profit before taxation</b>	<b>(1,587)</b>	<b>954</b>	<b>482</b>	<b>4,834</b>	<b>6,661</b>	<b>5,953</b>
Taxation	517	(568)	(290)	(1,744)	(2,264)	(1,877)
<b>Profit / (Loss) after taxation</b>	<b>(1,069)</b>	<b>386</b>	<b>192</b>	<b>3,090</b>	<b>4,397</b>	<b>4,076</b>

Rs. in Millions

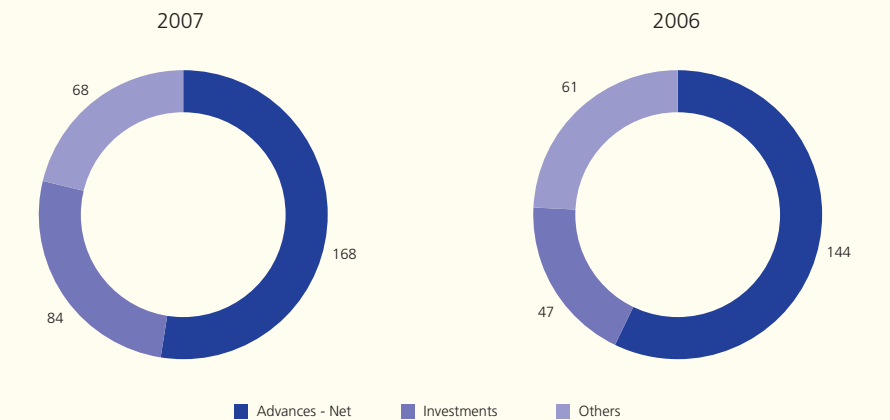
Balance Sheet Size  
(Rupees in billion)



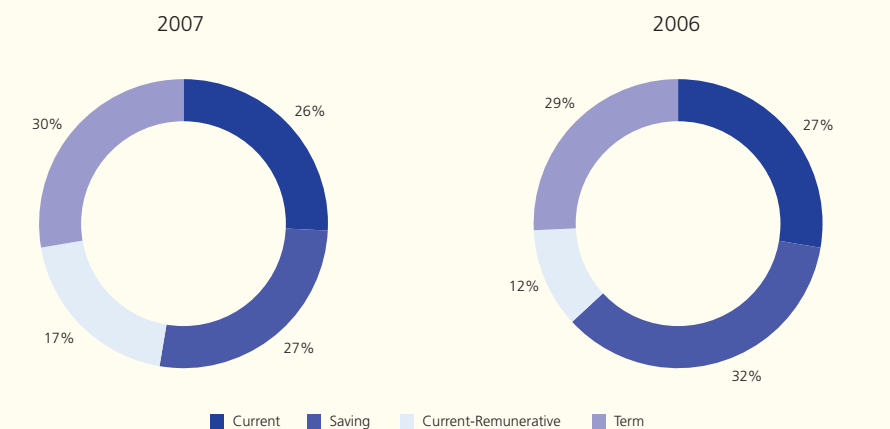
P & L Composition  
(Rupees in billion)



Assets Composition  
(Rupees in billion)



Deposit Mix  
(Percentage)





# Performance Highlights

December 31	2002	2003	2004	2005	2006	2007
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		Restated					
<b>Financial Ratios</b>							
Return on equity (RoE)	%	-	-	8%	28%	30%	24%
Return on assets (RoA)	%	-0.99%	0.34%	0.14%	1.78%	1.98%	1.42%
Profit before tax ratio (Profit before tax/Gross income)	%	-30%	16%	8%	49%	52%	39%
Gross spread ratio	%	50%	77%	85%	80%	61%	53%
Return on capital employed (ROCE)	%	-	-	8%	28%	26%	21%
Advances to deposits ratio (ADR) – Gross	%	52%	44%	55%	74%	74%	68%
Advances to deposits ratio (ADR) – Net	%	43%	35%	47%	69%	70%	64%
Income to expense ratio	Times	1.5	1.6	1.6	2.30	2.43	2.42
Efficiency Ratio (cost to revenue)	%	67.5%	61.6%	64.0%	43.5%	41.1%	41.4%
Growth in gross income	%	22%	14%	4%	58%	31%	17%
Growth in net profit after tax	%	5%	136%	-50%	1511%	42%	-7%
Total assets to shareholders' funds	Times	(21)	(24)	16	15	16	17
Intermediation cost ratio	%	3.6%	3.4%	3.3%	3.0%	2.9%	2.7%
NPL ratio	%	33.8%	35.7%	22.0%	10.6%	6.9%	6.4%
Net infection ratio	%	21.19%	21.10%	8.34%	3.64%	1.96%	0.74%
Capital adequacy ratio (CAR)	%	-16.54%	-12.33%	16.64%	12.17%	12.80%	9.29%

## Share Information

Cash dividend per share	Rs.	-	-	-	2.50	2.50	3.00
Proposed bonus issue per share	Rs.	-	-	-	-	2.00	2.00
Dividend yield (based on cash dividend)	%	-	-	-	2.9%	2.7%	2.3%
Dividend payout ratio (total payout)	%	-	-	-	36%	46%	66%
Earning per share (EPS) *	Rs.	(5.45)	1.97	0.36	5.74	8.16	7.57
Price earnings ratio ** (PE x)	Times	-	-	-	15.1	11.5	17.2
Market value per share – at the end of the year **	Rs.	-	-	-	86.5	93.5	130.2
Market value per share – highest / lowest during the year	Rs.	-	-	-	41/87.5	78.5/111.65	145.45/93.00
Book value per share – Tier-1	Rs.	(49.5)	(45.8)	21.4	28.8	36.2	34.2
Book value per share – Total	Rs.	(33.0)	(37.4)	23.3	32.4	39.4	36.9

## Other Information

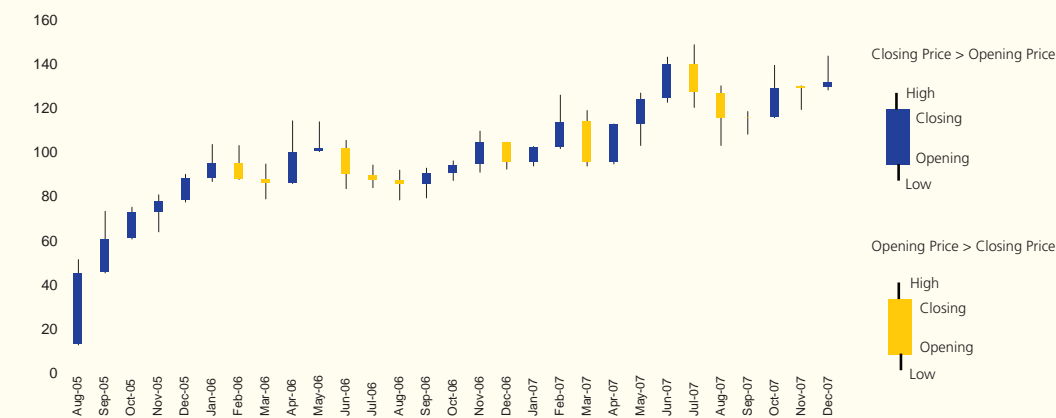
Non – performing loans (NPLs)	Rs. In millions	18,242	17,833	15,383	12,699	10,479	11,355
Imports and Exports business	Rs. In millions	54,153	56,868	72,765	96,072	113,571	150,698
Number of employees	Nos.	6,946	6,859	6,768	6,909	7,139	8,181
Number of branches	Nos.	814	752	735	741	742	757

\* The Bank was listed on stock exchanges during 2005, therefore, information pertaining to prior years is not given.

\*\* EPS for prior years have been adjusted to affect bonus shares issue during 2007

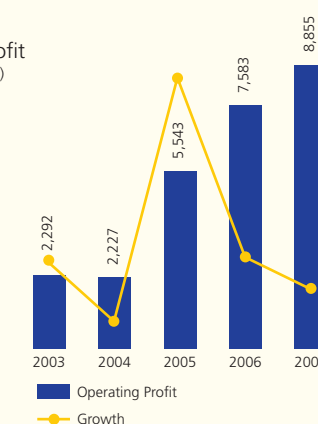
## Share Price

High, Low, Opening & Closing Prices  
(Rupees)



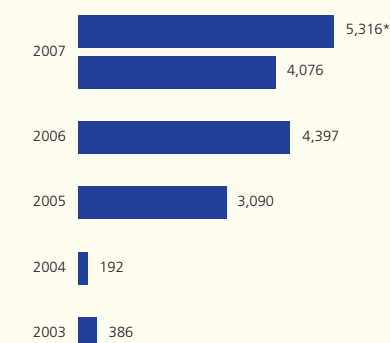
## Operating Profit

(Rupees in million)



## Profit after Tax

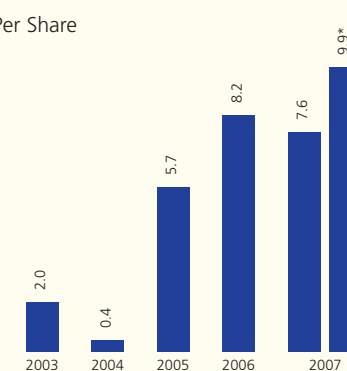
(Rupees. In Million)



\*Profit calculated excluding the impact of charge recorded under new SBP Rules, for analysis purpose only

## Earnings Per Share

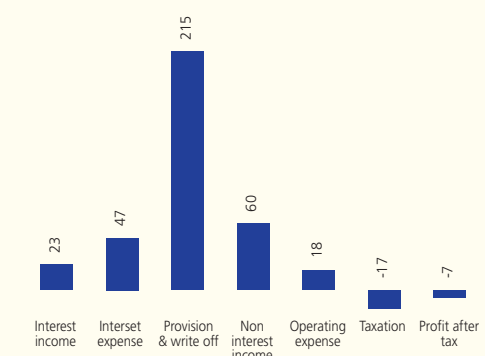
(Rupees)



\*EPS calculated excluding the impact of charge recorded under new SBP Rules, for analysis purpose only

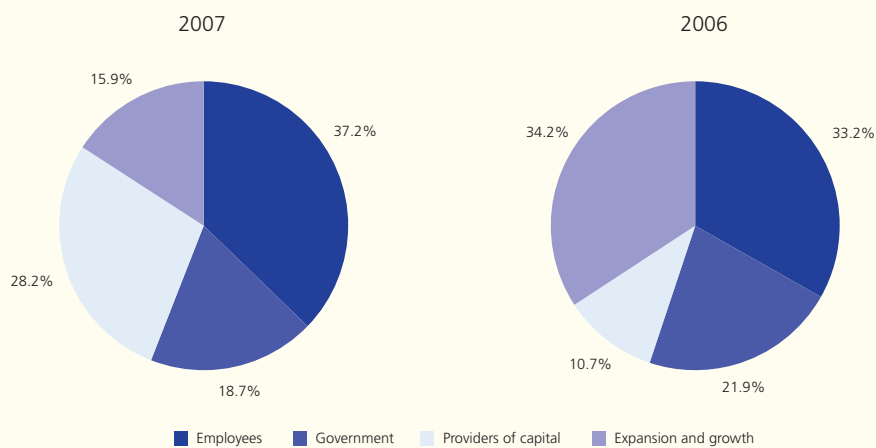
## Profit and Loss - 2007 vs 2006

(Growth %)



# Statement of Value Addition

(Rupees in thousand)	2007	%	2006	%
<b>Value Added</b>				
Income from banking services	15,088,220		12,803,077	
Cost of services	(2,200,432)		(1,629,664)	
Value added by banking services	12,887,788		11,173,413	
Non - banking income	14,297		68,397	
Provision against non-performing assets	(2,874,226)		(912,724)	
	10,027,859		10,329,086	
<b>Value Allocated</b>				
<b>to employees</b>				
Salaries, allowances and other benefits	3,733,127	37.2%	3,429,111	33.2%
<b>to Government</b>				
Income tax	1,876,918	18.7%	2,263,844	21.9%
<b>to providers of capital</b>				
as dividends	2,827,843	28.2%	1,101,160	10.7%
<b>to expansion and growth</b>				
Depreciation / Amortization	341,656	3.4%	238,881	2.3%
Retained in business	1,248,315	12.4%	3,296,090	31.9%
		15.9%		34.2%
	10,027,859	100%	10,329,086	100%





# The Management

**Mohammad Aftab Manzoor**  
Chief Executive Officer

**Zia Ijaz**  
Group Chief, Commercial & Retail Banking

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

**Asim Tufail**  
Group Chief, Consumer & Personal Banking

**Muhammad Yaseen**  
Treasurer

**Fareed Vardag**  
Group Chief, Risk Management

**Tariq Mehmood**  
Group Chief, Operations

**Shafique Ahmed Uqaili**  
Group Chief, Human Resources

**Azfar Naqvi**  
Chief Financial Officer

**Javed Iqbal**  
Group Chief, Information Technology

**Syed Shahid Raza**  
Head, Business Transformation Team

**Iqbal Zaidi**  
Group Chief, Compliance

**Mohammad Abbas Sheikh**  
Group Chief, Special Assets Management

**Waheed ur Rehman**  
Company Secretary

**Azhar A. Jaffri**  
Head, Strategic Planning & Special Projects

**Muhammad Sardar Khawaja**  
Group Chief, Audit & Inspection

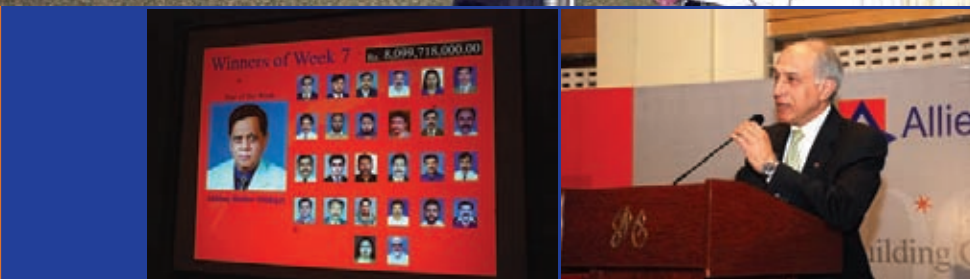
The empires of the future are the empires of the minds







Mohammad Naeem Mukhtar  
Chairman ABL, sharing his views during  
the ABL - Strategy Conference 2007 held at Bhurban



Mohammad Aftab Manzoor  
CEO ABL, expressing his views at prize  
distribution of ABL - Career Building  
Campaign

## Who we are

Allied Bank is part of Ibrahim Group, one of the largest industrial conglomerates in Pakistan with businesses in textile, trading, polyester fibres, energy and financial services sectors.

Established in 1942, Allied Bank today stands on a firm foundation with over 63 years of its existence having strong equity, assets and deposits base.

Following the take over of its management control by the Group in 2004 and subsequent merger of Ibrahim Leasing into Allied Bank in 2005, the Board formulated comprehensive strategic priorities to address the needs to run a world class financial institution. To attain this goal,

it was imperative to invest in human resources, systems and technology, with special emphasis on value addition and service quality.

The Board of Directors of Allied Bank having past experience in directorship of financial institutions, are well versed with providing stewardship to a growing financial institution. Together with the professional capabilities of senior executives, the Bank is well positioned to capitalize on the opportunities offered by the market.

Allied Bank is now one of the largest banks in Pakistan, with a network of 757 branches in over 300 cities and towns offering real-time online banking. The Bank leads the way by having the largest network of 450 ATMs in more than 145 cities and towns across Pakistan.

In 2007, Allied Bank's progress was further acknowledged when the Bank was included in the top 1000 banks of the world. This goes to show the improvement in Allied Bank policy, procedures and services during the past few years. Currently, Allied Bank possesses 932nd position in the world. The management has a vision to move forward and to be one of the world's leading banks.

Based on its impressive financial performance and significant improvement in areas of risk management & corporate governance, the Pakistan Credit Rating Agency (PACRA) assigned the long-term credit rating of Allied Bank to AA (double A) and short-term rating to A1+ (A one plus).

## What we do

After solidifying its presence in the banking sector, Allied Bank offers a full suite of banking products and services with a focus on service delivery through technology.

### Commercial and Retail Banking Group (CRBG)

CRBG was set up with objectives to be the market leader in middle sized customer segments; become leading SME bank in the diversified urban markets; focus on agriculture financing; provide its customers with integrated financing and investment options; and to provide speedy funds transfer and deposits solutions under one roof.

CRBG is overseen by four geographical groups. Together, these groups are further divided into a total of 27 Regions in order to effectively service its customers' needs.

During the year 2007, CRBG witnessed a phenomenal growth of 28 percent in liabilities. The group launched effective campaigns which resulted in 13 percent growth in Current Account & Saving Accounts (CASA). Besides addition of senior level resources to the team, a large number of Management Trainee Officers was also inducted into CRBG.

CRBG added more ATM machines to its network – the Bank now boasts of having the largest number of ATMs nationwide.

### Corporate and Investment Banking Group (CIBG)

Corporate and Investment Banking is the bedrock of our loan portfolio. CIBG offers a wide range of financial services

to medium and large sized public and private sector entities. These services include providing and arranged tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters through relationship management concept.

CIBG enjoys a leading position in corporate lending in the country. The Bank played a key role in economic growth of the country by providing vast amount of funds in all the key sectors of the economy. Allied Bank is ranked as one of the top investment banks in the country because of its role in the major investment and corporate banking transactions.

### Consumer & Personal Banking Group (CPBG)

In line with the Bank's policy to provide complete suite of products and services, substantial ground work has been done to establish our consumer banking business. Core team of professionals from across the industry has been recruited into Product Development, Sales, Credit Policy, Research, Consumer Analytics, Call Center and Service Quality departments.

The consumer products portfolio comprising Debit Cards, Credit Cards, Auto Loans, Personal Loans and Mortgages will be established in a phased manner. Although, Allied Bank will be faced with increased competition from several other banks offering the same products, we are confident to benefit from leveraging our largest network of online branches, superior technology platform and a huge customer base. CPBG, therefore, looks to substantially contribute towards the Bank's revenues and be one of the major contributors to the Bank's profitability.

## Treasury

Treasury Group actively involved in managing funds through interbank market, investments in securities and capital markets with the objective to provide support to other businesses of the Bank as well as to the customers. At the same time, the Group also ensures that all regulatory requirements are being complied with. The Group has dynamic and experienced professionals who have specialized expertise in treasury functions. The Group is divided into desks of Money Market, Foreign Exchange, Treasury Marketing and Capital Market.

## ABL Asset Management

To provide a wide array of investment products, Allied Bank has launched its asset management company, ABL Asset Management Company Limited, with a paid up capital (PUC) of Rs. 500 million. This is the second highest PUC amongst all asset management companies in the country. The company was incorporated in October 2007 and also received license for Asset Management and Financial Advisory lately. The company is now planning to launch its own funds in year 2008 which will cater to the diversified investment needs of customers.