

**askari**bank  
LIMITED





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# Corporate Information

## Board of Directors

Lt. Gen. Muhammad Mustafa Khan, HI (M) (Retd)

*Chairman*

Lt. Gen. Naeem Khalid Lodhi, HI (M) (Retd)

Lt. Gen. Muhammad Haroon Aslam, HI (M), S Bt (Retd)

Mr. Qaiser Javed

Dr. Nadeem Inayat

Khawaja Jalaluddin Roomi

Mr. Manzoor Ahmed

*NIT Nominee*

Mr. Asif Reza Sana

Mr. Zaffar Ahmad Khan

Mr. Tariq Hafeez Malik

Syed M. Husaini

*President & Chief Executive*

## Board Audit & Compliance Committee

Mr. Asif Reza Sana

*Chairman*

Mr. Qaiser Javed

Dr. Nadeem Inayat

## Chief Financial Officer

Mr. Saleem Anwar, FCA

## Company Secretary

Mr. M. A. Ghazali Marghoob, FCA

## Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

## Legal Advisors

RIAA Law

Advocates & Corporate Counsellors

## Shariah Advisor

Dr. Muhammad Tahir Mansoori

## Registered / Head Office

AWT Plaza, The Mall,

P. O. Box No. 1084

Rawalpindi – 46000

Pakistan.

Tel: (92 51) 9063000

Fax: (92 51) 9272455

E-mail: [webmaster@askaribank.com.pk](mailto:webmaster@askaribank.com.pk)

## Registrar & Share Transfer Office

THK Associates (Private) Limited

Ground Floor, State Life Building No. 3

Dr. Ziauddin Ahmad Road

P. O. Box: 8533

Karachi – 75530

Tel: (92 21) 111 000 322

Fax: (92 21) 35655595

## Entity Ratings

Long Term: AA

Short Term: A1+

by Pakistan Credit Rating Agency (PACRA)

## Website

[www.askaribank.com.pk](http://www.askaribank.com.pk)

*Contact details of branches and other relevant information can be accessed from the Bank's website.*

# Notice of 22nd Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Sunday, March 30, 2014 at 11:00 am at Pearl Continental Hotel, Rawalpindi to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the 21st Annual General Meeting held on March 28, 2013.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2013 together with the Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the Bank for the year ending December 31, 2014 and to fix their remuneration.
4. To elect 10 Directors as fixed by the Board in accordance with the provisions of Section 178 of the Companies Ordinance 1984, for a period of three years in place of the following retiring directors namely:
  1. Lt. Gen. Muhammad Mustafa Khan, HI (M) (Retd)
  2. Lt. Gen. Naeem Khalid Lodhi, HI (M) (Retd)
  3. Lt. Gen. Muhammad Haroon Aslam, HI (M), S Bt (Retd)
  4. Mr. Qaiser Javed
  5. Dr. Nadeem Inayat
  6. Khawaja Jalaluddin Roomi
  7. Mr. Manzoor Ahmed - NIT Nominee
  8. Mr. Asif Reza Sana
  9. Mr. Zaffar Ahmad Khan
  10. Mr. Tariq Hafeez Malik

## Special Business:

5. To consider and if deemed fit, approve and adopt the amendment in the Memorandum & Articles of Association of the Bank and pass the following special resolutions with or without modification(s):

### *Resolved that*

"The Bank be and is hereby authorized to increase its Authorized Share Capital from an amount of PKR 13,000,000,000 (Pak Rupees Thirteen Billion only) divided into 1,300,000,000 ordinary shares of PKR 10 each to an amount of PKR 16,000,000,000 (Pak Rupees Sixteen Billion only) divided into 1,600,000,000 ordinary shares of PKR 10 each,

and in this regard the Memorandum and Articles of Association of the Bank be amended as follows:

## Memorandum of Association

### Amended Clause V

The Authorized Capital of the Bank is PKR 16,000,000,000 (Pak Rupees Sixteen Billion only) divided into 1,600,000,000 ordinary shares of PKR 10 (Rupees Ten) each. The Bank shall have the power to increase, reduce or reorganize the capital and divide its shares in the capital for time being into several classes consisting ordinary shares in accordance with the provisions of the Companies Ordinance, 1984.

## Articles of Association

### Amended Article 4

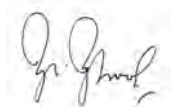
The Authorized Capital of the Bank is PKR 16,000,000,000 (Pak Rupees Sixteen Billion only) divided into 1,600,000,000 ordinary shares of PKR 10 (Rupees Ten) each. The Bank shall have the power to increase, reduce or reorganize the capital and divide its shares in the capital for time being into several classes consisting ordinary shares in accordance with the provisions of the Companies Ordinance, 1984.

The President & Chief Executive and Company Secretary of the Bank be and are hereby authorized to either singly or jointly, take all steps necessary, ancillary and incidental for registering and amending the Memorandum and Articles of Association of the Bank, including but not limited to filing of all the requisite statutory forms and all other documents as may be required to be filed with the Companies Registration Office of the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan, submitting all such documents as may be required with the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the amendment in the Memorandum and Articles of Association."

# Notice of 22nd Annual General Meeting

6. To consider any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Rawalpindi  
March 08, 2014

M. A. Ghazali Marghoob  
Company Secretary

## NOTES

1. The statement under section 160 (1) (b) & (c) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business to be transacted at the meeting is annexed.
2. The Share Transfer books of the Bank will remain closed from March 20, 2014 to March 28, 2014 (both days inclusive). Transfers received at M/s THK Associates (Private) Limited, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmad Road, Karachi-75530, the Registrar and Share Transfer Office of the Bank at the close of the business on March 19, 2014 will be treated in time.
3. Any person who seeks to contest the election of directors shall file the following with the Bank at its registered office not later than fourteen days before the day of the above said meeting:
  - i) His / her intention to offer himself / herself for election of Directors in terms of Section 178 (3) of the Companies Ordinance, 1984, [the Ordinance] together with (a) consent on Form 28 as prescribed by the Companies (Provisions and Forms) Rules, 1985 (b) a declaration with consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance [the Code] to the effect that he/she is aware of duties and powers of Directors as mentioned in the Ordinance, the Memorandum and Articles of Association of the Bank and the Listing Regulations of the Stock Exchanges and has read the relevant provisions contained therein; and (c) a declaration in accordance with clause (iii) and (iv) of the Code to the effect that he/she is not serving as a Director of more than seven listed companies; and he / she is a registered National Tax Payer (except where he/she is a non-resident), that he / she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
- ii) A specified affidavit as prescribed in the State Bank of Pakistan [SBP] BPRD Circular No. 12 dated June 2, 2000 together with prescribed Questionnaire in accordance with Prudential Regulation No. G-1 and the 'Fit and Proper Test' for the appointment of Directors in terms of SBP BPD Circular No. 13 dated May 17, 2004 along-with two recent photographs and a copy of CNIC (Passport in case of foreign national). Copies of SBP circulars / annexures may be obtained from SBP website or from the office of the Company Secretary of the Bank. SBP circulars / annexures also list various persons who are not eligible to become director of a Bank. Any person with these anomalies is considered undesirable; and against the public interest in terms of SBP BPRD Circular No. 12 dated June 02, 2000.
4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
5. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
6. The instrument appointing a proxy, together with attested copy of Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.

7. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.
8. The proxy form shall be witnessed by one person whose name, address and CNIC number shall be mentioned on the form.
9. Copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
10. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
11. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

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

This statement sets out the material facts pertaining to the special business to be transacted at the 22nd Annual General Meeting of the Bank to be held on March 30, 2014.

#### **Item No. 4 of the Notice – Election of directors**

Term of office of the present Directors of the Bank will expire on March 30, 2014. The Board of Directors of the Bank will be re-constituted for a fresh term of three years by electing 10 Directors including one (1) nominee Director of NIT.

#### **Item No. 5 of the Notice – Amendment in the Memorandum & Articles of Association**

The Board of Directors have approved and recommended the amendments in the clauses for increase in the Bank's authorized share capital by amending the Memorandum and Articles of Association.

The State Bank of Pakistan ("SBP") has also given its no objection for the amendment in the Memorandum of Association regarding increase in authorized capital.

#### **Interest of the Directors and their relatives**

The Directors of the Bank and their relatives have no interest in the proposed amendments in the Memorandum & Articles of Association of the Bank except to the extent of the proposed amendments in the Clause of Authorized Capital.

#### **Inspection of Documents**

Copies of Memorandum & Articles of Association of the Bank, Statement under Section 160 (1) (b) & (c) of the Companies Ordinance, 1984, Annual and Quarterly financial statements as the case may be and other related information / documents of the Bank which may be inspected / procured during business hours on any working day at the Registered Office of the Bank from the date of publication of this notice till conclusion of the Annual General Meeting.

# Directors' Report to the Shareholders

The Directors present the 22nd Annual Report of Askari Bank Limited along with the audited financial statements and Auditors' reports thereon, for the year ended December 31, 2013.

## Acquisition by Fauji Consortium

The process of acquisition of Askari Bank's shareholding was completed and w.e.f. June 21, 2013, the Bank's major shareholding has been acquired by Fauji Consortium; comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited - collectively holding 71.91%.

## Review of performance

2013 was particularly a significant year in the Bank's history as it went through a forward - looking change in order to maximize Shareholders value. We have reassessed our operating priorities, recognizing the weaknesses and capitalizing on the strengths – particularly the immense support of our new Sponsors, while ensuring that the overall growth trajectory sustains its momentum. Despite challenges in the macro-economic environment, Askari Bank has set course on the strategic roadmap leading towards long term sustainable growth.

## Financial results for the full year 2013

During the year under review, your Bank's balance sheet registered a growth of 11.84% and the asset base reached Rs. 394.827 billion. Customer deposits rose to Rs. 335.241 billion from Rs. 306.937 billion a year earlier, registering an increase of 9.22%. The growth in deposits was almost evenly distributed among different types of customer deposits. Gross advances increased to Rs. 192.171 billion as on December 31, 2013 from Rs. 162.855 billion at year-end 2012, a healthy growth of 18.0% despite tough business environment and weak loan market. This growth has also resulted in improving the gross advances to deposit ratio at 57.3% at December 31, 2013 compared to 53.06% at the end of last year. The aggregate investments, with major concentration in government securities increased by 14.09% during the year and constituted 42.01% of total assets of the Bank.

The profit and loss account for the full year 2013 registered a sharp decline compared to last year primarily due to major increase in requisite provisions, revenue suspensions against non-performing and other assets, and partly due to declining net interest margins attributable to monetary easing. The increase in provisions is partially due to a change in the policy

for recognition of permissible benefit of forced sales values of collaterals held against non-performing assets. During the year under review, aggregate non-performing assets increased by 23.65% – non-performing loans increasing by 24.89% and non-performing investments increasing by 7.24%. The increase in non-performing loans was mainly due to recognition of certain accounts; a sizeable portion of which was previously assigned for close monitoring. Also, during the year under review, the carrying values of certain non-banking assets acquired in satisfaction of borrowers' claims were written down to their realizable values. Consequently, the aggregate provision / impairment charged to the profit and loss account for the year increased by more than three times compared to last year. As at December 31, 2013 the provision coverage ratio against non-performing loans increased to 86.40% from 72.13% at end 2012. The management has already initiated aggressive measures for recovery of infected portfolios and with the improvement in economic and business environment, remains committed for improvement in the position of non-performing assets in coming periods.

## Financial results for the second half of 2013

Building on the change towards the end of the first half of 2013, the Bank posted an impressive operating profit (i.e. profit before provisions and impairment against non-performing and other assets and taxation) during the second half of 2013. Operating profit for the second half of 2013 amounted to Rs. 1.851 billion, an increase of 128% over the operating profit for the first half of 2013. Net aggregate revenues for the second half increased by 19.67% compared to the first half of 2013. Net mark-up income increased by a healthy 23.26% due to volume growth in earning assets as well as improvement in net spreads. Non-mark-up revenues increased by 11.54% during the second half of 2013. Administrative and operating expenses for the second half of 2013 were well contained and increased by only 1.12% over the first half despite the addition of twenty new branches. The Bank has introduced certain key measures to curtail the rising operating costs due to, inflationary pressures, energy crises and currency depreciation. Also the costs for new branches added to the network have been adequately managed. Going forward, with further branches expected to be added to the already expanding network, the Bank intends to focus on introducing further efficiency measures to manage the anticipated administrative and operational costs with increased revenue potential.



## Appropriations

The Board of Directors recommends the following appropriations for the year ended December 31, 2013:

	Rupees in thousand
Unappropriated profit brought forward	886,336
Loss after tax for the year 2013	(5,479,895)
Effect of recognition of actuarial gain	65,223
	(4,528,336)
Appropriations:	
Net loss transferred to general reserve	2,945,710
Net un-appropriated loss carried forward	(1,582,626)
Basic loss per share – Rupees	(6.32)

## Minimum paid-up capital requirement

The Bank had announced enhancement in paid-up capital by issue of 55% right shares on July 23, 2013. The rights issue was fully subscribed and has enabled the Bank to fully comply with SBP's minimum capital requirement as set out in BSD Circular No.7 dated April 15, 2009. The rights issue has also strengthened the equity base of the Bank and has provided room for further growth of yielding business.

## Credit Rating

During the year, Askari Bank's long term rating at 'AA' and short term rating at 'A1+' were maintained by the Pakistan Credit Rating Agency (Pvt) Limited (PACRA). According to PACRA "the ratings reflect AKBL's association with Fauji Foundation Group (FF), a business conglomerate, having strong presence in diversified businesses. FF, having strong performance in most of its entities, maintains robust financial profile; providing comfort to the Bank's ratings."

## Branch Network

During the second half of the year under review, your bank opened 20 new branches including 5 Islamic banking branches. Our product and service offerings are now available to our valued customers through a network of 281 full service / sub-branches, including 40 dedicated Islamic banking branches, and a Wholesale Bank Branch in Bahrain.

## Risk Management Framework

Askari Bank is now being more effectively poised and strengthened for a prudent approach towards the implementation of a sound risk management framework in all areas of banking activities as the risk management

function is recognized as a fundamental to the business of banking and it is an essential element of our banking strategy.

Bank's risk management framework comprises of a Risk Management Committee of the Board at the supervisory level, which oversees the risk policies and risk appetite. A risk management function within the Bank ensures the implementation of these policies through application of risk management methodologies and risk measurement tools. The function also ensures that the risks are managed within the pre-defined and tolerable levels through effective monitoring of the three main areas of risks namely, credit risk, market risk and operational risk, across the Bank. Our risk management framework remains compliant with the relevant directives and regulations and international best practices, particularly those relating to implementation of Basel accords.

Basel-III: With the phase out of Basel II and introduction of Basel III guidelines in 2013, the Bank has taken all necessary steps to remain Basel III compliant during its transition phase up to its full implementation in 2018. With the purpose of managing financial contagion risk from interconnectedness in the financial system and emphasis on high quality Core Capital, Basel III has brought with itself stricter rules in the shape of additional deductions, additional requirements in the shape of Capital Conservation Buffer that shall eventually raise the CAR requirement to 12.5% by the year 2019 and introduction of third Capital Standard in the shape of Leverage Ratio. The steps taken by the Bank in the wake of stricter rules include focus on creation of high quality Tier 1 Capital, realignment of investment strategies, higher targeted risk adjusted returns and even build-up of necessary capacity to adapt under the new regime. The entire Basel III compliance plan has been aided with capital adequacy projections and impact assessment tools.

## Corporate Social Responsibility

Askari Bank remains committed towards supporting the communities where we live and operate through various social and community initiatives. In this direction, our key areas of focus include health care, education and sports. During the year, the Bank also contributed for the relief and rehabilitation of the affectees of earthquake in Baluchistan.

# Directors' Report to the Shareholders

## Subsidiary companies

The Bank's wholly owned subsidiary, Askari Investment Management Limited (AIML) manages mutual funds and is also engaged in advisory services for institutional clients. Askari Bank also holds controlling interest of 74% in Askari Securities Limited (ASL) which offers share brokerage, investment advisory and consultancy services. Consolidated financial statements of the Bank, AIML and ASL for the year ended December 31, 2013 are included in this report.

## Corporate and Financial Reporting Framework

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

- Key operating data and financial data for the last six years, in a summarized form, is as under:

31-December	2013	2012 restated	2011 restated	2010	Rupees in million	
					2009	2008
Deposits	335,241	306,937	291,503	255,937	205,970	167,677
Advances - net	163,557	143,727	150,711	152,784	135,034	128,818
Total Assets	394,827	353,025	343,730	314,745	254,327	206,191
Share capital	12,603	8,131	7,070	6,427	5,073	4,059
Reserves	4,030	9,429	9,326	8,393	8,070	7,976
Shareholders' funds	16,633	17,559	16,396	14,820	13,143	12,035
Profit / (loss) before taxation*	(8,441)	1,741	2,413	1,273	1,631	461
Profit / (loss) after taxation	(5,480)	1,263	1,628	943	1,098	386
Earnings / (loss) per share - Rupees **	(6.32)	1.55	2.30	1.48	2.18	0.95

\*due to requisite provisions

\*\* based on weighted average number of shares outstanding at each year end

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2013, except as disclosed in annexed financial statements.
- The following is the fair value of investment as at December 31, 2013:
  - Provident Fund Rs. 2,336 million, based on unaudited financial statements (December 31, 2012: Rs. 2,121 million)
  - Gratuity Fund Rs. 892 million, based on unaudited financial statements (December 31, 2012: Rs. 762 million)

- Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by the internal audit department as are other such procedures. Such review processes will continue with a view to removing any weakness and mitigating risk.
- The Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- There has been no material deviation from the best practices of corporate governance as detailed in the Listing Regulation No. 37 of the Karachi Stock Exchange Limited.

- During 2013, ten meetings of the Board of Directors were held. Attendance by each Director was as follows:

### January 1 to June 20, 2013 (six meetings)

Name of directors	Attendance
Lt. Gen. Javed Iqbal ( <i>outgoing Chairman</i> )	6
Lt. Gen. (R) Tahir Mahmood	6
Malik Riffat Mahmood	5
Mr. Zafar Alam Khan Sumbal	6
Dr. Bashir Ahmad Khan	3
Mr. Ali Noormahomed Rattansey	6
Mr. Shahid Mahmud	4

Mr. Muhammad Riyazul Haque	5
Mr. Wazir Ali Khoja	4
Khawaja Jalaluddin Roomi	5
Mr. M. R. Mehkari	4
<i>(outgoing President &amp; Chief Executive)</i>	
Syed M. Husaini	1
<i>(incoming President &amp; Chief Executive)</i>	

#### **June 21 to December 31, 2013 (four meetings)**

Lt. Gen. Muhammad Mustafa Khan, HI (M) Retd <i>(incoming Chairman)</i>	4
Lt. Gen. Naeem Khalid Lodhi, HI, HI (M) Retd	4
Lt. Gen. Muhammad Zaki, HI (M) Retd	3
Mr. Qaiser Javed	4
Dr. Nadeem Inayat	4
Mr. Asif Reza Sana	2
Mr. Zaffar Ahmad Khan <i>(joined on October 30, 2013)</i>	-
Mr. Manzoor Ahmed - <i>NIT Nominee</i>	2
Khawaja Jalaluddin Roomi	2
Mr. Ali Noormahomed Rattansey <i>(resigned)</i>	1
Syed M. Husaini	4
<i>(President &amp; Chief Executive)</i>	

#### **Pattern of Shareholding**

The pattern of shareholding at the close of December 31, 2013 is included in this report.

#### **Trading in shares of the Bank**

No trades in the shares of the Bank were carried out by the President & CE, Chief Financial Officer, Company Secretary their spouses and minor children during the year 2013.

#### **Statement on Internal Controls**

The management of the Bank assumes responsibility of establishing and maintaining effective internal controls throughout the Bank and has made a statement on internal control in this annual report. The management's statement on internal control has been endorsed by the Board of Directors.

#### **Auditors**

The Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2013 and shall retire at the conclusion of the 22nd Annual General Meeting. As advised by the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the auditors for the year 2014.

#### **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 attached financial statements.

#### **Looking forward**

Despite the challenging external environment and having pragmatically provided for eventual impairments we remain optimistic about the future. We are focusing on the growth of quality assets and business, backed by our efficient and robust operating platform. We are placing emphasis on bolstering client relationship, offering them innovative and technology based value added solutions, while improving the overall control environment. However, we take cognizance of the high system and operational risks as reflected by the economic indicators including resurgence of inflationary pressures, unstable rupee dollar parity, balance of payment position, fiscal deficit, lower tax collections, etc. and are constantly engaged in change management. We aim to promote a culture where actions and responsibilities are aligned while recognising the values of respect, inclusiveness and uncompromised integrity – creating a sustainable and growing organization for times to come.

#### **Acknowledgments**

On behalf of the Board, I like to express my sincere appreciation to the State Bank of Pakistan and other regulatory bodies for their guidance and support; to the shareholders, and our valued customers, for their patronage and business; and to the employees for their continued dedication and hard work.

For and on behalf of the Board



Lt. Gen. Muhammad Mustafa Khan, HI (M) Retd  
Chairman

February 17, 2014  
Rawalpindi

## Statement of Internal Controls

The Management of Askari Bank Limited assumes full responsibility for establishing and maintaining effective system of internal controls throughout the Bank to ensure reliable, accurate and fair financial reporting, effectiveness of operations and compliance with applicable laws and regulations. Management understands that the effective maintenance of the Internal Controls System is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with the latest challenges is actively pursued by the management.

Architecture of the Bank's Internal Control System involves different levels of monitoring activities i.e. Line Management, Compliance & Data Division, and Audit & Inspection Division. The Audit and Inspection Division of the Bank is independent from line management and reviews the adequacy and implementation of control activities across the Bank as well as implementation of and compliance with all the prescribed policies and procedures.

All significant and material findings pointed out by the internal, external auditors and regulators are addressed on priority basis by compliance function of the Bank. The function also actively monitors implementations of the corrective / remedial measures to ensure that identified risks are mitigated to safeguarding the interest of the Bank.

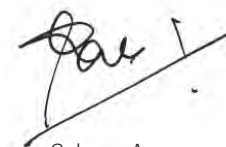
In compliance with the SBP's directives, on September 30, 2012, the Bank has completed the implementation of Roadmap regarding Internal Controls over Financial Reporting. This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Whole documentation including the testing results has been reviewed by the external auditors and Long Form Report has been submitted to SBP on January 31, 2013.

During the year under review, we have endeavored to follow the guidelines issued by SBP on internal controls for evaluation and management of significant risks and we will continue to endeavor for further improvements in Internal Controls System.

While an internal controls system is effectively implemented and monitored; however, due to inherent limitations, internal controls system is designed to 'manage' rather than 'eliminate' the risk of failure to achieve the desired objectives; hence it can only provide reasonable and not absolute assurance against material misstatement or loss.



ZainulAbidin  
Chief Compliance Officer



Saleem Anwar  
Chief Financial Officer

## Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2013

This statement is being presented to comply with the Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange Limited, where the Bank's shares are listed 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 ("the Code") in the following manner:

1. The Bank encourages representation of independent, non - executive directors and directors representing minority interests on its board of directors. The Board includes:

S. Nos.	Name of Directors	Executive / Non-Executive / Independent Directors
1	Lt. Gen. Muhammad Mustafa Khan, HI (M) (Retd) - Chairman	Non-Executive Director
2	Lt. Gen. Naeem Khalid Lodhi, HI (M) (Retd)	Non-Executive Director
3	Lt. Gen. Muhammad Haroon Aslam, HI (M), S Bt (Retd)	Non-Executive Director
4	Mr. Qaiser Javed	Non-Executive Director
5	Dr. Nadeem Inayat	Non-Executive Director
6	Khawaja Jalaluddin Roomi	Independent Director
7	Mr. Manzoor Ahmed - NIT Nominee	Non-Executive Director
8	Mr. Asif Reza Sana	Independent Director
9	Mr. Zaffar Ahmad Khan	Independent Director
10	Mr. Tariq Hafeez Malik	Independent Director
11	Syed M. Husaini - President & CE	Executive Director

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited, except Mr. Manzoor Ahmed (MD - NIT) who has been exempted for the purpose of this clause by the Securities & Exchange Commission of Pakistan.
3. All Directors are resident and registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Fauji Foundation Group acquired 71.91% shareholding of the Bank which caused 10 casual vacancies on the Board at different dates which were filled by the Board in stipulated time.
5. The Bank has prepared a statement of "Code of Ethics and Conduct", which has been signed by all the directors and employees of the Bank 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 a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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 President & Chief Executive, and certain other executives, have been taken by the Board.

# Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2013

8. The meetings of the Board were presided over by the Chairman 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. Due to acquisition of majority stake by Fauji Foundation Group the composition of Board was in progress. The orientation session for directors was not held during the year.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Bank were duly endorsed by the President & Chief Executive and the Chief Financial Officer before approval of the Board.
12. The Directors, President & Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed a Board Audit & Compliance Committee (BACC). It comprises 3 members, of whom 2 members are non-executive directors and Chairman of the Committee is independent director.
15. The meetings of the Board Audit & Compliance Committee (BACC) were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed Board Human Resource & Remuneration Committee (BHR&RC). It comprises 4 members, of whom 1 member is executive director, 1 member is independent director and the other 2 members including Chairman of the Committee are non - executive directors.
17. The Board has set-up an effective internal audit function. Personnel of internal audit function are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's shares, was determined and intimated to directors, employees and stock exchanges.
21. Material / price sensitive information has been disseminated among all market participants through stock exchanges.
22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Rawalpindi  
February 17, 2014

Lt. Gen. Muhammad Mustafa Khan, HI (M) (Retd)  
Chairman



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sixth Floor, State Life Building No. 5  
Jinnah Avenue, Blue Area  
Islamabad, Pakistan

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+ 92 (51) 282 5956  
Fax + 92 (51) 282 2671  
Internet www.kpmg.com.pk

## Review Report to the Members

On Directors' Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Askari Bank Limited, ("the Bank") to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange Limited, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance ("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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Bank's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited vide circular KSE / N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

As disclosed in point 9 of the Statement, the Bank could not arrange orientation session for their directors during the year.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2013.

Islamabad  
February 17, 2014

**KPMG Taseer Hadi & Co.**

Chartered Accountants

Engagement Partner

Riaz Pesnani





**KPMG Taseer Hadi & Co.**  
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## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of Askari Bank Limited ("the Bank") as at December 31, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the above said 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 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 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as indicated in note 5.10 with which we concur;





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- 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 cash flow statement 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 respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and its true balance of the loss, its changes in equity and cash flows 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.

Islamabad  
February 17, 2014

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Engagement Partner  
Riaz Pesnani

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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askaribank LIMITED



Unconsolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2013



# Unconsolidated Statement of Financial Position

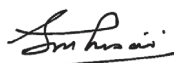
As at December 31, 2013

Rupees in '000	Note	2013	2012 Restated	2011 Restated
<b>Assets</b>				
Cash and balances with treasury banks	6	26,104,822	24,435,380	26,168,181
Balances with other banks	7	9,057,747	8,863,586	6,235,055
Lendings to financial institutions	8	2,503,207	6,319,474	1,591,584
Investments	9	165,863,237	145,378,148	133,756,712
Advances	10	163,556,632	143,726,962	150,710,709
Operating fixed assets	11	8,567,401	8,841,091	9,348,815
Deferred tax assets	17	2,977,285	-	-
Other assets	12	16,197,164	15,460,591	15,918,800
		394,827,495	353,025,232	343,729,856
<b>Liabilities</b>				
Bills payable	13	5,687,542	3,700,156	2,756,032
Borrowings	14	24,545,879	8,372,617	17,273,470
Deposits and other accounts	15	335,241,027	306,937,216	291,502,993
Sub-ordinated loans	16	3,994,400	6,987,300	6,990,100
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities	17	-	71,229	36,616
Other liabilities	18	6,629,759	7,386,662	7,507,013
		376,098,607	333,455,180	326,066,224
<b>Net assets</b>		<b>18,728,888</b>	<b>19,570,052</b>	<b>17,663,632</b>
<b>Represented by</b>				
Share capital	19	12,602,602	8,130,711	7,070,184
Reserves	20	5,613,061	8,542,421	8,136,440
Unappropriated (loss) / profit		(1,582,626)	886,336	1,189,524
		16,633,037	17,559,468	16,396,148
Surplus on revaluation of assets - net of tax	21	2,095,851	2,010,584	1,267,484
		18,728,888	19,570,052	17,663,632

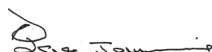
Contingencies and commitments

22

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



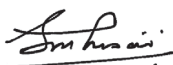
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Unconsolidated Profit and Loss Account

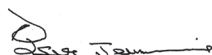
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
Mark-up / return / interest earned	25	27,960,505	32,402,187
Mark-up / return / interest expensed	26	19,363,188	22,973,781
Net mark-up / interest income		8,597,317	9,428,406
Provision against non-performing loans and advances - net	10.6.1	9,853,603	2,342,473
Impairment loss on available for sale investments		151,047	143,079
Provision for diminution in the value of investments - net	9.2.1	933,406	201,265
Reversal of provision against purchase under resale arrangement	8.4	(34,578)	-
Impairment loss on immovable assets	12.2	199,898	-
Bad debts written off directly		-	1,043
		11,103,376	2,687,860
Net mark-up / interest (expense) / income after provisions		(2,506,059)	6,740,546
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,169,442	1,153,496
Dividend income		508,748	1,036,249
Income from dealing in foreign currencies		559,463	884,724
Gain on sale of securities - net	27	820,401	681,685
Unrealised gain on revaluation of investments classified as held for trading - net		-	252
Other income	28	540,390	360,960
Total non-markup / interest income		3,598,444	4,117,366
		1,092,385	10,857,912
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	9,396,803	9,027,975
Other provisions / write offs		113,514	8,633
Other charges	30	22,571	80,297
Total non-markup / interest expenses		9,532,888	9,116,905
		(8,440,503)	1,741,007
Extra ordinary / unusual items		-	-
<b>(Loss) / profit before taxation</b>		(8,440,503)	1,741,007
Taxation - current	31	(93,765)	(843,092)
- prior years'		-	-
- deferred	31	3,054,373	364,779
		2,960,608	(478,313)
<b>(Loss) / profit after taxation</b>		(5,479,895)	1,262,694
Unappropriated profit brought forward		886,336	1,302,158
<b>(Loss) / profit available for appropriation</b>		(4,593,559)	2,564,852
Basic (loss) / earnings per share - Rupees	32	(6.32)	1.55

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



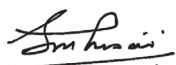
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Unconsolidated Statement of Comprehensive Income

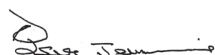
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
(Loss) / profit after taxation		(5,479,895)	1,262,694
Other comprehensive income			
Effect of recognition of actuarial gain / (loss)		65,223	(12,652)
Effect of rescheduled and restructured classified advances		-	(94,085)
Effect of translation of net investment in Wholesale Bank Branch		16,350	7,363
<b>Total comprehensive income</b>		<b>(5,398,322)</b>	<b>1,163,320</b>

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



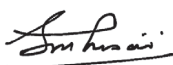
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Unconsolidated Cash Flow Statement

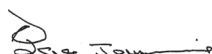
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
<b>Cash flow from operating activities</b>			
(Loss) / profit before taxation		(8,440,503)	1,741,007
Less: dividend income		(508,748)	(1,036,249)
		(8,949,251)	704,758
Adjustments:			
Depreciation / amortization		771,620	859,298
Provision against non-performing advances - net		9,853,603	2,342,473
Impairment loss on available for sale investments		151,047	143,079
Provision for diminution in the value of investments - net		933,406	201,265
Reversal of provision against purchase under resale arrangement		(34,578)	-
Impairment loss on immovable assets		199,898	-
Provision against other assets		108,502	8,633
Unrealised gain on revaluation of investments classified as held for trading - net		-	(252)
Gain on sale of operating fixed assets		(46,797)	(5,744)
		11,936,701	3,548,752
		2,987,450	4,253,510
Decrease / (increase) in operating assets			
Lendings to financial institutions		4,850,845	(4,727,890)
Held for trading securities		151,845	(151,593)
Advances		(29,502,654)	3,742,882
Other assets (excluding advance taxation)		(154,670)	2,030,320
		(24,654,634)	893,719
Increase / (decrease) in operating liabilities			
Bills payable		1,987,386	944,124
Borrowings		16,173,262	(8,900,853)
Deposits		28,303,811	15,434,223
Other liabilities (excluding current taxation)		(756,733)	(121,679)
		45,707,726	7,355,815
Cash flow before tax		24,040,542	12,503,044
Income tax paid		(1,134,841)	(1,553,220)
Net cash flow from operating activities	33.1	22,905,701	10,949,824
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(23,729,947)	(11,872,592)
Net investments in held to maturity securities		2,074,962	1,201,888
Net investments in subsidiaries / associate		(150,000)	-
Dividend income		482,558	991,331
Investments in operating fixed assets - net of adjustment		(371,376)	(380,551)
Sale proceeds of operating fixed assets - disposed off		56,193	13,333
Net cash used in investing activities		(21,637,610)	(10,046,591)
<b>Cash flow from financing activities</b>			
Payments of sub-ordinated loans		(2,992,900)	(2,800)
Proceeds against issue of shares		4,471,891	-
Dividend paid		(170)	(786)
Net cash flow from / (used in) financing activities		1,478,821	(3,586)
Effect of actuarial gain / (loss)		100,341	(11,280)
Effect of translation of net investment in Wholesale Bank Branch		16,350	7,363
<b>Increase in cash and cash equivalents</b>		2,863,603	895,730
Cash and cash equivalents at beginning of the year		33,298,966	32,403,236
Cash and cash equivalents at end of the year	33	36,162,569	33,298,966

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



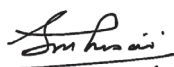
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Unconsolidated Statement of Changes in Equity

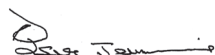
For the year ended December 31, 2013

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Total
						General reserve	Un-appropriated profit / (loss)	
Balance as at January 01, 2012 - as previously reported	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,302,158	16,508,782
Effect of retrospective change in accounting policy with respect to accounting for actuarial losses	-	-	-	-	-	-	(112,634)	(112,634)
Balance as at January 01, 2012 - restated	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,189,524	16,396,148
Total comprehensive income for the year ended December 31, 2012 - restated								
Net profit for the year ended December 31, 2012 - restated	-	-	-	-	-	-	1,262,694	1,262,694
Other comprehensive income								
- Reversal of capital reserve	-	-	-	-	(94,085)	-	-	(94,085)
- Effect of recognition of actuarial losses	-	-	-	-	-	-	(12,652)	(12,652)
- Effect of translation of net investment in Wholesale Bank Branch	-	7,363	-	-	-	-	-	7,363
	-	7,363	-	-	(94,085)	-	1,250,042	1,163,320
Transfer to:								
Statutory reserve	-	-	-	251,072	-	-	(251,072)	-
General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-
Transaction with owners, recorded directly in equity								
Bonus shares declared / issued subsequent to year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-
Balance as at January 01, 2013 - restated	8,130,711	82,659	234,669	3,899,517	-	4,325,576	886,336	17,559,468
Total comprehensive income for the year ended December 31, 2013								
Net loss for the year ended December 31, 2013	-	-	-	-	-	-	(5,479,895)	(5,479,895)
Other comprehensive income								
- Effect of recognition of actuarial gain	-	-	-	-	-	-	65,223	65,223
- Effect of translation of net investment in Wholesale Bank Branch	-	16,350	-	-	-	-	-	16,350
	-	16,350	-	-	-	-	(5,414,672)	(5,398,322)
Transfer to:								
General reserve								
- profit for the year ended December 31, 2012	-	-	-	-	-	1,004,291	(1,004,291)	-
- loss for the nine months ended September 30, 2013	-	-	-	-	-	(3,950,001)	3,950,001	-
	-	-	-	-	-	(2,945,710)	2,945,710	-
Transaction with owners, recorded directly in equity								
Issue of shares against right issue	4,471,891	-	-	-	-	-	-	4,471,891
Balance as at December 31, 2013	12,602,602	99,009	234,669	3,899,517	-	1,379,866	(1,582,626)	16,633,037

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 1. STATUS AND NATURE OF BUSINESS

- 1.1** Askari Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. The Bank has 281 branches (2012: 261 branches); 280 in Pakistan and Azad Jammu and Kashmir, including 40 (2012: 34) Islamic Banking branches, 29 (2012: 24) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

- 1.2** The process of acquisition of the Bank's shareholding by Fauji Consortium; comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) was completed at the close of business on June 20, 2013. The collective shareholding of Fauji Consortium in the Bank was 71.91 percent as on December 31, 2013. The Bank is a subsidiary of FFCL, which directly and indirectly holds 54.09 percent shares of the Bank as on that date.

## 2. BASIS OF PRESENTATION

- 2.1** These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's (SBP) BSD Circular No. 4 dated February 17, 2006.
- 2.2** These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated financial statements.
- 2.3** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a 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 facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.4** The financial results of the Islamic banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure-2 to these unconsolidated financial statements.
- 2.5** Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

## 3. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) 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 Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 3.1 Standards, interpretations and amendments to 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 after January 01, 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by Governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments are not expected to impact the current transactions of the Bank.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to impact the current transactions of the Bank.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not expected to impact the current transactions of the Bank.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not expected to impact the current transactions of the Bank.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. The amendments are not expected to impact the current transactions of the Bank.
- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves. The amendments are not expected to impact the current transactions of the Bank.
- IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendments are not expected to impact the financial statements of the Bank.
- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. The amendments are not expected to impact the financial statements of the Bank.
- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. The amendments will effect the disclosure of related party transactions of the Bank.

### 3.2 Standards, interpretations and amendments to approved accounting standards that are effective

The following standards, amendments and interpretations of approved accounting standards that became effective for accounting periods on or after January 01, 2013 and during the year:

#### 3.2.1 IAS -19 Employee Benefit

IAS 19 (revised) 'Employee Benefits' became effective from January 01, 2013. The Bank has adopted the standard and resultant effect of this change has been disclosed in note 5.10.

#### 3.2.2 Islamic Financial Accounting Standard (IFAS)

Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by Institute of Chartered Accountants of Pakistan (ICAP) has been notified by Securities and Exchange Commission of Pakistan. The standard is effective from June 12, 2013 and is followed by the Bank while preparing the financial statements for the year ended December 31, 2013. The standard has no effect on the accounting of Deposits. The standard results in certain additional disclosures which are given in Annexure-2 to these financial statements.

There are other new standards and amendments that are effective on or after January 01, 2013. However these standards are either not applicable or have no effect on financial statements of the Bank.

## 4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligations net of fair value of plan assets and unrecognized actuarial losses.

### Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follow:

- i) classification of investments (note 5.4)
- ii) provision against investments (note 5.4), advances (note 5.5) and other assets (note 5.7)
- iii) valuation and impairment of available for sale securities (note 5.4)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.6)
- v) taxation (note 5.9)
- vi) staff retirement benefits (note 5.10)

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as mentioned in note 5.1 and 5.10 to these financial statements.

### 5.1 New accounting policy

#### 5.1.1 Grants

Grants are recognized as income over the periods to match with the related costs on a systematic basis.

### 5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

### 5.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognized as mark-up / return expensed / earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 5.4 Investments

Investments are classified as follows:

### Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

### Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in profit and loss account. Unquoted debt securities are valued using the market value of secondary market where available.

Investments in other unquoted securities are valued at cost less impairment losses, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

### Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

### Investment in subsidiaries and associate

Investments in subsidiaries and associate are carried at cost less impairment, if any.

All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investments.

## 5.5 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.6.4.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

The SBP has notified for adoption of "Islamic Financial Accounting Standard 2 Ijarah" (IFAS-2) which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

Leases where the Bank transfers substantially all the risks and rewards incidental to 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 lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

The rentals received / receivable on above Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

## 5.6 Capital work-in-progress, operating fixed assets and depreciation

### Capital work-in-progress

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

### **Owned assets**

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the unconsolidated statement of financial position. Except to the extent actually realized on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Bank or utilized directly or indirectly by way of dividend or bonus.

### **Intangible assets**

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

### **Depreciation / amortization**

Depreciation / amortization is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated / amortized on the diminishing balance method, except for vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

## **5.7 Impairment**

The carrying amount of the Bank's assets are reviewed at the date of unconsolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the unconsolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **5.8 Deposits**

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognized separately as part of other liabilities and is charged to profit and loss account on a time proportion basis.

## **5.9 Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the unconsolidated profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity.

### **Current**

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of unconsolidated statement of financial position and any adjustment to tax payable for previous years.

### **Deferred**

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of unconsolidated statement of financial position. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / (deficit) arising on such revaluation.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 5.10 Staff retirement benefits

### Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method".

### Change in accounting policy - defined benefit plan

IAS 19 (as revised in June 2011) Employees Benefits became effective during the year. The amendments to IAS 19 changed the method of accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the full recognition of variations in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed below:

	Effect upto December 31, 2012	Effect during the year ended December 31, 2012	Effect upto January 01 2012
	Rupees in '000		
<b>Effect on financial statements</b>			
Increase in defined benefit obligation	134,705	2,111	132,594
Decrease in deferred tax liability - net	47,147	739	46,408
Decrease in advance taxation	30,397	3,948	26,449
Decrease in unappropriated profit	117,955	5,320	112,635
Net increase in profit before tax		11,280	
Net increase in tax expense		(3,948)	
		7,332	
Actuarial losses reclassified to other comprehensive income		12,652	
		2012	
Effect on basic earnings per share - Rupee		0.01	

### Defined contribution plan

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

### Compensated absences

The Bank provides compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to unconsolidated profit and loss account. The amount recognized in the unconsolidated statement of financial position represents the present value of defined benefit obligations.

## 5.11 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP or overseas regulatory authority of the country where branch operates, except where in the opinion of the management it would not be prudent to do so.

Fees, commission and brokerage income is recognized at the time of performance of service.

Dividend income is recognized when Bank's right to receive the income is established.

Gains and losses on sale of investments are included in income currently.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the 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. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealized lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations issued by the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Bank and all documents relating to purchase are in customers' name. However, the profit on that sale not due for the payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Profits on Diminishing Musharaka financings are recognized on accrual basis. Consistent with prior years, profit required to be suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis.

## 5.12 Foreign currencies

### Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of unconsolidated statement of financial position. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in unconsolidated profit and loss account currently.

### Foreign operation

The assets and liabilities of Wholesale Bank Branch are translated to Pak. Rupee at exchange rates prevailing at the date of unconsolidated statement of financial position. The results of foreign operations are translated at the average rate of exchange for the year.

### Translation gains and losses

Translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" through other comprehensive income and on disposal are recognized in unconsolidated profit and loss account.

### Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities.

## 5.13 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to unconsolidated profit and loss account is stated net off expected recoveries.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 5.14 Off-setting

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

## 5.15 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized 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-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized 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 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 remeasured 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 Appropriations subsequent to date of unconsolidated statement of financial position

Appropriations subsequent to year end are recognized during the year in which those appropriations are made.

## 5.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

### 5.18.1 Business segment

#### Corporate finance

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitization, IPO's related activities and secondary private placements.

#### Trading and Sales

Trading and sales includes the Bank's treasury and money market activities.

#### Retail Banking

Retail banking segment provides services to small borrowers and include loans, deposits and other transactions with retail customers and credit card business.

#### Commercial Banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

#### Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

#### Agency services

Agency services include income from rent of lockers provided to customers.

#### Sub-ordinated loans

It represents Term Finance Certificates issued by the Bank.

### 5.18.2 Geographical segments

The Bank operates in two geographic regions; Pakistan and the Middle East.



Rupees in '000	Note	2013	2012
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand:</b>			
Local currency		4,632,574	4,645,899
Foreign currencies		1,444,687	1,357,186
		6,077,261	6,003,085
<b>National Prize Bonds</b>			
		22,402	11,689
<b>With the State Bank of Pakistan in:</b>			
Local currency current accounts	6.1	10,547,151	10,481,338
Foreign currency current account	6.1	2,418,723	2,100,004
Foreign currency deposit account	6.2	6,072,321	4,886,149
		19,038,195	17,467,491
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		966,964	953,115
		26,104,822	24,435,380

**6.1** Deposits are maintained with the SBP to comply with its requirements issued from time to time.

**6.2** This represents special cash reserve maintained with the SBP and is remunerated at 0.00% (2012: 0.00%) per annum.

Rupees in '000	Note	2013	2012
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		200,266	373,661
On deposit accounts	7.1	3,877,270	658,335
		4,077,536	1,031,996
<b>Outside Pakistan</b>			
On current accounts		1,850,967	2,011,656
On deposit accounts	7.2	3,129,244	5,819,934
		4,980,211	7,831,590
		9,057,747	8,863,586

**7.1** These represent placements with local banks, carrying interest rates ranging from 0.20% to 9.00% (2012: 0.90% upto 9.50%) per annum.

**7.2** These represent placements with correspondent banks, carrying interest rates upto 0.16% (2012: upto 0.15%) per annum.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	1,000,000	-
Repurchase agreement lendings (reverse repo)	8.2	977,900	5,816,909
Purchase under resale arrangement of equity securities		148,606	200,000
		1,126,506	6,016,909
Funded trade finance	8.3	525,307	485,749
		2,651,813	6,502,658
Less: Provision against purchase under resale arrangement	8.4	(148,606)	(183,184)
		2,503,207	6,319,474

**8.1** These carry mark-up of 7.00% to 7.25% having maturity upto 1 month (2012: Nil).

**8.2** These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rate of 9.80% (2012: 6.50% to 9.50%) per annum and maturities of upto 2 month (2012: upto 1 month).

**8.3** These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka (2012: Bank of Ceylon, Sri Lanka) at mark-up rate of 1.78% (2012: 2.06%) per annum with maturities of upto January 2014 and July 2014 (2012: upto January 2013 and July 2013).

Rupees in '000	2013	2012
<b>8.4 Particulars of provision against purchase under resale arrangement of equity securities</b>		
Opening balance	183,184	183,184
Reversal for the year	(34,578)	-
Closing balance	148,606	183,184
<b>8.5 Particulars of lending</b>		
In local currency	2,126,506	6,016,909
In foreign currencies	525,307	485,749
	2,651,813	6,502,658

Rupees in '000	2013			2012		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.6 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	977,900	-	977,900	5,666,972	-	5,666,972
Pakistan Investment Bonds	-	-	-	149,937	-	149,937
Purchase under resale arrangement of listed shares	-	-	-	200,000	-	200,000
	977,900	-	977,900	6,016,909	-	6,016,909

Market value of securities held as collateral is Rs. 978,566 thousand (2012: Rs. 5,854,838 thousand).

## 9. INVESTMENTS

Rupees in '000	Note	2013			2012		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1 Investments by types</b>							
Held for trading securities							
Fully paid ordinary shares		-	-	-	151,593	-	151,593
Available for sale securities							
Market Treasury Bills	9.16	98,719,040	15,196,508	113,915,548	98,661,356	-	98,661,356
Pakistan Investment Bonds	9.16	32,831,768	-	32,831,768	22,098,414	-	22,098,414
Fully paid ordinary shares / units		2,622,984	-	2,622,984	2,391,150	-	2,391,150
Units of open end mutual funds	9.4	1,863,714	-	1,863,714	1,793,342	-	1,793,342
Fully paid preference shares	9.6	333,324	-	333,324	233,324	-	233,324
Term Finance Certificates		4,459,988	-	4,459,988	5,321,376	-	5,321,376
National Investment Trust (NIT) Units		537,891	-	537,891	864,395	-	864,395
Sukuk Certificates	9.9	6,701,787	-	6,701,787	8,928,672	-	8,928,672
Government of Pakistan Euro Bonds	9.10	1,653,340	-	1,653,340	1,037,900	-	1,037,900
Foreign securities	9.11	37,813	-	37,813	49,328	-	49,328
		149,761,649	15,196,508	164,958,157	141,379,257	-	141,379,257
Held to maturity securities							
Term Finance Certificates		-	-	-	116,348	-	116,348
Pakistan Investment Bonds	9.16	-	-	-	742,377	-	742,377
Government of Pakistan Euro Bonds	9.2.4	1,290,346	-	1,290,346	1,155,746	-	1,155,746
Sukuk Certificates	9.13	243,330	-	243,330	1,594,167	-	1,594,167
		1,533,676	-	1,533,676	3,608,638	-	3,608,638
Investment in associate							
Askari General Insurance Company Limited	9.12	53,703	-	53,703	53,703	-	53,703
Investment in subsidiaries							
Askari Investment Management Limited	9.5	335,000	-	335,000	185,000	-	185,000
Askari Securities Limited	9.5	114,789	-	114,789	114,789	-	114,789
Investment at cost		151,798,817	15,196,508	166,995,325	145,492,980	-	145,492,980
Provision for diminution in value of investments	9.2.1	(1,530,427)	-	(1,530,427)	(597,021)	-	(597,021)
Investments (net of provision)		150,268,390	15,196,508	165,464,898	144,895,959	-	144,895,959
Unrealised gain on revaluation of held for trading securities - net	9.15	-	-	-	252	-	252
Surplus / (deficit) on revaluation of available for sale securities - net		408,985	(10,646)	398,339	481,937	-	481,937
<b>Total investments</b>		<b>150,677,375</b>	<b>15,185,862</b>	<b>165,863,237</b>	<b>145,378,148</b>	<b>-</b>	<b>145,378,148</b>

Market value of held to maturity securities as at December 31, 2013 is Rs. 1,617,050 thousand (2012: Rs. 3,609,976 thousand).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>9.2 Investments by segments</b>			
Federal Government Securities	9.2.3		
Market Treasury Bills		113,915,548	98,661,356
Pakistan Investment Bonds		32,831,768	22,840,791
Government of Pakistan Euro Bonds	9.2.4	2,943,686	2,193,646
Sukuk Certificates		6,145,042	9,282,712
		155,836,044	132,978,505
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,671,007	2,590,766
Unlisted companies	9.5	455,469	305,469
		3,126,476	2,896,235
Units of open end mutual funds	9.4	1,863,714	1,793,342
Fully paid preference shares	9.6		
Listed companies		208,324	208,324
Unlisted companies		125,000	25,000
		333,324	233,324
Term Finance Certificates	9.7		
Listed Term Finance Certificates		2,027,804	2,343,871
Unlisted Term Finance Certificates		2,432,184	3,093,853
		4,459,988	5,437,724
Foreign Securities			
Mena Transformation Fund	9.11	37,813	49,328
Other Investments			
Sukuk Certificates		800,075	1,240,127
National Investment Trust (NIT) - Units		537,891	864,395
		1,337,966	2,104,522
Total investment at cost		166,995,325	145,492,980
Provision for diminution in value of investments	9.2.1	(1,530,427)	(597,021)
Investments (net of provisions)		165,464,898	144,895,959
Unrealised gain on revaluation of held for trading securities - net	9.15	-	252
Surplus on revaluation of available for sale securities - net		398,339	481,937
Total investments		165,863,237	145,378,148
<b>9.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		597,021	420,806
Charge for the year		935,112	201,265
Reversal / transfer of provision during the year		(1,706)	(25,050)
		933,406	176,215
Closing balance		1,530,427	597,021
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		827,390	236,026
Sukuk certificates		484,330	242,288
Subsidiaries			
Fully paid ordinary shares - unlisted		188,027	88,027
		1,530,427	597,021

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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2014 to July 2014	On maturity	8.92% to 9.90%	at maturity
Pakistan Investment Bonds	April 2014 to June 2024	On maturity	8.00% to 12.00%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to June 2017	On maturity	6.88% to 7.13%	semi-annually
Sukuk Certificates				
- House Building Finance Corporation	May 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 2014 to September 2015	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
- WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.13% and having maturities upto June 2017.

### 9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share/unit	Note	2013	2012
2013	2012	Rupees 2013		Rupees in '000	
-	300,000	-		-	20,336
14,490,076	14,489,931	23.29		337,474	473,343
512,500	675,772	64.13		32,868	45,491
10,555,142	8,795,384	5.09	9.12	53,703	53,703
-	6,504,096	-		-	46,891
149,160	120,000	365.89		54,576	52,395
4,200,000	7,697,900	20.76		87,181	129,636
3,000,000	1,352,000	29.30		87,896	43,346
-	532,000	-		-	4,973
2,490,000	-	39.99		99,581	-
-	1,873,500	-		-	101,784
1,115,000	1,251,500	89.69		100,000	112,531
1,000,000	-	28.25		28,250	-
552,400	-	106.32		58,729	-
-	1,000,000	-		-	9,513
632,500	-	140.17		88,655	-
-	325,000	-		-	36,261
2,669,000	2,600,000	39.45		105,286	98,721
300,000	-	141.59		42,477	-
652,500	-	98.04		63,972	-
2,100,000	2,100,000	47.08		98,872	92,887
2,776,500	-	6.91		19,197	-
4,200,000	-	20.89		87,750	-
79,300	400,000	285.73		22,658	69,229
-	1,801,500	-		-	84,479
-	265,000	-		-	67,616
2,600,000	-	37.44		97,335	-
6,250,000	7,000,000	14.19		88,657	99,296
500,000	1,000,000	58.71		29,355	27,725
5,865,000	6,305,000	16.98		99,593	99,927
-	880,000	-		-	48,588
375,000	510,000	245.73		92,150	88,380
7,583,700	7,583,700	9.96		75,516	75,516
113,600	-	144.37		16,400	-
2,000,000	-	21.84		43,685	-
275,000	275,000	357.83		98,403	98,403
810,000	672,000	122.88		99,535	98,994
4,500,000	3,267,521	21.91		98,606	63,147
528,000	440,000	188.00		99,262	99,262
4,475,000	3,250,000	22.20		99,328	58,305
3,013,000	6,700,000	16.47		49,633	94,958
6,200,000	200,000	12.03		74,570	1,166
1,574,500	-	25.31		39,854	-
-	113,800	-		-	15,349
-	1,000,000	-		-	78,615
				2,671,007	2,590,766

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 9.4 Units of open end mutual funds

No. of units		Paid-up value per unit	Name of mutual funds	Note	2013		2012	
2013	2012				Rupees in '000		Rupees in '000	
		Rupees 2013						
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund (a related party)	9.8	100,846		100,846	
11,642,356	11,642,356	99.46	Askari High Yield Scheme (a related party)	9.8	1,157,968		1,157,968	
1,095,837	1,095,837	91.25	Askari Islamic Asset Allocation Fund (a related party)	9.8	100,000		100,000	
1,598,805	1,598,805	93.82	Askari Islamic Income Fund (a related party)	9.8	150,000		150,000	
1,000,000	1,000,000	100.00	Askari Equity Fund (a related party)	9.8	100,000		100,000	
1,000,000	1,000,000	100.00	Askari Sovereign Yield Enhancer Fund (a related party)	9.8	100,000		100,000	
435,596	3,000,000	91.50	JS Growth Fund		39,859		23,614	
121,636	-	117.56	JS Value Fund Limited		14,299		-	
8,994,473	6,537,034	9.95	Meezan Balanced Fund		89,517		60,914	
938,496	-	11.96	PICIC Energy Fund		11,225		-	
					1,863,714		1,793,342	

## 9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding	Number of shares	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
Askari Investment Management Limited - subsidiary	9.5.1	100	28,500,000	10	335,000	281,013	31 Dec 2013	Mr. Amer Maqbool
Askari Securities Limited - subsidiary	9.5.2	74	17,020,000	10	114,789	89,213	31 Dec 2013	Mr. Faheem Sardar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.5.3	5.26	568,044	10	5,680	-	-	Under liquidation
					455,469			

**9.5.1** Askari Investment Management Limited (AIML) is a wholly owned subsidiary of the Bank, licensed as a non-banking finance company (NBFC), to undertake asset management and investment advisory services under Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC and NE Regulations).

Seven shares are held in the name of seven nominee directors of the Bank in AIML.

**9.5.2** Askari Securities Limited (ASL) is a partly owned subsidiary of the Bank, incorporated under the Companies Ordinance, 1984 as a public limited company to undertake the business of share brokerage, investment advisory and consultancy services.

Four shares are held in the name of four nominee directors of the Bank in ASL.

**9.5.3** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2012: Rs 5,680 thousand) is considered as impairment and has been fully provided for.

## 9.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share	Investee	Rate	Book Value		Market Value	
2013	2012				2013	2012	2013	2012
		Rupees			Rupees in '000		Rupees in '000	
<b>Listed</b>								
10,000,000	10,000,000	10.00	Chenab Limited	9.25% per annum	100	100	20,900	10,500
18,322,418	18,322,418	10.00	Agritech Limited	11.00% per annum	183,224	183,224	164,902	185,056
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2% per annum	25,000	25,000	25,000	25,000
<b>Un-listed</b>								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited	4% per annum	25,000	25,000	25,000	25,000
40,000,000	-	2.50	Silk Bank Limited		100,000	-	100,000	-
					333,324	233,324	335,802	245,556

## 9.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate	2013	2012
2013	2012			Rupees in '000	
<b>Listed</b>			2013		
13,669	13,669	Allied Bank Limited	2,494	34,090	68,181
134,853	95,600	Bank Alfalah Limited	5,011	675,691	452,868
37,230	37,230	Pace Pakistan Limited	4,898	182,364	179,882
-	97,493	Pak Arab Fertilizer Limited	-	-	145,929
1,000	41,000	Pakistan Mobile Communication Limited	80,000	80,000	128,280
140,000	140,000	Engro Fertilizer Limited	5,000	700,000	700,000
-	4,600	Faysal Bank Limited	-	-	5,736
-	12,000	Soneri Bank Limited	-	-	14,964
13,000	10,000	Standard Chartered Bank Limited	5,025	65,321	12,500
4,432	72,432	United Bank Limited	1,663	7,372	353,651
133,023	133,023	Worldcall Telecom Limited	2,127	282,966	281,880
Book value as on December 31				2,027,804	2,343,871
<b>Unlisted</b>					
140,000	140,000	Agritech Limited	4,996	699,389	699,389
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	1,862	55,845	127,372
86,000	86,000	Azgard Nine Limited	2,168	186,446	186,457
50,600	50,600	Bank Alfalah Limited	5,109	258,529	260,147
50,000	50,000	Bank Al-Habib Limited	5,173	258,626	259,912
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	18,500
-	74,900	Jahangir Siddique and Company Limited	-	-	371,728
-	3,560	Orix Leasing Pakistan Limited	-	-	59,312
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385
20,000	20,000	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Abid Aziz)	4,163	83,267	99,940
60,000	60,000	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	3,529	211,765	282,353
50,000	50,000	Pakistan International Airlines Corporation Limited	4,996	249,800	249,800
102,282	102,282	Pakistan National Shipping Corporation	3,125	319,632	383,558
10,000	10,000	Shakarganj Mills Limited	4,000	40,000	45,000
Book value as on December 31				2,432,184	3,093,853

**9.7.1** These carry rate of return ranging from 9.96% to 15.00% (2012: 10.36% to 15.00%) per annum and having remaining maturity periods of upto 9 years (2012: 8 years).

**9.8** This represents investment in Funds managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.

# Notes to the Unconsolidated Financial Statements

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## 9.9 Sukuk Certificates - Available for sale

Name of Investee	Rate	Maturity	2013	2012
Rupees in '000				
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	7,500	37,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	10,000	30,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	22,222	66,666
K.S. Sulmanji and Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	34,031	106,346
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	16,947	57,378
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2016	10,714	10,714
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 20, 2013	-	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 18, 2015	1,001,712	1,002,712
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	2,000,000
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1% p.a.	February 19, 2020	148,698	167,393
			6,701,787	8,928,672

**9.10** These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.13% and having maturities upto June 2017.

**9.11** The Bank has invested in Mena Transformation Fund I.L.P, a closed ended fund having maturity upto 1 year.

**9.12** Investment in associate represents 27.18% (2012: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed associated company. Summary of financial information of AGICO is given below:

Rupees in '000	Based on	
	September 30, 2013 (Un-audited)	December 31, 2012 (Audited) Restated
Assets	2,155,744	2,225,061
Liabilities	1,580,004	1,717,908
Equity	575,740	507,154
Revenue	605,540	515,227
Profit after tax	72,843	55,214

3,873 shares are held in the name of a nominee director of the Bank in AGICO.

Fair value of investment in AGICO as at December 31, 2013 is Rs. 205,812 thousand (December 31, 2012: Rs. 118,738 thousand).



**9.13 Sukuk certificates – held to maturity**

Name of Investee	Rate	Maturity	2013	2012
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	–	67,500
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	–	1,250,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	133,330	166,667
			243,330	1,594,167

**9.14 Quality of available for sale securities**

Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	113,731,771	unrated	98,902,773	unrated
Pakistan Investment Bonds	9.14.1	32,408,223	unrated	22,633,877	unrated
Fully paid up ordinary shares / units	9.14.3				
Adamjee Insurance Company Limited		–	–	20,442	AA
Agritech Limited		183,589	D	169,098	D
Allied Bank Limited		46,125	AA+	49,662	AA+
Atlas Fund of Funds		–	–	62,049	unrated
Attock Petroleum Limited		74,534	unrated	61,439	unrated
Bank Alfalah Limited		113,569	AA	129,479	AA
Bank Al Habib Limited		124,650	AA+	42,899	AA+
Bank Islami Pakistan Limited		–	–	4,900	A
Dawood Hercules Chemicals Limited		139,739	unrated	–	–
Engro Corporation Limited		176,594	A	98,022	A
Engro Fertilizer Limited		28,250	A-	–	–
Engro Foods Limited		57,693	unrated	–	–
Engro Polymer		–	–	10,120	unrated
GlaxoSmithKline (Pak) Limited		86,153	unrated	–	–
Hub Power Company Limited		162,062	AA+	117,624	AA+
Habib Bank Limited		–	–	38,288	AAA
IGI Insurance Limited		49,314	AA	–	–
Kohat Cement Limited		63,795	unrated	–	–
Kot Addu Power Company Limited		129,675	AA+	103,719	AA+
Lotte Chemical Limited		20,380	unrated	–	–
Lalpir Power Limited		83,580	AA	–	–
MCB Bank Limited		22,297	AAA	83,904	AA+
National Bank of Pakistan		–	–	83,963	AAA
National Refinery Limited		–	–	56,101	AAA
Netsol Technology		114,478	unrated	–	–
Nishat Chunian Power Limited		217,376	A+	147,070	A
Nishat (Chunian) Limited		30,100	A-	35,040	A-
Nishat Power Limited		176,301	A+	122,948	A+

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Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
Nishat Mills Limited		-	-	41,503	AA-
Oil and Gas Development Company Limited		103,635	AAA	98,231	AAA
Pak Oman Advantage Fund		56,878	A+	70,073	A+
Pak Suzuki Motors Limited		17,482	unrated	-	-
Pakgen Power Limited		43,420	AA	-	-
Pakistan Export Finance Guarantee Agency		-	-	-	-
Pakistan Oilfields Limited		136,870	unrated	120,324	unrated
Pakistan Petroleum Limited		173,308	unrated	118,803	unrated
Pakistan Re-Insurance Company Limited		128,025	AA	79,891	AA
Pakistan State Oil Company Limited		175,412	AA+	102,172	AA+
Pakistan Telecommunication Company Limited		127,269	unrated	43,375	unrated
PICIC Growth Fund		75,566	unrated	109,880	unrated
PICIC Investment Fund		70,494	unrated	1,414	unrated
Sui Southern Gas Company Limited		37,882	unrated	-	-
Shell Pakistan Limited		-	-	15,498	unrated
United Bank Limited		-	-	83,670	AA+
Fully paid preference shares					
Agriotech Limited		164,902	unrated	185,056	unrated
Chenab Limited		20,900	unrated	10,500	unrated
Masood Textile Mills Limited		25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited		-	unrated	-	unrated
Silk Bank Limited		-	A-	-	-
Units of open end mutual fund					
Askari High Yield Scheme		1,203,744	A (f)	1,099,848	A+ (f)
Askari Asset Allocation Fund		126,253	4-Star	115,620	4-Star
Askari Islamic Asset Allocation Fund		120,217	unrated	126,249	unrated
Askari Islamic Income Fund		160,883	AA- (f)	160,717	AA- (f)
Askari Sovereign Yield Enhancer Fund		100,340	AA- (f)	100,980	AA- (f)
Askari Equity Fund		114,344	unrated	113,466	unrated
JS Growth Fund		54,990	unrated	26,190	unrated
JS Value Fund		17,205	unrated	-	-
Meezan Balanced Fund		127,722	unrated	75,568	unrated
PICIC Energy Fund		12,649	unrated	-	-
Term Finance Certificates					
Agriotech Limited		699,389	D	595,141	D
Allied Bank Limited		34,247	AA	69,409	AA
Avari Hotels Limited		55,796	A-	122,943	A-
Azgard Nine Limited		186,446	D	171,050	D
Bank Alfalah Limited		957,239	AA-	671,162	AA-
Bank Al-Habib Limited		268,961	AA	283,754	AA
Bunny's Limited		18,500	unrated	18,500	unrated
Engro Fertilizer Limited		652,585	A	657,902	A
Jahangir Siddique and Company Limited		-	-	375,745	AA
Orix Leasing Pakistan Limited		-	-	59,366	AA+
Pace Pakistan Limited		182,364	D	179,882	unrated
Pak Arab Fertilizer Limited		-	-	146,295	AA
Pak Hy Oils Limited		50,385	unrated	50,385	unrated
Pak Libya Holding Company (Pvt) Limited		83,090	AA	100,717	AA

Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
Pakistan International Airlines Corporation Limited	9.14.1	249,800	unrated	249,800	unrated
Pakistan Mobile Communication Limited		292,482	AA-	375,244	AA-
Pakistan National Shipping Corporation		319,633	unrated	383,558	unrated
Standard Chartered Bank		65,244	AAA	-	-
Shakarganj Mills Limited		40,000	unrated	45,000	unrated
United Bank Limited		7,372	AA	361,857	AA
World Call Telecom Limited		199,415	D	199,415	D
		4,362,948		5,117,125	
National Investment Trust (NIT) Units		706,805	AM2-	864,363	AM2-
Sukuk Certificates	9.14.2	6,730,131	unrated	8,859,690	unrated
Foreign securities					
Mena Transformation Fund		37,813	unrated	49,328	unrated
Government of Pakistan Euro Bonds	9.14.1	1,752,481	unrated	1,042,563	unrated
		165,225,816		141,830,514	

**9.14.1** These are Government of Pakistan guaranteed securities.

**9.14.2** These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 6,011,712 thousand (2012: Rs. 8,032,712 thousand).

**9.14.3** Ratings for these equity securities / units represent 'entity ratings'.

**9.14.4** Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

#### **9.15 Unrealized gain on revaluation of investments classified as held for trading**

Rupees in '000	2013	2012
Fully paid ordinary shares	-	252

**9.16** Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.

**9.17** Investments include Rs. 2,160,358 thousand (2012: Rs. 2,014,475 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 1,336,720 thousand (2012: Rs. 503,315 thousand) against non performing investments.

**9.17.1** During the year, the Forced Sale Value (FSV) benefit had been reduced by Rs. 192,207 thousand (2012: increased by Rs. 7,575 thousand) against non-performing investments. Had the FSV benefit not been recognized, provision against investments for the year would have been lower by Rs. 192,207 thousand (2012: higher by Rs. 7,575 thousand).

**9.18** The Bank has availed the relaxation of Rs. 499,676 thousand (2012: Rs. 809,460 thousand) and Rs. 169,679 thousand (2012: Rs. 304,250 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations for debt securities and impairment for equity securities respectively.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		165,349,378	137,295,155
Outside Pakistan		3,633,699	3,351,665
		168,983,077	140,646,820
Net investment in lease finance - In Pakistan	10.2	3,832,019	4,827,289
Ijarah financing - In Pakistan	10.3	138,622	307,336
Net book value of assets / investments in Ijarah under IFAS 2 - In Pakistan	10.4	1,024,822	380,311
Bills discounted and purchased			
Payable in Pakistan		10,882,706	8,215,199
Payable outside Pakistan		7,309,627	8,477,755
		18,192,333	16,692,954
Advances - gross		192,170,873	162,854,710
Provision against non performing advances	10.6		
Specific provision		(28,279,285)	(18,796,160)
General provision		(150,970)	(127,698)
General provision against consumer financing		(183,986)	(203,890)
		(28,614,241)	(19,127,748)
Advances - net of provision		163,556,632	143,726,962
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		181,462,148	155,124,580
In foreign currencies		10,708,725	7,730,130
		192,170,873	162,854,710
<b>10.1.2</b> Short term (for upto one year)		146,858,765	106,551,306
Long term (for over one year)		45,312,108	56,303,404
		192,170,873	162,854,710

**10.2 Net investment in lease finance – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	1,676,002	551,356	2,446	2,229,804	2,042,681	799,577	2,133	2,844,391
Residual value	1,302,144	478,142	11,799	1,792,085	1,560,684	699,902	10,289	2,270,875
Minimum lease payments	2,978,146	1,029,498	14,245	4,021,889	3,603,365	1,499,479	12,422	5,115,266
Finance charges for future periods	(109,576)	(80,130)	(164)	(189,870)	(158,245)	(129,689)	(43)	(287,977)
Present value of minimum lease payments	2,868,570	949,368	14,081	3,832,019	3,445,120	1,369,790	12,379	4,827,289

**10.3 Ijarah financing – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Ijarah rentals receivable	139,223	-	-	139,223	126,281	96,613	-	222,894
Residual value	6,273	-	-	6,273	47,907	56,200	-	104,107
Minimum Ijarah payments	145,496	-	-	145,496	174,188	152,813	-	327,001
Profit for future periods	(6,874)	-	-	(6,874)	(13,484)	(6,181)	-	(19,665)
Present value of minimum Ijarah payments	138,622	-	-	138,622	160,704	146,632	-	307,336

**10.4 Net book value of assets / investments in Ijarah under IFAS 2 – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Assets acquired under Ijarah	133,242	1,034,779	-	1,168,021	116,643	368,573	-	485,216
Accumulated depreciation on Ijarah	(34,613)	(108,586)	-	(143,199)	(32,225)	(72,680)	-	(104,905)
Net assets / investments in Ijarah	98,629	926,193	-	1,024,822	84,418	295,893	-	380,311

**10.5** Advances include Rs. 33,119,829 thousand (2012: Rs. 26,518,448 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2013								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.5.1	451,923	-	451,923	-	-	-	-	-	-
Substandard	805,098	-	805,098	104,106	-	104,106	104,106	-	104,106
Doubtful	591,598	-	591,598	239,273	-	239,273	239,273	-	239,273
Loss	31,271,210	-	31,271,210	27,935,906	-	27,935,906	27,935,906	-	27,935,906
	33,119,829	-	33,119,829	28,279,285	-	28,279,285	28,279,285	-	28,279,285

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Category of classification	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned - note 10.5.1	127,181	-	127,181	-	-	-	-	-	-
Substandard	709,386	-	709,386	110,070	-	110,070	110,070	-	110,070
Doubtful	3,015,923	-	3,015,923	307,730	-	307,730	307,730	-	307,730
Loss	22,665,958	-	22,665,958	18,378,360	-	18,378,360	18,378,360	-	18,378,360
	26,518,448	-	26,518,448	18,796,160	-	18,796,160	18,796,160	-	18,796,160

**10.5.1** This represents classification made for agricultural finances.

## 10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2013				2012			
		Specific	General	Consumer financing - General	Total	Specific	General	Consumer financing - General	Total
Opening balance		18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690
Transfer from investments		-	-	-	-	22,500	-	-	22,500
Charge for the year		10,606,839	34,440	2,928	10,644,207	3,532,354	9,575	332	3,542,261
Reversal for the year		(756,604)	(11,168)	(22,832)	(790,604)	(1,050,208)	(14,007)	(41,488)	(1,105,703)
Net charge / (reversal) for the year		9,850,235	23,272	(19,904)	9,853,603	2,482,146	(4,432)	(41,156)	2,436,558
Amounts written off	10.8	(427)	-	-	(427)	-	-	-	-
Amounts charged off- agri loans		(366,683)	-	-	(366,683)	-	-	-	-
Closing balance		28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748

Rupees in '000	2013	2012
<b>10.6.1</b> Provision against non-performing advances - net		
Net charge for the year	9,853,603	2,436,558
Reversal of capital reserve	-	(94,085)
	9,853,603	2,342,473

**10.6.2** This includes specific provision on subjective basis against certain loans and advances, further, during the year the Bank has not availed FSV benefit on Agri Loans in its entirety and FSV benefit of Rs. 2,380 million on provisioning against other loans and advances. Furthermore, net reduction in FSV benefit during the year amounted to Rs. 1,729,661 thousand (2012: Rs. 596,999 thousand) resulting in increased charge for specific provision for the year ended by the same amount. The FSV benefit is not available for cash or stock dividend.

**10.6.3** The Bank has availed the relaxation of Rs. 191,714 thousand (2012: Rs. 262,880 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

**10.6.4** The general provision is maintained at the rate of 0.1% on advances other than non-performing advances and consumer financing.

**10.7 Particulars of provision against non-performing advances**

Rupees in '000	2013				2012			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	27,695,664	150,970	183,986	28,030,620	18,435,321	120,493	203,890	18,759,704
In foreign currencies	583,621	–	–	583,621	360,839	7,205	–	368,044
	28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748

Rupees in '000	2013	2012
<b>10.8 Particulars of write-offs:</b>		
<b>10.8.1</b> Against provisions	427	–
Directly charged to profit and loss account	–	1,043
	427	1,043
<b>10.8.2</b> Write offs of Rs. 500,000 and above	–	1,043
Write offs of below Rs. 500,000	427	–
	427	1,043

**10.8.3** 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2013 is given at Annexure - 1.

Rupees in '000	Note	2013	2012
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,425,510	1,460,577
Loans granted / added during the year		1,150,183	333,959
Repayments		(622,444)	(369,026)
Balance at end of year		1,953,249	1,425,510
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		145	291
Loans granted / added during the year		3,893,348	–
Repayments		(956,042)	(146)
Balance at end of year		2,937,451	145
		4,890,700	1,425,655
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	35,444	43,524
Property and equipment	11.2	7,358,237	7,568,768
Intangibles	11.2	1,173,720	1,228,799
		8,567,401	8,841,091
<b>11.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		35,444	43,524
		35,444	43,524

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 11.2 Property and equipment

Rupees in '000	2013										
	COST / REVALUED AMOUNT				DEPRECIATION					Book value as at December 31, 2013	Annual rate of depreciation (%)
	as at January 1, 2013	Additions / revaluation	Adjustment	Deletions	as at December 31, 2013	as at January 1, 2013	Charge for the year	On (deletion) / adjustment	as at December 31, 2013		
Land freehold - note 11.3	1,639,802	-	-	-	2,445,595	-	-	-	-	2,445,595	-
Land leasehold - note 11.3	2,151,818	805,793	(10,468)	-	1,472,193	-	-	-	-	1,472,193	-
Buildings on freehold land	855,882	-	14,182	-	870,064	253,308	29,844	-	288,190	581,874	5
Buildings on leasehold land	1,427,212	-	(744)	-	1,426,468	468,308	39,055	-	502,325	924,143	5
Renovation of premises	1,897,278	80,769	(6,609)	(5,277)	1,966,161	1,410,790	245,054	(6,188)	1,649,743	316,418	20
Furniture, fixtures and office equipments	537,347	50,724	101	(10,857)	577,315	250,524	29,600	(4,915)	275,407	301,908	10
Carpets	24,435	8,167	-	(3,639)	28,963	18,497	2,617	(3,041)	18,073	10,890	20
Machine and equipments	1,376,637	90,351	125	(9,439)	1,457,674	886,617	95,455	(6,254)	975,834	481,840	20
Computer equipments	2,158,132	55,123	387	(763)	2,212,879	1,221,844	177,681	(515)	1,399,350	813,529	20
Vehicles	212,129	5,923	-	(59,781)	158,271	202,909	5,038	(59,447)	148,489	9,782	20
Other assets	45,100	-	-	-	45,100	44,207	828	-	45,035	65	20
	12,325,772	291,057	(3,026)	(89,756)	12,660,683	4,757,004	625,172	(80,360)	5,302,446	7,358,237	
Operating lease - Vehicles	1,834	136,636	-	-	-	1,834	1,834	630	-	-	20
	12,327,606	427,693	(3,026)	(89,756)	12,662,517	4,758,838	625,172	(79,730)	5,304,280	7,358,237	
<b>Intangible</b>											
Software	1,449,630	91,369	-	-	1,540,999	220,831	146,448	-	367,279	1,173,720	10

Rupees in '000	2012										
	COST / REVALUED AMOUNT				DEPRECIATION					Book value as at December 31, 2012	Annual rate of depreciation (%)
	as at January 1, 2012	Additions	Adjustment	Deletions	as at December 31, 2012	as at January 1, 2012	Charge for the year	On (deletion) / adjustment	as at December 31, 2012		
Land freehold	1,639,802	-	-	-	1,639,802	-	-	-	1,639,802	-	
Land leasehold	2,151,818	-	-	-	2,151,818	-	-	-	2,151,818	-	
Buildings on freehold land	855,882	-	-	-	855,882	222,241	31,067	-	253,308	602,574	5
Buildings on leasehold land	1,427,212	-	-	-	1,427,212	419,039	49,269	-	468,308	958,904	5
Renovation of premises	1,828,178	70,870	(1,601)	(169)	1,897,278	1,137,145	273,763	(107)	1,410,790	486,488	20
Furniture, fixtures and office equipment	526,885	16,424	147	(6,109)	537,347	222,547	30,413	(2,467)	250,524	286,823	10
Carpets	23,180	3,527	-	(2,272)	24,435	17,664	2,437	(1,604)	18,497	5,938	20
Machine and equipment	1,321,306	63,118	50	(7,837)	1,376,637	779,061	113,464	(5,820)	886,617	490,020	20
Computer equipment	2,080,728	82,212	342	(5,150)	2,158,132	1,022,895	202,659	(4,005)	1,221,844	936,288	20
Vehicles	223,584	43	(335)	(11,163)	212,129	205,156	9,217	(11,108)	202,909	9,220	20
Other assets	133,222	-	(88,122)	-	45,100	105,293	6,916	(356)	44,207	893	20
	12,211,797	236,194	(89,519)	(32,700)	12,325,772	4,131,041	719,205	(25,111)	4,757,004	7,568,768	
Operating lease - Vehicles	18,209	-	-	(16,375)	1,834	18,209	-	(16,375)	1,834	-	20
	12,230,006	236,194	(89,519)	(49,075)	12,327,606	4,149,250	719,205	(109,617)	4,758,838	7,568,768	
<b>Intangible</b>											
Software	1,305,468	144,162	-	-	1,449,630	80,738	140,093	-	220,831	1,228,799	10



**11.2.1** Cost of fully depreciated property and equipment still in use amounts to Rs. 1,163,687 thousand (2012: Rs. 884,184 thousand).

**11.3** The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2013 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation on land is Rs. 1,836,931 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	831,154	Sadrudin Associates, Harvestor Services and Spira & Co.
Lahore	1,331,615	Gulf Consultants and SMASCO
Islamabad	191,332	SMASCO
Rawalpindi	1,115,900	SMASCO
Peshawar	10,807	SMASCO
Quetta	436,980	Sadrudin Associates
	3,917,788	

Had the land not been revalued, the carrying amount of land as at December 31, 2013 would have been Rs. 2,080,857 thousand.

#### 11.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees in '000					
<b>Vehicles</b>						
Toyota Land Cruiser	3,932	3,932	-	3,400	Negotiation	Army Welfare Trust
Toyota Prado	3,530	3,530	-	3,825	- do -	Army Welfare Trust
Toyota Prado	3,571	3,571	-	4,265	Tender	Mr. Muhammad Shah
KIA Sportage	1,818	1,818	-	619	- do -	Mr. Rizwan Mazhar
Honda Civic	1,374	1,374	-	985	- do -	Mr. Farhan Rashid
Honda Civic	1,245	1,245	-	805	- do -	Mr. Tahir Ayub
Toyota Corolla	1,162	1,162	-	950	- do -	Mr. Abdul Rashid
Honda Civic	1,103	1,103	-	834	- do -	Mr. M. Islam Khan
Honda Civic	1,003	1,003	-	776	- do -	Mr. M. Islam Khan
Toyota Corolla	1,003	1,003	-	655	- do -	Mr. Raheel Rustam
Honda Civic	1,857	1,702	155	186	As per bank policy	Mr. M. R. Mehkari - Ex. President and CEO
Honda Civic	1,683	1,655	28	589	- do -	Mr. Javed Iqbal - Ex- Executive
Honda Civic	1,504	1,504	-	1,250	Insurance claim	Insurance claim
<b>Renovation</b>						
Renovation	5,277	5,210	67	598	Negotiation	Muhammad Munir
	3,062	29,812	250	19,737		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related party	59,694	50,548	9,146	36,456		
2013	89,756	80,360	9,396	56,193		
2012	49,075	41,486	7,589	13,333		

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	6,197,476	6,130,141
Income / mark-up accrued in foreign currencies		275,287	193,127
Advances, deposits, advance rent and other prepayments		961,754	797,301
Advance taxation (payments less provisions)		4,461,059	3,643,715
Non banking assets acquired in satisfaction of claims	12.2	3,909,368	4,289,885
Un-realized gain on forward foreign exchange contracts - net		-	80,587
Suspense account		150,338	71,625
Stationary and stamps in hand		33,910	35,377
Dividend receivable		79,942	53,752
Others		329,030	257,579
		16,398,164	15,553,089
Less: provision against other assets	12.3	(201,000)	(92,498)
Other assets - net of provision		16,197,164	15,460,591

**12.1** This balance has been arrived at after adjusting interest in suspense of Rs. 10,636,791 thousand (2012: Rs. 9,519,286 thousand).

**12.2** Market value of non banking assets acquired in satisfaction of claims is Rs. 4,893,844 thousand (2012: Rs. 6,461,300 thousand). Impairment loss of Rs. 199,898 thousand on revaluation of these assets has been recognised.

Rupees in '000	2013	2012
<b>12.3 Provision against other assets</b>		
Opening balance	92,498	97,662
Provision recognised during the year	108,502	21,633
Recovery from customer	-	(13,000)
	108,502	8,633
Written off during the year	-	(13,797)
Closing balance	201,000	92,498
<b>13. BILLS PAYABLE</b>		
In Pakistan	5,687,542	3,700,156
<b>14. BORROWINGS</b>		
In Pakistan	24,521,253	8,360,019
Outside Pakistan	24,626	12,598
	24,545,879	8,372,617
<b>14.1 Particulars of borrowings with respect to currencies</b>		
In local currency	24,521,253	8,360,019
In foreign currencies	24,626	12,598
	24,545,879	8,372,617

Rupees in '000	Note	2013	2012
<b>14.2 Details of borrowings – secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	8,617,564	7,170,013
Long term financing of export oriented projects	14.2.2	176,991	400,104
Long term financing facility	14.2.3	149,538	195,076
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.4	1,205	2,745
Refinance scheme for revival of SME activities in flood affected areas	14.2.4	7,500	7,500
		8,952,798	7,775,438
Repo borrowings from financial institutions	14.2.5	15,174,630	-
Unsecured			
Call borrowings		-	500,000
Overdrawn balance with other banks		393,825	84,581
		393,825	584,581
		24,521,253	8,360,019
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		24,626	12,598
		24,545,879	8,372,617

**14.2.1** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 8.4% (2012: 8.5%) per annum payable on a quarterly basis.

**14.2.2** These carry mark-up rate of 5% (2012: 5%) per annum payable on a quarterly basis.

**14.2.3** These carry mark-up ranging from 7.5% to 10.1% (2012: 5.5% to 10.1%) per annum payable on a quarterly basis.

**14.2.4** These carry mark-up rate of 5% (2012: 5%) per annum payable on a quarterly basis.

**14.2.5** These are secured against pledge of Government Securities and carry markup ranging from 9.50% to 10.05% (2012: Nil) per annum and have maturities upto 1 month.

Rupees in '000	2013	2012
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	82,583,524	75,647,191
Savings deposits	172,338,878	155,646,270
Current accounts - non-remunerative	70,616,433	62,694,946
Special exporters' account	79,243	22,282
Margin accounts	1,667,411	2,316,551
Others	449,356	406,476
Financial institutions		
Remunerative deposits	7,174,571	9,381,065
Non-remunerative deposits	331,611	822,435
	335,241,027	306,937,216
<b>15.1 Particulars of deposits</b>		
In local currency	295,920,785	274,501,211
In foreign currencies	39,320,242	32,436,005
	335,241,027	306,937,216

Deposits include Rs. 13,510,155 thousand (2012: Rs. 18,631,133 thousand) due to related parties.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2013	2011
<b>16. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - I	–	1,495,500
Term Finance Certificates - II	–	1,495,800
Term Finance Certificates - III	2,995,200	2,996,400
Term Finance Certificates - IV	999,200	999,600
	<b>3,994,400</b>	<b>6,987,300</b>

The Bank had raised unsecured sub-ordinated loans through issuance of four separate Term Finance Certificates to improve the Bank's capital adequacy. The first two issues were fully redeemed during the year. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance Certificates – III	Term Finance Certificates – IV
Outstanding amount – Rupees in thousand	2,995,200	999,200
Issue date	November 18, 2009	December 23, 2011
Total issue	Rupees 3,000 million	Rupees 1,000 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange Limited	Unlisted
Rate	Payable six monthly - Base Rate plus 2.5% (after 5 years: 2.95%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-96th month: 0.32% 97-120th month: 99.68%

Rupees in '000	2013	2012 Restated
<b>17. DEFERRED TAX (ASSETS) / LIABILITIES</b>		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation and amortization	518,980	606,572
Unused tax loss	(120,200)	–
Provision against non-performing advances		
- excess of 1% of total advances	(3,432,177)	(651,007)
- classified in sub-standard category	(71,278)	(5,867)
	(3,104,675)	(50,302)
Surplus on revaluation of available for sale securities	139,419	168,678
Actuarial losses	(12,029)	(47,147)
	<b>(2,977,285)</b>	<b>71,229</b>

Rupees in '000	Note	2013	2012 Restated
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,038,062	1,837,337
Mark-up / return / interest payable in foreign currencies		25,349	17,051
Unearned income / commission		192,445	168,876
Accrued expenses		693,602	696,837
Advance payments		70,704	59,315
Security deposit against lease / Ijarah financing		1,906,859	2,378,387
Unclaimed dividends		38,201	38,371
Branch adjustment account		451,350	858,692
Payable to defined benefit plan	35.2	-	134,706
Payable against purchase of listed shares		126,750	140,574
Un-realized loss on forward foreign exchange contracts - net		144,168	-
Withholding taxes payable		136,133	39,367
Federal excise duty payable		27,560	3
Workers' Welfare Fund		44,227	185,115
Switch fee payable		69,425	52,988
Others		664,924	779,043
		<b>6,629,759</b>	<b>7,386,662</b>

**19. SHARE CAPITAL****19.1 Authorized capital**

2013	2012		Rupees in '000	
Number of shares				
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000

**19.2 Issued, subscribed and paid up capital**

2013	2012		Rupees in '000	
Number of shares				
Ordinary shares of Rs. 10 each:				
514,689,100	67,500,000	Fully paid in cash	5,146,891	675,000
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978
28,273,315	28,273,315	Issued on ALL merger	282,733	282,733
<b>1,260,260,184</b>	<b>813,071,084</b>		<b>12,602,602</b>	<b>8,130,711</b>

**19.3 Capital Risk Management**

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In terms of BSD circular No. 7 of 2009 issued by the SBP, the Bank is required to enhance its existing paid up capital to Rs. 10 billion (net of losses) to be achieved in phased manner as follows:

	Minimum paid up capital (net of losses)
By December 31, 2009	Rs. 6 billion
By December 31, 2010	Rs. 7 billion
By December 31, 2011	Rs. 8 billion
By December 31, 2012	Rs. 9 billion
By December 31, 2013	Rs. 10 billion

The Bank is fully compliant with the minimum capital requirements of the SBP regulations as at December 31, 2013.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note - 20.2	General reserve	2013	2012
<b>20. RESERVES</b>						
Balance as at January 01 - restated	82,659	234,669	3,899,517	4,325,576	8,542,421	8,136,440
Effect of translation of net investment in Wholesale Bank Branch	16,350	-	-	-	16,350	7,363
Transfer from un-appropriated (loss) / profit	-	-	-	(2,945,710)	(2,945,710)	1,553,230
Bonus shares issued	-	-	-	-	-	(1,060,527)
Reversal of capital reserve	-	-	-	-	-	(94,085)
Balance as at December 31	99,009	234,669	3,899,517	1,379,866	5,613,061	8,542,421

**20.1** As at December 31, 2013, the Bank has availed net of tax benefit of Forced Saled Value (FSV) of Rs. 1,845,630 thousand (December 31, 2012: Rs. 3,094,844 thousand) in respect of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing assets allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in notes 9.17.1 and 10.6.2 above. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

**20.2** Under section 21 of the Banking Companies Ordinance, 1962, every Banking company incorporated in Pakistan is required to transfer not less than 20% of balance of profit to a statutory reserve until the amount in statutory reserve together with amount in share premium account equals to or exceeds the paid-up capital of the Bank and thereafter 10% of the balance of profit of the holding company are to be transferred to this reserve.

Rupees in '000	2013	2012
<b>21. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>		
Surplus on revaluation of land	1,836,931	1,697,325
Surplus / (deficit) on revaluation of available for sale securities		
i) Federal Government securities	(474,583)	781,542
ii) Listed shares	631,670	(34,407)
iii) Units of open end mutual funds	174,631	8,032
iv) Other securities	66,621	(273,230)
	398,339	481,937
Less: related deferred tax	(139,419)	(168,678)
	258,920	313,259
	2,095,851	2,010,584
<b>22. CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1 Direct credit substitutes</b>		
Government	-	-
Others	8,024,235	5,373,983
	8,024,235	5,373,983

Rupees in '000	2013	2012
<b>22.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	992,331	233,955
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	67,564,698	79,212,961
ii) Banks and other financial institutions	3,232,089	808,020
iii) Others	6,823,472	13,813,083
	77,620,259	93,834,064
	78,612,590	94,068,019

These include guarantees amounting to Rs. 993,595 thousand (2012: Rs. 901,381 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

Rupees in '000	2013	2012
<b>22.3 Trade-related contingent liabilities</b>	79,193,455	44,442,449
<b>22.4 Other contingencies</b>		
<b>22.4.1</b> These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	809,026	615,701

**22.4.2** The Bank is contesting a case filed against it and some of its employees in the Sindh High Court for declaration and damages. Based on outside legal advice, the case of declaration is likely to be decided in Bank's favor. However, in case of award of damages, the potential liability of the Bank is estimated at not more than Rs. 100 million.

#### 22.5 Tax contingencies

For the Tax Years 2005 to 2008, there is a contingent liability of Rs. 681 million on account of amendment to assessments carried out by the Tax Department in the matters of taxation of commission & brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank's appeals are pending decision by the ATIR with respect to matters not decided in its favour.

Rupees in '000	2013	2012
<b>22.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	994,312	5,823,130
Sale and repurchase agreements	15,211,984	-
<b>22.7 Commitments in respect of forward exchange contracts</b>		
Purchase	58,454,369	13,497,314
Sale	49,320,257	8,926,334

The above commitments have maturities falling within one year.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2013	2012
<b>22.8 Commitments in respect of forward sale of listed equity securities</b>		
Sale	–	138,191
<b>22.9 Commitments for the acquisition of operating fixed assets</b>	145,174	140,070
<b>22.10 Commitments to extend credit</b>		
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 except for	9,756,031	6,480,778
<b>22.11 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000
<b>22.12 Bills for collection</b>		
Payable in Pakistan	3,364,728	1,162,798
Payable outside Pakistan	14,814,641	11,126,400
	18,179,369	12,289,198

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

## 23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the SBP, and equity futures. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter parties' intra-day and overnight limits. In addition, these also come under the SBP's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

## 24. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Swap, Forward Rate Agreements or Foreign Exchange Options. However, the Bank's Treasury and Investment Banking Group buy and sell derivative instruments such as:

- Forward exchange contracts
- Equity futures

### 24.1 Forward exchange contracts

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

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

If the relevant exchange rate moves un-favourably, the Bank will loose money, and Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking forward position in inter-bank Foreign Exchange.



## 24.2 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio 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.

Rupees in '000	Note	2013	2012
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	25.1	14,364,178	17,420,940
ii) Financial institutions		99,862	45,910
On investments:			
i) Available for sale securities		12,852,256	14,156,786
ii) Held to maturity securities		281,762	447,735
On deposits with financial institutions		167,523	153,189
On securities purchased under resale agreements		194,924	177,627
		<b>27,960,505</b>	<b>32,402,187</b>

**25.1** This includes an amount of Rs. 190,637 thousand (2012: Rs. 7,080 thousand) on account of income received from related parties.

Rupees in '000	Note	2013	2012
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits	26.1	16,967,302	19,110,271
On securities sold under repurchase agreements		1,097,646	2,228,432
On sub-ordinated loans		645,473	962,708
On call money borrowings		23,143	19,630
On refinance borrowings from SBP		562,829	597,847
On long term finance for export oriented projects from SBP		31,080	48,506
On other short term borrowings		35,715	6,387
		<b>19,363,188</b>	<b>22,973,781</b>

**26.1** This includes an amount of Rs. 1,162,734 thousand (2012: Rs. 2,328,062 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2013	2012
<b>27. GAIN / (LOSS) ON SALE OF SECURITIES – NET</b>		
Federal Government Securities		
Market Treasury Bills	119,950	98,930
Pakistan Investment Bonds	208,819	473,013
Shares – listed	224,101	203,835
Others	267,531	(94,093)
	<b>820,401</b>	<b>681,685</b>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>28. OTHER INCOME</b>			
Rent of property	28.1	39,670	31,079
Gain on sale of operating fixed assets		46,797	5,744
Rent of lockers		19,356	16,211
Gain on sale of non-banking assets		1,832	6,723
Recovery of write / charge off assets		37,794	-
Recovery of expenses from customers		394,941	301,203
		<b>540,390</b>	<b>360,960</b>

**28.1** This includes an amount of Rs. 32,169 thousand (2012: Rs. 29,574 thousand) on account of rent received from related parties.

Rupees in '000	Note	2013	2012 Restated
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		4,106,522	4,056,508
Charge for defined benefit plan	35.3	157,742	172,424
Contribution to defined contribution plan	36	137,370	144,542
Non - executive directors' fees, allowances and other expenses		5,000	4,700
Rent, taxes, insurance, electricity, etc.		1,307,488	1,129,293
Legal and professional charges		122,826	69,212
Brokerage and commission		117,934	105,931
Communications		362,047	313,187
Repairs and maintenance		938,697	885,062
Stationery and printing		108,584	108,399
Advertisement and publicity		88,873	79,643
Donations	29.1	2,500	-
Auditors' remuneration	29.2	9,711	10,809
Depreciation	11.2	625,172	719,205
Amortization	11.2	146,448	140,093
Travelling and entertainment		92,820	104,148
Fuel and vehicle running expenses		586,027	543,333
Security service charges		307,920	270,802
Staff training expenses		17,573	30,144
Other expenditure		155,549	140,540
		<b>9,396,803</b>	<b>9,027,975</b>

**29.1** Donation was made to Army Relief Fund for affectees of Earthquake in Baluchistan. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	2013	2012
<b>29.2 Auditors' remuneration</b>		
Audit fee	2,800	2,800
Fee for the audit of Wholesale Bank Branch	2,590	2,214
Fee for the audit of provident and gratuity funds	168	167
Special certifications, half year review and the audit of consolidated financial statements	1,728	2,988
Tax services	1,600	1,815
Out of pocket expenses	825	825
	<b>9,711</b>	<b>10,809</b>
<b>30. OTHER CHARGES</b>		
Workers' Welfare Fund	-	77,115
Penalties imposed by the State Bank of Pakistan	22,571	3,182
	<b>22,571</b>	<b>80,297</b>

Rupees in '000	2013	2012 Restated
<b>31. TAXATION</b>		
For the year		
Current	93,765	843,092
Deferred	(3,054,373)	(364,779)
	(2,960,608)	478,313
<b>31.1 Relationship between tax expense and accounting profit</b>		
(Loss) / profit before taxation	(8,440,503)	1,741,007
Tax at applicable tax rate of 35 percent (2012: 35 percent)	(2,954,176)	609,352
Effect of:		
– Income chargeable to tax at lower rates	(84,296)	(132,066)
– Permanent differences	7,900	1,114
– Others	69,964	(87)
	(2,960,608)	478,313

### 31.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2013 (year ended December 31, 2012). The assessment for and up to Tax Year 2009 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

Tax payments made in relation to the matters currently pending are being carried forward as management is confident of their realization as and when the appeals are decided.

- ii) Consequent upon the amalgamation with and into the Bank, the outstanding tax issues relating to ALL are as follows:

Tax returns of ALL have been filed for and up to Tax Year 2010. The returns for the Tax Years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the Tax Department. A tax demand is however not likely to arise after re-assessment.

For and up to the Assessment Years 2002-2003, reference applications filed by the Tax Authorities in the matter of computation of lease income are pending decisions by the High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in a parallel case.

For and up to Assessment Year 2002-2003 & Tax Years 2003, 2004 & 2007 the Tax Department has filed appeals with the ATIR against the decision of CIR (A) that minimum tax was not chargeable on lease rentals/ income. These are pending decision.

Rupees in '000	2013	2012 Restated
<b>32. BASIC / DILUTED EARNINGS PER SHARE</b>		
(Loss) / profit for the year – Rupees in '000	(5,479,895)	1,262,694
Weighted average number of Ordinary Shares – numbers	866,978,811	813,071,084
Basic (loss) / earnings per share – Rupees	(6.32)	1.55

There is no dilutive effect on the basic earnings per share of the Bank.

Weighted average number of ordinary shares for 2013 had been calculated to give effect of right shares issued during the year.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2013	2012 Restated
<b>33. CASH AND CASH EQUIVALENTS</b>		
Call money lendings	1,000,000	-
Cash and balances with treasury banks	26,104,822	24,435,380
Balances with other banks	9,057,747	8,863,586
	36,162,569	33,298,966
<b>33.1 Cash flow from operating activities (direct method)</b>		
Mark-up / return / interest and commission receipts	30,383,885	36,090,474
Mark-up / return / interest payments	(19,154,165)	(23,255,067)
Cash payments to employees, suppliers and others	(8,591,066)	(6,837,244)
	2,638,654	5,998,163
Decrease / (increase) in operating assets		
Lendings to financial institutions	4,850,845	(4,727,890)
Held for trading securities	151,845	(151,593)
Advances	(29,302,756)	3,742,882
Other assets (excluding advance taxation)	(264,352)	393,836
	(24,564,418)	(742,765)
Increase / (decrease) in operating liabilities		
Bills payable	1,987,386	944,124
Borrowings	16,173,262	(8,900,853)
Deposits	28,303,811	15,434,223
Other liabilities (excluding current taxation)	(498,153)	(229,848)
	45,966,306	7,247,646
Cash flow before tax	24,040,542	12,503,044
Income tax paid	(1,134,841)	(1,553,220)
Net cash flow from operating activities	22,905,701	10,949,824
<b>34. STAFF STRENGTH</b>	Number of employees	
Permanent	4,411	4,272
Temporary / on contractual basis	1,091	1,269
Commission based	29	56
Total staff strength at end of the year	5,531	5,597

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof.

Rupees in '000	2013	2012 Restated
<b>35.2 The amounts recognised in the unconsolidated statement of financial position are as follows:</b>		
Present value of defined benefit obligation	1,173,711	1,207,535
Fair value of plan assets	(1,173,711)	(1,072,829)
Net liability	-	134,706

Rupees in '000	2013	2012 Restated
<b>35.3 The amounts recognised in unconsolidated profit and loss account are as follows:</b>		
Current service cost	142,251	156,238
Interest on obligation	127,423	124,744
Expected return on plan assets	(111,932)	(108,558)
	157,742	172,424
<b>35.4 Actual return on plan assets</b>	107,769	109,971
<b>35.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	1,207,535	997,952
Current service cost	142,251	156,238
Interest cost	127,423	124,744
Actuarial (gain) / loss	(104,489)	14,805
Benefits paid	(199,009)	(86,204)
Closing defined benefit obligation	1,173,711	1,207,535
<b>35.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	1,072,829	865,358
Expected return	111,932	108,558
Actuarial (loss) / gain	(4,163)	1,413
Contributions by employer	192,122	183,704
Benefits paid	(199,009)	(86,204)
Closing fair value of plan assets	1,173,711	1,072,829

The Bank expects to contribute Rs. 152,274 thousand to its defined benefit gratuity plan in 2014.

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

	2013		2012	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>35.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	891,759	76	761,861	71
Bank deposit account	281,952	24	310,968	29
	1,173,711	100	1,072,829	100

All Government bonds have quoted prices in active markets. All government bonds are issued by GoP.

At each reporting date the board of trustees review the funds investments and decides for strategic investments.

The strategic investment policy of the gratuity fund can be summarized as follows:

- strategic asset mix comprising of 10%-30% bank deposits and 70% to 90% Government bonds.
- interest risk is managed by investing 90% of funds through Government bonds.

### 35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2013 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2013	2012
Discount rate - per annum	13.0%	11.5%
Expected rate of increase in salaries - per annum	12.5%	11.5%
Expected rate of return on plan assets - per annum	13.0%	11.0%
Average expected remaining life of employees - years	5	5
Mortality rate	SLIC 2001 - 2005 mortality table	EFU 61 - 66 mortality table

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 35.9 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2013	2012	2011	2010	2009
		Restated			
As at December 31, Defined benefit obligation	1,173,711	1,207,535	997,952	855,806	705,452
Plan assets	(1,173,711)	(1,072,829)	(865,358)	(676,422)	(782,462)
Deficit / (gain)	-	134,706	132,594	179,384	(77,010)
Experience adjustments Actuarial (gain) / loss on obligation	(104,489)	14,805	28,141	30,757	(26,659)
Actuarial gain / (loss) on plan assets	(4,163)	1,413	3,015	(12,421)	(468)

## 35.10 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. The sensitivity analysis of discount rate and salary increase rate is shown in the below table:

Assumptions	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	0.50%	(71,964)	78,268
Salary increase	0.50%	78,628	(72,578)

## 36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2012 were Rs. 2,215,267 thousand (December 31, 2011: Rs. 1,880,291 thousand) as per latest available audited financial statements of the fund.

## 36.1 The details of size and investment of the provident fund is as follows:

Rupees in '000	2013	2012
Size of the Fund	2,395,197	2,215,267
Cost of investments made	2,299,202	2,084,971
Fair value of investments	2,335,712	2,120,710
Percentage of investments made	95.99%	94.12%

## 36.2 Breakup of provident fund investments

	2013		2012	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Government Investment Bonds	2,040,227	88.74%	1,862,653	89.34%
Government Sukuks	150,000	6.52%	150,000	7.19%
Term Finance Certificates	2,522	0.11%	2,522	0.12%
Mutual Funds	69,238	3.01%	63,501	3.05%
Bank Deposits	37,215	1.62%	6,295	0.30%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 37. COMPENSATED ABSENCES

#### 37.1 General description

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days out of which 60 days are encashable at the time of separation from service on the basis of last drawn gross salary.

#### 37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2013 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2013 was Rs. 187,740 thousand against related liability of Rs. 203,899 thousand carried at December 31, 2012. Expense for the year of Rs. 31,923 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2013	2012
Discount rate – per annum	13.0%	11.5%
Expected rate of increase in salaries – per annum	12.5%	11.5%
Leave accumulation factor – days	5	5

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
Fees	–	–	5,000	4,700	–	–
Managerial remuneration	23,903	17,186	–	–	964,485	848,794
Allowances	1,844	2,098	–	–	136,581	126,062
Charge for defined benefit plan	1,239	1,354	–	–	54,648	53,412
Contribution to defined contribution plan	1,144	1,354	–	–	53,136	53,433
Rent and house maintenance	9,425	7,371	–	–	308,238	283,155
Utilities	2,651	1,745	–	–	75,703	67,973
Medical	2,304	1,625	–	–	68,497	61,366
Special performance incentive / Bonus	693	1,405	–	–	4,888	7,341
Adhoc Relief	1,045	–	–	–	123,250	–
Leave Encashment	4,197	–	–	–	28,238	–
	48,445	34,138	5,000	4,700	1,817,664	1,501,536
Number of persons	2	1	20	10	570	500

Executives mean all executive employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Chief Executive is also provided with the Bank maintained car.

Further, senior executives are entitled to certain additional benefits in accordance with the Bank's policy.

The figures for the year includes salary and other benefits of Ex-Chief Executive and other Ex-Senior Executives. Further, fee includes fee paid to former members of the Board of Directors.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

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Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Bank's accounting policy as stated in note 5.5. The effective rates and maturity profile are stated in note 44.2.5 and 44.3.1 respectively.

## 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2013									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	124,172	(270,044)	1,467,691	30,151,742	68,170	17,218	-	-	-	31,558,949
Total expenses	37,062	80,600	376,919	38,833,914	20,347	5,139	-	-	645,471	39,999,452
Net income / (loss)	87,110	(350,644)	1,090,772	(8,682,172)	47,823	12,079	-	-	(645,471)	(8,440,503)
Segment Assets (Gross)	70,214	152,699	11,994,130	413,056,442	38,548	9,736	-	-	-	425,321,769
Segment Non Performing Loans	-	-	2,679,642	30,440,187	-	-	-	-	-	33,119,829
Segment Provision Required	-	-	2,439,282	28,054,992	-	-	-	-	-	30,494,274
Segment Liabilities	1,067	2,321	24,336,897	347,709,946	586	148	-	-	4,047,642	376,098,607
Segment Return on net Assets (ROA) (%)	0.03	(0.07)	0.39	8.06	0.02	0.00	-	-	-	-
Segment Cost of funds (%)	0.01	0.02	0.10	10.47	0.00	0.00	-	-	0.17	-

Rupees in '000	2012									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	136,805	357,973	1,818,093	34,134,105	56,366	16,211	-	-	-	36,519,553
Total expenses	34,195	89,477	516,759	33,157,266	14,089	4,052	-	-	962,708	34,778,546
Net income / (loss)	102,610	268,496	1,301,334	976,839	42,277	12,159	-	-	(962,708)	1,741,007
Segment Assets (Gross)	67,809	329,278	14,659,149	357,933,473	27,939	8,035	-	-	-	373,025,683
Segment Non Performing Loans	-	-	2,873,636	23,644,812	-	-	-	-	-	26,518,448
Segment Provision Required	-	-	2,523,806	17,476,645	-	-	-	-	-	20,000,451
Segment Liabilities	1,046	5,081	18,867,165	307,438,574	431	124	-	-	7,142,759	333,455,180
Segment Return on net Assets (ROA) (%)	0.04	0.10	0.52	9.80	0.02	0.00	-	-	-	-
Segment Cost of funds (%)	0.01	0.03	0.16	10.06	0.00	0.00	-	-	0.29	-

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.19% (2012: 4.85%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.72% (2012: 1.73%) of the total liabilities have been allocated to segments based on their respective assets.

## 41. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

## 42. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited ("the Parent") holds 71.91% (December 31, 2012: AWT held 50.57%) of the Bank's share capital at the year end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.



Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Details of transactions with related parties and balances with them at the year end are as follows:

Rupees in '000	December 31, 2013 - note 42.1						December 31, 2012 - note 42.2					
	Key management		Companies with common directorship having equity under 20%		Associated and subsidiary companies	Employees funds	Key management		Companies with common directorship having equity under 20%		Associated and subsidiary companies	Employees funds
	Parent	Personnel	Directors				Parent	Personnel	Directors			
Balances outstanding as at												
- Advances	79,506	95,926	128	-	2,857,945	-	-	111,092	6,011	145	-	-
- Deposits	5,180,555	40,472	123,537	598,369	7,257,651	309,571	17,755,898	28,306	39,306	349,635	405,377	52,611
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	640,987	-	-	-	985,168	-	-	-	-	233,955	-	-
- Investment in shares / units - at cost	-	-	-	1,714,494	503,492	-	-	-	-	1,714,494	353,492	-
- Security deposits against lease	-	-	-	-	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	-	-	-	-	-	-	3,660	-
Transactions during the year ended												
- Net mark-up / interest earned	5,436	4,644	79	-	180,478	-	-	6,312	754	14	-	-
- Net mark-up / interest expensed	956,708	1,146	4,258	26,366	157,761	16,495	2,275,211	1,413	8,481	23,832	5,148	13,977
- Contribution to employees' funds	-	-	-	-	-	329,492	-	-	-	-	-	328,246
- Investment made in subsidiary	-	-	-	-	150,000	-	-	-	-	-	-	-
- Investment in units of AIML funds - purchase	-	-	-	-	-	-	-	-	-	16,200,000	-	-
- Investment in units of AIML funds - sale	-	-	-	-	-	-	-	-	-	15,980,719	-	-
- Redemption of TFC of bank	-	-	-	-	3,660	-	-	-	-	-	1	-
- Rent of property / service charges received	19,510	-	-	-	12,659	-	19,398	-	-	4,764	5,412	-
- Rent of property / service charges paid	7,362	-	-	34,350	-	-	67,737	-	-	70,277	607	-
- Dividend Income	-	-	-	118,104	-	-	-	-	-	398,644	-	-
- Remuneration and allowances paid	-	167,024	-	-	-	-	-	215,231	-	-	-	-
- Post employment benefits	-	12,045	-	-	-	-	-	16,983	-	-	-	-
- Insurance premium paid	-	-	-	-	82,469	-	-	-	-	-	26,905	-
- Insurance claim received	-	-	-	-	3,155	-	-	-	-	-	317	-
- Security services costs	-	-	-	104,727	-	-	-	-	-	198,679	-	-
- Fee, commission and brokerage income	18	-	-	504	2,831	-	-	-	-	17	169	-
- Fee, commission and brokerage paid	-	-	-	-	115	-	-	-	-	-	-	-
- Proceeds received against right issue	3,215,839	-	15	-	-	-	-	-	-	-	-	-
- Fees paid	-	-	5,000	-	-	-	-	-	4,700	-	-	-

**42.1** These include transactions with those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT) upto June 20, 2013. Further related parties transactions of Fauji Consortium are included from June 21, 2013 onward.

**42.2** Comparative figures of December 31, 2012 are of those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT).

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## 43. CAPITAL ADEQUACY

### 43.1 Scope of Application

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk .

The Bank has two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL). AIML is the wholly-owned subsidiary of Askari Bank Limited while ASL is 74% owned by the Bank. Both these entities are included while calculating Capital Adequacy for the Bank using full consolidation method. The fact that Askari Bank has neither any significant minority investments in banking, securities, or any other financial entities excludes it from a need for further consolidation. Furthermore, the Bank does not enter into in any securitization activity that shields it from the risk inherent in securitization.

### 43.2 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

#### Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events;
- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value added for the shareholders and other stakeholders;

#### Bank's regulatory capital analyzed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits, 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules such as Deferred Tax Assets shall be deducted starting December 2014.

Tier II capital under Basel III is subject to a maximum of 3.5% of total Risk Weighted Assets as of December 2013. It includes subordinated debt issued prior to January 01, 2013 phasing out at an annual rate of 10%, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Starting December 2014 Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2013 the Bank must meet a Tier 1 ratio and CAR of 6.5% and 10% respectively.

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise,

the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, Government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.

### 43.3 Capital Adequacy Ratio (CAR)

	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
Rupees in '000			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital/ Capital deposited with SBP	12,602,602	–	8,130,711
Balance in Share Premium Account	234,669	–	234,669
General/ Statutory Reserves	5,279,383	–	8,225,093
Unappropriated/unremitted (loss) / profit	(1,582,626)	–	1,004,290
<b>CET 1 before Regulatory Adjustments</b>	<b>16,534,028</b>	<b>–</b>	<b>17,594,763</b>
<b>Less: Regulatory Adjustments</b>			
All other intangibles (net of any associated deferred tax liability)	1,185,147	–	1,255,167
Shortfall of provisions against classified assets	–	–	158,459
Reciprocal cross holdings in CET1 capital instruments	68,536	–	–
Total regulatory adjustments applied to CET1	1,253,683	–	1,413,626
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	325,664	–	132,733
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>	<b>1,579,347</b>	<b>–</b>	<b>1,546,359</b>
<b>Common Equity Tier 1</b>	<b>14,954,681</b>	<b>–</b>	<b>16,048,404</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
Qualifying Additional Tier - 1 instruments plus any related share premium			
of which: Classified as equity	–	–	–
of which: Classified as liabilities	–	–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out	–	–	–
<b>AT1 before regulatory adjustments</b>	<b>–</b>	<b>–</b>	<b>–</b>

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	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
Rupees in '000			
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	167,932	-	-
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	157,732	-	132,733
Total of Regulatory Adjustment applied to AT1 capital	325,664	-	132,733
<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	14,954,681	-	16,048,404
<b>Tier 2 Capital</b>			
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	3,456,180	-	3,991,200
General Provisions or general reserves for loan losses - upto maximum of 1.25% of Credit Risk Weighted Assets	334,956	-	331,589
Revaluation Reserves			
of which: Revaluation reserves on Property	826,619	-	763,796
of which: Unrealized Gains / Losses on AFS	116,514	-	216,872
	943,133	-	980,668
Foreign Exchange Translation Reserves	99,009	-	82,659
<b>T2 before regulatory adjustments</b>	4,833,278	-	5,386,116
<b>Tier 2 Capital: regulatory adjustments</b>			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier - 2 capital	157,732	-	132,733
Reciprocal cross holdings in Tier 2 instruments	649,298	-	-
Amount of Regulatory Adjustment applied to T2 capital	807,030	-	132,733
Tier 2 capital (T2)	4,026,248	-	5,253,383
Tier 2 capital recognized for capital adequacy	4,026,248	-	5,253,383
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy	4,026,248	-	5,253,383
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	18,980,929	-	21,301,787
<b>Risk weighted assets</b>			
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	134,584,762	-	138,577,671
of which: deferred tax assets	8,758,637	-	-
Total Credit Risk Weighted Assets	143,343,399	-	138,577,671
Total Market Risk Weighted Assets	16,256,853	-	18,236,301
Total Operational Risk Weighted Assets	23,140,698	-	23,553,401
<b>Total Risk Weighted Assets</b>	182,740,950	-	180,367,373

	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
Percentage			
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA	8.18%	–	8.90%
Tier-1 capital to total RWA	8.18%	–	8.90%
Total capital to RWA	10.39%	–	11.81%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.00%	–	5.00%
of which: capital conservation buffer requirement	0.00%	–	0.00%
of which: countercyclical buffer requirement	0.00%	–	0.00%
of which: D-SIB or G-SIB buffer requirement	0.00%	–	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.18%	–	3.90%
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio	5.00%	–	5.00%
Tier 1 minimum ratio	6.50%	–	5.00%
Total capital minimum ratio	10.00%	–	10.00%
Rupees in '000			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
Non-significant investments in the capital of other financial entities	1,315,104	–	–
Significant investments in the common stock of financial entities	–	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	3,503,455	–	–
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	334,956	–	331,589
Cap on inclusion of provisions in Tier 2 under standardized approach	1,791,792	–	2,254,592
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings - based approach (prior to application of cap)	–	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings - based approach	–	–	–

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## 43.4 Capital adequacy ratio as at December 31, 2013

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's Basel III guidelines on capital adequacy, using standardized approaches for credit and market risks and basic indicator approach for operational risk is presented below. Comparative figures have been presented as per new format and their calculation remained as per Basel II of SBP.

Risk-weighted exposures	Capital Requirement		Risk Weighted Assets	
	2013	2012	2013	2012
Rupees in '000				
<b>Credit risk</b>				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	500,847	385,467	5,008,470	3,854,668
Public Sector Entities (PSEs)	245,729	215,233	2,457,294	2,152,334
Banks	2,271,848	2,078,571	22,718,476	20,785,715
Corporates	6,977,122	6,738,753	69,771,220	67,387,528
Retail portfolio	1,132,684	1,591,644	11,326,842	15,916,438
Residential mortgage finance	302,732	322,679	3,027,321	3,226,791
Listed equities and regulatory capital instruments issued by others banks	71,302	149,037	713,016	1,490,367
Unlisted equity investments	20,672	7,399	206,719	73,992
Significant investment and DTAs	875,864	-	8,758,637	-
Fixed Assets	738,225	758,592	7,382,253	7,585,923
Other Assets	535,421	613,796	5,354,214	6,137,960
Past Due Exposures	510,662	974,568	5,106,617	9,745,677
Forward Foreign Exchange Contracts	151,232	22,028	1,512,320	220,278
<b>Market risk</b>				
Portfolios subject to standardized approach				
Interest rate risk	481,708	652,926	4,817,080	6,529,256
Equity position risk	1,027,539	1,047,968	10,275,388	10,479,682
Foreign exchange risk	116,439	122,736	1,164,385	1,227,363
<b>Operational risk</b>	2,314,070	2,355,340	23,140,698	23,553,401
<b>Total</b>	<b>18,274,096</b>	<b>18,036,737</b>	<b>182,740,950</b>	<b>180,367,373</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			18,980,929	21,301,787
Total risk weighted assets			182,740,950	180,367,373
Capital adequacy ratio			10.39%	11.81%

### 43.5 Capital Structure Reconciliation

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013	Under regulatory scope of consolidation
<b>Assets</b>		
Cash and balances with treasury banks	26,104,822	26,104,822
Balances with other banks	9,057,747	9,057,747
Lending to financial institutions	2,503,207	2,503,207
Investments	165,863,237	165,863,237
Advances	163,556,632	163,556,632
Operating fixed assets	8,567,401	8,567,401
Deferred tax assets	2,977,285	2,977,285
Other assets	16,197,164	16,197,164
<b>Total assets</b>	<b>394,827,495</b>	<b>394,827,495</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	5,687,542	5,687,542
Borrowings	24,545,879	24,545,879
Deposits and other accounts	335,241,027	335,241,027
Sub-ordinated loans	3,994,400	3,994,400
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,629,759	6,629,759
<b>Total liabilities</b>	<b>376,098,607</b>	<b>376,098,607</b>
Share capital/ Head office capital account	12,602,602	12,602,602
Reserves	5,613,061	5,613,061
Unappropriated/ Unremitted (loss) / profit	(1,582,626)	(1,917,617)
Minority Interest	-	-
Surplus on revaluation of assets	2,095,851	2,095,851
<b>Total liabilities &amp; equity</b>	<b>394,827,495</b>	<b>394,827,495</b>
<b>Assets</b>		
Cash and balances with treasury banks	26,104,822	26,104,822
Balances with other banks	9,057,747	9,057,747
Lending to financial institutions	2,503,207	2,503,207
Investments	165,863,237	165,863,237
of which: Mutual Funds exceeding regulatory threshold	167,932	167,932
of which: reciprocal cross holding of capital instrument CET 1	68,536	68,536
of which: reciprocal cross holding of capital instrument AT 1	-	-
of which: reciprocal cross holding of capital instrument Tier II	649,298	649,298
of which: others	164,977,471	164,977,471
Advances	163,556,632	163,556,632
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-
general provisions reflected in Tier 2 capital	334,956	334,956
Fixed Assets	8,567,401	8,567,401
Deferred Tax Assets	2,977,285	2,977,285
of which: DTAs excluding those pertaining to temporary differences	-	-
of which: DTAs arising from temporary differences below the threshold	1,528,035	1,528,035
of which: DTAs arising from temporary differences exceeding regulatory threshold	1,975,420	1,975,420
Other assets	16,197,164	16,197,164
of which: Goodwill	-	-
of which: Intangibles	1,185,147	1,185,147
of which: Defined-benefit pension fund net assets	-	-
<b>Total assets</b>	<b>394,827,495</b>	<b>394,827,495</b>



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Balance sheet as published financial statements As at December 31, 2013	Under regulatory scope of consolidation
<b>Liabilities &amp; Equity</b>		
Bills payable	5,687,542	5,687,542
Borrowings	24,545,879	24,545,879
Deposits and other accounts	335,241,027	335,241,027
Sub-ordinated loans	3,994,400	3,994,400
of which: eligible for inclusion in AT 1	-	-
of which: eligible for inclusion in Tier 2	3,456,180	3,456,180
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,629,759	6,629,759
<b>Total liabilities</b>	<b>376,098,607</b>	<b>376,098,607</b>
<b>Share capital</b>		
Share capital	12,602,602	12,602,602
of which: amount eligible for CET 1	12,602,602	12,602,602
of which: amount eligible for AT 1	-	-
<b>Reserves</b>		
Reserves	5,613,061	5,613,061
of which: portion eligible for inclusion in CET 1 - Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET 1 - General / Statutory Reserves	5,279,383	5,279,378
of which: portion eligible for inclusion in Tier 2	99,009	99,009
Unappropriated (loss) / profit	(1,582,626)	(1,917,617)
Surplus on revaluation of assets	2,095,851	2,095,851
of which: Revaluation reserves on Property	1,836,931	1,836,931
of which: Unrealized Gains / Losses on AFS	258,920	258,920
<b>Total liabilities &amp; Equity</b>	<b>394,827,495</b>	<b>394,827,495</b>

## 43.6 Basel III Disclosure

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>	
Fully Paid-up Capital/ Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General/ Statutory Reserves	5,279,383
Unappropriated/unremitted (loss) / profit	(1,582,626)
<b>CET 1 before Regulatory Adjustments</b>	<b>16,534,028</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>	
All other intangibles (net of any associated deferred tax liability)	1,185,147
Reciprocal cross holdings in CET 1 capital instruments	68,536
Regulatory adjustment applied to CET 1 due to insufficient AT1 and Tier 2 to cover deductions	325,664
<b>Total regulatory adjustments applied to CET1</b>	<b>1,579,347</b>
<b>Common Equity Tier 1</b>	<b>14,954,681</b>

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013
<b>Additional Tier 1 (AT 1) Capital</b>	
Qualifying Additional Tier - 1 instruments plus any related share premium	-
of which: Classified as equity	-
of which: Classified as liabilities	-
Additional Tier - 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
of which: instrument issued by subsidiaries subject to phase out	-
<b>AT1 before regulatory adjustments</b>	<b>-</b>
<b>Additional Tier 1 Capital: regulatory adjustments</b>	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	167,932
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	157,732
Total of Regulatory Adjustment applied to AT 1 capital	325,664
Additional Tier 1 capital	-
<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>14,954,681</b>
<b>Tier 2 Capital</b>	
<b>Qualifying Tier 2 capital instruments under Basel III</b>	
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	3,456,180
General Provisions or general reserves for loan losses - upto maximum of 1.25% of Credit Risk Weighted Assets	334,956
Revaluation Reserves eligible for Tier 2	943,133
of which: portion pertaining to Property	826,619
of which: portion pertaining to AFS securities	116,514
Foreign Exchange Translation Reserves	99,009
Undisclosed / Other Reserves	-
<b>T2 before regulatory adjustments</b>	<b>4,833,278</b>
<b>Tier 2 Capital: regulatory adjustments</b>	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	157,732
Reciprocal cross holdings in Tier 2 instruments	649,298
Amount of Regulatory Adjustment applied to T2 capital	807,030
Tier 2 capital (T2)	4,026,248
<b>Tier 2 capital recognized for capital adequacy</b>	<b>4,026,248</b>
Excess Additional Tier 1 capital recognized in Tier 2 capital	-
Total Tier 2 capital admissible for capital adequacy	4,026,248
<b>Total Capital (T1 + admissible T2)</b>	<b>18,980,929</b>

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## 43.7 Main Features of Regulatory Capital Instruments

Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC IV)
Issuer	Askari Bank - Public Limited Company	Askari Bank - Public Limited Company	Askari Bank - Public Limited Company
Unique identifier	AKBL	AKBL TFC3	NA
Governing law(s) of the instrument	The Companies Ordinance 1984 and Stock Exchanges Regulations	The Companies Ordinance 1984 and Stock Exchanges Regulations	The Companies Ordinance 1984 and Stock Exchanges Regulations
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	Tier 2
Post-transitional Basel III rules	NA	Ineligible	Ineligible
Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Debt Instrument	Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	2,557,980	898,200
Par value of instrument	Rs. 10 per Share	Rs. 5,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	November 18, 2009	December 23, 2011
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	November 18, 2019	December 23, 2021
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	November 18, 2014	December 23, 2016
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon rate and any related index / benchmark	NA	Floating	Floating
	NA	Average Ask 6 month KIBOR plus 2.50% (1 to 5 Years) and Average Ask 6 month KIBOR plus 2.95% (6 to 10 Years)	Average Ask 6 month KIBOR plus 1.75% (1 to 5 Years) and Average Ask 6 month KIBOR plus 2.20% (6 to 10 Years)
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Nonconvertible	Nonconvertible
If convertible, conversion trigger (s)	NA	NA	NA
If convertible, fully or partially	NA	NA	NA
If convertible, conversion rate	NA	NA	NA
If convertible, mandatory or optional conversion	NA	NA	NA
If convertible, specify instrument type convertible into	NA	NA	NA
If convertible, specify issuer of instrument it converts into	NA	NA	NA

Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC IV)
Write-down feature	NA	NA	NA
If write-down, write-down trigger(s)	NA	NA	NA
If write-down, full or partial	NA	NA	NA
If write-down, permanent or temporary	NA	NA	NA
If temporary write-down, description of write-up mechanism	NA	NA	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	Yes
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	Does not meet loss absorbency requirements including conversion

#### 44. RISK MANAGEMENT

The Bank believes that effective risk management is of primary importance to achieve desired level of return while maintaining acceptable level of risk exposure. Robust risk management processes and framework are in place to achieve overall Bank's objectives through a well thought out strategy, which enable the Bank to effectively manage, Credit, Market, Operational and Liquidity risk in a proactive manner.

The Bank's approach is to ensure that risk management is deeply and firmly embedded in the culture of the Bank. All employees are therefore considered responsible for identification, measurement, monitoring and controlling risks within the scope of their assigned responsibilities. As a result of changing risk environment, the Bank continuously monitors and conducts holistic assessment of complex transactions on an integrated basis.

The Bank has a Board Risk Management Committee (BRMC) in place and the Head of Risk reports directly to BRMC for independent assurance. BRMC is responsible to review the extent of design and adequacy of risk management framework. BRMC oversees that risks are managed within the level of tolerance and risk appetite of the Bank.

##### 44.1 Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The Bank takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes more than 40% of the total asset base and is also the largest source of credit risk for the Bank. Moreover, more than 70% of Bank's capital requirement pertains to credit risk. The Bank's advances portfolio is well diversified across various business segments, industries and geographical locations.

Risk mitigants have been put in place at all stages of credit risk cycle i.e. identification, measurement, monitoring, controlling and reporting for effective risk management. Accordingly, portfolio monitoring function is in place at the Bank with dedicated resources to ensure that risk is not only minimized but is optimized in risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Bank's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Bank. Meanwhile, an Advances Review Committee has been established at the Bank. The committee comprises of the stakeholders from all the concerned functional units to oversee credit related activities across the Bank.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 44.1.1 SEGMENT INFORMATION

Segmental Information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

### 44.1.1.1 Segment by class of business

	2013						2012					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	4,519,591	2.35	4,047,537	1.21	2,194,092	0.73	6,545,640	4.02	3,036,944	0.99	421,169	0.23
Automobiles and Allied	856,781	0.45	979,511	0.29	483,647	0.16	504,084	0.31	866,646	0.28	399,962	0.22
Cables / Electronics	2,081,031	1.08	2,292,874	0.68	1,759,920	0.58	2,162,329	1.33	1,434,976	0.47	375,371	0.21
Carpets	524,416	0.27	48,005	0.01	-	-	293,689	0.18	54,742	0.02	23,139	0.01
Cement	1,010,634	0.53	757,607	0.23	2,119,871	0.70	1,143,231	0.70	933,570	0.30	541,912	0.30
Chemicals / Pharmaceuticals	4,238,337	2.21	1,816,256	0.54	1,658,134	0.55	3,119,304	1.92	825,811	0.27	3,442,339	1.91
Engineering	278,611	0.14	56,412	0.02	10,041,236	3.34	642,006	0.39	326,487	0.11	2,167,073	1.20
Fertilizers	3,301,642	1.72	3,156,369	0.93	1,004,663	0.33	3,590,314	2.20	443,461	0.14	1,577,225	0.88
Food and Allied	1,864,274	0.97	691,236	0.21	2,644,130	0.88	2,185,347	1.34	778,180	0.25	913,967	0.51
Fuel / Energy	18,636,887	9.70	3,385,515	1.01	23,837,632	7.92	17,495,770	10.74	2,573,058	0.84	14,241,647	7.91
Ghee and Edible Oil	2,528,603	1.32	171,400	0.05	758,566	0.25	1,783,207	1.09	270,704	0.09	2,618,843	1.46
Glass and Ceramics	1,533,770	0.80	39,940	0.01	2,725	0.00	1,389,070	0.85	42,653	0.01	40,002	0.02
Hotels and Restaurants	359,534	0.19	727,796	0.22	200	0.00	491,390	0.30	681,293	0.22	17,425	0.01
Individuals	15,346,746	7.99	112,599,789	33.59	524,799	0.17	16,986,713	10.43	105,024,343	34.22	167,908	0.09
Insurance	-	-	443,755	0.13	-	-	10,185	0.01	529,751	0.17	500	0.00
Financial institutions / Investment companies	693,333	0.36	513,702	0.15	87,236,542	28.99	405,000	0.25	1,370,038	0.45	69,337,365	38.53
Leasing	500,286	0.26	4,898	0.00	-	-	5,835	0.00	11,049	0.00	-	-
Leather Products and Shoes	854,327	0.44	449,977	0.13	35,115	0.01	809,334	0.50	604,750	0.20	72,087	0.04
Modarabas	-	-	12	0.00	-	-	-	-	6	0.00	-	-
Paper and Board	505,039	0.26	27,922	0.01	217,883	0.07	593,518	0.36	86,049	0.03	114,198	0.06
Plastic products	546,025	0.28	70,753	0.02	589,076	0.20	586,983	0.36	114,349	0.04	299,154	0.17
Ready- Made garments	447,871	0.23	466,377	0.14	174,700	0.06	802,631	0.49	332,188	0.11	211,193	0.12
Real Estate / Construction	3,880,058	2.02	13,349,821	3.98	18,290,278	6.08	3,049,936	1.87	9,862,400	3.21	17,015,245	9.46
Rice Processing and trading	5,027,149	2.62	998,562	0.30	860,422	0.29	2,515,494	1.54	898,041	0.29	383,880	0.21
Rubber Products	329,654	0.17	127,168	0.04	189,181	0.06	149,588	0.09	117,901	0.04	108,559	0.06
Services												
(Other than Financial, Hotelling and Travelling)	1,942,340	1.01	9,622,889	2.87	2,996,778	1.00	2,035,816	1.25	7,300,761	2.38	848,590	0.47
Sports goods	505,673	0.26	60,460	0.02	2,059	0.00	504,103	0.31	40,594	0.01	59,024	0.03
Sugar	1,334,248	0.69	151,746	0.05	183,751	0.06	171,702	0.11	94,123	0.03	1,777	0.00
Surgical equipment / Metal Products	6,137,227	3.19	1,246,067	0.37	304,969	0.10	5,779,211	3.55	1,203,519	0.39	320,227	0.18
Synthetic and Rayon	345,370	0.18	100,398	0.03	10,158	0.00	566,460	0.35	95,444	0.03	4,953	0.00
Textile	25,990,236	13.52	1,954,727	0.58	6,264,909	2.08	22,082,644	13.56	1,968,746	0.64	3,672,852	2.04
Tobacco / Cigarette manufacturing	4,462	0.00	5	0.00	70,198	0.02	5,122	0.00	5	0.00	-	-
Transport and communication	6,577,979	3.42	13,413,353	4.00	3,177,036	1.06	9,276,995	5.70	11,887,274	3.87	2,391,454	1.33
Travel Agencies	54,151	0.03	48,703	0.01	708,584	0.24	64,054	0.04	59,486	0.02	544,456	0.30
Woolen	17,251	0.01	54,312	0.02	400	0.00	15,087	0.01	81,782	0.03	102,803	0.06
Public sector / Government	62,789,979	32.69	116,453,905	34.74	121,091,307	40.24	38,354,165	23.55	95,349,584	31.06	41,696,608	23.17
Others	16,607,358	8.64	44,911,267	13.40	11,488,473	3.82	16,738,753	10.30	57,636,508	18.79	15,823,112	8.79
	192,170,873	100.00	335,241,027	100.00	300,921,433	100.00	162,854,710	100.00	306,937,216	100.00	179,956,019	100.00

### 44.1.1.2 Segment by sector

	2013						2012					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	62,789,979	32.69	116,453,905	34.74	121,091,307	40.24	38,354,165	23.55	95,349,584	31.06	41,696,608	23.17
Private	129,380,894	67.31	218,787,122	65.26	179,830,126	59.76	124,499,975	76.45	211,587,632	68.94	138,259,411	76.83
	192,170,873	100.00	335,241,027	100.00	300,921,433	100.00	162,854,710	100.00	306,937,216	100.00	179,956,019	100.00

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

Rupees in '000	2013		2012	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	1,984,540	963,065	862,287	255,120
Automobiles and Allied	477,034	303,087	469,131	264,643
Cables / Electronics	1,139,472	1,131,323	1,154,254	1,130,357
Cement	-	-	406	406
Chemicals / Pharmaceuticals	212,369	113,338	224,240	70,411
Financial institutions / Investment companies	-	-	-	-
Food and Allied	379,945	259,160	412,388	157,632
Fuel / Energy	3,336,212	3,317,339	1,432,240	1,652,977
Glass Manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	3,218,974	2,906,212	3,000,475	2,427,926
Leather Products and Shoes	111,199	30,959	54,877	48,135
Paper Industries	373,801	359,219	19,904	1,477
Real Estate / Construction	1,934,962	1,431,497	1,099,648	415,164
Services (Other than Financial, Hotelling and Travelling)	457,878	276,960	500,314	202,740
Sports Goods	352,036	318,563	387,057	355,587
Textile	12,508,587	11,591,252	11,363,313	7,780,563
Transport and communication	311,681	331,872	322,669	317,316
Public sector / Government	166,666	-	-	-
Others	5,044,131	3,835,097	4,104,903	2,605,364
	<b>33,119,829</b>	<b>28,279,285</b>	<b>26,518,448</b>	<b>18,796,160</b>

**44.1.1.4 Details of non-performing advances and specific provisions by sector**

Public sector / Government	166,666	-	-	-
Private	32,953,163	28,279,285	26,518,448	18,796,160
	<b>33,119,829</b>	<b>28,279,285</b>	<b>26,518,448</b>	<b>18,796,160</b>

**44.1.1.5 Geographical segment analysis**

Rupees in '000	2013			
	(Loss) / profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	(8,717,051)	387,325,854	18,167,412	300,921,433
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 44.1.1.5.1	276,548	7,501,641	561,476	-
Others	-	-	-	-
	<b>(8,440,503)</b>	<b>394,827,495</b>	<b>18,728,888</b>	<b>300,921,433</b>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,514,385	346,805,384	19,372,766	179,956,019
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 44.1.1.5.1	226,622	6,219,848	197,286	-
Others	-	-	-	-
	1,741,007	353,025,232	19,570,052	179,956,019

**44.1.1.5.1** These do not include intra group items of Rs. 6,995,167 thousand (2012: Rs. 5,910,280 thousand) eliminated upon consolidation of foreign branch.

**44.1.1.5.2** Contingencies and commitments include amounts given in note 22 except bills for collection.

## 44.2 Market Risk

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and credit spreads resulting in a loss to earnings and capital.

The Bank's Risk Management Process seeks to identify, measure, monitor, and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk/return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement /monitoring methodology for review and reporting of market risk. The Bank makes use of the globally established value-at-risk (VaR) methodology to measure traded market risk.

In addition, sensitivity analysis is carried out to gauge the impact of extreme market movements on traded exposures. Meanwhile, stress testing is used to analyze the impact of both the abnormal market movements across different markets as well as to assess non-traded market risk, in particular interest rate risk in the banking book. The performance of the Bank's traded portfolios is evaluated through the use of risk / return analysis. Risk is kept under check through the revaluation of all traded market risk exposed positions on a daily basis, and controlled by ensuring that these positions do not breach regulatory limits and the Bank's own internally-established risk tolerance limits.

### 44.2.1 Market risk – General disclosures Basel III specific

Basel III standardized approach is used for calculating the capital adequacy for market risk.

#### 44.2.2 Foreign Exchange Risk

Foreign exchange risk, or the risk that the Bank's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Bank's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Bank's Wholesale Banking Branch, foreign currency lendings / deposits and capital investments in offshore operations. The Bank's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

(Rupees in '000)	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	365,304,496	337,025,230	(9,134,112)	19,145,154
U.S. Dollars	27,464,486	33,870,752	5,510,524	(895,742)
Pound Sterling	816,381	3,474,669	2,483,477	(174,811)
Japanese Yen	4,645	51	-	4,594
Euro	535,996	1,721,044	1,159,428	(25,620)
Other European Currencies	40,874	(318)	11,751	52,943
Other Currencies	660,617	7,179	(31,068)	622,370
	394,827,495	376,098,607	-	18,728,888
2012				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	326,042,228	301,014,258	(4,570,980)	20,456,990
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	-	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	353,025,232	333,455,180	-	19,570,052

#### 44.2.3 Equity position risk

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. The Bank bifurcates its direct investment in equity into held for trading, available for sale, and strategic portfolios. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Bank, i.e. to build strategic interest in other concerns. The Bank also carries indirect equity exposure through financing against shares and reverse repos against shares.

All equity positions in the trading book are subject to exposure limits established by the Bank in conformity with the general limits prescribed by the SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The Bank carries out revaluation and calculates VaR on a daily basis for equity exposures in the trading book.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 44.2.4 Yield / interest rate risk in the banking book (IRRBB) – Basel III Specific

The Bank's interest rate exposure arises out from its investment, lending, and borrowing activities. Interest rate risk in the banking book in its various forms is the risk of adverse changes in earnings and/or capital due to (i) timing differences or mismatches in the maturity/repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Bank's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. Market risk and Middle Office calculate price sensitivity measures such as duration, convexity and probabilistic loss measures such as VaR for the Bank's debt investments to assess the impact of interest rate changes on value of the portfolio. Interest rate risk stress tests are carried out quarterly to assess the impact of a parallel shift in the yield curve on the Bank's capital using rate sensitive positions for on and off-balance sheet items.

## 44.2.5 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.

	2013												
	Effective Yield / Interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments	
		Total	Upto 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%	26,104,822	6,072,321	-	-	-	-	-	-	-	-	-	20,032,501
Balances with other banks	2.58%	9,057,747	7,006,514	-	-	-	-	-	-	-	-	-	2,051,233
Lendings to financial institutions	7.10%	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-	-	-
Investments	8.81%	165,863,237	51,256,568	45,382,303	26,227,907	4,381,810	7,753,015	12,652,649	5,849,436	5,687,857	168,399	6,503,293	
Advances	8.74%	163,556,632	53,468,470	84,427,655	14,324,726	6,131,607	877,874	323,571	603,414	928,056	2,471,259	-	
Other assets		6,881,735	-	-	-	-	-	-	-	-	-	-	6,881,735
		373,967,380	118,803,873	130,787,859	40,552,633	11,038,723	8,630,889	12,976,220	6,452,850	6,615,913	2,639,658	35,468,762	
Liabilities													
Bills payable		5,687,542	-	-	-	-	-	-	-	-	-	-	5,687,542
Borrowings	8.75%	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	591	-	-	-
Deposits and other accounts	5.62%	335,241,027	108,495,374	71,891,127	61,937,597	16,493,187	2,128,945	663,324	475,849	11,570	-	73,144,054	
Sub-ordinated loans	11.90%	3,994,400	-	-	3,994,400	-	-	-	-	-	-	-	-
Other liabilities		5,563,172	-	-	-	-	-	-	-	-	-	-	5,563,172
		375,032,020	129,778,220	72,099,577	68,959,774	16,493,856	2,137,460	671,839	484,364	12,161	-	84,394,768	
On-balance sheet gap		(1,064,641)	(10,974,348)	58,688,282	(28,407,141)	(5,455,134)	6,493,429	12,304,381	5,968,486	6,603,753	2,639,658	(48,926,006)	
Off-balance sheet financial instruments													
Purchase and resale agreements	9.88%	994,312	994,312	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.95%	15,211,984	15,211,984	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		9,756,031	9,756,031	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(23,973,703)	(23,973,703)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(34,948,051)	58,688,282	(28,407,141)	(5,455,134)	6,493,429	12,304,381	5,968,486	6,603,753	2,639,658	(48,926,006)	
Cumulative yield / interest risk sensitivity gap				23,740,231	(4,666,910)	(10,122,044)	(3,628,615)	8,675,766	14,644,252	21,248,005	23,887,662		

2012												
Exposed to yield / interest risk												
Rupees in '000	Effective Yield / Interest rate	Total	Over 1		Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Non-interest bearing financial instruments	
			Upto 1 Month	to 3 Months	to 6 Months	to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years		Above 10 Years
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	24,435,380	4,886,149	-	-	-	-	-	-	-	-	19,549,231
Balances with other banks	1.11%	8,863,586	6,478,269	-	-	-	-	-	-	-	-	2,385,317
Lendings to financial institutions	9.14%	6,319,474	5,833,725	-	-	485,749	-	-	-	-	-	-
Investments	11.26%	145,378,148	10,408,609	6,289,702	29,313,891	70,794,031	1,095,111	4,453,048	11,488,746	5,827,531	179,630	5,527,849
Advances	12.23%	143,726,962	43,048,390	66,534,365	23,761,159	5,365,247	831,196	322,171	572,951	889,750	2,401,733	-
Other assets		6,542,101	-	-	-	-	-	-	-	-	-	6,542,101
		335,265,651	70,655,142	72,824,067	53,075,050	76,645,027	1,926,307	4,775,219	12,061,697	6,717,281	2,581,363	34,004,498
Liabilities												
Bills payable		3,700,156	-	-	-	-	-	-	-	-	-	3,700,156
Borrowings	12.49%	8,372,617	5,515,911	204,083	2,584,187	4,762	19,823	19,823	19,823	4,205	-	-
Deposits and other accounts	6.75%	306,937,216	101,286,169	65,807,558	57,471,799	12,883,361	1,630,309	610,820	945,363	39,148	-	66,262,689
Sub-ordinated loans	13.72%	6,987,300	-	1,495,500	5,491,800	-	-	-	-	-	-	-
Other liabilities		5,940,588	-	-	-	-	-	-	-	-	-	5,940,588
		331,937,877	106,802,080	67,507,141	65,547,786	12,888,123	1,650,132	630,643	965,186	43,353	-	75,903,433
On-balance sheet gap		3,327,774	(36,146,938)	5,316,926	(12,472,736)	63,756,904	276,175	4,144,576	11,096,511	6,673,928	2,581,363	(41,898,935)
Off-balance sheet financial instruments												
Purchase and resale agreements	8.16%	5,823,130	5,823,130	-	-	-	-	-	-	-	-	-
Commitments to extend credits		6,480,778	6,480,778	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(657,648)	(657,648)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(36,804,586)	5,316,926	(12,472,736)	63,756,904	276,175	4,144,576	11,096,511	6,673,928	2,581,363	(41,898,935)
Cumulative yield / interest risk sensitivity gap				(31,487,660)	(43,960,396)	19,796,508	20,072,683	24,217,259	35,313,770	41,987,698	44,569,061	

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

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

**44.2.5.3** Assets do not include operating fixed assets of Rs. 8,567,401 (2012: Rs. 8,841,091) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 9,315,429 (2012: 8,918,490) thousand.

**44.2.5.4** Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts-net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,066,587 (2012: Rs. 1,446,074) thousand.

### 44.3 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of financial position liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

## 44.3.1 Maturities of Assets and Liabilities

Rupees in '000	2013									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	26,104,822	26,104,822	-	-	-	-	-	-	-	-
Balances with other banks	9,057,747	9,057,747	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-
Investments	165,863,237	48,822,704	44,016,571	25,278,519	7,154,788	9,424,367	13,682,491	7,961,616	7,995,817	1,526,364
Advances	163,556,632	43,637,751	33,033,505	19,072,439	29,036,446	7,650,373	6,263,161	13,398,514	5,256,116	6,208,327
Operating fixed assets	8,567,401	57,529	114,142	160,874	298,775	537,033	441,813	735,834	1,175,065	5,046,336
Deferred tax assets	2,977,285	-	(139,419)	-	49,635	384,000	716,000	1,448,088	518,981	-
Other assets	16,197,164	3,790,694	-	-	-	2,527,129	2,527,129	2,450,737	2,450,737	2,450,738
	394,827,495	132,471,247	78,002,700	44,511,832	37,064,950	20,522,902	23,630,594	25,994,789	17,396,716	15,231,765
<b>Liabilities</b>										
Bills payable	5,687,542	1,871,872	-	344,928	3,470,742	-	-	-	-	-
Borrowings	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	592	-
Deposits and other accounts	335,241,027	51,961,535	32,117,905	18,679,382	16,493,187	52,330,321	50,864,700	54,238,206	29,283,681	29,272,110
Sub-ordinated loans	3,994,400	-	-	800	800	1,600	1,600	1,497,200	2,492,400	-
Other liabilities	6,629,759	3,518,487	-	-	-	1,555,636	777,818	388,909	194,455	194,454
	376,098,607	78,634,740	32,326,355	22,052,887	19,965,398	53,896,072	51,652,633	56,132,830	31,971,128	29,466,564
<b>Net assets</b>	18,728,888	53,836,507	45,676,345	22,458,945	17,099,552	(33,373,170)	(28,022,039)	(30,138,041)	(14,574,412)	(14,234,799)
Share Capital	12,602,602									
Reserves	5,613,061									
Unappropriated loss	(1,582,626)									
Surplus on revaluation of assets	2,095,851									
	18,728,888									

Rupees in '000	2012									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	24,435,380	24,435,380	-	-	-	-	-	-	-	-
Balances with other banks	8,863,586	8,863,586	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,319,474	5,833,725	-	-	485,749	-	-	-	-	-
Investments	145,378,148	10,720,499	5,943,257	19,261,205	72,428,216	7,346,074	6,551,380	14,002,825	7,907,412	1,217,280
Advances	143,726,962	22,835,553	34,979,153	18,884,444	29,852,156	6,872,817	5,302,015	9,975,339	9,067,809	5,957,676
Operating fixed assets	8,841,091	67,932	114,696	173,437	303,356	629,122	523,751	769,040	1,331,135	4,928,622
Other assets	15,460,591	3,595,029	-	-	-	2,416,949	2,416,949	2,343,888	2,343,888	2,343,888
	353,025,232	76,351,704	41,037,106	38,319,086	103,069,477	17,264,962	14,794,095	27,091,092	20,650,244	14,447,466
<b>Liabilities</b>										
Bills payable	3,700,156	1,217,788	-	224,401	2,257,967	-	-	-	-	-
Borrowings	8,372,617	5,515,911	204,083	2,584,187	4,762	19,823	19,823	19,823	4,205	-
Deposits and other accounts	306,937,216	50,044,480	29,761,991	18,267,862	12,883,360	47,090,636	46,071,147	49,653,386	26,648,135	26,516,219
Sub-ordinated loans	6,987,300	-	1,495,500	1,100	1,496,300	1,600	1,600	3,200	3,988,000	-
Deferred tax liabilities	71,229	-	121,531	-	-	-	-	(50,302)	-	-
Other liabilities	7,386,662	3,983,401	-	-	-	1,701,632	850,816	425,408	212,704	212,701
	333,455,180	60,761,580	31,583,105	21,077,550	16,642,389	48,813,691	46,943,386	50,051,515	30,853,044	26,728,920
<b>Net assets</b>	19,570,052	15,590,124	9,454,001	17,241,536	86,427,088	(31,548,729)	(32,149,291)	(22,960,423)	(10,202,800)	(12,281,454)
Share Capital	8,130,711									
Reserves	8,542,421									
Unappropriated profit	886,336									
Surplus on revaluation of assets	2,010,584									
	19,570,052									

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2013

**44.3.1.1** In compliance with the BSD circular letter No. 03 of 2011 dated February 22, 2011, all assets and liabilities with contractual maturities have been reported as per their remaining maturities, and where contractual maturities are not available, such assets and liabilities have been reported as per their expected maturities, determined on the basis of behaviour study of three years' historic data under volatility methodology. These bases have also been approved by the Asset and Liability Committee (ALCO) of the Bank.

## 44.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank strives to manage operational risk within acceptable levels through sound operational risk management practices. Board Risk Management Committee defines the operational risk appetite and tolerance limits.

Operational risk governance structure adopted by Bank is embedded within three lines of defense: Strategic, Macro and Micro. Bank has recently updated its Operational Risk Management framework to align it with global/local best market practices. Moreover, the Bank has also formulated Operational Risk Management Committee (ORMC) which serves as a management level committee to oversee, supervise and direct operational risk framework across the Bank. Further, the committee is responsible for strengthening internal control environment through implementation of policies and procedure, enhancement in tools and reporting structures.

To ensure effectiveness, business continuity plan (BCP) and business continuity management (BCM) is adopted throughout the organization in a proactive manner by making use of requisite tools and strategies.

### 44.4.1 Operational risk disclosures Basel III

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

## 45. GENERAL

### 45.1 Non-adjusting events after the balance sheet date

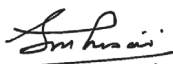
The Board of Directors in its meeting held on February 17, 2014 has proposed the following appropriation, which will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2013 do not include the effect of the appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2014 as follows:

Rupees in '000	2013	2012
Transfer from unappropriated (loss) / profit to: General reserve	(1,582,626)	1,004,290

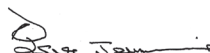
**45.2** Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss account.

## 46. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on February 17, 2014 by the Board of Directors of the Bank.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Annexure-1

Annexure '1' referred to in note 10.8.3 to these unconsolidated financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2013.

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
1	Standard Hosiery (Pvt) Limited 139-S, Industrial Estate, Kot Lakhpat, Lahore	Khalid Latif Sheikh 35201-1507003-3 Abid Latif Sheikh 35201-8036999-9 Sajid Latif Sheikh 35201-8970176-5 Adnan Latif Sheikh 35201-8131999-3 Gulshan Ara Begum 35201-7963062-8	Sheikh Muhammad Latif  Sheikh Muhammad Latif  Sheikh Muhammad Latif  Sheikh Muhammad Latif  Sheikh Muhammad Latif	42,344	7,260	-	49,604	-	5,868	133	6,001
2	Shiva Enterprises Hindu Muhallah, Piraloi, Taluka & District Khairpur	Santosh Kumar 45203-3013982-3	Sobhraj	2,500	1,495	-	3,995	-	1,495	-	1,495
3	Haji Muhammad Ismail Mills Limited 408-Commerce Centre, Hasrat Mohani Road, Karachi	Najeeb Mushtaq Vohra 42301-0952156-9 Wazir Khan 42401-1624995-5 Mohammad Sarfraz 42301-0882471-1 Mohammad Sadiq 42201-0837962-3 Mohammad Irfan 42401-1690010-3 Essa Khan 42301-0837962-5 Ikram Ahmed 42101-4878585-3	Mushtaq Ahmed Vohra  Mehmood Khan  Mohammad Ali  Murad Khan  Khurshid Khan  Faqir Mohammad  Mohammad Ismail	33,002	14,559	-	47,561	-	10,061	-	10,061
4	Ensari Variety Store Iqbal Town, Main Road Near Scheme More Stop, Lahore	Tahir Ahmed Ansari 35202-2803364-1	Sheraz Ahmed Ansari	3,517	5,616	-	9,133	-	5,616	-	5,616
5	Sind Medical Centre 1 H, Block-7, KDA Scheme No.5, Khayaban-e-Iqbal, Clifton, Karachi	Dr. Munawar Hussain 42301-0127335-5	Tasawwar Hussain	-	25,546	-	25,546	-	10,104	-	10,104
6	Zaheer Ud Din CB-124/1, Street 11, New Afshan Colony, Range Road, Rawalpindi	Zaheer Ud Din 37405-0551090-5	Muhammad Ud Din	2,460	360	-	2,820	-	685	-	685
7	Imaging Technologies Wheel House, 30-C, Badar Commercial Street, Phase-V Ext. DHA, Karachi	Adnan Farooqui 42301-86446639-1 Attaullah Farooqui 42301-0197775-1 Kishwar Farooqui 42301-4235584-8	Attaullah Farooqui  Muhammad Ikram  Attaullah Farooqui	20,000	2,495	-	22,495	-	1,247	-	1,247

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
8	S.A. Steel Re-Rolling Mills 52/A, S.I.E. 2, Gujranwala	Fayyaz Ahmed Bajwa 34101-6162103-3 Shahida Fayyaz 34101-0731518-2	Rehmat Ali  Fayyaz Ahmed	15,000	3,871	-	18,871	-	1,935	-	1,935
9	Allahwala Embroidery Plot No SD-15 Shop No 1,2 Block - B North Nazimabad Karachi	Afshan Naghman 42201-9648706-8	Naghman	626	2	-	628	-	120	1,405	1,525
10	Atlas Khan Flat No 17, Block C Saima Appt, Super Highway Near Delex Town Karachi	Atlas Khan 21706-0374932-1	Dost Mohammad Khan	472	26	-	498	-	-	509	509
11	Javed Baloch A/C Coaches Near Malki Hotel, Mewashah Road, Chakiwara 2 Lyari Karachi	Muhammad Iqbal 52101-5274662-1	Haji Khan Mohammad	12,800	4,120	-	16,920	-	-	9,487	9,487
12	A.M. Construction Company (Pvt) Limited 901-C Canal View Housing Society, Canal Bank, Lahore	Muhammad Younas Sheikh 35202-0624157-7 Muhammad Ali Younas 35202-8426010-1 Tasneem Younas 35202-7490204-2 Fazal Karim 35202-8846489-9 Lal Muhammad Khan 17301-8304687-7	Sheikh Muhammad Yousaf  Sheikh Mian Mohammad  Sheikh Mian Muhammad Younas  Khan Mohammad  Ameer Ullah Khan	8,015	260	-	8,275	-	-	5,507	5,507
13	Fahad CNG Ring Road, Landi Arbab, Kohat PAF Road, Peshawar	Lal Muhammad Khan 17301-8304687-7	Ameer Ullah Khan	-	-	-	-	-	-	1,134	1,134
14	Sitara-e-Hilal Company 2nd Floor, Ahmedal Plaza, Main GT Road, Tarnol, Rawalpindi	Malik Suhail Khan 37105-5155226-9	Malik Lal Khan	930	82	-	1,012	-	-	1,318	1,318
15	SKANS Weaving Factory Chak No 208, Near Best Exports, Faisalabad	Abid Israr 33100-6743114-5	Rao Israr Ahmed Khan	535	83	-	618	-	-	968	968
16	Khyber Satoori International Haji Hazrat Shah Plaza Shuba Bazar Peshawar	Jaffar Shah 17301-1657227-5	Janat Shah	7,654	1,814	-	9,468	-	404	15,668	16,072
17	Panther CNG Station Khara No 636, 100/2, Landi Yarghamjoe, Ring Road, Hayatabad, Peshawar	Khawaja Mansoor Ashraf 17301-1588472-1  Fakhra Mansoor 17301-1393993-8	Khawaja M. Ashraf  Khawaja Mansoor Ashraf	4,327	1,079	-	5,406	-	-	6,565	6,565

# Annexure-1

Annexure '1' referred to in note 10.8.3 to these unconsolidated financial statements

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
18	Chenab Food and Beverages Co. District Police Lines, Faisalabad	Mazhar Abbas Tahir 33201-7348601-9 Ch. Rab Nawaz Chaddar 33201-7358101-9	Ch. Aflatoon Khan Chaddar  Ch. Aflatoon Khan Chaddar	1,465	677	-	2,142	-	361	2,614	2,975
19	Diamond Mattress (Pvt) Limited 53-KM Multan Road, Mohalawala Lahore	Bilal Ejaz 42201-0342087-7 Mudassir Iftikhar 35202-0175162-9 Asma Shariq 35202-2494939-4	Ejaz Ahmed Sheikh  Iftikhar Shafi  Shariq Iftikhar	-	-	-	-	-	-	1,799	1,799
20	Riaz Gul and Company G-2 Big City Plaza, 3-E-2, Main Boulevard Gulber III Lahore	Sheikh Riaz Ahmed 35202-6016210-7 Adnan Sheikh 35202-1455235-1	Sheikh Jan Mohammad  Sheikh Riaz Ahmed	2,707	776	-	3,483	-	612	1,972	2,584
21	Ayesha Bibi Basti Chandrami P/O Khas Tehsil Sadiqabad District Rahim Yar Khan	Ayesha Bibi 311304-9970453-4	Noor Din	2,995	1,171	-	4,166	-	702	-	702
22	Rais Muhammad Afzal Warind Warind House Basti Chanrami P/O Khas Tehsil Sadiqabad Dist Rahim Yar Khan	Rais Muhammad Afzal Warind 42000-2537594-3	Haji Waheed Bakhsh	2,631	1,411	-	4,042	-	846	-	846
23	Manzoor Ahmed / Manzoor Mai Mohala Dewan Bag Nawab Pur Road Multan	Manzoor Ahmed/Manzoor Mai 36302-7095049-7	Fiaz Baksh	1,000	689	-	1,689	-	528	-	528
24	Makhdoom Syed Muzaffar Hussain R/O H # 269 N Phase 6 DHA Lahore	Makhdoom Syed Muzaffar Hussain 35200-2049161-3	Makhdoom Atta Hussain	3,000	1,997	-	4,997	-	1,497	-	1,497
25	Muhammad Ali Akbar Bukhari H # 269 N Phase 6 DHA Lahore	Muhammad Ali Akbar Bukhari 35201-3223799-5	Makhdoom Syed Muzafar Hussain Bukhari	3,000	2,011	-	5,011	-	1,510	-	1,510
26	Roshan Star Co. NP11/36, Daryala Street, Jodia Bazar, Karachi	Muhammad Tanveer 42101-1566029-7	Muhammad Younus	200	3,177	-	3,377	-	1,589	-	1,589
27	Taj Handicraft Centre Plot No. A-2, (A-38) National Cement Factory Road, Mujahid Colony, Stadium Road, Dalmia, Karachi	Muhammad Afzal 42301-8476617-9 Saqib Afzal 42301-2422248-9 Fareeda Afzal 42301-4425083-6	Haji Muhammad Ashraf  Muhammad Afzal  Muhammad Afzal	2,823	5,902	-	8,725	-	4,638	-	4,638
28	Tass International Suit No.486, 8th Floor, Arkay Square Ext. Shahrah-e-Liaqat, Karachi	Tahir Mazhar Dada 42301-9865997-7	Mazhar Hussain Dada	3,000	1,033	-	4,033	-	973	-	973

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
29	Taha Spinning Mills Ltd. 406-Commerce Centre, Hasrat Mohani Road, Karachi	Ashfaq Ahmed 42201-6761283-1 Saqib Ashfaq 42201-0669739-5 Amir Ashfaq 42201-3429977-9 Muhammad Azam 42101-6703153-1 Muhammad Farooq 35202-0675584-3 Niaz Mohammad 42401-1913493-3 Zeenat Khan 42401-8648930-7	Haji Mohammad Ismail  Ashfaq Ahmed  Ashfaq Ahmed  Nisar Ahmed  Rasool Khan  Sher Khan  Jahangir Khan	32,936	21,877	-	54,813	-	19,813	-	19,813
30	Touseef Alam Khan J-88/17, Street No.17, Ariya Mohallah, Rawalpindi	Touseef Alam Khan 37405-0131494-3	Shehzad Alam Khan	3,963	2,290	-	6,253	-	2,253	-	2,253
31	Vicky Electronics Millat Road, Daharki	Bhajan Lal 45101-7273684-9	Sadoro Lal	155	1,074	-	1,229	-	505	-	505
32	New Shah Brothers Sityana Road, Faisalabad	Ahmed Hassan Shah 33100-1451649-3	M.A. Shah	3,999	1,042	-	5,041	-	542	-	542
33	Malik Mohammad Amin Awan (Late) H. No. CB-310, St. No.1, Lane No. 4, Peshawar Road Rawalpindi	Malik Mohammad Amin Awan (Late) 37405-9563550-1	Malik Fazal Karim Awan	776	574	-	1,350	-	593	-	593
34	Haseeb Enterprises Paris Market Plot No. B-42 Shiren Jinnah Colony Karachi	M. Shoaib 42301-0824288-3	Khand Gul	-	-	567	567	-	-	567	567
35	Asim Mehmood R-3 Row-8 Block 10 Gulshan e Iqbal Karachi	Asim Mehmood 42000-0422135-9	Ghulam Haider	-	-	655	655	-	-	655	655
36	Saqib Khurshid Malik H # 9 Munir Road Lahore Cantt	Saqib Khurshid Malik 35201-0676389-1	Khurshid Anwar Malik	-	-	-	-	-	-	576	576
37	Safdar Ali Butt Gali M Din Butt Wali, H No. 48 Raiwala Daska Sialkot	Safdar Ali Butt 34601-471234-5	M. Bashir Butt	528	149	-	677	-	-	646	646
38	Imran Zaman H No. 420 North Nazimabad Block N Karachi	Imran Zaman 42301-0845525-7	Muhammad Zaman	-	938	-	938	-	821	-	821
39	M Shoaib Flat No. 501-502 Mashala Square, Rafchand Bibi Road Nala, Karachi	M Shoaib 42501-4508704-7	Abdul Ghaffar	155	27	-	182	-	-	736	736
40	Emilia Magsi 3-M Baloch 6 PECHS, Nursery, Shahrah e Faisal Karachi	Emilia Magsi 46358-6100067-2	Haleem Zaman Magsi	868	183	-	1,051	-	-	657	657



# Annexure-1

Annexure '1' referred to in note 10.8.3 to these unconsolidated financial statements

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
41	Hammad Ahmed Qureshi 193-A 1 Township Lahore	Hammad Ahmed Qureshi 35202-6684890-9	Javed Ahmed Qureshi	337	20	-	357	-	-	553	553
42	Ajmal Hussain Mirza H No. 51, St. No. 9 Cavalry Ground, Lahore Cantt	Ajmal Hussain Mirza 37302-1194061-9	Mirza Ahmed Khan	162	77	-	239	-	-	639	639
43	Cool Spot F-329 Site Area Karachi	Atif Manzoor 42201-5758408-5	Manzoor Hussain	-	-	-	-	-	-	741	741
44	Irfan Latif Shahbaz Colony Larkana	Irfan Latif 43203-2667478-1	M. Latif	680	274	-	954	-	-	1,026	1,026
45	Muhammad Ashraf 72- M Modle Town Lahore	Muhammad Ashraf 35202-9850128-3	M. Shareef	7,780	1,041	-	8,821	-	200	423	623
46	Talat Yasmin Madni Shah Mohalla Iqbal Pura, Sangla Hill	Talat Yasmin 35403-1122995-2	Ahmed Masood	-	-	-	-	-	133	1,261	1,394
47	Nadeem Ahmed Barohi B-30 PTMF Colony, Natio Karachi	Nadeem Ahmed Barohi 42501-9925848-7	Ghulam Rasool Barohi	-	-	-	-	-	298	482	780
48	Muhammad Saleem P-460/4, St. No. 13, Bazar No. 3, Razaabad, Faisalabad	Muhammad Saleem 33100-6465997-7	M Ali	8	122	-	129	-	15	658	673
49	Kausar Saeed H. No. 46 Defence Housing Scheme, Aziz Shah road Sialkot Cantt	Kausar Saeed 34603-0943296-5	M Saeed Javed	-	-	-	-	-	-	887	887
50	Qalander Hussain Gali Firdous Cinema, Ehsan Colony Jhang Sadar	Qalander Hussain 33202-4293592-9	M Buksh	-	-	-	-	-	13	535	548
51	Sheikh Munir Ahmed 63-B Liaqat Town Faisalabad.	Sheikh Munir Ahmed 33102-1783773-3	Haji M Ali	678	431	-	1,109	-	445	4,843	5,288
52	Khuzema Nouman/Fatima Khuzema Flat # 406 Panorama Centre, Raja Ghazanfar Ali Road Karachi Saddar	Khuzema Nouman/Fatima Khuzema 42301-8563204-1	M Nouman	3,835	1,462	-	5,297	-	692	200	892
53	Muhammad Amin Awan 310-A, Street No. 1, Lane-2, Peshawar Road Rawalpindi	Muhammad Amin Awan 37405-9563550-1	Malik Fazal Karim Awan	776	519	-	1,295	-	593	-	593
54	Mashal Kafeel Qureshi Plot No. 44-P & V Scheme No. 1, Jaba Tehsil Road, Chak Shehzad Islamabad	Mashal Kafeel Qureshi 61101-1952879-5	Dr. Kafeel Qureshi	27,250	11,450	-	38,700	-	9,964	-	9,964

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
55	Al-Husnain CNG Jalal Pur Bhattian, Pindi Bhattian, Hafizabad	Nazar Hussain 34302-5531713-1 Mian Abid Hussain Bhatti 34302-8918784-1	Murad Baksh  Mian Nazar Hussain Bhatti	3,835	200	-	4,035	-	-	810	810
56	Davis Hytes Office No 17, First Floor, Davis Hytes Road, Lahore	Mahar Ahmed Zia Ur Rehman Lakk 35200-7022445-7 Mahar Ahmed Shoaib Ur Rehman Lakk 35201-7456949-7	Mahar Ahmed Yar Khan Lakk	574	160	-	734	-	-	914	914
57	Abdul Ghafoor Weaving Factory P-40/41, Subhanabad, Main Bazar GM Abad, Faisalabad	Abdul Ghafoor 33100-0921897-3	Mohammad Shafiq	839	237	-	1,076	-	-	1,970	1,970
58	Muhammad Tahir Nadeem House No.130, St. No.34, I-10/2, Islamabad	Muhammad Tahir Nadeem 61101-6605797-9	M. Ramzan Khan	5,209	1,103	-	6,312	-	1,103	-	1,103
59	Dr. Fakhra Raza Khan Shop No. 4, Taj Arcade, 73 Jail Road, Lahore	Dr. Fakhra Raza Khan 35202-2203765-1	Muhammad Sadiq Khan	1,978	1,437	-	3,415	-	1,437	-	1,437
60	Mumtaz Bridal Dress Shop No. 10, Mall Shopping Centre, Multan	Malik Imtiaz Ahmed 36302-2859295-5	Malik Mumtaz Ahmed	566	631	-	1,197	-	631	-	631
61	Fahad Corporation Shop No.8, Friends Plaza, Opp. Hamza Camp, Murree Road, Rawalpindi	Nusrat Saeed 37405-0494161-8	Muhammad Saeed	18,500	2,781	-	21,281	-	1,390	-	1,390
62	Muhammad Irfan House No.378, Sector A, State Life Housing Society, Lahore	Muhammad Irfan 35202-2589016-1	Muhammad Shabbir	3,533	1,086	-	4,619	-	1,086	-	1,086
63	Syeda Azra Batool Gardazi House Bahawalpur	Syeda Azra Batool 36302-3791035-6	Syed Barkat Hussain	900	556	-	1,456	-	540	-	540
64	Raazia Sultana H No 845/W-2 Hanoon Ka Chacha Multan	Raazia Sultana 36302-3228372-0	Muhammad Saleem	979	624	-	1,603	-	550	-	550
65	Sheikh Muhammad Ali Lakar Mandi Khanewal	Sheikh Muhammad Ali 36103-1072059-3	Sheikh Sodagar Ali	2,322	1,246	-	3,568	-	1,152	-	1,152
66	Faiqa Khanum House 03 Canal Bank Zaman Park Lahore	Faiqa Khanum 35202-2541243-6	Rauf Ahmed Khan	2,764	662	-	3,426	-	500	-	500
67	Farman Ali Dera Warraichan P.O Kolo Tarar Tehsil and District Hafizabad	Farman Ali 34301-1784005-9	Muhammad Hussain	1,500	461	-	1,961	-	664	-	664

# Annexure-1

Annexure '1' referred to in note 10.8.3 to these unconsolidated financial statements

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
68	Muhammad Iqbal Javed Housing Colony Sheikhpura	Muhammad Iqbal Javed 35404-7567429-9	Ch Sheikh Ahmed	2,700	1,748	-	4,448	-	1,625	-	1,625
69	Qaisar Mehmood Sandhu Mokhal Sindhwan Gujranwala	Qaisar Mehmood Sandhu 34101-8489768-7	Sadiq Ali	590	612	-	1,202	-	527	-	527
70	Muhammad Yaqoob Khan Bhukanpura Teh Ferozwala Distt Sheikhpura	Muhammad Yaqoob Khan 35401-0463160-1	Niaz Ahmed Khan	1,000	642	-	1,642	-	542	-	542
Total				309,678	145,248	1,222	456,148	-	99,418	68,858	168,276

## Annexure-2

### Islamic Banking Business - Balance Sheet

As at December 31, 2013

The Bank is operating 40 Islamic banking branches including 2 sub-branches at the end of 2013 as compared to 34 Islamic banking branches including 2 sub-branches at the end of 2012.

Rupees in '000	2013	2012
<b>ASSETS</b>		
Cash and balances with treasury banks	967,333	837,972
Balances with other banks	4,220,069	899,960
Due from financial institutions	1,000,000	-
Investments	6,479,280	10,201,914
Islamic financing and related assets	5,315,393	3,127,541
Operating fixed assets	203,193	216,087
Deferred tax assets	-	-
Other assets	568,500	505,564
<b>Total Assets</b>	<b>18,753,768</b>	<b>15,789,038</b>
<b>LIABILITIES</b>		
Bills payable	209,457	129,735
Due to financial institutions	-	500,000
Deposits and other accounts		
-Current accounts	5,117,573	3,105,265
-Saving accounts	5,900,029	3,582,107
-Term deposits	5,495,838	6,030,957
-Others	112,887	54,469
-Deposit from financial institutions - remunerative	840,949	1,112,699
-Deposits from financial institutions - non remunerative	490	2,304
Due to head office	299,593	156,176
Other liabilities	311,705	312,571
	18,288,521	14,986,283
<b>NET ASSETS</b>	<b>465,247</b>	<b>802,755</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	1,000,000	1,000,000
Reserves	-	-
Unappropriated / unremitted loss	(563,957)	(129,324)
	436,043	870,676
Surplus / (deficit) on revaluation of assets	29,204	(67,921)
	465,247	802,755
Remuneration to Shariah Advisor / Board	1,378	1,347
<b>CHARITY FUND</b>		
Opening Balance	38	213
Additions during the year	639	3,111
Payments / utilization during the year	-	(3,286)
Closing Balance	677	38
<b>A-2.1 Islamic Financing and Related Assets</b>		
Islamic modes of financing	5,056,235	3,095,960
Advance against Islamic financing	259,158	31,581
Inventories	-	-
	5,315,393	3,127,541
<b>A-2.1.1 Islamic modes of Financing</b>		
Murabaha	2,201,192	536,565
Ijara	1,003,028	619,847
Musharaka	-	-
Diminishing Musharaka	1,034,065	1,420,998
Salam	788,810	498,532
Other Islamic Modes	29,140	20,018
	5,056,235	3,095,960

## Annexure-2

### Islamic Banking Business - Profit and Loss Account

For the year ended December 31, 2013

Rupees in '000	2013	2012
Profit / return earned on financings, investments and placements	1,260,964	1,520,806
Return on deposits and other dues expensed	732,837	887,972
Net spread earned	528,127	632,834
Provision / (reversal of provision) against non-performing financings	201,559	(21,712)
Provision of diminution in the value of investments	242,041	67,969
Bad debts written off directly	-	-
	443,600	46,257
Income after provisions	84,527	586,577
<b>Other Income</b>		
Fee, commission and brokerage income	22,457	20,631
Dividend income	-	-
Income from dealing in foreign currencies	2,587	1,883
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	29,390	18,791
Total other income	54,434	41,305
	138,961	627,882
<b>Other expenses</b>		
Administrative expenses	573,349	551,902
Other provisions / write offs	-	-
Other charges	245	202
Total other expenses	573,594	552,104
	(434,633)	75,778
Extra ordinary / unusual items	-	-
(Loss) / profit before taxation	(434,633)	75,778

## Annexure-2

### Islamic Banking Business - Statement of Sources and Uses of Charity Fund For the year ended December 31, 2013

Rupees in '000	2013	2012
Opening Balance	38	213
Additions during the period		
- Received from customers on delayed payments	485	3,056
- Non Shariah Compliant Income	140	2
- Profit on charity account	14	53
	639	3,111
Payments/Utilization during the period		
- Education	-	(870)
- Health	-	(1,316)
- Orphanage	-	(1,100)
	-	(3,286)
Closing Balance	677	38

## Annexure-2

### Islamic Banking Business - Notes to the Accounts

For the year ended December 31, 2013

#### 1.1 Disclosure for profit and loss distribution and pool management

Bank generates deposit on the basis of following two modes:

1. Qard
2. Mudaraba

Deposits taken on Qard Basis are classified as 'Current Account' and deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

The Bank also accepted / acquired inter-bank funds, for short term liquidity requirement under Musharaka mode. Profits realized in Musharaka pools are distributed in pre agreed profit sharing ratio.

Asset pools are created at the Bank's discretion and the Bank can add, amend, and transfer an asset to any other pool in the interest of deposit holders. During the year following three Mudaraba based pools were maintained by the Bank having below mentioned key features:

##### a. General Pool

The objective of the pool is to invest funds on a Shariah Compliant basis and maximize profits for the Rabb-ul-Mal on a Gross Mudarabah Basis. In this pool portfolio diversification strategy has been used to mitigate this risk of loss. Diversification may marginally reduce returns but it also spreads risk by reducing chances of loss.

##### b. Foreign Currency Pool

The objective of the pool is to invest funds on a Shariah Compliant basis and maximize profits for the Rabb-ul-Mal i.e. depositors in foreign currency: US dollars on a Gross Mudaraba Basis. Due to dearth and limitations of foreign denominated investment opportunities available to Islamic Banks operating in Pakistan, the returns would be linked with an earning assets pool comprising of Shariah compliant assets, with reliance mainly on placement(s) with other known Islamic Financial Institutions.

##### c. Financial Institutions (FI) Pool

The objective of the pool is to obtain and invest funds primarily from conventional side of the Bank, on a Shariah Compliant Gross Mudaraba basis, mainly to meet liquidity needs in line with business requirements and banking norms. The FI pool is linked with an earning assets pool comprising mainly of investments in sovereign risk, i.e. GOP guaranteed SLR eligible Sukuk.

Under the above Mudaraba based pools, the Bank accepted funds on Mudaraba basis from depositors (Rabb-ul-Mal) where the Bank acted as Manager (Mudarib) and invested the funds in Shariah Compliant modes of financings, investments and placements. Also, as allowed, the Bank at its discretion comingled its own funds including current accounts as equity with the depositor's funds in all the pools. However, for investment purposes, Rabb-ul-Mal's funds were given priority over own funds (equity). Unutilized portion of equity after comingling with the deposit in a pool is mainly invested in Sukuk.

The net profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of direct expenses as approved by Shariah Advisors, if any. The directly related costs comprise of depreciation on Ijarah assets, Wakalah tul Istismar fee and Brokerage fee paid for placement of funds under Islamic modes. The general and specific provisions created against non-performing financings and diminution in the value of investments shall be borne by the Bank as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool(s) along with other direct expenses. Provisions/ write offs shall revert to Mudarib/ pool(s) to which it was originally charged. All expenses other than the above are non chargeable to pool. From the net return, profit is paid to the Mudarib in the ratio of Mudarib's equity in the pool to the total pool. The Mudarib's share is deducted from this profit to calculate distributable profit. Rabb-ul-Mal's share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

In order to remain competitive in the industry and to retain existing customer / mobilize deposits from new customers, the Bank as a Mudarib distributed part of its share of profit to Rabb-ul-Mal as HIBA.

Income generated from banking operations (e.g. fee and commission income etc.) is not shared with depositors.

## Annexure-2

### Islamic Banking Business - Notes to the accounts

For the year ended December 31, 2013

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

During the year profit rate earned is 8.57% and profit rate distributed to the depositors is 5.10% (2012:11.46% and 6.84% respectively)

#### 1.2 Types of Pools

The Bank managed following General and Specific Pools :

2013										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
General Pool	PKR	Monthly	50%	0.900	1.60	440,703,591	37.01%	14.98%	163,118,251	66,029,736
Financial Institution Pool	PKR	Monthly	50%	0.500	3.00	17,780,934	22.62%	15.22%	4,022,793	2,706,362
Foreign Currency Pool	USD	Monthly	50%	1.000	1.00	5,463	6.02%	0.00%	329	-

2012										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
General Pool	PKR	Monthly	50%	0.65	1.70	716,459,159	0.00%	29.55%	-	211,748,137
Financial Institution Pool	PKR	Monthly	50%	0.55	1.60	1,043,240	0.00%	55.52%	-	579,186
Foreign Currency Pool	USD	Monthly	50%	0.50	0.50	1,631	0.00%	30.04%	-	490

2013										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
Interbank borrowing pool	PKR	As required	100%	-	-	-	-	-	-	-

2012										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
Interbank borrowing pool	PKR	As required	100%	-	-	-	-	-	-	-



# Annexure-2

## Islamic Banking Business - Notes to the accounts

For the year ended December 31, 2013

### 1.3 Maturity profile of funds

Maturity profile of funds mobilised under various modes:

2013												Rs in '000
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 years	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	2,202,681	739,637	712,721	1,907,079	100,595	176,310	156,815	-	-	5,995,838
Savings account	PKR	Mudaraba	668,567	121,174	-	-	1,184,606	1,184,606	1,421,527	724,026	724,026	6,028,532
Savings account	USD	Mudaraba	23,559	4,270	-	-	41,746	41,746	50,095	25,515	25,515	212,446
Mudaraba funds from HO	PKR	Mudaraba	128,000	-	-	-	-	-	-	-	-	128,000
Interbank borrowing	PKR	Musharka	-	-	-	-	-	-	-	-	-	-
			3,022,807	865,081	712,721	1,907,079	1,326,947	1,402,662	1,628,437	749,541	749,541	12,364,816
2012												Rs in '000
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 years	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	2,984,818	1,047,741	1,042,260	1,662,341	87,750	133,310	172,737	-	-	7,130,957
Savings account	PKR	Mudaraba	381,550	69,153	-	-	676,053	676,053	811,263	413,201	413,201	3,440,474
Savings account	USD	Mudaraba	17,115	3,103	-	-	30,326	30,326	36,392	18,535	18,535	154,332
Mudaraba funds from HO	PKR	Mudaraba	-	-	-	62,600	-	-	-	-	-	62,600
Interbank borrowing	PKR	Musharka	500,000	-	-	-	-	-	-	-	-	500,000
			3,883,483	1,119,997	1,042,260	1,724,941	794,129	839,689	1,020,392	431,736	431,736	11,288,363

## Annexure-2

### Islamic Banking Business - Notes to the accounts

For the year ended December 31, 2013

#### 1.4 Class of assets by Sources of financing

Rupees in '000	2013	2012
Jointly financed by the Bank and PLS deposit account holders.		
Murabaha	2,310,783	594,219
Ijarah	1,163,344	687,324
Diminishing Musharaka	862,777	1,200,890
Salam	788,810	498,532
Balances with other & treasury Banks	5,365,308	1,140,497
Sukuk	6,000,745	9,884,241
	16,491,767	14,005,703
Exclusively financed by the Bank		
Sukuk	933,660	559,962
	933,660	559,962

#### 1.5 Sectors of Economy for Mudarba Based PKR Deposits

Sectors of Economy used for deployment of Mudarba Based PKR Deposits alongwith Equity is as follows:

	2013		2012	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	726,557	4.51	507,532	3.87
Automobiles & Allied	5,950	0.04	2,448	0.02
Cables / Electronics	33,655	0.21	10,525	0.08
Cements	83,437	0.52	142,174	1.08
Chemicals / Pharmaceuticals	2,600	0.02	163,656	1.25
Education	-	-	67,500	0.51
Engineering	39,527	0.24	89,189	0.68
Fertilizers	1,000,000	6.21	-	-
Food and Allied	219,952	1.37	185,971	1.42
Fuel / Energy	38,299	0.24	63,944	0.49
Ghee and Edible Oil	5,263	0.03	-	-
GOP Ijarah Sukuk ( Airport & Highway Land)	5,516,712	34.27	8,592,018	65.48
Hotels and Restaurants	9,337	0.06	77,002	0.59
Individuals	585,911	3.64	661,441	5.04
Investment Banks / Scheduled Banks	4,509,407	28.01	521,284	3.97
Leather Products and Shoes	-	-	2,253	0.02
Plastic products	35,900	0.22	-	-
Ready- Made garments	74,740	0.46	68,133	0.52
Real Estate / Construction	16,564	0.10	108,365	0.83
Rice Processing and trading	255,500	1.59	105,501	0.80
Rubber Products	-	-	-	-
Services (Other than Financial, Hotelling & Traveling)	250,609	1.56	239,193	1.82
Sugar	655,355	4.07	66,023	0.50
Textile	454,716	2.82	206,008	1.57
Transport and communication	1,540	0.01	26,672	0.20
Public sector / Government	1,490,789	9.26	1,093,834	8.34
Others	87,027	0.54	121,258	0.92
	16,099,347	100.00	13,121,924	100.00

1.4 Entire USD saving deposits of USD 2,010 thousand (2012: Out of USD saving deposits of USD 1,587 thousand, USD 1,515 thousand) were deployed with Islamic Banks respectively.

## Annexure-2

### Shariah Advisor's Report 2013

The year under review was the eighth year of Islamic banking services for Askari Bank Limited (AKBL). During the year, the Bank continued with its branch expansion plan and expanded the Islamic banking network to 38 full fledged Islamic banking branches and 02 sub-branches, covering the Capital and the four province of the Country. Insha'Allah, the increased outreach, will further strengthen our ability to offer products and services conforming to Shariah Principles.

During the year under review, comprehensive Shariah Audit of all Islamic Banking Branches was conducted, resulting in strengthening of Shariah Compliance framework for Islamic Banking Services. As part of continuous improvement, customer specific transactions process flows and text of guarantee were approved to ensure Shariah Compliance, while offering various financing facilities to the customers.

As per Shariah requirements, special care is continuously taken, on an ongoing basis, to ensure that the funds and products of Islamic Banking are managed separately from the conventional banking side. All funds are obtained and invested in Halal modes of financing, investments and placements, under my supervision, as the Shariah Advisor of the Bank.

I have examined each class of transaction, relevant documentation and procedures, on test check basis, conducted during the year. In order to facilitate this work, Shariah Auditors and Shariah Compliance department are functioning under my supervision.

Any earnings that have been realized from sources, or means, prohibited by Shariah rules and principles have been credited to charity account.

The allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any), relating to PLS accounts conform to the basis vetted by me as the Shariah advisor, in accordance with the Shariah rules and principles.

In my opinion, the affairs of Askari Bank Limited - Islamic Banking have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules, as well as with specific fatawa and rulings issued by me, as Shariah Advisor, from time to time.

We remain fully committed to contributing to capacity building and promoting the cause of Islamic Banking in Pakistan.

May Allah Almighty bless our efforts!



Dr. Muhammad Tahir Mansoori

Shariah Advisor



# askaribank

LIMITED



Consolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2013







**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sixth Floor, State Life Building No. 5  
Jinnah Avenue, Blue Area  
Islamabad, Pakistan

Telephone + 92 (51) 282 3558  
+ 92 (51) 282 5956  
Fax + 92 (51) 282 2671  
Internet www.kpmg.com.pk

## Auditors' Report to the Member of Askari Bank Limited

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited and its subsidiary companies as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Askari Bank Limited in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad, and its subsidiary companies namely Askari Investment Management Limited and Askari Securities Limited

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Askari Bank Limited and its subsidiary companies as at 31 December 2013 and the results of their operations for the year then ended.

Islamabad  
February 17, 2014

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Engagement Partner  
Riaz Pesnani

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Consolidated Statement of Financial Position

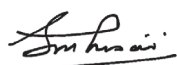
As at December 31, 2013

Rupees in '000	Note	2013	2012 Restated	2011 Restated
<b>Assets</b>				
Cash and balances with treasury banks	6	26,104,835	24,435,422	26,168,206
Balances with other banks	7	9,124,531	8,865,303	6,236,116
Lendings to financial institutions	8	2,503,207	6,341,474	1,613,584
Investments	9	165,897,833	145,354,253	133,655,387
Advances	10	163,560,629	143,727,835	150,712,556
Operating fixed assets	11	8,623,410	8,901,522	9,451,033
Deferred tax assets	18	2,999,526	-	-
Other assets	12	16,282,792	15,556,592	16,002,401
		395,096,763	353,182,401	343,839,283
<b>Liabilities</b>				
Bills payable	13	5,687,542	3,700,156	2,756,032
Borrowings	14	24,545,879	8,376,740	17,274,979
Deposits and other accounts	15	335,173,378	306,929,729	291,499,395
Sub-ordinated loans	16	3,994,400	6,987,300	6,990,100
Liabilities against assets subject to finance lease	17	-	1,018	2,893
Deferred tax liabilities	18	-	35,992	845
Other liabilities	19	6,724,055	7,440,516	7,545,163
		376,125,254	333,471,451	326,069,407
<b>Net assets</b>		18,971,509	19,710,950	17,769,876
<b>Represented by</b>				
Share capital	20	12,602,602	8,130,711	7,070,184
Reserves	21	5,612,416	8,541,776	8,135,795
Unappropriated (loss) / profit		(1,370,719)	998,438	1,268,036
		16,844,299	17,670,925	16,474,015
Non-controlling interest		31,359	29,441	28,377
		16,875,658	17,700,366	16,502,392
Surplus on revaluation of assets - net of tax	22	2,095,851	2,010,584	1,267,484
		18,971,509	19,710,950	17,769,876

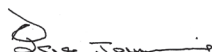
## Contingencies and commitments

23

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



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



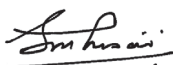
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Consolidated Profit and Loss Account

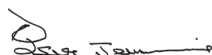
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
Mark-up / return / interest earned	26	27,961,790	32,404,345
Mark-up / return / interest expensed	27	19,363,025	22,973,385
Net mark-up / interest income		8,598,765	9,430,960
Provision against non-performing loans and advances - net	10.6.1	9,853,603	2,342,473
Impairment loss on available for sale investments		158,541	148,575
Provision for diminution in the value of investments	9.2.1	833,406	201,265
Reversal of provision against purchase under resale arrangement	8.4	(34,578)	-
Impairment loss on immovable assets	12.2	199,898	-
Bad debts written off directly		-	1,043
		11,010,870	2,693,356
Net mark-up / interest (expense) / income after provisions		(2,412,105)	6,737,604
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,198,513	1,173,558
Dividend income		508,748	1,036,249
Income from dealing in foreign currencies		559,463	884,724
Gain on sale of securities - net	28	825,043	688,424
Unrealized gain on revaluation of investments classified as held for trading - net	9.15	7,150	986
Other income	29	674,723	532,275
Total non-markup / interest income		3,773,640	4,316,216
		1,361,535	11,053,820
<b>Non mark-up / interest expenses</b>			
Administrative expenses	30	9,566,692	9,219,602
Other provisions / write offs		119,609	8,633
Other charges	31	22,571	80,381
Total non-markup / interest expenses		9,708,872	9,308,616
		(8,347,337)	1,745,204
Share of profit of associate		24,006	27,814
Extra ordinary / unusual items		-	-
<b>(Loss) / profit before taxation</b>		<b>(8,323,331)</b>	<b>1,773,018</b>
Taxation – current	32	(95,286)	(840,813)
– prior years'		-	-
– deferred	32	3,041,377	363,901
		2,946,091	(476,912)
<b>(Loss) / profit after taxation</b>		<b>(5,377,240)</b>	<b>1,296,106</b>
Attributable to:			
Equity holders of the Bank		(5,379,401)	1,295,042
Non-controlling interest		2,161	1,064
		(5,377,240)	1,296,106

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



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

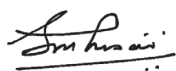


# Consolidated Statement of Comprehensive Income

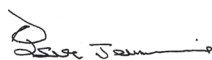
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
(Loss) / profit after taxation		(5,377,240)	1,296,106
<b>Other comprehensive income</b>			
Effect of recognition of actuarial gain / (loss)		64,291	(11,410)
Effect of rescheduled / restructured classified advances		-	(94,085)
Effect of translation of net investment in Wholesale Bank Branch		16,350	7,363
<b>Total comprehensive income</b>		<b>(5,296,599)</b>	<b>1,197,974</b>
<b>Attributable to:</b>			
Equity holders of the Bank		(5,298,517)	1,196,910
Non-controlling interest		1,918	1,064
		<b>(5,296,599)</b>	<b>1,197,974</b>

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



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



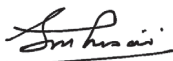
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Consolidated Cash Flow Statement

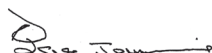
For the year ended December 31, 2013

Rupees in '000	Note	2013	2012 Restated
<b>Cash flow from operating activities</b>			
(Loss) / profit before taxation		(8,323,331)	1,773,018
Less: dividend income		(508,748)	(1,036,249)
		(8,832,079)	736,769
<b>Adjustments:</b>			
Depreciation / amortization		784,159	875,462
Provision against non-performing advances - net		9,853,603	2,342,473
Impairment loss on available for sale investments		158,541	148,575
Provision for diminution in the value of investments		833,406	201,265
Reversal of provision against purchase under resale arrangement		(34,578)	-
Provision against other assets		108,502	8,633
Unrealized gain on revaluation of investments classified as held for trading - net		(7,150)	(986)
Impairment loss on immovable assets		199,898	-
Gain on sale of operating fixed assets		(47,256)	(9,598)
Finance charges on leased assets		-	1,306
Share of profit of associate		(24,006)	(27,814)
		11,825,119	3,539,316
		2,993,040	4,276,085
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		4,850,845	(4,727,890)
Held for trading securities		104,323	(161,393)
Advances		(29,306,307)	3,743,856
Other assets (excluding advance taxation)		(562,603)	2,065,999
		(24,913,742)	920,572
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		1,987,386	944,124
Borrowings		16,169,139	(8,898,239)
Deposits		28,243,649	15,430,334
Other liabilities (excluding current taxation)		(492,559)	(106,598)
		45,907,615	7,369,621
Cash flow before tax		23,986,913	12,566,278
Income tax paid		(1,137,530)	(1,556,450)
Net cash flow from operating activities	33.1	22,849,383	11,009,828
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(23,767,254)	(11,917,171)
Net investments in held to maturity securities		2,074,962	1,201,888
Dividend income		482,558	991,331
Investments in operating fixed assets - net of adjustment		(386,708)	(399,407)
Sale proceeds of operating fixed assets - disposed off		60,638	20,748
Net cash used in investing activities		(21,535,804)	(10,102,611)
<b>Cash flow from financing activities</b>			
Payments of sub-ordinated loans		(2,992,900)	(2,800)
Proceeds against issue of shares		4,471,891	-
Lease obligations - net		(1,018)	(3,181)
Dividend paid		(170)	(786)
Net cash flow from / (used in) financing activities		1,477,803	(6,767)
Actuarial gain / (loss)		98,909	(11,410)
Effect of translation of net investment in Wholesale Bank Branch		16,350	7,363
<b>Increase in cash and cash equivalents</b>		2,906,641	896,403
Cash and cash equivalents at beginning of the year		33,322,725	32,426,322
Cash and cash equivalents at end of the year	33	36,229,366	33,322,725

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



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



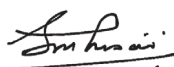
Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Consolidated Statement of Changes in Equity

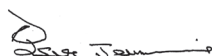
For the year ended December 31, 2013

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
						General reserve	Un-appropriated profit / (loss)			
Balance as at January 01, 2012 – as previously reported	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,380,018	16,585,997	28,377	16,614,374
Effect of retrospective change in accounting policy with respect to accounting for actuarial losses	-	-	-	-	-	-	(111,982)	(111,982)	-	(111,982)
Balance as at January 01, 2012 – restated	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,268,036	16,474,015	28,377	16,502,392
Total comprehensive income for the year ended December 31, 2012 – restated										
Net profit for the year ended December 31, 2012 – restated	-	-	-	-	-	-	1,295,042	1,295,042	1,064	1,296,106
Other comprehensive income										
- Reversal of capital reserve	-	-	-	-	(94,085)	-	-	(94,085)	-	(94,085)
- Effect of recognition of actuarial losses	-	-	-	-	-	-	(11,410)	(11,410)	-	(11,410)
- Effect of translation of net investment in Wholesale Bank Branch	-	7,363	-	-	-	-	-	7,363	-	7,363
	-	7,363	-	-	(94,085)	-	1,283,632	1,196,910	1,064	1,197,974
Transfer to:										
Statutory reserve	-	-	-	251,072	-	-	(251,072)	-	-	-
General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-	-	-
Transaction with owners, recorded directly in equity										
Bonus shares declared / issued subsequent to year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-	-	-
Balance as at January 01, 2013 – restated	8,130,711	82,659	234,669	3,899,517	-	4,324,931	998,438	17,670,925	29,441	17,700,366
Total comprehensive income for the year ended December 31, 2013										
Net (loss) / profit for the year ended December 31, 2013	-	-	-	-	-	-	(5,379,401)	(5,379,401)	2,161	(5,377,240)
Other comprehensive income										
- Effect of recognition of actuarial gain / (loss)	-	-	-	-	-	-	64,534	64,534	(243)	64,291
- Effect of translation of net investment in Wholesale Bank Branch	-	16,350	-	-	-	-	-	16,350	-	16,350
	-	16,350	-	-	-	-	(5,314,867)	(5,298,517)	1,918	(5,296,599)
Transfer to:										
General reserve										
- profit for the year ended December 31, 2012	-	-	-	-	-	1,004,291	(1,004,291)	-	-	-
- loss for the nine months ended September 30, 2013	-	-	-	-	-	(3,950,001)	3,950,001	-	-	-
	-	-	-	-	-	(2,945,710)	2,945,710	-	-	-
Transaction with owners, recorded directly in equity										
Issue of shares against right issue	4,471,891	-	-	-	-	-	-	4,471,891	-	4,471,891
Balance as at December 31, 2013	12,602,602	99,009	234,669	3,899,517	-	1,379,221	(1,370,719)	16,844,299	31,359	16,875,658

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



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## 1. STATUS AND NATURE OF BUSINESS

- 1.1** The Group consists of Askari Bank Limited, the holding company, Askari Investment Management Limited, a wholly owned subsidiary company and Askari Securities Limited, a partly owned subsidiary company.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. The Bank has 281 branches (2012: 261 branches); 280 in Pakistan and Azad Jammu and Kashmir, including 40 (2012: 32) Islamic Banking branches, 27 (2012: 24) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

Askari Investment Management Limited (AIML) was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations). The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Karachi. AIML obtained its certificate of commencement of business on September 22, 2005.

Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the year ended December 31, 2013.

- 1.2** The process of acquisition of the Bank's shareholding by Fauji Consortium; comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) was completed at the close of business on June 20, 2013. The collective shareholding of Fauji Consortium in the Bank was 71.91 percent as on December 31, 2013. The Bank is a subsidiary of FFCL, which directly and indirectly holds 54.09 percent shares of the Bank as on that date.

## 2. BASIS OF PRESENTATION

- 2.1** These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's (SBP) BSD Circular No 4 dated February 17, 2006.
- 2.2** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Group from its customers and resale to them at appropriate mark-up in price on a 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 facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.3** The financial results of the Islamic banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure-2 to unconsolidated financial statements.
- 2.4** Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

## 3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) 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 Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the SBP shall prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## 3.1 Standards, interpretations and amendments to 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 after 01 January 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by Governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendments are not expected to impact the current transactions of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to impact the current transactions of the Group.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not expected to impact the current transactions of the Group.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not expected to impact the current transactions of the Group.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. The amendments are not expected to impact the current transactions of the Group.
- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves. The amendments are not expected to impact the current transactions of the Group.
- IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendments are not expected to impact the financial statements of the Group.
- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. The amendments are not expected to impact the financial statements of the Group.
- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. The amendments will effect the disclosure of related party transactions of the Group.

### 3.2 Standards, interpretations and amendments to approved accounting standards that are effective

The following standards, amendments and interpretations of approved accounting standards that became effective for accounting periods after January 01, 2013 and during the year:

#### 3.2.1 IAS -19 Employee Benefit

IAS 19 (revised) 'Employee Benefits' became effective from January 01, 2013. The Group has adopted the standard and resultant effect of this change has been disclosed in note 5.11.

#### 3.2.2 Islamic Financial Accounting Standard (IFAS)

Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by Institute of Chartered Accountants of Pakistan (ICAP) has been notified by Securities and Exchange Commission of Pakistan. The standard is effective from June 12, 2013 and is followed by the Group while preparing the financial statements for the year ended December 31, 2013. The standard has no effect on the accounting of Deposits. The standard results in certain additional disclosures which are given in Annexure-2 to these financial statements.

There are other new standards and amendments that are effective on or after January 01, 2013. However these standards are either not applicable or have no effect on financial statements of the Group.

## 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention as modified for certain investments which are carried at fair value, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity and compensated absences which are carried at present value of defined benefit obligations net of fair value of plan assets and unrecognised actuarial losses.

### Use of critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- i) classification of investments (note 5.5)
- ii) provision against investments (note 5.5), advances (note 5.6) and other assets (note 5.8)
- iii) valuation and impairment of available for sale securities (note 5.5)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.7)
- v) taxation (note 5.10)
- vi) staff retirement benefits (note 5.11)

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Basis of consolidation

#### Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2012: 100%) and ASL with 74% holding (2012: 74%) collectively referred to as "the Group".

Subsidiaries are those enterprises in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the Bank. Non-controlling interests are presented as separate item in the consolidated financial statements.

#### Associate

Associate is the entity in which the Group has significant influence, but not control over the financial and operating policies. Significant influence exists when the Group holds between 20 to 50 percent of the voting power of another entity. The consolidated financial statements include the Group's share of the results of the associate. Investment in associate is accounted for using equity method of accounting and was initially recognized at cost.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## 5.2 New accounting policy

### 5.2.1 Grants

Grants are recognized as income over the periods to match with the related costs on a systematic basis.

### 5.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks, call money lendings and term deposits with other banks.

### 5.4 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed / earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

### 5.5 Investments

Investments are classified as follows:

#### Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

#### Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in the consolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in the consolidated profit and loss account.

Unquoted debt securities are valued using the market value of secondary market where available.

Investments in other unquoted securities are valued at cost less impairment losses, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

#### Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Group commits to purchase or sell the investments.

### 5.6 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.6.4.

The provisions against non-performing advances are charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery.

The SBP has notified for adoption of "Islamic Financial Accounting Standard 2 Ijarah" (IFAS-2) which is applicable for accounting period beginning on or after January 01, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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



The rentals received / receivable on above ljarahs are recorded as income / revenue. Depreciation on ljarah assets is charged to the consolidated profit and loss account by applying the straight line method whereby the depreciable value of ljarah assets is written off over the ljarah period. The Group charges depreciation from the date of delivery of respective assets to Mustajir upto the date of maturity / termination of ljarah agreement.

## **5.7 Capital work-in-progress, operating fixed assets and depreciation**

### **Capital work-in-progress**

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

### **Owned assets**

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the consolidated statement of financial position. Except to the extent actually realized on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Group or utilized directly or indirectly by way of dividend or bonus.

### **Intangible assets**

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Trading Right Entitlement Certificates (TREC) has indefinite useful life and accordingly is not amortized, however tested for impairment only. Impairment loss is recognized in profit and loss account.

### **Depreciation / amortization**

Depreciation / amortization is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated / amortized on the diminishing balance method, except for vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to the consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of operating fixed assets with the corresponding effect on depreciation / amortization charge.

### **Assets subject to finance lease**

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

## **5.8 Impairment**

The carrying amount of the Group's assets are reviewed at the date of consolidated statement of financial position to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the consolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **5.9 Deposits**

Deposits are recorded at the fair value of proceeds received. Markup accrued on deposits is recognised separately as part of other liabilities and is charged to profit and loss account on a time proportion basis.

## **5.10 Taxation**

Income tax on the consolidated profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of consolidated statement of financial position and any adjustment to tax payable for previous years.

## Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of consolidated statement of financial position. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax, on revaluation of investments, if any, is recognised as an adjustment to surplus / (deficit) arising on such revaluation.

## 5.11 Staff retirement benefits

### Defined benefit plan

The Bank and ASL operate an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method".

### Change in accounting policy - defined benefit plan

IAS 19 (as revised in June 2011) Employees Benefits became effective during the year. The amendments to IAS 19 changed the method of accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the full recognition of variations in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed below:

	Effect upto December 31, 2012	Effect during the year ended December 31, 2012	Effect upto January 01 2012
	Rupees in '000		
Increase in defined benefit obligation	134,706	3,098	131,608
Decrease in deferred tax liability - net	47,147	1,084	46,063
Decrease in advance taxation	28,873	2,436	26,437
Decrease in unappropriated profit	116,432	4,450	111,982
Net increase in profit before tax		12,714	
Net increase in tax expense		(4,450)	
		8,264	
Actuarial losses reclassified to other comprehensive income		11,410	

### Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by AIML and the staff at the rate of 6% of the salary.

ASL operates funded provident fund scheme for all its regular employees for which equal monthly contributions are made by ASL and the employees at the rate of 10% of basic salary of the employee.

#### **Compensated absences**

The Bank and ASL provide compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to the consolidated profit and loss account. The amount recognised in the consolidated statement of financial position represents the present value of defined benefit obligations.

### **5.12 Revenue recognition**

Mark-up / interest on advances and return on investments is recognised on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognised as permitted by the regulations of the SBP or overseas regulatory authority of the country where branch operates, except where in the opinion of the management it would not be prudent to do so.

Fees, commission and brokerage income is recognised at the time of performance of service.

Dividend income is recognised when the Group's right to receive the income is established.

Gains and losses on sale of investments are included in income currently.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the 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. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealised lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations issued by the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income on receipt basis.

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Group and all documents relating to purchase are in customers' name. However, the profit on that sale not due for the payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Profits on Diminishing Musharaka financings are recognised on accrual basis.

Consistent with prior years, profit required to be suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis.

### **5.13 Foreign currencies**

#### **Foreign currency transactions**

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of consolidated statement of financial position. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in consolidated profit and loss account currently.

#### **Foreign operation**

The assets and liabilities of Wholesale Bank Branch are translated to Pak. Rupee at exchange rates prevailing at the date of consolidated statement of financial position. The results of foreign operations are translated at the average rate of exchange for the year.

#### **Translation gains and losses**

Translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" through other comprehensive income and on disposal are recognised in consolidated profit and loss account.

#### **Commitments**

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities.

### **5.14 Provisions**

Provisions are recognised when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to consolidated profit and loss account is stated net off expected recoveries.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## 5.15 Off-setting

Financial assets and financial liabilities are only set-off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

## 5.16 Financial assets and liabilities

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

## 5.17 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.

## 5.18 Appropriations subsequent to date of consolidated statement of financial position

Appropriations subsequent to year end are recognised during the year in which those appropriations are made.

## 5.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

### 5.19.1 Business segment

#### Corporate finance

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

#### Trading and Sales

Trading and sales includes the Group's treasury and money market activities.

#### Retail Banking

Retail banking segment provides services to small borrowers and include loans, deposits and other transactions with retail customers and credit card business.

#### Commercial Banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

#### Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

#### Agency services

Agency services include income from rent of lockers provided to customers.

#### Retails brokerage

Retail brokerage provides share brokerage, share trading and corporate advisory services.

#### Asset management

Asset management segment represents wealth management, cash management and fund management services.

#### Sub-ordinated loans

It represents Term Finance Certificates issued by the Group.

### 5.19.2 Geographical segments

The Group operates in two geographic regions; Pakistan and the Middle East.

Rupees in '000	Note	2013	2012
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand:</b>			
Local currency		4,632,587	4,645,941
Foreign currencies		1,444,687	1,357,186
		6,077,274	6,003,127
<b>National Prize Bonds</b>			
		22,402	11,689
<b>With the State Bank of Pakistan in:</b>			
Local currency current accounts	6.1	10,547,151	10,481,338
Foreign currency current account	6.1	2,418,723	2,100,004
Foreign currency deposit account	6.2	6,072,321	4,886,149
		19,038,195	17,467,491
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		966,964	953,115
		26,104,835	24,435,422

**6.1** Deposits are maintained with the SBP to comply with its requirements issued from time to time.

**6.2** This represents special cash reserve maintained with the SBP and is remunerated at 0.00% (2012: 0.00%) per annum.

Rupees in '000	Note	2013	2012
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		266,079	376,746
On deposit accounts	7.1	3,878,241	656,967
		4,144,320	1,033,713
<b>Outside Pakistan</b>			
On current accounts		1,850,967	2,011,656
On deposit accounts	7.2	3,129,244	5,819,934
		4,980,211	7,831,590
		9,124,531	8,865,303

**7.1** These represent placements with local banks, carrying interest rates ranging from 0.20% to 9.00% (2012: 0.90% upto 9.50%) per annum.

**7.2** These represent placements with correspondent banks, carrying interest rates upto 0.16% (2012: upto 0.15%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	1,000,000	-
Repurchase agreement lendings (reverse repo)	8.2	977,900	5,816,909
Purchase under resale arrangement of equity securities		148,606	200,000
		1,126,506	6,016,909
Funded trade finance	8.3	525,307	485,749
Term deposits with MCB Bank Limited		-	22,000
		2,651,813	6,524,658
Less: Provision against purchase under resale arrangement	8.4	(148,606)	(183,184)
		2,503,207	6,341,474

**8.1** These carry mark-up of 7.00% to 7.25% having maturity upto 1 month (2012: Nil).

**8.2** These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rate of 9.80% (2012: 6.50% to 9.50%) per annum and maturities of upto 2 month (2012: upto 1 month).

**8.3** These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka (2012: Bank of Ceylon, Sri Lanka) at mark-up rate of 1.78% (2012: 2.06%) per annum with maturities of upto January 2014 and July 2014 (2012: upto January 2013 and July 2013).

Rupees in '000	2013	2012
<b>8.4 Particulars of provision against purchase under resale arrangement of equity securities</b>		
Opening balance	183,184	183,184
Charge for the year	(34,578)	-
Closing balance	148,606	183,184
<b>8.5 Particulars of lending</b>		
In local currency	2,126,506	6,038,909
In foreign currencies	525,307	485,749
	2,651,813	6,524,658

Rupees in '000	2013			2012		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.6 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	977,900	-	977,900	5,666,972	-	5,666,972
Pakistan Investment Bonds	-	-	-	149,937	-	149,937
Purchase under resale arrangement of listed shares	-	-	-	200,000	-	200,000
	977,900	-	977,900	6,016,909	-	6,016,909

Market value of securities held as collateral is Rs. 978,566 thousand (2012: Rs. 5,854,838 thousand).

## 9. INVESTMENTS

Rupees in '000	Note	2013			2012		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1 Investments by types</b>							
Held for trading securities							
Fully paid ordinary shares		41	-	41	151,674	-	151,674
Units of open end mutual funds	9.4	104,497	-	104,497	56,201	-	56,201
		104,538	-	104,538	207,875	-	207,875
Available for sale securities							
Market Treasury Bills	9.16	98,719,040	15,196,508	113,915,548	98,661,356	-	98,661,356
Pakistan Investment Bonds	9.16	32,831,768	-	32,831,768	22,098,414	-	22,098,414
Fully paid ordinary shares / units		2,667,563	-	2,667,563	2,435,729	-	2,435,729
Units of open end mutual funds	9.4	1,863,714	-	1,863,714	1,793,342	-	1,793,342
Fully paid preference shares	9.6	333,324	-	333,324	233,324	-	233,324
Term Finance Certificates		4,459,988	-	4,459,988	5,328,870	-	5,328,870
National Investment Trust (NIT) Units		537,891	-	537,891	864,395	-	864,395
Sukuk Certificates	9.9	6,739,094	-	6,739,094	8,928,672	-	8,928,672
Government of Pakistan Euro Bonds	9.10	1,653,340	-	1,653,340	1,037,900	-	1,037,900
Foreign securities	9.11	37,813	-	37,813	49,328	-	49,328
		149,843,535	15,196,508	165,040,043	141,431,330	-	141,431,330
Held to maturity securities							
Term Finance Certificates		-	-	-	116,348	-	116,348
Pakistan Investment Bonds	9.16	-	-	-	742,377	-	742,377
Government of Pakistan Euro Bonds	9.2.4	1,290,346	-	1,290,346	1,155,746	-	1,155,746
Sukuk Certificates	9.13	243,330	-	243,330	1,594,167	-	1,594,167
		1,533,676	-	1,533,676	3,608,638	-	3,608,638
Investment in associate							
Askari General Insurance Company Limited	9.12	156,487	-	156,487	132,481	-	132,481
Investment at cost							
Provision for diminution in value of investments	9.2.1	(1,342,400)	-	(1,342,400)	(508,994)	-	(508,994)
Investments (net of provision)							
Unrealised gain on revaluation of held for trading securities - net	9.15	7,150	-	7,150	986	-	986
Surplus / (deficit) on revaluation of available for sale securities - net		408,985	(10,646)	398,339	481,937	-	481,937
<b>Total investments</b>		<b>150,711,971</b>	<b>15,185,862</b>	<b>165,897,833</b>	<b>145,354,253</b>	<b>-</b>	<b>145,354,253</b>

Market value of held to maturity securities as at December 31, 2013 is Rs. 1,617,050 thousand (2012: Rs. 3,609,976 thousand).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013	2012
<b>9.2 Investments by segments</b>			
Federal Government Securities	9.2.3	113,915,548	98,661,356
Market Treasury Bills		32,831,768	22,840,791
Pakistan Investment Bonds		2,943,686	2,193,646
Government of Pakistan Euro Bonds	9.2.4	6,145,042	9,282,712
Sukuk Certificates			
		155,836,044	132,978,505
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,818,411	2,714,205
Unlisted companies	9.5	5,680	5,680
		2,824,091	2,719,885
Units of open end mutual funds	9.4	1,968,211	1,849,543
Fully paid preference shares	9.6		
Listed companies		208,324	208,324
Unlisted companies		125,000	25,000
		333,324	233,324
Term Finance Certificates	9.7		
Listed Term Finance Certificates		2,027,804	2,343,871
Unlisted Term Finance Certificates		2,432,184	3,101,346
		4,459,988	5,445,217
Foreign Securities			
Mena Transformation Fund	9.11	37,813	49,328
Other Investments			
Sukuk Certificates		837,382	1,240,127
National Investment Trust (NIT) - Units		537,891	864,395
		1,375,273	2,104,522
Total investment at cost		166,834,744	145,380,324
Provision for diminution in value of investments	9.2.1	(1,342,400)	(508,994)
Investments (net of provisions)		165,492,344	144,871,330
Unrealised gain on revaluation of held for trading securities - net	9.15	7,150	986
Surplus on revaluation of available for sale securities - net		398,339	481,937
Total investments		165,897,833	145,354,253
<b>9.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		508,994	332,779
Charge for the year		835,112	201,265
Reversal / transfer of provision during the year		(1,706)	(25,050)
		833,406	176,215
Closing balance		1,342,400	508,994
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		827,390	236,026
Sukuk certificates		484,330	242,288
		1,342,400	508,994

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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2014 to July 2014	On maturity	8.92% to 9.90%	at maturity
Pakistan Investment Bonds	April 2014 to June 2024	On maturity	8.00% to 12.00%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to June 2017	On maturity	6.88% to 7.13%	semi-annually
Sukuk Certificates				
- House Building Finance Corporation	May 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 2014 to September 2015	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
- WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.13% and having maturities upto June 2017.

### 9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	Note	2013	2012
2013	2012	Rupees 2013			Rupees in '000	
-	300,000	-	Adamjee Insurance Company Limited		-	20,336
14,490,076	14,489,931	23.29	Agriotech Limited		337,474	473,343
512,500	675,772	64.13	Allied Bank Limited		32,868	45,491
10,555,142	8,795,384	14.83	Askari General Insurance Company Limited	9.12	156,487	132,481
-	6,504,096	-	Atlas Fund of Funds		-	46,891
149,160	120,000	365.89	Attock Petroleum Limited		54,576	52,395
200	-	210.00	Attock Refinery Limited		42	-
4,200,000	7,697,900	20.76	Bank Alfalah Limited		87,181	129,636
3,000,000	1,352,000	29.30	Bank Al Habib Limited		87,896	43,346
-	532,000	-	Bank Islami Pakistan		-	4,973
2,490,000	-	39.99	Dawood Hercules Chemicals Limited		99,581	-
-	1,873,500	-	D. G. Khan Cement Company Limited		-	101,785
1,115,000	1,251,500	89.69	Engro Corporation Limited		100,000	112,531
1,000,000	-	28.25	Engro Fertilizer Limited		28,250	-
552,400	-	106.32	Engro Foods Limited		58,729	-
-	1,000,000	-	Engro Polymer Limited		-	9,513
632,500	-	140.17	Glaxosmithkline (Pak) Limited		88,655	-
-	325,000	-	Habib Bank Limited		-	36,261
2,669,000	2,600,000	39.45	Hub Power Company Limited		105,286	98,721
300,000	-	141.59	IGI Insurance Limited		42,477	-
3,034,603	3,034,603	1.48	Islamabad Stock Exchange (ISE)	11.2.2	4,505	4,505
-	20,000	-	Jahangir Siddique and Company Limited		-	80
4,007,383	4,007,383	10.00	Karachi Stock Exchange (KSE)	11.2.2	40,074	40,074
652,500	-	98.04	Kohat Cement Limited		63,972	-
2,100,000	2,100,000	47.08	Kot Addu Power Company Limited		98,872	92,887
2,776,500	-	6.91	Lotte Chemical Limited		19,197	-
4,200,000	-	20.89	Lalpir Power Limited		87,750	-
79,300	400,000	285.73	MCB Bank Limited		22,658	69,229
-	1,801,500	-	National Bank of Pakistan		-	84,479
-	265,000	-	National Refinery Limited		-	67,616
2,600,000	-	37.44	Netsol Technologies		97,335	-
6,250,000	7,000,000	14.19	Nishat Chunian Power Limited		88,657	99,296
500,000	1,000,000	58.71	Nishat (Chunian) Limited		29,355	27,725
5,865,000	6,305,000	16.98	Nishat Power Limited		99,593	99,927
-	880,000	-	Nishat Mills Limited		-	48,588



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

No. of ordinary shares/units		Average cost per share/unit	Name of companies / mutual funds	Note	2013	2012
2013	2012	Rupees 2013			Rupees in '000	
375,000	510,000	245.73	Oil and Gas Development Company Limited		92,150	88,380
7,583,700	7,583,700	9.96	Pak Oman Advantage Fund		75,516	75,516
113,600	-	144.37	Pak Suzuki Motors Limited		16,400	-
2,000,000	-	21.84	Pakgen Power Limited		43,685	-
275,000	275,000	357.83	Pakistan Oilfields Limited		98,403	98,403
810,000	672,000	122.88	Pakistan Petroleum Limited		99,535	98,994
4,500,000	3,267,521	21.91	Pakistan Re-Insurance Company Limited		98,606	63,147
528,000	440,000	188.00	Pakistan State Oil Company Limited		99,262	99,262
4,475,000	3,250,000	22.20	Pakistan Telecommunication Company Limited		99,328	58,305
3,013,000	6,700,000	16.47	PICIC Growth Fund		49,633	94,958
6,200,000	200,000	12.03	PICIC Investment Fund		74,570	1,166
1,574,500	-	25.31	Sui Southern Gas Company Limited		39,853	-
-	113,800	-	Shell Pakistan Limited		-	15,349
-	1,000,000	-	United Bank Limited		-	78,616
					<b>2,818,411</b>	<b>2,714,205</b>

## 9.4 Units of open end mutual funds

No. of ordinary shares/units		Average cost per share/unit	Name of companies / mutual funds	Note	2013	2012
2013	2012	Rupees 2013			Rupees in '000	
2,503,962	2,500,959	40.34	Askari Asset Allocation Fund (a related party)	9.8	101,013	100,884
12,661,431	12,138,223	99.23	Askari High Yield Scheme (a related party)	9.8	1,256,433	1,204,984
1,095,837	1,095,837	91.25	Askari Islamic Asset Allocation Fund (a related party)	9.8	100,000	100,000
1,598,805	1,598,805	93.82	Askari Islamic Income Fund(a related party)	9.8	150,000	150,000
16,424	96,905	100.28	Askari Sovereign Cash Fund (a related party)	9.8	1,647	9,090
1,000,757	1,000,554	99.99	Askari Equity Fund (a related party)	9.8	100,062	100,057
1,001,455	1,000,000	100.00	Askari Sovereign Yield Enhancer Fund (a related party)	9.8	100,143	100,000
435,596	3,000,000	91.50	JS Growth Fund		39,859	23,614
40,977	-	97.93	JS Cash Fund		4,013	-
121,636	-	117.56	JS Value Fund Limited		14,299	-
8,994,473	6,537,034	9.95	Meezan Balanced Fund		89,517	60,914
938,496	-	11.96	PICIC Energy Fund		11,225	-
					<b>1,968,211</b>	<b>1,849,543</b>

## 9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding %	Number of shares	Cost /	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
				paid-up value per share Rupees				
Pakistan Export Finance Guarantee Agency Limited - a related party	9.5.1	5.26	568,044	10	5,680	-	-	Under liquidation
					<b>5,680</b>			

9.5.1 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs 5,680 thousand (2012: Rs 5,680 thousand) is considered as impairment and has been fully provided for.

## 9.6 Particulars of investments held in preference shares

No. of preference shares	Paid-up value	Investee	Rate	Book Value		Market Value		
				2013	2012	2013	2012	
2013	2012	per share		Rupees in '000		Rupees in '000		
<b>Listed</b>								
10,000,000	10,000,000	10.00	Chenab Limited	9.25% per annum	100	100	20,900	10,500
18,322,418	18,322,418	10.00	Agriotech Limited	11.00% per annum	183,224	183,224	164,902	185,056
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2% per annum	25,000	25,000	25,000	25,000
<b>Un-listed</b>								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited	4% per annum	25,000	25,000	25,000	25,000
40,000,000	-	2.50	Silk Bank Limited		100,000	-	100,000	-
					333,324	233,324	335,802	245,556

## 9.7 Investment in Term Finance Certificates

No. of certificates	Company's Name	Redeemed value per certificate	2013		2012	
			2013	2012	2013	2012
2013	2012	Rupees	Rupees in '000		Rupees in '000	
<b>Listed</b>						
13,669	13,669	Allied Bank Limited	2,494	34,090	68,181	
134,853	95,600	Bank Alfalah Limited	5,011	675,691	452,868	
37,230	37,230	Pace Pakistan Limited	4,898	182,364	179,882	
-	97,493	Pak Arab Fertilizer Limited	-	-	145,929	
1,000	41,000	Pakistan Mobile Communication Limited	80,000	80,000	128,280	
140,000	140,000	Engro Fertilizer Limited	5,000	700,000	700,000	
-	4,600	Faysal Bank Limited	-	-	5,736	
-	12,000	Soneri Bank Limited	-	-	14,964	
13,000	10,000	Standard Chartered Bank Limited	5,025	65,321	12,500	
4,432	72,432	United Bank Limited	1,663	7,372	353,651	
133,023	133,023	Worldcall Telecom Limited	2,127	282,966	281,880	
Book value as on December 31				2,027,804	2,343,871	
<b>Unlisted</b>						
140,000	145,000	Agriotech Limited	4,996	699,389	706,883	
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	1,862	55,845	127,372	
86,000	86,000	Azgard Nine Limited	2,168	186,446	186,457	
50,600	50,600	Bank Alfalah Limited	5,109	258,529	260,147	
50,000	50,000	Bank Al-Habib Limited	5,173	258,626	259,912	
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	18,500	
-	74,900	Jahangir Siddique and Company Limited	-	-	371,728	
-	3,560	Orix Leasing Pakistan Limited	-	-	59,312	
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385	
20,000	20,000	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Ramdan A. Haggiagi)	4,163	83,267	99,940	
60,000	60,000	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	3,529	211,765	282,353	
50,000	50,000	Pakistan International Airlines Corporation Limited	4,996	249,800	249,800	
102,282	102,282	Pakistan National Shipping Corporation	3,125	319,632	383,557	
10,000	10,000	Shakarganj Mills Limited	4,000	40,000	45,000	
Book value as on December 31				2,432,184	3,101,346	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

**9.7.1** These carry rate of return ranging from 9.96% to 15.00% (2012: 10.36% to 15.00%) per annum and having remaining maturity periods of upto 9 years (2012: 8 years).

**9.8** This represents investment in Funds managed by Askari Investment Management Limited.

## 9.9 Sukuk Certificates - Available for sale

Name of Investee	Rate	Maturity	2013	2012
Rupees in '000				
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	7,500	37,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	10,000	30,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	22,222	66,666
K.S. Sulmanji and Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	34,031	106,346
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	16,947	57,378
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2016	10,714	10,714
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 20, 2013	-	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 18, 2015	1,001,712	1,002,712
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	2,000,000
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1% p.a.	February 19, 2020	148,698	167,393
Maple Leaf Cement	Average of offer side of 3 month KIBOR plus 1% p.a.	December 03, 2018	37,307	-
			6,739,094	8,928,672

**9.10** These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.13% and having maturities upto June 2017.

**9.11** The Group has invested in MENA Transformation Fund I.L.P a closed ended fund having maturity upto one year.

**9.12** Investment in associate represents 27.18% (2012: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO).

Rupees in '000	2013	2012
Cost of investment	29,466	29,466
Acquired on merger of ALL	24,237	24,237
Share of Profit - net of tax	102,784	78,778
	156,487	132,481

Summary of financial information of AGICO is given below:

Rupees in '000	Based on	
	September 30, 2013 (Un-audited)	December 31, 2012 (Audited) - Restated
Assets	2,155,744	2,225,061
Liabilities	1,580,004	1,717,908
Equity	575,740	507,154
Revenue	605,540	515,227
Profit after tax	72,843	55,214

Fair value of investment in AGICO as at December 31, 2013 is Rs. 205,812 thousand (December 31, 2012: Rs. 118,738 thousand).

3,873 shares are held in the name of a nominee director of the Bank in AGICO.

**9.13 Sukuk certificates – held to maturity**

Name of Investee	Rate	Maturity	2013	2012
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	–	67,500
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	–	1,250,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	133,330	166,667
			243,330	1,594,167

**9.14 Quality of available for sale securities**

Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	113,731,771	unrated	98,902,773	unrated
Pakistan Investment Bonds	9.14.1	32,408,223	unrated	22,633,877	unrated
Fully paid up ordinary shares	9.14.3				
Adamjee Insurance Company Limited		–	–	20,442	AA
Agritech Limited		183,589	D	169,098	D
Allied Bank Limited		46,125	AA+	49,662	AA+
Atlas Funds of Fund		–	–	62,049	unrated
Attock Petroleum Limited		74,534	unrated	61,348	unrated
Bank Alfalah Limited		113,569	AA	129,479	AA
Bank Al Habib Limited		124,650	AA+	42,899	AA+
Bank Islami Pakistan		–	–	4,900	A
Dawood Hercules Chemicals Limited		139,739	unrated	–	–

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
Engro Corporation Limited		176,594	A	98,022	A
Engro Fertilizer Limited		28,250	A-	-	-
Engro Foods Limited		57,693	unrated	-	-
Engro Polymer		-	-	10,120	unrated
Glaxosmithkline (Pak) Limited		86,153	unrated	-	-
Hub Power Company Limited		162,062	AA+	117,624	AA+
Habib Bank Limited		-	-	38,288	AAA
Islamabad Stock Exchange (ISE)		4,505	unrated	4,505	unrated
IGI Insurance Limited		49,314	AA	-	-
Karachi Stock Exchange (KSE)		40,074	unrated	40,074	unrated
Kohat Cement Limited		63,795	unrated	-	-
Kot Addu Power Company Limited		129,675	AA+	103,719	AA+
Lotte Chemical Limited		20,380	unrated	-	-
Lalpir Power Limited		83,580	AA	-	-
MCB Bank Limited		22,297	AAA	83,904	AA+
National Bank of Pakistan		-	-	83,963	AAA
National Refinery Limited		-	-	56,101	AAA
Netsol Technologies		114,478	unrated	-	-
Nishat Chunian Power Limited		217,376	A+	147,070	A
Nishat (Chunian) Limited		30,100	A-	35,040	A-
Nishat Power Limited		176,301	A+	122,948	A+
Nishat Mills Limited		-	-	41,503	AA-
Oil and Gas Development Company Limited		103,635	AAA	98,231	AAA
Pak Oman Advantage Fund		56,878	A+	70,073	A+
Pak Suzuki Motors Limited		17,482	unrated	-	-
Pakgen Power Limited		43,420	AA	-	-
Pakistan Export Finance Guarantee Agency		-	-	-	-
Pakistan Oilfields Limited		136,870	unrated	120,324	unrated
Pakistan Petroleum Limited		173,308	unrated	118,803	unrated
Pakistan Re-Insurance Company Limited		128,025	AA	79,891	AA
Pakistan State Oil Company Limited		175,412	AA+	102,172	AA+
Pakistan Telecommunication Company Limited		127,269	unrated	43,375	unrated
PICIC Growth Fund		75,566	unrated	109,880	unrated
PICIC Investment Fund		70,494	unrated	1,414	unrated
Sui Southern Gas Company Limited		37,882	unrated	-	-
Shell Pakistan Limited		-	-	15,498	unrated
United Bank Limited		-	-	83,670	AA+
Fully paid preference shares					
Agri-tech Limited		164,902	unrated	185,056	unrated
Chenab Limited		20,900	unrated	10,500	unrated
Masood Textile Mills Limited		25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited		-	unrated	-	unrated
Silk Bank Limited		-	-	-	-
Units of open end mutual fund					
Askari High Yield Scheme		1,203,744	A (f)	1,099,848	A+ (f)
Askari Asset Allocation Fund		126,253	4-Star	115,620	4-Star
Askari Islamic Asset Allocation Fund		120,217	unrated	126,249	unrated
Askari Islamic Income Fund		160,883	AA- (f)	160,717	AA- (f)
Askari Sovereign Yield Enhancer Fund		100,340	AA- (f)	100,980	AA- (f)
Askari Equity Fund		114,344	unrated	113,466	unrated

Rupees in '000	Note	2013		2012	
		Market Value	Rating	Market Value	Rating
JS Growth Fund		54,990	unrated	26,190	unrated
JS Value Fund		17,205	unrated	-	-
Meezan Balanced Fund		127,722	unrated	75,568	unrated
PICIC Energy Fund		12,649	unrated	-	-
Term Finance Certificates					
Agritech Limited		699,389	D	602,726	D
Allied Bank Limited		34,247	AA	69,409	AA
Avari Hotels Limited		55,796	A-	122,943	A-
Azgard Nine Limited		186,446	D	171,050	D
Bank Alfalah Limited		957,239	AA-	671,162	AA-
Bank Al-Habib Limited		268,961	AA	283,754	AA
Bunny's Limited		18,500	unrated	18,500	unrated
Engro Fertilizer Limited		652,585	A	657,902	A
Jahangir Siddique and Company Limited		-	-	375,745	AA
Orix Leasing Pakistan Limited		-	-	59,366	AA+
Pace Pakistan Limited		182,364	D	179,882	unrated
Pak Arab Fertilizer Limited		-	-	146,295	AA
Pak Hy Oils Limited		50,385	unrated	50,385	unrated
Pak Libya Holding Company (Pvt) Limited		83,089	AA	100,717	AA
Pakistan International Airlines Corporation Limited 9.14.1		249,800	unrated	249,800	unrated
Pakistan Mobile Communication Limited		292,482	AA-	375,244	AA-
Pakistan National Shipping Corporation		319,633	unrated	383,558	unrated
Standard Chartered Bank		65,244	AAA	-	-
Shakarganj Mills Limited		40,000	unrated	45,000	unrated
United Bank Limited		7,372	AA	361,857	AA
World Call Telecom Limited		199,416	D	199,415	D
		4,362,948		5,124,710	
National Investment Trust (NIT) Units		706,805	AM2-	864,363	AM2-
Sukuk Certificates	9.14.2	6,767,438	unrated	8,859,690	unrated
Foreign securities					
Mena Transformation Fund		37,813	unrated	49,328	unrated
Government of Pakistan Euro Bonds	9.14.1	1,752,481	unrated	1,042,563	unrated
		165,307,702		141,882,587	

**9.14.1** These are Government of Pakistan guaranteed securities.

**9.14.2** These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 6,011,712 thousand (2012: Rs. 8,032,712 thousand).

**9.14.3** Ratings for these equity securities / units represent 'entity ratings'.

**9.14.4** Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

#### **9.15 Unrealized gain on revaluation of investments classified as held for trading**

Rupees in '000	2013	2012
Fully paid ordinary shares / units	7,150	986

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

- 9.16** Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.
- 9.17** Investments include Rs. 2,160,358 thousand (2012: Rs. 2,014,475 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 1,336,720 thousand (2012: Rs. 503,315 thousand) against non performing investments.
- 9.17.1** During the year, the Forced Sale Value (FSV) benefit had been reduced by Rs. 192,207 thousand (2012: increased by Rs. 7,575 thousand) against non-performing investments. Had the FSV benefit not been recognized, provision against investments for the year would have been lower by Rs. 192,207 thousand (2012: higher by Rs. 7,575 thousand).
- 9.18** The Group has availed the relaxation of Rs. 499,676 thousand (2012: Rs. 809,460 thousand) and Rs. 169,679 thousand (2012: Rs. 304,250 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations for debt securities and impairment for equity securities respectively.

Rupees in '000	Note	2013	2012
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		165,353,375	137,296,028
Outside Pakistan		3,633,699	3,351,665
		168,987,074	140,647,693
Net investment in lease finance - In Pakistan	10.2	3,832,019	4,827,289
Ijarah financing - In Pakistan	10.3	138,622	307,336
Net book value of assets / investments in Ijarah under IFAS 2 - In Pakistan	10.4	1,024,822	380,311
Bills discounted and purchased			
Payable in Pakistan		10,882,706	9,967,185
Payable outside Pakistan		7,309,627	6,725,769
		18,192,333	16,692,954
Advances - gross		192,174,870	162,855,583
Provision against non performing advances	10.6		
Specific provision		(28,279,285)	(18,796,160)
General provision		(150,970)	(127,698)
General provision against consumer financing		(183,986)	(203,890)
		(28,614,241)	(19,127,748)
Advances - net of provision		163,560,629	143,727,835
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		181,466,145	155,125,453
In foreign currencies		10,708,725	7,730,130
		192,174,870	162,855,583
<b>10.1.2</b> Short term (for upto one year)		146,860,763	121,310,194
Long term (for over one year)		45,314,107	41,545,389
		192,174,870	162,855,583

**10.2 Net investment in lease finance – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	1,676,002	551,356	2,446	2,229,804	2,042,681	799,577	2,133	2,844,391
Residual value	1,302,144	478,142	11,799	1,792,085	1,560,684	699,902	10,289	2,270,875
Minimum lease payments	2,978,146	1,029,498	14,245	4,021,889	3,603,365	1,499,479	12,422	5,115,266
Finance charges for future periods	(109,576)	(80,130)	(164)	(189,870)	(158,245)	(129,689)	(43)	(287,977)
Present value of minimum lease payments	2,868,570	949,368	14,081	3,832,019	3,445,120	1,369,790	12,379	4,827,289

**10.3 Ijarah financing – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Ijarah rentals receivable	139,223	-	-	139,223	126,281	96,613	-	222,894
Residual value	6,273	-	-	6,273	47,907	56,200	-	104,107
Minimum Ijarah payments	145,496	-	-	145,496	174,188	152,813	-	327,001
Profit for future periods	(6,874)	-	-	(6,874)	(13,484)	(6,181)	-	(19,665)
Present value of minimum Ijarah payments	138,622	-	-	138,622	160,704	146,632	-	307,336

**10.4 Net book value of assets / investments in Ijarah under IFAS 2 – In Pakistan**

Rupees in '000	2013				2012			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Assets acquired under Ijarah	133,242	1,034,779	-	1,168,021	116,643	368,573	-	485,216
Accumulated depreciation on Ijarah	(34,613)	(108,586)	-	(143,199)	(32,225)	(72,680)	-	(104,905)
Net assets / investments in Ijarah	98,629	926,193	-	1,024,822	84,418	295,893	-	380,311

**10.5** Advances include Rs. 33,119,829 thousand (2012: Rs. 26,518,448 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2013								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned - note 10.5.1	451,923	-	451,923	-	-	-	-	-	-
Substandard	805,098	-	805,098	104,106	-	104,106	104,106	-	104,106
Doubtful	591,598	-	591,598	239,273	-	239,273	239,273	-	239,273
Loss	31,271,210	-	31,271,210	27,935,906	-	27,935,906	27,935,906	-	27,935,906
	33,119,829	-	33,119,829	28,279,285	-	28,279,285	28,279,285	-	28,279,285



# Notes to the Consolidated Financial Statements

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Category of classification	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned - note 10.5.1	127,181	-	127,181	-	-	-	-	-	-
Substandard	709,386	-	709,386	110,070	-	110,070	110,070	-	110,070
Doubtful	3,015,923	-	3,015,923	307,730	-	307,730	307,730	-	307,730
Loss	22,665,958	-	22,665,958	18,378,360	-	18,378,360	18,378,360	-	18,378,360
	26,518,448	-	26,518,448	18,796,160	-	18,796,160	18,796,160	-	18,796,160

10.5.1 This represents classification made for agricultural finances.

## 10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2013				2012			
		Specific	General	Consumer financing - General	Total	Specific	General	Consumer financing - General	Total
Opening balance		18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690
Transfer from investments		-	-	-	-	22,500	-	-	22,500
Charge for the year		10,606,839	34,440	2,928	10,644,207	3,532,354	9,575	332	3,542,261
Reversal for the year		(756,604)	(11,168)	(22,832)	(790,604)	(1,050,208)	(14,007)	(41,488)	(1,105,703)
Net charge / (reversal) for the year		9,850,235	23,272	(19,904)	9,853,603	2,482,146	(4,432)	(41,156)	2,436,558
Amounts written off	10.8	(427)	-	-	(427)	-	-	-	-
Amounts charged off- agri loans		(366,683)	-	-	(366,683)	-	-	-	-
Closing balance		28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748

Rupees in '000	2013	2012
<b>10.6.1</b> Provision against non-performing advances - net		
Net charge for the year	9,853,603	2,436,558
Reversal of capital reserve	-	(94,085)
	9,853,603	2,342,473

10.6.2 This includes specific provision on subjective basis against certain loans and advances, further, during the year the Bank has not availed FSV benefit on Agri Loans in its entirety and FSV benefit of Rs. 2,380 million on provisioning against other loans and advances. Furthermore, net reduction in FSV benefit during the period amounted to Rs. 1,729,661 thousand (2012: Rs. 596,999 thousand) resulting in increased charge for specific provision for the year ended by the same amount. The FSV benefit is not available for cash or stock dividend.

10.6.3 The Bank has availed the relaxation of Rs. 191,714 thousand (2012: Rs. 262,880 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

10.6.4 The general provision is maintained at the rate of 0.1% on advances other than non-performing advances and consumer financing.

**10.7 Particulars of provision against non-performing advances**

Rupees in '000	2013				2012			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	27,695,664	150,970	183,986	28,030,620	18,435,321	120,493	203,890	18,759,704
In foreign currencies	583,621	-	-	583,621	360,839	7,205	-	368,044
	28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748

Rupees in '000	2013	2012
<b>10.8 Particulars of write-offs:</b>		
<b>10.8.1</b> Against provisions	427	-
Directly charged to profit and loss account	-	1,043
	427	1,043
<b>10.8.2</b> Write offs of Rs. 500,000 and above	-	1,043
Write offs of below Rs. 500,000	427	-
	427	1,043

**10.8.3** 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2013 is given at Annexure - 1 to the unconsolidated financial statements.

Rupees in '000	Note	2013	2012
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,427,713	1,462,780
Loans granted / added during the year		1,152,125	333,959
Repayments		(623,818)	(369,026)
Balance at end of year		1,956,020	1,427,713
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		145	291
Loans granted / added during the year		3,893,348	-
Repayments		(956,042)	(146)
Balance at end of year		2,937,451	145
		4,893,471	1,427,858
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	35,444	43,524
Property and equipment	11.2	7,395,312	7,610,632
Intangibles	11.2	1,192,654	1,247,366
		8,623,410	8,901,522
<b>11.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		35,444	43,524
		35,444	43,524

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

## 11.2 Property and equipment

Rupees in '000	2013										
	COST / REVALUED AMOUNT				DEPRECIATION					Book value	Annual
	as at January 1, 2013	Additions/ revaluation	Adjustment	Deletions	as at December 31, 2013	as at January 1, 2013	Change for the year	On (deletion)/ adjustment	as at December 31, 2013	as at December 31, 2013	rate of depreciation (%)
Land freehold - note 11.3	1,639,802	-	-	-	2,445,595	-	-	-	2,445,595	-	
		805,793	-	-	-	-	-	-	-	-	
Land leasehold - note 11.3	2,151,818	-	(10,468)	-	1,472,193	-	-	-	1,472,193	-	
		(669,157)	-	-	-	-	-	-	-	-	
Buildings on freehold land	855,882	-	14,182	-	870,064	253,308	29,844	-	288,190	581,874	5
							-	5,038	-		
Buildings on leasehold land	1,429,612	-	(744)	-	1,428,868	468,481	39,166	-	502,609	926,259	5
							-	(5,038)			
Renovation of premises	1,929,970	84,078	(6,609)	(16,159)	1,991,280	1,424,744	247,380	(16,677)	1,655,534	335,746	10 - 20
							-	87	-		
Furniture, fixtures and office equipments	550,951	55,094	101	(11,703)	594,443	256,383	32,613	(5,599)	283,595	310,848	10 - 33
							-	198	-		
Carpets	24,435	8,167	-	(3,639)	28,963	18,497	2,617	(3,041)	18,073	10,890	20
Machine and equipments	1,376,638	90,351	125	(9,439)	1,457,675	886,617	95,455	(6,254)	975,834	481,841	20
							-	16	-		
Computer equipments	2,174,865	56,698	387	(1,415)	2,230,535	1,233,277	180,194	(1,071)	1,412,740	817,795	20 - 33
							-	340	-		
Vehicles	221,303	6,849	-	(69,075)	159,077	204,771	7,550	(65,438)	146,872	12,205	20
							-	(11)	-		
Other assets	45,100	-	-	-	45,100	44,206	828	-	45,034	66	20
	12,400,376	301,237	(3,026)	(111,430)	12,723,793	4,790,284	635,647	(98,080)	5,328,481	7,395,312	
		136,636	-	-	-	-	-	630	-	-	
Operating Lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
Assets held under finance lease	12,402,210	437,873	(3,026)	(111,430)	12,725,627	4,792,118	635,647	(97,450)	5,330,315	7,395,312	
Vehicles	3,293	-	(259)	(2,463)	571	2,753	249	(2,431)	571	-	20
	12,405,503	437,873	(3,285)	(113,893)	12,726,198	4,794,871	635,896	(99,881)	5,330,886	7,395,312	
<b>Intangibles</b>											
Software	1,463,087	91,801	-	-	1,554,888	228,897	148,263	-	377,160	1,177,728	10
Trading Right Entitlement Certificates - note 11.2.2	12,426	-	-	-	12,426	-	-	-	-	12,426	-
Exchanges membership cards - note 11.2.2	750	1,750	-	-	2,500	-	-	-	-	2,500	-
	1,476,263	93,551	-	-	1,569,814	228,897	148,263	-	377,160	1,192,654	

Rupees in '000	2012										
	COST / REVALUED AMOUNT				DEPRECIATION				Book value	Annual	
	as at January 1, 2013	Additions	Adjustment	Deletions	as at December 31, 2013	as at January 1, 2013	Charge for the year	On (deletion) / adjustment	as at December 31, 2013	as at December 31, 2013	rate of depreciation (%)
Land freehold	1,639,802	-	-	-	1,639,802	-	-	-	-	1,639,802	-
Land leasehold	2,151,818	-	-	-	2,151,818	-	-	-	-	2,151,818	-
Buildings on freehold land	855,882	-	-	-	855,882	222,241	31,067	-	253,308	602,574	5
Buildings on leasehold land	1,428,212	1,400	-	-	1,429,612	419,144	49,337	-	468,481	961,131	5
Renovation of premises	1,843,268	88,472	(1,601)	(169)	1,929,970	1,149,456	275,406	(107)	1,424,744	505,226	10 - 20
Furniture, fixtures and office equipment	535,163	21,820	147	(6,179)	550,951	225,042	33,791	(2,481)	256,383	294,568	10 - 33
Carpets	23,180	3,527	-	(2,272)	24,435	17,664	2,437	(1,604)	18,497	5,938	20
Machine and equipment	1,321,307	63,118	50	(7,837)	1,376,638	779,061	113,464	(5,820)	886,617	490,021	20
Computer equipment	2,095,907	83,766	342	(5,150)	2,174,865	1,028,777	208,210	(4,005)	1,233,277	941,588	20
Vehicles	241,839	43	(335)	(20,244)	221,303	209,447	12,605	(16,925)	204,771	16,532	20
Other assets	133,222	-	(88,122)	-	45,100	105,292	6,916	-	44,206	894	20
								(68,002)			
	12,269,600	262,146	(89,519)	(41,851)	12,400,376	4,156,124	733,233	(30,942)	4,790,284	7,610,092	
								(68,131)			
Operating Lease - Vehicles	18,209	-	-	(16,375)	1,834	18,209	-	(16,375)	1,834	-	20
	12,287,809	262,146	(89,519)	(58,226)	12,402,210	4,174,333	733,233	(115,448)	4,792,118	7,610,092	
Assets held under finance lease											
Vehicles	6,443	-	-	(3,150)	3,293	4,813	849	(2,909)	2,753	540	20
	12,294,252	262,146	(89,519)	(61,376)	12,405,503	4,179,146	734,082	(50,226)	4,794,871	7,610,632	
								(68,131)			
<b>Intangibles</b>											
Software	1,314,491	148,596	-	-	1,463,087	87,517	141,380	-	228,897	1,234,190	10
Trading Right Entitlement Certificates - note 11.2.2	-	-	-	12,426	12,426	-	-	-	-	12,426	-
Stock Exchange membership cards - note 11.2.2	57,005	750	-	(57,005)	750	-	-	-	-	750	-
	1,371,496	149,346	-	(44,579)	1,476,263	87,517	141,380	-	228,897	1,247,366	

**11.2.1** Cost of fully depreciated property and equipment still in use amounts to Rs. 1,163,687 thousand (2012: Rs. 884,184 thousand).

**11.2.2** In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), in previous year, the Company had received equity shares and one Trading Right Entitlement certificate each in Karachi Stock Exchange (KSE) and Islamabad Stock Exchange (ISE) in lieu of its membership cards in these exchanges.

Based on the revalued assets and liabilities of KSE and ISE, a total of 4,007,382 ordinary shares of Rs. 10 each and 3,034,602 ordinary shares of Rs. 10 each in the corporatized and demutualized KSE and ISE respectively have been allotted to the ASL in a dematerialized form. Out of the aforementioned, 1,602,953 ordinary shares in KSE and 1,213,840 ordinary shares in ISE (i.e. 40 percent) have been received in the ASL's CDC participant account whereas 2,404,429 ordinary shares in KSE and 1,820,762 ordinary shares in ISE (i.e. 60 percent) have been held in the blocked sub accounts maintained under KSE and ISE participant ID with Central Depository Company of Pakistan Limited. The rights attached to 60% shares held in blocked account shall be dealt with in accordance with the provisions contained in the Act. The blocked account shall be operated by the Board of Directors of the stock exchanges in the manner prescribed by the Securities and Exchange Commission of Pakistan.

# Notes to the Consolidated Financial Statements

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In case of KSE, par value of shares received by ASL has been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card in KSE is recognised as trading right. However in case of ISE, since the par value of shares received by ASL is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value.

During the year KSE through a notice instructed all TRE certificate holders to maintain / comply with Base Minimum Capital (BMC) requirement under Regulations Governing Risk Management of KSE ("the Regulations") in the form calculated in the schedule - 1 to the above regulations. Total BMC requirement determined by the Board of Directors of KSE was Rs. 31.156 million for each individual TRE certificate holder. Accordingly, ASL has complied with the above requirement in the following manner:

- Creating mortgage or charge over TRE certificate amounting to Rs. 15 million being notional value assigned / decided by KSE; and
- Pledging / lien marked over 40% shares (No. of shares 1,602,953) of KSE amounting to Rs. 16.156 million.

**11.3** The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2013 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation on land is Rs. 1,836,931 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	831,154	Sadruddin Associates, Harvestor Services and Spira & Co.
Lahore	1,331,615	Gulf Consultants and SMASCO
Islamabad	191,332	SMASCO
Rawalpindi	1,115,900	SMASCO
Peshawar	10,807	SMASCO
Quetta	436,980	Sadruddin Associates
	3,917,788	

Had the land not been revalued, the carrying amount of land as at December 31, 2013 would have been Rs. 2,080,857 thousand.

#### 11.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
<b>Vehicles</b>						
Toyota Land Cruiser	3,932	3,932	-	3,400	Negotiation	Army Welfare Trust
Toyota Prado	3,530	3,530	-	3,825	- do -	Army Welfare Trust
Toyota Prado	3,571	3,571	-	4,265	Tender	Mr. Muhammad Shah
KIA Sportage	1,818	1,818	-	619	- do -	Mr. Rizwan Mazhar
Honda Civic	1,374	1,374	-	985	- do -	Mr. Farhan Rashid
Honda Civic	1,245	1,245	-	805	- do -	Mr. Tahir Ayub
Toyota Corolla	1,162	1,162	-	950	- do -	Mr. Abdul Rashid
Honda Civic	1,103	1,103	-	834	- do -	Mr. M. Islam Khan
Honda Civic	1,003	1,003	-	776	- do -	Mr. M. Islam Khan
Toyota Corolla	1,003	1,003	-	655	- do -	Mr. Raheel Rustam
Honda Civic	1,857	1,702	155	186	As per Bank policy	Mr. M. R. Mehkari - Ex. President and CEO
Honda Civic	1,683	1,655	28	589	- do -	Mr. Javed Iqbal - Ex- Executive
Honda Civic	1,504	1,504	-	1,250	Insurance claim	Insurance claim
Suzuki Swift	1,018	424	594	54	Company Policy	Mr. Rehan-ur-Rehman - Employee (AIML)
Toyota Corolla	1,304	904	400	400	- do -	Mr. Mustafa Kamal - Employee (AIML)
Toyota Harrier	2,706	1,159	1,547	1,547	- do -	Mr. Adnan Ahmed Siddique - Ex-CEO (AIML)
Toyota Altis	1,559	1,528	31	311	- do -	Mr. Syed Sajjad Hussain Naqvi - Ex-Employee (AIML)
<b>Renovation</b>						
Renovation	5,277	5,210	67	598	Negotiation	Mr. Muhammad Munir
	36,649	33,827	2,822	22,049		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related party						
	77,244	66,684	10,560	38,589		
2013	113,893	100,511	13,382	60,638		
2012	61,376	50,226	11,150	20,748		

Rupees in '000	Note	2013	2012 Restated
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	6,197,977	6,131,115
Income / mark-up accrued in foreign currencies		275,287	193,127
Advances, deposits, advance rent and other prepayments		1,003,312	822,506
Advance taxation (payments less provisions)		4,483,294	3,664,782
Non banking assets acquired in satisfaction of claims	12.2	3,909,368	4,289,885
Un-realized gain on forward foreign exchange contracts - net		-	80,587
Suspense account		150,338	71,625
Stationary and stamps in hand		33,911	35,379
Dividend receivable		79,942	53,752
Others	12.3	416,578	372,547
		16,550,007	15,715,305
Provision against other assets	12.4	(267,215)	(158,713)
Other assets - net of provision		16,282,792	15,556,592

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

- 12.1** This balance has been arrived at after adjusting interest in suspense of Rs. 10,636,791 thousand (2012: Rs. 9,519,286 thousand).
- 12.2** Market value of non banking assets acquired in satisfaction of claims is Rs. 4,893,844 thousand (2012: Rs. 6,461,300 thousand). Impairment loss of Rs. 199,898 thousand on revaluation of these assets has been recognised.
- 12.3** This include an amount related to recovery of Rs. 57,297 thousand from a customer of ASL, on which arbitration committee of Islamabad Stock Exchange had decided the arbitration proceedings in favor of ASL in 2003. The customer had filed a suit against ASL challenging the decision of arbitration committee. ASL had filed a case in the District Court Islamabad against the customer for the recovery of amount receivable. In January 2009, the District Court Islamabad transferred the case to the High Court Islamabad on the grounds that the amount of the case is beyond the pecuniary jurisdiction of the District Court. The case is currently pending with the District Court Islamabad.

Rupees in '000	2013	2012
<b>12.4 Provision against other assets</b>		
Opening balance	158,713	163,877
Provision recognised during the year	108,502	21,633
Recovery from customer	-	(13,000)
	108,502	8,633
Written off during the year	-	(13,797)
Closing balance	267,215	158,713
<b>13. BILLS PAYABLE</b>		
In Pakistan	5,687,542	3,700,156
<b>14. BORROWINGS</b>		
In Pakistan	24,521,253	8,364,142
Outside Pakistan	24,626	12,598
	24,545,879	8,376,740
<b>14.1 Particulars of borrowings with respect to currencies</b>		
In local currency	24,521,253	8,364,142
In foreign currencies	24,626	12,598
	24,545,879	8,376,740

Rupees in '000	Note	2013	2012
<b>14.2 Details of borrowings – secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	8,617,564	7,170,013
Long term financing of export oriented projects	14.2.2	176,991	400,104
Long term financing facility	14.2.3	149,538	195,076
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.4	1,205	2,745
Refinance scheme for revival of SME activities in flood affected areas	14.2.4	7,500	7,500
		8,952,798	7,775,438
Repo and other borrowings from financial institutions			
Repo borrowings	14.2.5	15,174,630	–
Others		–	4,123
Unsecured			
Call borrowings		–	500,000
Overdrawn balance with other banks		393,825	84,581
		393,825	584,581
Outside Pakistan - foreign currencies		24,521,253	8,364,142
Overdrawn nostro accounts - unsecured		24,626	12,598
		24,545,879	8,376,740

**14.2.1** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 8.4% (2012: 8.5%) per annum payable on a quarterly basis.

**14.2.2** These carry mark-up rate of 5% (2012: 5%) per annum payable on a quarterly basis.

**14.2.3** These carry mark-up ranging from 7.5% to 10.1% (2012: 5.5% to 10.1%) per annum payable on a quarterly basis.

**14.2.4** These carry mark-up rate of 5% (2012: 5%) per annum payable on a quarterly basis.

**14.2.5** These are secured against pledge of Government Securities and carry markup ranging from 9.50% to 10.05% (2012: Nil) per annum and have maturities upto 1 month.

Rupees in '000	2013	2012
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	82,583,524	75,647,191
Savings deposits	172,338,878	155,646,270
Current accounts - non-remunerative	70,612,313	62,694,946
Special exporters' account	79,243	22,282
Margin accounts	1,667,411	2,316,551
Others	385,827	398,989
Financial institutions		
Remunerative deposits	7,174,571	9,381,065
Non-remunerative deposits	331,611	822,435
	335,173,378	306,929,729
<b>15.1 Particulars of deposits</b>		
In local currency	295,853,136	274,493,724
In foreign currencies	39,320,242	32,436,005
	335,173,378	306,929,729

Deposits include Rs. 13,442,494 thousand (2012: Rs. 18,631,133 thousand) due to related parties.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2013	2012
<b>16. SUB-ORDINATED LOANS</b>		
Term Finance Certificates - I	–	1,495,500
Term Finance Certificates - II	–	1,495,800
Term Finance Certificates - III	2,995,200	2,996,400
Term Finance Certificates - IV	999,200	999,600
	<b>3,994,400</b>	<b>6,987,300</b>

The Group had raised unsecured sub-ordinated loans through issuance of four separate Term Finance Certificates to improve the Group's capital adequacy. The first two issues were fully redeemed during the year. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Group including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance Certificates – III	Term Finance Certificates – IV
Outstanding amount – Rupees in thousand	2,995,200	999,200
Issue date	November 18, 2009	December 23, 2011
Total issue	Rupees 3,000 million	Rupees 1,000 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange Limited	Unlisted
Rate	Payable six monthly - Base Rate plus 2.5% (after 5 years: 2.95%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-96th month: 0.32% 97-120th month: 99.68%

Rupees in '000	2013			2012		
	Minimum lease payments	Financial changes for future periods	Principal outstanding	Minimum lease payments	Financial changes for future periods	Principal outstanding
<b>17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>						
Not later than one year	–	–	–	1,018	–	1,018
Later than one year and not later than five years	–	–	–	–	–	–
	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,018</b>	<b>–</b>	<b>1,018</b>

## 18. DEFERRED TAX (ASSETS) / LIABILITIES

Rupees in '000	2013	2012
		Restated
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	521,691	610,110
Assets subject to finance lease	–	(356)
Provision for staff benefits	(646)	(350)
Provision against non-performing advances		
- excess of 1% of total advances	(3,432,177)	(651,007)
- classified in sub-standard category	(71,278)	(5,867)
Unused tax losses	(144,506)	(38,069)
	<b>(3,126,916)</b>	<b>(85,539)</b>
Surplus on revaluation of available for sale securities	139,419	168,678
Actuarial loss	(12,029)	(47,147)
	<b>(2,999,526)</b>	<b>35,992</b>

Rupees in '000	Note	2013	2012 Restated
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,038,062	1,837,570
Mark-up / return / interest payable in foreign currencies		25,349	17,051
Unearned income / commission		192,445	168,876
Accrued expenses		700,527	703,274
Advance payments		70,704	59,315
Security deposit against lease / Ijarah financing		1,906,859	2,378,387
Unclaimed dividends		38,201	38,371
Branch adjustment account		451,350	858,692
Payable to defined benefit plan	35.2	6,223	144,180
Payable to defined contribution plan		126,773	14
Payable against purchase of listed shares		57,911	169,289
Un-realized loss on forward foreign exchange contracts - net		144,168	-
Withholding taxes payable		136,162	39,818
Federal excise duty payable		42,847	3
Workers' Welfare Fund		44,311	185,199
Switch fee payable		69,425	52,988
Others		672,738	787,489
		<b>6,724,055</b>	<b>7,440,516</b>

**20. SHARE CAPITAL****20.1 Authorized capital**

2013		2012		Rupees in '000	
Number of shares					
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000	

**20.2 Issued, subscribed and paid up capital**

2013		2012		Rupees in '000	
Number of shares					
514,689,100	67,500,000	Fully paid in cash	5,146,891	675,000	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on ALL merger	282,733	282,733	
<b>1,260,260,184</b>	<b>813,071,084</b>		<b>12,602,602</b>	<b>8,130,711</b>	

**20.3 Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In terms of BSD circular No. 7 of 2009 issued by the SBP, the Group is required to enhance its existing paid up capital to Rs. 10 billion (net of losses) to be achieved in phased manner as follows:

Minimum paid up capital (net of losses)	
By December 31, 2009	Rs. 6 billion
By December 31, 2010	Rs. 7 billion
By December 31, 2011	Rs. 8 billion
By December 31, 2012	Rs. 9 billion
By December 31, 2013	Rs. 10 billion

The Group is fully compliant with the minimum capital requirements of the SBP regulations as at December 31, 2013.

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Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note - 21.2	General reserve	2013	2012
<b>21. RESERVES</b>						
Balance as at January 1 - restated	82,659	234,669	3,899,517	4,324,931	8,541,776	8,135,795
Effect of translation of net investment in						
Wholesale Bank Branch	16,350	-	-	-	16,350	7,363
Transfer from un-appropriated (loss) / profit	-	-	-	(2,945,710)	(2,945,710)	1,553,230
Bonus shares issued	-	-	-	-	-	(1,060,527)
Reversal of capital reserve	-	-	-	-	-	(94,085)
Balance as at December 31	99,009	234,669	3,899,517	1,379,221	5,612,416	8,541,776

**21.1** As at December 31, 2013, the Group has availed net of tax benefit of Forced Saled Value (FSV) of Rs. 1,845,630 thousand (December 31, 2012: Rs. 3,094,844 thousand) in respect of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing assets allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in notes 9.17.1 and 10.6.2 above. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

**21.2** Under section 21 of the Banking Companies Ordinance, 1962, every Banking company incorporated in Pakistan is required to transfer not less than 20% of balance of profit to a statutory reserve until the amount in statutory reserve together with amount in share premium account equals to or exceeds the paid-up capital of the Bank and thereafter 10% of the balance of profit of the holding company are to be transferred to this reserve.

Rupees in '000	2013	2012
<b>22. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>		
Surplus on revaluation of land	1,836,931	1,697,325
Surplus / (deficit) on revaluation of available for sale securities		
i) Federal Government securities	(474,583)	781,542
ii) Listed shares	631,670	(34,407)
iii) Units of open end mutual funds	174,631	8,032
iv) Other securities	66,621	(273,230)
	398,339	481,937
Less: related deferred tax	(139,419)	(168,678)
	258,920	313,259
	2,095,851	2,010,584
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
Government	-	-
Others	8,024,235	5,373,983
	8,024,235	5,373,983

Rupees in '000	2013	2012
<b>23.2 Transaction-related contingent liabilities</b>		
Money for which the Group is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	992,331	233,955
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	67,564,698	79,212,961
ii) Banks and other financial institutions	3,232,089	808,020
iii) Others	6,823,472	13,813,083
	77,620,259	93,834,064
	78,612,590	94,068,019

These include guarantees amounting to Rs. 993,595 thousand (2012: Rs. 901,381 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

Rupees in '000	2013	2012
<b>23.3 Trade-related contingent liabilities</b>	79,193,455	44,442,449
<b>23.4 Other contingencies</b>		
<b>23.4.1</b> These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group	809,026	615,701

**23.4.2** The Group is contesting a case filed against it and some of its employees in the Sindh High Court for declaration and damages. Based on outside legal advice, the case of declaration is likely to be decided in Bank's favor. However, in case of award of damages, the potential liability of the Bank is estimated at not more than Rs. 100 million.

### 23.5 Tax contingencies

- i) For the Tax Years 2005 to 2008, there is a contingent liability of Rs. 681 million on account of amendment to assessments carried out by the Tax Department in the matters of taxation of commission & brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank's appeals are pending decision by the ATIR with respect to matters not decided in its favour.
- ii) ASL appealed before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue (Appeals) [CIR(A)] related to tax year 2006 assessing net income at Rs. 27,486,803 against the declared loss of Rs. 9,306,446 due to disallowing provision for doubtful debts and commission expense resulting in income tax demand of Rs. 9,565,724. The ATIR has directed the CIR(A) to re-examine the case and issue a fresh appellate order. The matter is pending adjudication by the CIR(A).
- iii) Group's share of income tax demand of Rs. 1,794 thousand, not acknowledged as debt, has been challenged by AGICO and is currently in appeal; AGICO expects favourable outcome of appeal.

Rupees in '000	2013	2012
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	994,312	5,823,130
Sale and repurchase agreements	15,211,984	-
<b>23.7 Commitments in respect of forward exchange contracts</b>		
Purchase	58,454,369	13,497,314
Sale	49,320,257	8,926,334

The above commitments have maturities falling within one year.

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Rupees in '000	2013	2012
<b>23.8 Commitments in respect of forward sale of listed equity securities</b>		
Sale	45,570	157,880
<b>23.9 Commitments for the acquisition of operating fixed assets</b>	145,174	140,070
<b>23.10 Commitments to extend credit</b>		
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 except for	9,756,031	6,480,778
<b>23.11 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000
<b>23.12 Bills for collection</b>		
Payable in Pakistan	3,364,728	1,162,798
Payable outside Pakistan	14,814,641	11,126,400
	18,179,369	12,289,198

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Group's customers. These are accepted by the Group as an agent and the Group does not carry any credit risk in respect of these bills.

## 24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Group's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the SBP, and equity futures. The Group also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter parties' intra-day and overnight limits. In addition, these also come under the SBP's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

## 25. DERIVATIVE INSTRUMENTS

The Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Swap, Forward Rate Agreements or Foreign Exchange Options. However, the Bank's Treasury and Investment Banking Group buy and sell derivative instruments such as:

- Forward exchange contracts
- Equity futures

### 25.1 Forward exchange contracts

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

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

If the relevant exchange rate moves un-favourably, the Bank will lose money, and Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking forward position in inter-bank Foreign Exchange.

## 25.2 Equity futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

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

The accounting policies used to recognize and disclose derivatives are given in note 5.17.

Rupees in '000	Note	2013	2012
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	26.1	14,365,463	17,423,089
ii) Financial institutions		99,862	45,910
On investments:			
i) Available for sale securities		12,852,256	14,156,795
ii) Held to maturity securities		281,762	447,735
On deposits with financial institutions		167,523	153,189
On securities purchased under resale agreements		194,924	177,627
		<b>27,961,790</b>	<b>32,404,345</b>

**26.1** This includes an amount of Rs. 190,637 thousand (2012: Rs. 7,080 thousand) on account of income received from related parties.

Rupees in '000	Note	2013	2012
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits	27.1	16,966,881	19,109,875
On securities sold under repurchase agreements		1,097,646	2,228,432
On sub-ordinated loans		645,473	962,708
On call money borrowings		23,143	19,630
On refinance borrowings from SBP		562,829	597,847
On long term finance for export oriented projects from SBP		31,080	48,506
On other short term borrowings		35,973	6,387
		<b>19,363,025</b>	<b>22,973,385</b>

**27.1** This includes an amount of Rs. 1,162,314 thousand (2012: Rs. 2,328,062 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2013	2012
<b>28. GAIN / (LOSS) ON SALE OF SECURITIES – NET</b>		
Federal Government Securities		
Market Treasury Bills	119,950	98,930
Pakistan Investment Bonds	208,819	473,013
Shares - Listed	224,101	203,835
Others	272,173	(87,354)
	<b>825,043</b>	<b>688,424</b>

# Notes to the Consolidated Financial Statements

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Rupees in '000	Note	2013	2012
<b>29. OTHER INCOME</b>			
Rent of property	29.1	39,155	30,611
Gain on sale of operating fixed assets		47,256	9,598
Rent of lockers		19,356	16,211
Gain on sale of non-banking assets		1,832	6,723
Recovery against write / charge off assets		37,794	-
Recovery of expenses from customers		399,715	306,301
Others		129,615	162,831
		<b>674,723</b>	<b>532,275</b>

**29.1** This includes an amount of Rs. 31,654 thousand (2012: Rs. 29,106 thousand) on account of rent received from related parties.

Rupees in '000	Note	2013	2012 Restated
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		4,196,545	4,172,826
Charge for defined benefit plan	35.3	158,586	173,435
Contribution to defined contribution plan	36	138,129	146,324
Non - executive directors' fees, allowances and other expenses		7,642	7,031
Rent, taxes, insurance, electricity, etc.		1,328,063	1,150,567
Legal and professional charges		136,079	70,541
Brokerage and commission		128,294	133,119
Communications		363,887	321,058
Repairs and maintenance		943,078	888,735
Stationery and printing		112,946	110,386
Advertisement and publicity		91,639	82,216
Donations	30.1	2,500	-
Auditors' remuneration	30.2	10,765	11,864
Depreciation	11.2	635,896	734,082
Amortization	11.2	148,263	141,380
Travelling and entertainment		94,353	105,973
Fuel and vehicle running expenses		586,027	543,333
Security service charges		307,920	270,802
Finance charges on leased assets		-	1,306
Staff training expenses		17,573	30,144
Other expenditure		158,507	124,480
		<b>9,566,692</b>	<b>9,219,602</b>

**30.1** Donations were made to Army Relief Fund for affectees of Earthquake in Baluchistan. Donations were not made to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	2013	2012
<b>30.2 Auditors' remuneration</b>		
Audit fee - Parent	2,800	2,800
- Subsidiaries	725	700
Fee for the audit of Wholesale Bank Branch	2,590	2,214
Fee for the audit of provident and gratuity funds	168	167
Special certifications, half year review and the audit of consolidated financial statements	1,948	3,208
Tax services	1,600	1,815
Out of pocket expenses	934	960
	<b>10,765</b>	<b>11,864</b>

Rupees in '000	Note	2013	2012 Restated
<b>31. OTHER CHARGES</b>			
Workers' Welfare Fund		-	77,199
Penalties imposed by the State Bank of Pakistan		22,571	3,182
		22,571	80,381
<b>32. TAXATION</b>			
For the year			
Current		95,286	840,813
Deferred		(3,041,377)	(363,901)
		(2,946,091)	476,912
<b>32.1 Relationship between tax expense and accounting profit</b>			
(Loss) / profit before taxation		(8,323,331)	1,773,018
Tax at applicable tax rate of 35 percent (2012: 35 percent)		(2,913,166)	620,556
Effect of:			
- Income chargeable to tax at lower rates		(84,950)	(132,066)
- Permanent differences		7,900	1,114
- Minimum tax		950	1,669
- Deferred tax not recognised by AIML		-	1,518
- Deferred tax asset of prior years' losses of AIML		(9,875)	(615)
- Others		53,050	(15,264)
		(2,946,091)	476,912

### 32.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2013 (year ended December 31, 2012). The assessment for and up to Tax Year 2009 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

Tax payments made in relation to the matters currently pending are being carried forward as management is confident of their realisation as and when the appeals are decided.

- ii) Consequent upon the amalgamation with and into the Bank, the outstanding tax issues relating to ALL are as follows:

Tax returns of ALL have been filed for and up to Tax Year 2010. The returns for the Tax Years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the Tax Department. A tax demand is however not likely to arise after re-assessment.

For and up to the Assessment Years 2002-2003, reference applications filed by the Tax Authorities in the matter of computation of lease income are pending decisions by the High Court. However the likelihood of an adverse decision is considered low due to a favorable decision of the High Court in a parallel case.

For and up to Assessment Year 2002-2003 & Tax Years 2003, 2004 & 2007 the Tax Department has filed appeals with the ATIR against the decision of CIR (A) that minimum tax was not chargeable on lease rentals / income. These are pending decision.



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Rupees in '000	Note	2013	2012 Restated
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks		26,104,835	24,435,422
Balances with other banks		9,124,531	8,865,303
Call money lendings		1,000,000	-
Term deposits with MCB Bank		-	22,000
		36,229,366	33,322,725
<b>33.1 Cash flow from operating activities (direct method)</b>			
Mark-up / return / interest and commission receipts		30,419,356	36,118,782
Mark-up / return / interest payments		(19,154,235)	(23,254,438)
Cash payments to employees, suppliers and others		(8,621,496)	(6,839,843)
		2,643,625	6,024,501
Decrease / (increase) in operating assets			
Lendings to financial institutions		4,850,845	(4,727,890)
Held for trading securities		104,323	(161,393)
Advances		(29,306,307)	3,743,856
Other assets (excluding advance taxation)		99,459	437,975
		(24,251,680)	(707,452)
Increase / (decrease) in operating liabilities			
Bills payable		1,987,386	944,124
Borrowings		16,169,139	(8,898,239)
Deposits		28,243,649	15,430,334
Other liabilities (excluding current taxation)		(805,206)	(226,990)
		45,594,968	7,249,229
Cash flow before tax		23,986,913	12,566,278
Income tax paid		(1,137,530)	(1,556,450)
Net cash flow from operating activities		22,849,383	11,009,828
<b>34. STAFF STRENGTH</b>			
		Number of employees	
Permanent		4,511	4,360
Temporary / on contractual basis		1,091	1,277
Commission based		29	56
Total staff strength at end of the year		5,631	5,693

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

The Bank and ASL operate approved funded gratuity schemes for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof.

Rupees in '000	Note	2013	2012 Restated
<b>35.2 The amounts recognised in the consolidated statement of financial position are as follows:</b>			
Present value of defined benefit obligation		1,184,151	1,219,552
Fair value of plan assets		(1,177,928)	(1,075,372)
Net liability		6,223	144,180

Rupees in '000	2013	2012
<b>35.3 The amounts recognised in consolidated profit and loss account are as follows:</b>		
Current service cost	142,932	156,770
Interest on obligation	127,866	125,060
Expected return on plan assets	(112,212)	(108,395)
	158,586	173,435
<b>35.4 Actual return on plan assets</b>	107,991	110,130
<b>35.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	1,219,552	1,004,165
Current service cost	142,932	156,770
Interest cost	127,866	125,060
Actuarial (gain) / loss	(103,640)	15,101
Benefits paid	(202,559)	(81,544)
Closing defined benefit obligation	1,184,151	1,219,552
<b>35.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	1,075,372	867,741
Expected return	112,211	108,395
Actuarial loss	(4,247)	(3,144)
Contributions by employer	193,601	183,924
Benefits paid	(199,009)	(81,544)
Closing fair value of plan assets	1,177,928	1,075,372

The Group expects to contribute Rs. 152,274 thousand to its defined benefit gratuity plan in 2014.

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

	2013		2012	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>35.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	891,759	76	762,664	71
Bank deposit account	286,169	24	312,708	29
	1,177,928	100	1,075,372	100

### 35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2013 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2013	2012
Discount rate - per annum	11.0% - 13.0%	11.0% - 11.5%
Expected rate of increase in salaries - per annum	11.5% - 12.5%	10.0% - 11.5%
Expected rate of return on plan assets - per annum	13.0%	11.0%
Average expected remaining life of employees - years	5	5 - 6
Mortality rate	SLIC 2001 - 2005 mortality table	EFU 61 - 66 mortality table

# Notes to the Consolidated Financial Statements

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## 35.9 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2013	2012	2011	2010	2009
				Restated	
As at December 31, Defined benefit obligation	1,184,151	1,219,552	1,001,255	857,959	705,452
Plan assets	(1,177,928)	(1,075,372)	(866,311)	(678,450)	(482,462)
Deficit	6,223	144,180	134,944	179,509	222,990
Experience adjustments Actuarial (gain) / loss on obligation	(103,640)	15,101	28,281	30,792	(25,745)
Actuarial (loss) / gain on plan assets	(4,247)	(3,144)	2,998	(12,305)	(527)

## 35.10 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. The sensitivity analysis of discount rate and salary increase rate is shown in the below table:

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Rupees in '000			
Discount rate	1.0% & 0.5%	(66,512)	84,908
Salary increase	1.0% & 0.5%	85,268	(67,135)

## 36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2012 were Rs. 2,215,267 thousand (December 31, 2011: Rs. 1,880,291 thousand) as per latest available audited financial statements of the fund.

ASL operates a funded provident fund scheme for all its regular employees for which equal monthly contributions are made by the Company and the employees at the rate of 10% of basic salary of the employee.

## 36.1 The details of size and investment of the provident fund is as follows:

Rupees in '000	2013	2012
Size of the Fund	2,395,197	2,215,267
Cost of investments made	2,299,202	2,084,971
Fair value of investments	2,341,200	2,120,710
Percentage of investments made	95.99%	94.12%

## 36.2 Breakup of provident fund investments

	2013		2012	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Government Investment Bonds	2,040,227	88.74%	1,862,653	89.34%
Government Sukuks	150,000	6.52%	150,000	7.19%
Term Finance Certificates	2,522	0.11%	2,522	0.12%
Mutual Funds	69,238	3.01%	63,501	3.05%
Bank Deposits	37,215	1.62%	6,295	0.30%

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 37. COMPENSATED ABSENCES

#### 37.1 General description

The Bank and ASL grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees of the Bank are entitled to 30 days privilege leave for each completed year of service. Unutilised privilege leaves are accumulated upto a maximum of 120 days out of which 60 days are encashable at the time of separation from service on the basis of last drawn gross salary.

Under this unfunded scheme, category A and B employees and category C employees of ASL are entitled to 30 days and 15 days privilege leave for each completed year of service respectively. Unutilised privilege leaves are accumulated upto a maximum of 90 days and 45 days for category A and B employees and category C employees respectively which are encashable at the time of separation from service on the basis of last drawn gross salary.

#### 37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2013 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2013 was Rs. 189,100 thousand against related liability of Rs. 205,259 thousand carried at December 31, 2013. Expense for the year of Rs. 33,144 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2013	2012
Discount rate – per annum	11.0% - 13.0%	11.0% - 11.5%
Expected rate of increase in salaries – per annum	10.0% - 12.5%	10.0% - 11.5%
Leave accumulation factor – days	5 - 11	5 - 11

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
Fees	-	-	7,144	6,826	200	225
Managerial remuneration	23,903	17,186	-	-	1,008,362	894,669
Allowances	1,844	2,098	-	-	151,177	53,412
Charge for defined benefit plan	1,239	1,354	-	-	54,648	57,436
Contribution to defined contribution plan	1,144	1,354	-	-	56,750	284,467
Rent and house maintenance	9,425	7,371	-	-	308,238	61,658
Utilities	2,651	1,745	-	-	76,055	61,366
Medical	2,304	1,625	-	-	68,497	141,583
Special performance incentive / Bonus	693	1,405	-	-	4,888	3,428
Adhoc Relief	1,045	-	-	-	123,250	-
Leave Encashment	4,197	-	-	-	28,238	-
	48,445	34,138	7,144	6,826	1,880,303	1,558,244
Number of persons	2	1	20	10	609	530

Executives mean all executive employees, other than the chief executive of the Bank and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Chief Executive is also provided with the Bank maintained car.

Further, senior executives are entitled to certain additional benefits in accordance with the Group's policy.

The figures for the year includes salary and other benefits of Ex-Chief Executive and other Ex-Senior Executives. Further, fee includes fee paid to former members of the Board of Directors.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities.

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Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Group's accounting policy as stated in note 5.6. The effective rates and maturity profile are stated in note 44.2.5 and 44.3.1 respectively.

## 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2013									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	124,172	(270,044)	1,467,691	30,150,780	68,170	17,218	139,374	38,069	-	31,735,430
Total expenses	37,062	80,600	376,919	38,719,986	20,347	5,139	167,485	29,758	645,471	40,082,767
Net income / (loss)	87,110	(350,644)	1,090,772	(8,569,206)	47,823	12,079	(28,111)	8,311	(645,471)	(8,347,337)
Segment Assets (Gross)	70,214	152,699	11,994,130	412,641,188	38,548	9,736	379,388	183,322	-	425,469,225
Segment Non Performing Loans	-	-	2,679,642	30,440,187	-	-	-	-	-	33,119,829
Segment Provision Required	-	-	2,439,282	27,866,965	-	-	-	66,215	-	30,372,462
Segment Liabilities	1,067	2,321	24,336,897	347,591,697	586	148	82,163	62,733	4,047,642	376,125,254
Segment Return on net Assets (ROA) (%)	0.03	(0.07)	0.39	8.06	0.02	0.00	0.04	0.01	-	
Segment Cost of funds (%)	0.01	0.02	0.11	10.91	0.00	0.00	0.05	0.01	0.17	

Rupees in '000	2012									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	136,805	357,973	1,818,093	34,161,919	56,366	16,211	172,171	28,837	-	36,748,375
Total expenses	34,706	90,814	466,955	33,209,266	14,299	4,113	167,906	24,590	962,708	34,975,357
Net income / (loss)	102,099	267,159	1,351,138	952,653	42,067	12,098	4,265	4,247	(962,708)	1,773,018
Segment Assets (Gross)	67,659	177,881	14,661,421	357,923,601	28,009	8,055	101,185	193,229	-	373,161,040
Segment Non Performing Loans	-	-	2,873,636	23,644,812	-	-	-	-	-	26,518,448
Segment Provision Required	-	-	2,523,806	17,388,618	-	-	-	66,215	-	19,978,639
Segment Liabilities	984	2,574	18,853,154	307,419,949	405	117	15,904	35,605	7,142,759	333,471,451
Segment Return on net Assets (ROA) (%)	0.04	0.10	0.52	9.80	0.02	-	0.05	0.01	-	
Segment Cost of funds (%)	0.01	0.03	0.14	10.08	0.00	0.00	0.05	0.01	0.29	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.19 % (2012: 4.91 %) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.72% (2012: 1.64%) of the total liabilities have been allocated to segments based on their respective assets.

## 41. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, the Group acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

## 42. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (“the Parent”) holds 71.91% (December 31, 2012: AWT held 50.57%) of the Group’s share capital at the year end. The Group has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees’ funds.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

Details of transactions with related parties and balances with them at the year end were as follows:

Rupees in '000	December 31, 2013 - Note 42.1						December 31, 2012 - Note 42.2					
	Key management		Companies with common directorship having equity under 20%		Associated company	Employees funds	Key management		Companies with common directorship having equity under 20%		Associated company	Employees funds
	Parent	Personnel	Directors				Parent	Personnel	Directors			
Balances outstanding as at												
- Advances	79,506	95,926	128	-	2,857,945	-	-	111,092	6,011	145	-	-
- Deposits	5,180,555	40,472	123,537	598,369	7,189,990	309,571	17,755,898	28,306	39,306	349,635	405,377	52,611
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	640,987	-	-	-	985,168	-	-	-	-	233,955	-	-
- Investment in shares / units - at cost	-	-	-	1,714,494	503,492	-	-	-	-	1,714,494	353,492	-
- Security deposits against lease	-	-	-	-	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	-	-	-	-	-	-	3,660	-
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	3,892	-	-	-	-	-	2,602	-	-
- Management fee and commission receivable from Askari High Yield Scheme	-	-	-	92	-	-	-	-	-	2,405	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	540	-	-	-	-	-	150	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	14	-	-	-	-	-	461	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	655	-	-	-	-	-	-	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	14	-	-	-	-	-	1,046	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	480	-	-	-	-	-	392	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	12	-	-	-	-	-	88	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	5,987	-	-	-	-	-	-	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	159	-	-	-	-	-	4,655	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	374	-	-	-	-	-	1,002	-	-
- Management fee and commission receivable from Askari Equity Fund	-	-	-	10	-	-	-	-	-	347	-	-
- Management fee and commission receivable from Askari Sovereign Yield Enhancer	-	-	-	29	-	-	-	-	-	1,883	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	1,892	-	-	-	-	-	1,349	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	808	-	-	-	-	-	-	-
- Payable to employee funds by AIML	-	-	-	-	-	4,445	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

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Rupees in '000	December 31, 2013 - Note 42.1						December 31, 2012 - Note 42.2					
	Key management		Companies with common directorship having equity under 20%		Associated company	Employees funds	Key management		Companies with common directorship having equity under 20%		Associated company	Employees funds
	Parent	Personnel	Directors				Parent	Personnel	Directors			
Transactions during the year												
- Net mark-up / interest earned	5,436	4,644	79	-	180,478	-	-	6,312	754	14	-	-
- Net mark-up / interest expensed	956,708	1,146	4,258	26,366	157,341	16,495	2,275,211	1,413	8,481	23,832	5,148	13,977
- Contribution to employees' funds	-	-	-	-	-	335,743	-	-	-	-	-	337,503
- Investment in units of AIML funds - purchase	-	-	-	-	-	-	-	-	-	16,211,000	-	-
- Investment in units of AIML funds - sale	-	-	-	-	-	-	-	-	-	15,982,760	-	-
- Redemption of TFC of bank	-	-	-	-	3,660	-	-	-	-	-	-	-
- Rent of property / service charges received	19,510	-	-	-	12,144	-	19,398	-	-	4,764	4,744	-
- Rent of property / service charges paid	7,362	-	-	34,350	-	-	67,737	-	-	70,277	607	-
- Remuneration paid	-	167,024	-	-	-	-	-	234,849	-	-	-	-
- Post employment benefits	-	12,045	-	-	-	-	-	18,469	-	-	-	-
- Insurance claim received	-	-	-	-	3,155	-	-	-	-	-	317	-
- Insurance premium paid	-	-	-	-	84,443	-	-	-	-	-	27,690	-
- Dividend Income	-	-	-	118,104	-	-	-	-	-	398,644	-	-
- Security services costs	-	-	-	105,573	-	-	-	-	-	198,950	-	-
- Fee, commission and brokerage income	18	-	-	123,024	2,903	-	-	-	-	161,643	169	-
- Receivable written off of Askari Asset Allocation Fund by AIML	-	-	-	116	-	-	-	-	-	-	-	-
- Receivable written off of Askari High Yield Scheme by AIML	-	-	-	543	-	-	-	-	-	-	-	-
- Proceeds received against right issue	3,215,839	-	15	-	-	-	-	-	-	-	-	-
- Fees paid	-	-	7,144	-	-	-	-	-	6,826	-	-	-

**42.1** These include transactions with those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT) upto June 20, 2013. Further related parties transactions of Fauji Consortium are included from June 21, 2013 onward.

**42.2** Comparative figures of December 31, 2012 are of those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT).

## 43. CAPITAL ADEQUACY

### 43.1 Scope of Application

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk .

The Bank has two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL). AIML is the wholly-owned subsidiary of Askari Bank Limited while ASL is 74% owned by the Bank. Both these entities are included while calculating Capital Adequacy for the Bank using full consolidation method. The fact that Askari Bank has neither any significant minority investments in banking, securities, or any other financial entities excludes it from a need for further consolidation. Furthermore, the Bank does not enter into in any securitization activity that shields it from the risk inherent in securitization.

### 43.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

### Goals of managing capital

The goals of managing capital of the Group are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Group operates;
- Maintain strong ratings and to protect the Group against unexpected events;
- Availability of adequate capital at a reasonable cost so as to enable the Group to operate adequately and provide reasonable value added for the shareholders and other stakeholders;

### Group's regulatory capital analyzed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits, 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules such as Deferred Tax Assets shall be deducted starting Dec 2014.

Tier II capital under Basel III is subject to a maximum of 3.5% of total Risk Weighted Assets as of Dec 2013. It includes subordinated debt issued prior to Jan 1, 2013 phasing out at an annual rate of 10%, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Starting Dec 2014 Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2013 the Group must meet a Tier 1 ratio and CAR of 6.5% and 10% respectively.

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.



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For the year ended December 31, 2013

## 43.3 Capital Adequacy Ratio (CAR)

	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
Rupees in '000			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
Fully Paid-up Capital/ Capital deposited with SBP	12,602,602	-	8,130,711
Balance in Share Premium Account	234,669	-	234,669
Reserve for issue of Bonus Shares	-	-	-
General/ Statutory Reserves	5,278,738	-	8,230,992
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated/unremitted profits/ (losses)	(1,370,719)	-	1,144,869
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	31,359	-	29,441
<b>CET 1 before Regulatory Adjustments</b>	<b>16,776,649</b>	<b>-</b>	<b>17,770,682</b>
<b>Less: Regulatory Adjustments</b>			
All other intangibles (net of any associated deferred tax liability)	1,204,080	-	1,273,733
Shortfall of provisions against classified assets	-	-	158,459
Reciprocal cross holdings in CET1 capital instruments	68,536	-	-
Total regulatory adjustments applied to CET1	1,272,616	-	1,432,192
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	296,937	-	66,241
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>	<b>1,569,553</b>	<b>-</b>	<b>1,498,433</b>
<b>Common Equity Tier 1</b>	<b>15,207,096</b>	<b>-</b>	<b>16,272,249</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity	-	-	
of which: Classified as liabilities	-	-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out	-	-	
<b>AT1 before regulatory adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>

	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
Rupees in '000			
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	218,693	-	-
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	78,244	-	66,241
Total of Regulatory Adjustment applied to AT1 capital	296,937	-	66,241
Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	15,207,096	-	16,272,249
<b>Tier 2 Capital</b>			
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	3,456,180	-	3,991,200
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	334,956	-	331,589
Revaluation Reserves			
of which: Revaluation reserves on Property	826,619	-	687,891
of which: Unrealized Gains/Losses on AFS	116,514	-	216,872
	943,133	-	904,763
Foreign Exchange Translation Reserves	99,009	-	82,659
<b>T2 before regulatory adjustments</b>	4,833,278	-	5,310,211
<b>Tier 2 Capital: regulatory adjustments</b>			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	78,244	-	66,241
Reciprocal cross holdings in Tier 2 instruments	649,298	-	-
Amount of Regulatory Adjustment applied to T2 capital	727,542	-	66,241
Tier 2 capital (T2)	4,105,736	-	5,243,970
Tier 2 capital recognized for capital adequacy	4,105,736	-	5,243,970
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy	4,105,736	-	5,243,970
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	19,312,832	-	21,516,219
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	134,805,926	-	138,754,564
of which: deferred tax assets	8,758,638	-	-
Total Credit Risk Weighted Assets	143,564,564	-	138,754,564
Total Market Risk Weighted Assets	16,462,970	-	18,350,333
Total Operational Risk Weighted Assets	23,447,791	-	23,793,434
<b>Total Risk Weighted Assets</b>	183,475,325	-	180,898,331

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	December 31, 2013	Amounts subject to Pre-Basel - III treatment	December 31, 2012
<b>Percentage</b>			
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA	8.29%	–	9.00%
Tier-1 capital to total RWA	8.29%	–	8.98%
Total capital to RWA	10.53%	–	11.88%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.00%	–	5.00%
of which: capital conservation buffer requirement	0.00%	–	0.00%
of which: countercyclical buffer requirement	0.00%	–	0.00%
of which: D-SIB or G-SIB buffer requirement	0.00%	–	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.29%	–	4.00%
<b>National minimum capital requirements prescribed by SBP</b>			
CET1 minimum ratio	5.00%	–	5.00%
Tier 1 minimum ratio	6.50%	–	5.00%
Total capital minimum ratio	10.00%	–	10.00%
<b>Rupees in '000</b>			
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
Non-significant investments in the capital of other financial entities	1,315,104	–	–
Significant investments in the common stock of financial entities	–	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	3,503,455	–	–
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	334,956	–	331,589
Cap on inclusion of provisions in Tier 2 under standardized approach	1,794,737	–	2,261,229
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–	–

#### 43.4 Capital adequacy ratio as at December 31, 2013

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's Basel III guidelines on capital adequacy, using standardized approaches for credit and market risks and basic indicator approach for operational risk is presented below. Comparative figures have been presented as per new format and their calculation remained as per Basel II of SBP.

##### Risk-weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2013	2012	2013	2012
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
<b>Claims on:</b>				
Sovereigns other than PKR claims	500,847	385,467	5,008,470	3,854,668
Public Sector Entities (PSEs)	245,729	215,233	2,457,294	2,152,334
Banks	2,273,185	2,079,046	22,731,846	20,790,460
Corporates	6,985,311	6,744,335	69,853,106	67,443,348
Retail portfolio	1,132,984	1,592,047	11,329,840	15,920,467
Residential mortgage finance	302,732	322,679	3,027,321	3,226,791
Listed equities and regulatory capital instruments issued by others banks	71,302	149,037	713,016	1,490,367
Unlisted equity investments	20,672	7,399	206,719	73,992
Significant investment and DTAs	875,864	–	8,758,638	–
Fixed Assets	741,933	762,779	7,419,329	7,627,789
Other Assets	543,995	620,820	5,439,952	6,208,199
Past Due Exposures	510,671	974,587	5,106,714	9,745,871
Forward Foreign Exchange Contracts	151,232	22,028	1,512,319	220,278
<b>Market risk</b>				
<b>Portfolios subject to standardized approach</b>				
Interest rate risk	482,219	652,926	4,822,191	6,529,256
Equity position risk	1,047,639	1,059,371	10,476,393	10,593,714
Foreign exchange risk	116,439	122,736	1,164,385	1,227,363
<b>Operational risk</b>	2,344,779	2,379,343	23,447,791	23,793,434
<b>Total</b>	<b>18,347,533</b>	<b>18,089,833</b>	<b>183,475,325</b>	<b>180,898,331</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			19,312,832	21,516,219
Total risk weighted assets			183,475,325	180,898,331
Capital adequacy ratio			10.53%	11.89%

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## 43.5 Capital Structure Reconciliation

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013	Under regulatory scope of consolidation
<b>Assets</b>		
Cash and balances with treasury banks	26,104,835	26,104,835
Balanced with other banks	9,124,531	9,124,531
Lending to financial institutions	2,503,207	2,503,207
Investments	165,897,833	165,897,833
Advances	163,560,629	163,560,629
Operating fixed assets	8,623,410	8,623,410
Deferred tax assets	2,999,526	2,999,526
Other assets	16,282,792	16,282,792
<b>Total assets</b>	<b>395,096,763</b>	<b>395,096,763</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	5,687,542	5,687,542
Borrowings	24,545,879	24,545,879
Deposits and other accounts	335,173,378	335,173,378
Sub-ordinated loans	3,994,400	3,994,400
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,724,055	6,724,055
<b>Total liabilities</b>	<b>376,125,254</b>	<b>376,125,254</b>
Share capital/ Head office capital account	12,602,602	12,602,602
Reserves	5,612,416	5,612,416
Unappropriated/ Unremitted profit/ (losses)	(1,370,719)	(1,370,719)
Minority Interest	31,359	31,359
Surplus on revaluation of assets	2,095,851	2,095,851
<b>Total liabilities &amp; equity</b>	<b>395,096,763</b>	<b>395,096,763</b>

### Assets

Cash and balances with treasury banks	26,104,835	26,104,835
Balanced with other banks	9,124,531	9,124,531
Lending to financial institutions	2,503,207	2,503,207
Investments	165,897,833	165,897,833
of which: Mutual Funds exceeding regulatory threshold	218,693	218,693
of which: reciprocal crossholding of capital instrument CET 1	68,536	68,536
of which: reciprocal crossholding of capital instrument AT 1	-	-
of which: reciprocal crossholding of capital instrument Tier II	649,298	649,298
of which: others	164,961,306	164,961,306
Advances	163,560,629	163,560,629
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-
general provisions reflected in Tier 2 capital	334,956	334,956
Fixed Assets	8,623,410	8,623,410
Deferred Tax Assets	2,999,526	2,999,526
of which: DTAs excluding those pertaining to temporary differences	-	-
of which: DTAs arising from temporary differences below the threshold	1,547,843	1,547,843
of which: DTAs arising from temporary differences exceeding regulatory threshold	1,955,612	1,955,612
Other assets	16,282,792	16,282,792
of which: Goodwill	-	-
of which: Intangibles	1,204,080	1,204,080
of which: Defined-benefit pension fund net assets	-	-
<b>Total assets</b>	<b>395,096,763</b>	<b>395,096,763</b>

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013	Under regulatory scope of consolidation
<b>Liabilities &amp; Equity</b>		
Bills payable	5,687,542	5,687,542
Borrowings	24,545,879	24,545,879
Deposits and other accounts	335,173,378	335,173,378
Sub-ordinated loans	3,994,400	3,994,400
of which: eligible for inclusion in AT1	-	-
of which: eligible for inclusion in Tier 2	3,456,180	3,456,180
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,724,055	6,724,055
<b>Total liabilities</b>	<b>376,125,254</b>	<b>376,125,254</b>
Share capital	12,602,602	12,602,602
of which: amount eligible for CET1	12,602,602	12,602,602
of which: amount eligible for AT1	-	-
Reserves	5,612,416	5,612,416
of which: portion eligible for inclusion in CET1-Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET1-General / Statutory Reserves (as disclosed on Balance Sheet)	5,278,738	5,279,378
of which: portion eligible for inclusion in Tier 2	99,009	99,009
Unappropriated profit / (losses)	(1,370,719)	(1,370,719)
Minority Interest	31,359	31,359
of which: portion eligible for inclusion in CET1	31,359	31,359
of which: portion eligible for inclusion in AT1	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Surplus on revaluation of assets	2,095,851	2,095,851
of which: Revaluation reserves on Property	1,836,931	2,171,922
of which: Unrealized Gains / Losses on AFS	258,920	258,920
<b>Total liabilities &amp; Equity</b>	<b>395,096,763</b>	<b>395,096,763</b>

#### 43.6 Basel III Disclosure

Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013
<b>Balance sheet as in published financial statements</b>	
Fully Paid-up Capital/ Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General/ Statutory Reserves	5,278,738
Unappropriated/unremitted profits/(losses)	(1,370,719)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	31,359
<b>CET 1 before Regulatory Adjustments</b>	<b>16,776,649</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>	
All other intangibles (net of any associated deferred tax liability)	1,204,080
Reciprocal cross holdings in CET1 capital instruments	68,536
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	296,937
<b>Total regulatory adjustments applied to CET1</b>	<b>1,569,553</b>
<b>Common Equity Tier 1</b>	<b>15,207,096</b>

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Rupees in '000	Balance sheet as in published financial statements As at December 31, 2013
<b>Additional Tier 1 (AT 1) Capital</b>	
Qualifying Additional Tier-1 instruments plus any related share premium	-
of which: Classified as equity	-
of which: Classified as liabilities	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
of which: instrument issued by subsidiaries subject to phase out	-
<b>AT1 before regulatory adjustments</b>	<b>-</b>
<b>Additional Tier 1 Capital: regulatory adjustments</b>	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	218,693
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	78,244
Total of Regulatory Adjustment applied to AT1 capital	296,937
Additional Tier 1 capital	-
<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>15,207,096</b>
<b>Tier 2 Capital</b>	
Qualifying Tier 2 capital instruments under Basel III	
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	3,456,180
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	334,956
Revaluation Reserves eligible for Tier 2	943,133
of which: portion pertaining to Property	826,619
of which: portion pertaining to AFS securities	116,514
Foreign Exchange Translation Reserves	99,009
Undisclosed/Other Reserves	-
<b>T2 before regulatory adjustments</b>	<b>4,833,278</b>
<b>Tier 2 Capital: regulatory adjustments</b>	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	78,244
Reciprocal cross holdings in Tier 2 instruments	649,298
Amount of Regulatory Adjustment applied to T2 capital	727,542
Tier 2 capital (T2)	4,105,736
<b>Tier 2 capital recognized for capital adequacy</b>	<b>4,105,736</b>
Excess Additional Tier 1 capital recognized in Tier 2 capital	-
Total Tier 2 capital admissible for capital adequacy	4,105,736
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>19,312,832</b>

### 43.7 Main Features of Regulatory Capital Instruments

Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC IV)
Issuer	Askari Bank - Public Limited Company	Askari Bank - Public Limited Company	Askari Bank - Public Limited Company
Unique identifier	AKBL	AKBL TFC3	NA
Governing law(s) of the instrument	The Companies Ordinance 1984	Stock Exchanges Regulations	The Companies Ordinance, 1984
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	Tier 2
Post-transitional Basel III rules	NA	Ineligible	Ineligible
Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Debt Instrument	Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	2,557,980	898,200
Par value of instrument	Rs. 10 per Share	Rs. 5,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	November 18, 2009	December 23, 2011
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	November 18, 2019	December 23, 2021
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	November 18, 2014	December 23, 2016
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon	NA	Floating	Floating
coupon rate and any related index / benchmark	NA	Average Ask 6 month KIBOR plus 2.50 % (1 to 5 Years) and Average Ask 6 month KIBOR plus 2.95 % (6 to 10 Years)	Average Ask 6 month KIBOR plus 1.75 % (1 to 5 Years) and Average Ask 6 month KIBOR plus 2.20 (6 to 10 Years)
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Nonconvertible	Nonconvertible
If convertible, conversion trigger (s)	NA	NA	NA
If convertible, fully or partially	NA	NA	NA
If convertible, conversion rate	NA	NA	NA
If convertible, mandatory or optional conversion	NA	NA	NA
If convertible, specify instrument type convertible into	NA	NA	NA
If convertible, specify issuer of instrument it converts into	NA	NA	NA



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Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC IV)
Write-down feature	NA	NA	NA
If write-down, write-down trigger(s)	NA	NA	NA
If write-down, full or partial	NA	NA	NA
If write-down, permanent or temporary	NA	NA	NA
If temporary write-down, description of write-up mechanism	NA	NA	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	Yes
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	Does not meet loss absorbency requirements including conversion

## 44. RISK MANAGEMENT

The Group believes that effective risk management is of primary importance to achieve desired level of return while maintaining acceptable level of risk exposure. Robust risk management processes and framework are in place to achieve overall Group's objectives through a well thought out strategy, which enable the Group to effectively manage, Credit, Market, Operational and Liquidity risk in a proactive manner.

The Group's approach is to ensure that risk management is deeply and firmly embedded in the culture of the Group. All employees are therefore considered responsible for identification, measurement, monitoring and controlling risks within the scope of their assigned responsibilities. As a result of changing risk environment, the Group continuously monitors and conducts holistic assessment of complex transactions on an integrated basis.

The Group has a Board Risk Management Committee (BRMC) in place and the Head of Risk reports directly to BRMC for independent assurance. BRMC is responsible to review the extent of design and adequacy of risk management framework. BRMC oversees that risks are managed within the level of tolerance and risk appetite of the Group.

### 44.1 Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Group. The Group takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

The Group has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes more than 40% of the total asset base and is also the largest source of credit risk for the Group. Moreover, more than 70% of Group's capital requirement pertains to credit risk. The Group's advances portfolio is well diversified across various business segments, industries and geographical locations.

Risk mitigants have been put in place at all stages of credit risk cycle i.e. identification, measurement, monitoring, controlling and reporting for effective risk management. Accordingly, portfolio monitoring function is in place at the Group with dedicated resources to ensure that risk is not only minimized but is optimized in risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Group's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Group. Meanwhile, an Advances Review Committee has been established at the Group. The committee comprises of the stakeholders from all the concerned functional units to oversee credit related activities across the Group.

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

#### 44.1.1 SEGMENT INFORMATION

Segmental Information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

##### 44.1.1.1 Segment by class of business

	2013						2012					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	4,519,591	2.35	4,047,537	1.21	2,194,092	0.73	6,545,640	4.02	3,036,944	0.99	421,169	0.23
Automobiles and Allied	856,781	0.45	979,511	0.29	483,647	0.16	504,084	0.31	866,646	0.28	399,962	0.22
Cables / Electronics	2,081,031	1.08	2,292,874	0.68	1,759,920	0.58	2,162,329	1.33	1,434,976	0.47	375,371	0.21
Carpets	524,416	0.27	48,005	0.01	-	-	293,689	0.18	54,742	0.02	23,139	0.01
Cement	1,010,634	0.53	757,607	0.23	2,119,871	0.70	1,143,231	0.70	933,570	0.30	541,912	0.30
Chemicals / Pharmaceuticals	4,238,337	2.21	1,816,256	0.54	1,658,134	0.55	3,119,304	1.92	825,811	0.27	3,442,339	1.91
Engineering	278,611	0.14	56,412	0.02	10,041,236	3.34	642,006	0.39	326,487	0.11	2,167,073	1.20
Fertilizers	3,301,642	1.72	3,156,369	0.93	1,004,663	0.33	3,590,314	2.20	443,461	0.14	1,577,225	0.88
Food and Allied	1,864,274	0.97	691,236	0.21	2,644,130	0.88	2,185,347	1.34	778,180	0.25	913,967	0.51
Fuel / Energy	18,636,887	9.70	3,385,515	1.01	23,837,632	7.92	17,495,770	10.74	2,573,058	0.84	14,241,647	7.91
Ghee and Edible Oil	2,528,603	1.32	171,400	0.05	758,566	0.25	1,783,207	1.09	270,704	0.09	2,618,843	1.46
Glass and Ceramics	1,533,770	0.80	39,940	0.01	2,725	0.00	1,389,070	0.85	42,653	0.01	40,002	0.02
Hotels and Restaurants	359,534	0.19	727,796	0.22	200	0.00	491,390	0.30	681,293	0.22	17,425	0.01
Individuals	15,346,746	7.99	112,599,789	33.59	524,799	0.17	16,986,713	10.43	105,024,343	34.22	167,908	0.09
Insurance	-	-	443,755	0.13	-	-	10,185	0.01	529,751	0.17	500	0.00
Financial institutions / Investment companies	693,333	0.36	513,702	0.15	87,236,542	28.98	405,000	0.25	1,370,038	0.45	69,337,365	38.53
Leasing	500,286	0.26	4,898	-	-	-	5,835	0.00	11,049	0.00	-	-
Leather Products and Shoes	854,327	0.44	449,977	0.13	35,115	0.01	809,334	0.50	604,750	0.20	72,087	0.04
Modarabas	-	-	12	0.00	-	-	-	-	6	0.00	-	-
Paper and Board	505,039	0.26	27,922	0.01	217,883	0.07	593,518	0.36	86,049	0.03	114,198	0.06
Plastic products	546,025	0.28	70,753	0.02	589,076	0.20	586,983	0.36	114,349	0.04	299,154	0.17
Ready- Made garments	447,871	0.23	466,377	0.14	174,700	0.06	802,631	0.49	332,188	0.11	211,193	0.12
Real Estate / Construction	3,880,058	2.02	13,349,821	3.98	18,290,278	6.08	3,049,936	1.87	9,862,400	3.21	17,015,245	9.45
Rice Processing and trading	5,027,149	2.62	998,562	0.30	860,422	0.29	2,515,494	1.54	898,041	0.29	383,880	0.21
Rubber Products	329,654	0.17	127,168	0.04	189,181	0.06	149,588	0.09	117,901	0.04	108,559	0.06
Services (Other than Financial, Hotelling and Travelling)	1,942,340	1.01	9,622,889	2.87	2,996,778	1.00	2,035,816	1.25	7,300,761	2.38	848,590	0.47
Sports goods	505,673	0.26	60,460	0.02	2,059	0.00	504,103	0.31	40,594	0.01	59,024	0.03
Sugar	1,334,248	0.69	151,746	0.05	183,751	0.06	171,702	0.11	94,123	0.03	1,777	0.00
Surgical equipment / Metal Products	6,137,227	3.19	1,246,067	0.37	304,969	0.10	5,779,211	3.55	1,203,519	0.39	320,227	0.18
Synthetic and Rayon	345,370	0.18	100,398	0.03	10,158	0.00	566,460	0.35	95,444	0.03	4,953	0.00
Textile	25,990,236	13.52	1,954,727	0.58	6,264,909	2.08	22,082,644	13.56	1,968,746	0.64	3,672,852	2.04
Tobacco / Cigarette manufacturing	4,462	0.00	5	0.00	70,198	0.02	5,122	0.00	5	0.00	-	-
Transport and communication	6,577,979	3.42	13,413,353	4.00	3,177,036	1.06	9,276,995	5.70	11,887,274	3.87	2,391,454	1.33
Travel Agencies	54,151	0.03	48,703	0.01	708,584	0.24	64,054	0.04	59,486	0.02	544,456	0.30
Woolen	17,251	0.01	54,312	0.02	400	0.00	15,087	0.01	81,782	0.03	102,803	0.06
Public sector / Government	62,789,979	32.67	116,453,905	34.74	121,091,307	40.23	38,354,165	23.55	95,349,584	31.07	41,696,608	23.17
Others	16,611,355	8.64	44,843,619	13.40	11,584,043	3.85	16,739,626	10.28	57,629,021	18.78	15,842,801	8.80
	192,174,870	100.00	335,173,378	100.00	301,017,003	100.00	162,855,583	100.00	306,929,729	100.00	179,975,708	100.00

##### 44.1.1.2 Segment by sector

	2013						2012					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	62,789,979	32.67	116,453,905	34.74	121,091,307	40.23	38,354,165	23.55	95,349,584	31.07	41,696,608	23.17
Private	129,384,891	67.33	218,719,473	65.26	179,925,696	59.77	124,501,418	76.45	211,580,145	68.93	138,279,100	76.83
	192,174,870	100.00	335,173,378	100.00	301,017,003	100.00	162,855,583	100.00	306,929,729	100.00	179,975,708	100.00

# Notes to the Consolidated Financial Statements

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

Rupees in '000	2013		2012	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	1,984,540	963,065	862,287	255,120
Automobiles and Allied	477,034	303,087	469,131	264,643
Cables / Electronics	1,139,472	1,131,323	1,154,254	1,130,357
Cement	-	-	406	406
Chemicals / Pharmaceuticals	212,369	113,338	224,240	70,411
Financial institutions / Investment companies	-	-	-	-
Food and Allied	379,945	259,160	412,388	157,632
Fuel / Energy	3,336,212	3,317,339	1,432,240	1,652,977
Glass Manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	3,218,974	2,906,212	3,000,475	2,427,926
Leather Products and Shoes	111,199	30,959	54,877	48,135
Paper Industries	373,801	359,219	19,904	1,477
Real Estate / Construction	1,934,962	1,431,497	1,099,648	415,164
Services (Other than Financial, Hotelling and Travelling)	457,878	276,960	500,314	202,740
Sports Goods	352,036	318,563	387,057	355,587
Textile	12,508,587	11,591,252	11,363,313	7,780,563
Transport and communication	311,681	331,872	322,669	317,316
Public sector / Government	166,666	-	-	-
Others	5,044,131	3,835,097	4,104,903	2,605,364
	<b>33,119,829</b>	<b>28,279,285</b>	<b>26,518,448</b>	<b>18,796,160</b>

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

Public sector / Government	166,666	-	-	-
Private	32,953,163	28,279,285	26,518,448	18,796,160
	<b>33,119,829</b>	<b>28,279,285</b>	<b>26,518,448</b>	<b>18,796,160</b>

## 44.1.1.5 Geographical segment analysis

Rupees in '000	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	(8,599,879)	387,595,122	18,410,033	301,017,003
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 44.1.1.5.1	276,548	7,501,641	561,476	-
Others	-	-	-	-
	<b>(8,323,331)</b>	<b>395,096,763</b>	<b>18,971,509</b>	<b>301,017,003</b>

Rupees in '000	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,550,715	346,991,246	19,630,095	179,975,708
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 44.1.1.5.1	215,342	6,219,848	197,286	-
Others	-	-	-	-
	1,766,057	353,211,094	19,827,381	179,975,708

**44.1.1.5.1** These do not include intra group items of Rs. 6,995,167 thousand (2012: Rs. 5,910,280 thousand) eliminated upon consolidation of foreign branch.

**44.1.1.5.2** Contingencies and commitments include amounts given in note 22 except bills for collection.

#### **44.2 Market Risk**

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and credit spreads resulting in a loss to earnings and capital.

The Group's Risk Management Process seeks to identify, measure, monitor, and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk/return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement /monitoring methodology for review and reporting of market risk. The Group makes use of the globally established value-at-risk (VaR) methodology to measure traded market risk.

In addition, sensitivity analysis is carried out to gauge the impact of extreme market movements on traded exposures. Meanwhile, stress testing is used to analyze the impact of both the abnormal market movements across different markets as well as to assess non-traded market risk, in particular interest rate risk in the banking book. The performance of the Group's traded portfolios is evaluated through the use of risk / return analysis. Risk is kept under check through the revaluation of all traded market risk exposed positions on a daily basis, and controlled by ensuring that these positions do not breach regulatory limits and the Group's own internally-established risk tolerance limits.

##### **44.2.1 Market risk – General disclosures Basel III specific**

Basel III standardized approach is used for calculating the capital adequacy for market risk.

##### **44.2.2 Foreign Exchange Risk**

Foreign exchange risk, or the risk that the Group's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Group's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Group's Wholesale Banking Branch, foreign currency lendings / deposits and capital investments in offshore operations. The Group's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

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(Rupees in '000)	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	368,113,759	343,684,332	(4,570,980)	19,858,447
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	–	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	395,096,763	376,125,254	–	18,971,509

(Rupees in '000)	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	326,199,397	301,030,529	(4,570,980)	20,597,888
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	–	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	353,182,401	333,471,451	–	19,710,950

## 44.2.3 Equity position risk

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. The Group bifurcates its direct investment in equity into held for trading, available for sale, and strategic portfolios. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Group, i.e. to build strategic interest in other concerns. The Group also carries indirect equity exposure through financing against shares and reverse repos against shares.

All equity positions in the trading book are subject to exposure limits established by the Group in conformity with the general limits prescribed by the SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The Group carries out revaluation and calculates VaR on a daily basis for equity exposures in the trading book.

## 44.2.4 Yield / interest rate risk in the banking book (IRRBB) – Basel III Specific

The Group's interest rate exposure arises out from its investment, lending, and borrowing activities. Interest rate risk in the banking book in its various forms is the risk of adverse changes in earnings and / or capital due to (i) timing differences or mismatches in the maturity / repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Group's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Group monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. Market risk and Middle Office calculate price sensitivity measures such as duration, convexity and probabilistic loss measures such as VaR for the Group's debt investments to assess the impact of interest rate changes on value of the portfolio. Interest rate risk stress tests are carried out quarterly to assess the impact of a parallel shift in the yield curve on the Group's capital using rate sensitive positions for on and off-balance sheet items.

#### 44.2.5 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.

Rupees in '000	2013											
	Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments	
			Upto 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
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	26,104,835	6,072,321	-	-	-	-	-	-	-	-	20,032,514
Balances with other banks	2.58%	9,124,531	7,007,485	-	-	-	-	-	-	-	-	2,117,046
Lendings to financial institutions	7.10%	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-	-
Investments	8.81%	165,897,833	51,356,550	45,444,979	26,290,583	4,381,810	7,753,015	12,652,649	5,849,436	5,687,857	168,399	6,312,555
Advances	8.74%	163,560,629	53,468,637	84,427,988	14,325,226	6,132,607	879,872	323,571	603,414	928,056	2,471,258	-
Other assets		6,969,784	-	-	-	-	-	-	-	-	-	6,969,784
		374,160,819	118,904,993	130,850,868	40,615,809	11,039,723	8,632,887	12,976,220	6,452,850	6,615,913	2,639,657	35,431,899
Liabilities												
Bills payable		5,687,542	-	-	-	-	-	-	-	-	-	5,687,542
Borrowings	8.75%	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	592	-	-
Deposits and other accounts	5.62%	335,173,378	108,495,374	71,891,127	61,937,597	16,493,187	2,128,945	663,324	475,849	11,570	-	73,076,405
Sub-ordinated loans	11.90%	3,994,400	-	-	3,994,400	-	-	-	-	-	-	-
Other liabilities		5,509,072	-	-	-	-	-	-	-	-	-	5,509,072
		374,910,271	129,778,220	72,099,577	68,959,774	16,493,856	2,137,460	671,839	484,364	12,162	-	84,273,019
On-balance sheet gap		(749,452)	(10,873,227)	58,751,291	(28,343,965)	(5,454,133)	6,495,427	12,304,381	5,968,486	6,603,751	2,639,657	(48,841,120)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.88%	994,312	994,312	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.95%	15,211,984	15,211,984	-	-	-	-	-	-	-	-	-
Commitments to extend credits		9,756,031	9,756,031	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(23,973,703)	(23,973,703)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(34,846,930)	58,751,291	(28,343,965)	(5,454,133)	6,495,427	12,304,381	5,968,486	6,603,751	2,639,657	(48,841,120)
Cumulative yield / interest risk sensitivity gap				23,904,360	(4,439,605)	(9,893,738)	(3,398,311)	8,906,070	14,874,556	21,478,307	24,117,964	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

2012													
Rupees in '000	Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments		
			Upto 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	
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.00%	24,435,422	4,886,149	-	-	-	-	-	-	-	-	-	19,549,273
Balances with other banks	1.38%	8,865,303	6,476,901	-	-	-	-	-	-	-	-	-	2,388,402
Lendings to financial institutions	12.18%	6,341,474	5,833,725	22,000	-	485,749	-	-	-	-	-	-	-
Investments	12.36%	145,354,253	10,408,609	6,289,702	29,313,891	70,801,525	1,095,111	4,453,048	11,488,746	5,827,531	179,630	5,496,460	-
Advances	11.72%	143,727,835	43,617,920	65,930,348	24,652,924	5,770,278	535,542	(120,799)	235,277	762,561	2,343,784	-	-
Other assets		6,591,828	-	-	-	-	-	-	-	-	-	-	6,591,828
		335,316,115	71,223,304	72,242,050	53,966,815	77,057,552	1,630,653	4,332,249	11,724,023	6,590,092	2,523,414	34,025,963	-
Liabilities													
Bills payable		3,700,156	-	-	-	-	-	-	-	-	-	-	3,700,156
Borrowings	10.72%	8,376,740	5,515,911	208,206	2,584,187	4,762	19,823	19,823	19,823	4,205	-	-	-
Deposits and other accounts	7.28%	306,929,729	101,286,169	65,800,071	57,471,799	12,883,361	1,630,309	610,820	945,363	39,148	-	-	66,262,689
Sub-ordinated loans	15.34%	6,987,300	-	1,495,500	5,491,800	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.32%	1,018	-	-	-	1,018	-	-	-	-	-	-	-
Other liabilities		5,993,908	-	-	-	-	-	-	-	-	-	-	5,993,908
		331,988,851	106,802,080	67,503,777	65,547,786	12,889,141	1,650,132	630,643	965,186	43,353	-	-	75,956,753
On-balance sheet gap		3,327,264	(35,578,776)	4,738,273	(11,580,971)	64,168,411	(19,479)	3,701,606	10,758,837	6,546,739	2,523,414	(41,930,790)	-
Off-balance sheet financial instruments													
Purchase and resale agreements	11.90%	5,823,130	5,823,130	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.62%	-	-	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		5,576,283	5,576,283	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		246,847	246,847	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(35,331,929)	4,738,273	(11,580,971)	64,168,411	(19,479)	3,701,606	10,758,837	6,546,739	2,523,414	(41,930,790)	-
Cumulative yield / interest risk sensitivity gap				(30,593,656)	(42,174,627)	21,993,784	21,974,305	25,675,911	36,434,748	42,981,487	45,504,901	-	-

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

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

**44.2.5.3** Assets do not include operating fixed assets of Rs. 8,623,410 (2012: Rs. 8,901,522) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 9,313,008 (2012: Rs. 8,993,637) thousand.

**44.2.5.4** Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,214,983 (2012: Rs. 1,017,693) thousand.

### 44.3 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Group's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of financial position liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Group's overall funding and significant importance is attached to the stability and growth of these deposits.

#### 44.3.1 Maturities of Assets and Liabilities

Rupees in '000	2013									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	26,104,835	26,104,835	-	-	-	-	-	-	-	-
Balances with other banks	9,124,531	9,124,531	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-
Investments	165,897,833	49,003,634	44,084,911	25,341,194	7,157,323	9,428,057	13,686,182	7,936,904	7,899,097	1,360,531
Advances	163,560,629	43,637,918	33,033,838	19,072,939	29,037,446	7,652,371	6,263,161	13,398,514	5,256,116	6,208,326
Operating fixed assets	8,623,410	58,061	115,205	162,463	301,938	543,299	447,970	745,771	1,186,035	5,062,668
Deferred tax assets	2,999,526	-	-	(139,419)	50,281	384,000	716,000	1,466,973	521,691	-
Other assets	16,282,792	3,810,734	2,540,489	2,540,489	-	2,463,693	-	2,463,693	-	2,463,694
	395,096,763	132,739,713	78,072,436	44,576,596	37,072,294	20,548,216	23,653,802	26,011,855	17,326,632	15,095,219
<b>Liabilities</b>										
Bills payable	5,687,542	1,871,872	-	344,928	3,470,742	-	-	-	-	-
Borrowings	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	592	-
Deposits and other accounts	335,173,378	51,951,547	32,117,905	18,679,382	16,493,187	52,315,340	50,849,719	54,226,221	29,275,824	29,264,253
Sub-ordinated loans	3,994,400	-	-	800	800	1,600	1,600	1,497,200	2,492,400	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,724,055	3,568,531	-	-	-	1,577,762	788,881	394,441	197,220	197,220
	376,125,254	78,674,796	32,326,355	22,052,887	19,965,398	53,903,217	51,648,715	56,126,377	31,966,036	29,461,473
<b>Net assets</b>	18,971,509	54,064,917	45,746,081	22,523,709	17,106,896	(33,355,001)	(27,994,913)	(30,114,522)	(14,639,404)	(14,366,254)
Share Capital	12,602,602									
Reserves	5,612,416									
Unappropriated loss	(1,370,719)									
Non-controlling interest	31,359									
Surplus on revaluation of assets	2,095,851									
	18,971,509									



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

Rupees in '000	2012									
	Total	Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above 10
		Month	to 3	to 6	Months to	to 2	to 3	to 5	to 10	
		Months	Months	1 Year	Years	Years	Years	Years	Years	Years
<b>Assets</b>										
Cash and balances with treasury banks	24,435,422	24,435,422	-	-	-	-	-	-	-	-
Balances with other banks	8,865,303	8,865,303	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,341,474	5,833,725	22,000	-	485,749	-	-	-	-	-
Investments	145,354,253	10,776,529	5,951,738	19,261,205	72,472,795	7,346,074	6,551,380	13,869,841	7,907,412	1,217,280
Advances	143,727,835	22,835,553	34,979,153	18,884,444	29,853,029	6,872,817	5,302,015	9,975,339	9,067,809	5,957,676
Operating fixed assets	8,901,522	68,396	115,480	174,622	305,430	633,422	527,331	774,297	1,340,234	4,962,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	15,556,592	3,647,532	-	-	-	2,431,688	2,431,688	2,358,183	2,358,183	2,329,319
	353,182,401	76,462,460	41,068,371	38,320,271	103,117,002	17,284,001	14,812,414	26,977,659	20,673,637	14,466,585
<b>Liabilities</b>										
Bills payable	3,700,156	1,217,788	-	224,401	2,257,967	-	-	-	-	-
Borrowings	8,376,740	5,515,911	204,083	2,588,310	4,762	19,823	19,823	19,823	4,205	-
Deposits and other accounts	306,929,729	50,044,480	29,761,991	18,260,375	12,883,360	47,090,636	46,071,147	49,653,386	26,648,135	26,516,219
Sub-ordinated loans	6,987,300	-	1,495,500	1,100	1,496,300	1,600	1,600	3,200	3,988,000	-
Liabilities against assets subject to finance lease	1,018	72	141	267	538	-	-	-	-	-
Deferred tax liabilities	35,992	-	86,294	-	-	-	-	(50,302)	-	-
Other liabilities	7,440,516	4,010,527	-	-	-	1,714,266	857,133	428,569	214,284	215,737
	333,471,451	60,788,778	31,548,009	21,074,453	16,642,927	48,826,325	46,949,703	50,054,676	30,854,624	26,731,956
<b>Net assets</b>	<b>19,710,950</b>	<b>15,673,682</b>	<b>9,520,362</b>	<b>17,245,818</b>	<b>86,474,075</b>	<b>(31,542,324)</b>	<b>(32,137,289)</b>	<b>(23,077,017)</b>	<b>(10,180,987)</b>	<b>(12,265,371)</b>
Share Capital	8,130,711									
Reserves	8,541,776									
Unappropriated profit	998,438									
Non-controlling interest	29,441									
Surplus on revaluation of assets	2,010,584									
	19,710,950									

## 44.3.1.1 Sensitivity analysis

In compliance with the BSD circular letter No. 03 of 2011 dated February 22, 2011, all assets and liabilities with contractual maturities have been reported as per their remaining maturities, and where contractual maturities are not available, such assets and liabilities have been reported as per their expected maturities, determined on the basis of behaviour study of three years' historic data under volatility methodology. These bases have also been approved by the Asset and Liability Committee (ALCO) of the Group.

## 44.4 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Group strives to manage operational risk within acceptable levels through sound operational risk management practices. Board Risk Management Committee defines the operational risk appetite and tolerance limits.

Operational risk governance structure adopted by Group is embedded within three lines of defense: Strategic, Macro and Micro. Group has recently updated its Operational Risk Management framework to align it with global/local best market practices. Moreover, the Group has also formulated Operational Risk Management Committee (ORMC) which serves as a management level committee to oversee, supervise and direct operational risk framework across the Group. Further, the committee is responsible for strengthening internal control environment through implementation of policies and procedure, enhancement in tools and reporting structures.

To ensure effectiveness, business continuity plan (BCP) and business continuity management (BCM) is adopted throughout the organization in a proactive manner by making use of requisite tools and strategies.

**44.4.1 OPERATIONAL RISK DISCLOSURES BASEL III**

Basel III Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

**45. GENERAL****45.1 Non-adjusting events after the balance sheet date**

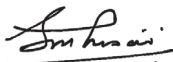
The Board of Directors in its meeting held on February 17, 2014 has proposed the following appropriation, which will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2013 do not include the effect of the appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2014 as follows:

Rupees in '000	2013	2012
Transfer from unappropriated profit to: General reserve	(1,582,626)	1,004,290

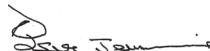
**45.2** Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

**46. DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue on February 17, 2014 by the Board of Directors of the Group.



Syed M. Husaini  
President & Chief Executive



Qaiser Javed  
Director



Asif Reza Sana  
Director



Lt. Gen. (R) Muhammad Mustafa Khan  
Chairman

# Pattern of Shareholding

As at December 31, 2013

Number of shareholders	Shareholding		Total shares held
	From	To	
2,052	1	100	83,409
3,272	101	500	932,617
2,548	501	1000	1,943,043
5,754	1001	5000	14,539,118
2,416	5001	10000	17,719,899
2,450	10001	110000	58,969,864
123	110001	320000	22,220,539
26	325001	525000	11,090,618
23	540001	900000	16,351,164
16	945001	2000000	22,021,652
14	2025001	30940000	139,705,664
1	50400001	50405000	50,402,856
1	90425001	90430000	90,429,653
1	271280001	271285000	271,283,360
1	542565001	542570000	542,566,724
18,698			1,260,260,180

## Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	18,264	179,232,204	14.22
Associated Companies	3	906,281,917	71.91
NIT / ICP	2	52,447,955	4.16
Banks, DFI & NBF	35	23,314,836	1.85
Insurance companies	18	24,676,421	1.96
Modaraba and Mutual Funds	19	7,344,428	0.58
Foreign Investors	180	9,577,932	0.76
Others	177	57,384,487	4.56
<b>Total</b>	<b>18,698</b>	<b>1,260,260,180</b>	<b>100.00</b>

## Held by

Particulars	Number of shareholders	Shares held	Percentage
Associated companies			
Fauji Foundation	1	90,629,884	7.19
Fauji Fertilizer Company Limited	1	543,768,024	43.15
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.57
NIT / ICP			
National Investment (Unit) Trust	1	52,438,384	4.16
Investment Corporation of Pakistan	1	9,571	-
Directors			
Lt. Gen. Muhammad Mustafa Khan, HI (M) (Retd)	1	500	0.00
Lt. Gen. Muhammad Zaki, HI, HI (M) (Retd)	1	775	0.00
Lt. Gen. Naeem Khalid Lodhi, HI (M) (Retd)	1	775	0.00
Mr. Qaiser Javed	1	500	0.00
Dr. Nadeem Inayat	1	500	0.00
Khawaja Jalaluddin Roomi	1	2,724	0.00
Mr. Asif Reza Sana	1	500	-
Mr. Zaffar Ahmad Khan	1	5,000	0.00
Executives of the Bank	8	11,274	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	17	108,567	0.00
	72	55,335,685	4.40
Individuals	18,239	179,112,363	14.21
Foreign Investors	180	9,577,932	0.76
Others	177	57,384,487	4.56
<b>Total</b>	<b>18,698</b>	<b>1,260,260,180</b>	<b>100.00</b>

**Note 1:** Individuals include 8 directors holding 11,274 shares, 5 directors are sponsors directors of Fauji Foundation Consortium and others 3 are independent directors.

**Note 2:** There have been no trades in the shares of the Bank, carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

## Notes

*AGM*

*On March 30, 2014 at 11:00 am*

*Pearl Continental Hotel, Rawalpindi.*



# Form of Proxy

Askari Bank Limited

I / We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of **Askari Bank Limited** ("the Bank"), holding \_\_\_\_\_ ordinary shares, do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_, who is also member of the Bank, as my / our proxy to vote for me / us, and on my / our behalf at the Annual General Meeting of the Bank to be held on **Sunday, March 30, 2014 at 11:00 a.m** at Pearl Continental Hotel, Rawalpindi and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

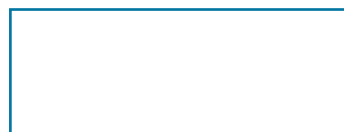
Witnesses: \_\_\_\_\_

Name: \_\_\_\_\_

C.N.I.C. No. / Passport No.: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_



(Member's signature on  
Rs. 5/- Revenue Stamp)

## NOTES:

### A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

### B. For CDC Account Holders

1. The proxy form shall be witnessed by one person whose name, address and CNIC number shall be mentioned on the form.
2. Copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

The Company Secretary:

**ASKARI BANK LIMITED**

AWT Plaza, The Mall, P.O. Box No. 1084,  
Rawalpindi – Pakistan.





[www.askaribank.com.pk](http://www.askaribank.com.pk)