



2014 Annual Report



Zarai Taraqiyati Bank Ltd.

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**2014
Annual
Report**



Syed Talat Mahmood
President / CEO, ZTBL



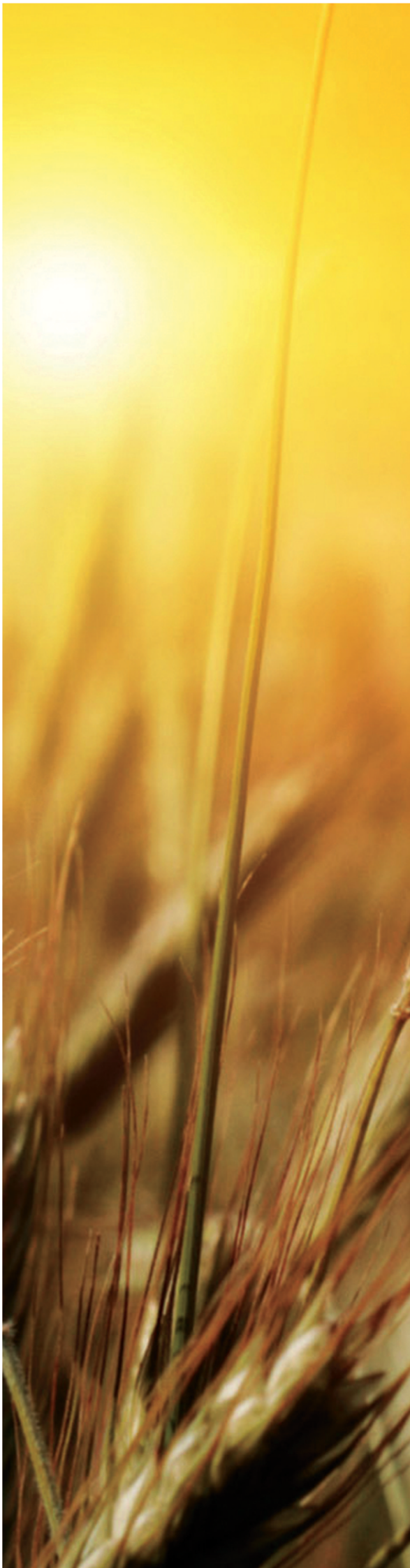
SIX YEARS OF

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VISION

Dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.



MISSION

To play effective role in the promotion of economic growth by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programmes, technical assistance and other products & services and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.



CORE VALUES

- Loyalty to ZTBL Vision and Mission
- Integrity and Meritocracy
- Quality and Efficiency
- Well-Trained Human Resource
- Credit with Technology

About Company's Team



Syed Yawar Ali
Chairman



Syed Talat Mahmood
President / CEO

ZTBL

The Board of Directors



Mr. Saeed Ahmad
DIRECTOR



Mr. Majyd Aziz Balagamwala
DIRECTOR



Mr. Zia-ul-Mustafa Awan
DIRECTOR



Mr. Mohsin Aziz
DIRECTOR



Mr. Abdul Bari Tareen
DIRECTOR



Mr. Asif Sharif
DIRECTOR



Mr. Mehboob Hussain
COMPANY SECRETARY



Directors' REPORT



Directors' Report



On behalf of the Board of Directors, I am pleased to present the Annual Report of Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2014.

Economy Review

International oil prices have sharply declined by 51 percent during second half of the year 2014, reaching their lowest level in past six years. This fall was largely associated with sluggish global demand, new shale oil discoveries in North America and reluctance on part of major oil exporting countries to reduce their supplies in the international market.

On domestic front, the economy saw challenging security situation, falling commodity prices, continued electricity and gas shortages for the industry and increased government borrowings from commercial banks while in 2014 borrowings from SBP by the Government of Pakistan was relatively less. After remaining volatile in the first half of the year 2014, the year-on-year CPI inflation continued its declining trend from 8.2 percent in June 2014 to 4.3 percent in December, 2014. Similarly, average CPI inflation during July-December, 2014 also came down to 6.1 percent. This allowed SBP to cut the policy rate by 50 basis points during November, 2014 while maintaining a positive real rate of return.

As government managed to contain expenditures related to public sector enterprises, it increased the development spending compared to last year. However, growth in FBR revenue collection moderated due to downward adjustment in petroleum prices and lackluster performance in large-scale manufacturing. With these positive developments, the year 2014 ended on a better macroeconomic outlook for the year 2015. The continuation of the economic reforms and efforts to improve the security environment would improve business confidence and help to revive private investment.

Banking Sector Review

Considering the requirement of funds by both the government and the private sector, the average year-on-year growth in deposits of 12 percent during second half of year 2014, compared to 14.26 percent last year, cannot be termed as adequate. Lower growth in private sector credit could be a possible factor behind low deposit growth. While the inflows in savings and time deposits were positive, current deposits declined substantially during the

year. Workers' remittance remained steady in 2014.

The interbank market remained tight almost throughout second half of year 2014, despite the cut in policy rate. Despite significant liquidity injections, the weighted average overnight rate remained high. The continued decline in inflation retained scheduled banks' appetite for investment in long-term securities in the last quarter of year 2014 as majority of the participation in Market Treasury Bill (MTB) auctions was skewed towards longer tenor MTBs. Falling inflations speculations revived banks' interest in PIBs and consequently, banks continued to invest in PIBs.

Fiscal adjustment continued in second half of the year 2014, the pace of debt accumulation also slowed down. Due to the non-realization of planned external inflows and to meet the IMF target on government borrowing from the central bank, the government was compelled to rely more on commercial banks for deficit financing. Government borrowing from SBP remained below the agreed targets. Cognizant of these developments, SBP calibrated its money market operations to ensure stability in the forex market and kept the liquidity conditions tight during third quarter of year 2014. The IMF disbursement and successful issuance of Sukuk in the international market boosted FX reserves by US\$ 2.1 billion in December, 2014.

Agriculture Sector Review

Agriculture has an important direct and indirect role in generating economic growth. The agriculture sector recorded a growth of 2.1 percent in the period under review. The major crops witnessed growth in production except cotton. The factors underpinning the agriculture growth include better water availability, more fertilizer off take and timely availability of credit paved the way for achieving growth. Likewise livestock recorded a growth of 2.9 percent, forestry 1.5 percent and fishing 1 percent. Due to the continuous decline in international cotton prices, domestic cotton prices remained under pressure. The situation led to decrease in cotton production.

During the financial year 2013-14 (July-June) the total disbursement of credit to agriculture was Rs. 391.352 billion. ZTBL disbursed about Rs. 77.919 billion and its share was about 20%. Punjab Provincial Co-operative Bank Limited disbursed Rs. 8.809 billion whereas; Commercial Banks disbursed Rs. 195.488 billion. Domestic Private Banks disbursed Rs. 84.813 billion and Micro Finance Banks disbursed Rs. 22.796 billion while Islamic Banks disbursed Rs. 1.527 billion.

Economic Outlook for the Year 2015

According to SBP reports the government's debt servicing is likely to remain higher during first quarter of the year 2015 as majority of the coupon payments are concentrated in two months, July and January. These are, however, likely to be compensated by lower interest payments in second quarter of the year 2015. If the oil prices stay at current levels or fall further, the balance of payments position of Pakistan could improve and stabilize the exchange rate even further. Some trade gains may, however, be eroded because of possible slowdown in exports growth due to expected weak global demand. In banking sector, lower domestic oil prices may also stimulate business investment because of decrease in cost of production, which may revive the demand for private sector credit.

The plunge in international oil price has induced low inflation and improved trade outlook but it is not without some subtle risks to future inflation. The speed and intensity, with which the inflation has come down and continues to

recede, can induce expectations of rather low inflation, which may in turn induce additional consumption.

The production of wheat and other crops is also expected to surpass last year's level in the face of better water availability and falling input cost on account of decline in prices of diesel, electricity and fertilizer. However, depressed prices due to decline in international cotton prices and higher inventories of rice and sugar may negatively impact agricultural productivity.

ZTBL Performance Review

Under above mentioned economic conditions in 2014, the Bank managed to perform fairly well. ZTBL having the largest network of 416 branches and 32 Zonal Offices, is the only specialized financial institution for agriculture sector in Pakistan, catering to the credit needs of farmers for the production, development and modernization of agriculture through field force of Mobile Credit Officers at doorstep of the farmers. ZTBL contributed 20% in institutional agriculture credit during year 2013-14. Its financial products range from the basic credit facility for seeds, fertilizer, tube well, tractor, harvester and other attachments, to the loans for latest technologies of Solar Tube Well, Biogas Units and Covered Horticulture.

The Bank is constantly striving to serve its clientele` with increased efficiency and effectiveness. In this pursuit, several financial products and delivery mechanisms such as Sada Bahar Scheme, Awaami Zarai Scheme and Kissan Dost Scheme under Supervised Agricultural Credit System, have been devised and introduced over the years in the entire country. In addition to it the Bank has also developed products including Asan Qarza, Khawateen Rozgar, Shamsi Tawanai & Tawanai Bachat Schemes.

The Bank has embarked upon a focused strategy to introduce value added products which would bring tangible changes while contributing towards value addition. The products launched during the year 2014 are as follow:

1. Kushk Ratab Scheme (Product for dehydration of dates –Chuahara)
2. Sogat-e-Shireen Scheme (Product for Gurr making)
3. Tahafuz-e-Samar Scheme (Dehydretaiion of fruits & vegetables)
4. Tobacco Barn Financing Scheme

The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the landless poor and small land owners to increase their farm productivity and income. ZTBL alone is serving about 0.414 million farm families annually. The Bank has disbursed Rs. 982 billion since inception up to 31.12.2014 which also includes financing of 570,660 tractors and 156,597 tube-wells. While meeting the demand for mechanization, attention was also concentrated towards the provision of more credit for livestock, dairy farming, poultry farming, fish farming and small godowns for self storage.

1. CREDIT DISBURSEMENT

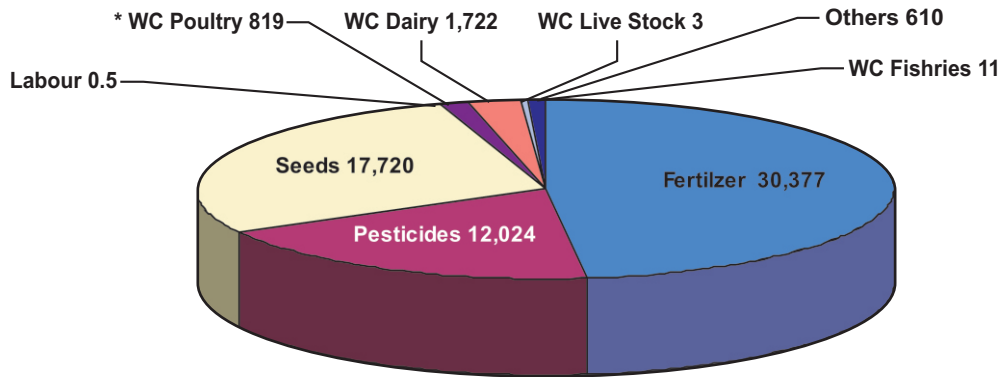
During 2014, the Bank disbursed an amount of Rs.81,934 million as compared to Rs.71,107 million in the year 2013 showing a growth of 15%. The Bank served 0.414 million borrowers during the year 2014. The Bank disburses loans for two purposes i.e. Production and Development.

1.1 Production Loans

Bank disbursed a major portion of its funds towards production loans i.e. Rs.63,286 million constituting around 77.2% of total disbursement.

Production Loans

(Rs. in Million)



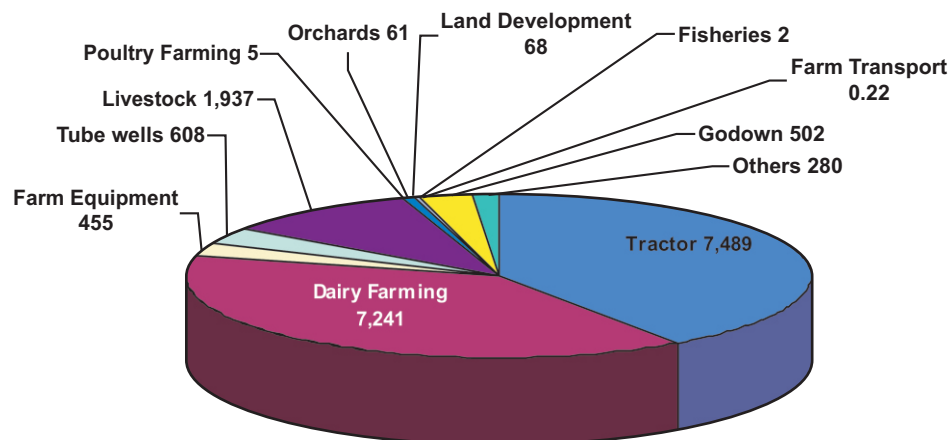
* Working Capital

1.2 Development Loans

An amount of Rs.18,648 million constituting 22.8% of the total agricultural credit was disbursed for development purposes.

Development Loans

(Rs. in Million)

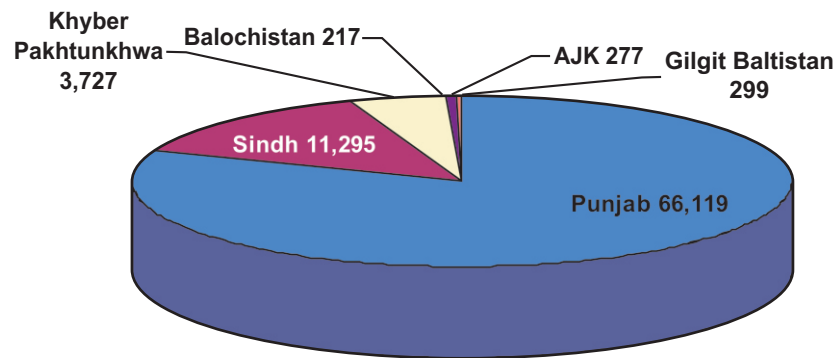


1.3 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2014 the Bank disbursed Rs.66,119 million (80.7%) in Punjab, Rs.11,295 million (13.8%) in Sindh, Rs.3,727 million (4.5%) in Khyber Pakhtunkhwa, Rs.217 million (0.3%) in Balochistan, Rs.277 million (0.3%) in Azad Kashmir and Rs.299 million (0.4%) in Gilgit- Baltistan.

Province-wise Disbursement of Loans

(Rs. in Million)



1.4 Term-wise Loan Disbursement

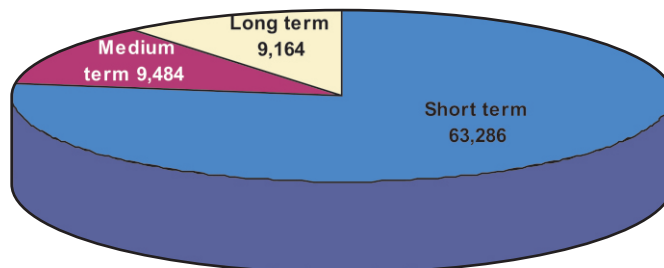
The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of maximum 18 months. Medium and long term loans are advanced for development purposes which are recoverable within 5 and 8 years, respectively.

Term-wise loan amounts are given below:

Short term loans	Rs.63,286 Million
Medium term loans	Rs. 9,484 Million
Long term loans	Rs. 9,164 Million

Term-wise Loan Disbursement

(Rs. in Million)



1.5 Security-Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.81,219 million, constituting 99.1%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.103 million being 0.1% were disbursed against personal surety while loans amounting to Rs.94 million being 0.1% were advanced against hypothecation and loans amounting to Rs. 518 million being 0.7% for other securities.

1.6 Holding-wise Disbursement of Loans

Holding wise disbursement of loans during 2014, revealed that land-less farmers received Rs.7 million. Loans advanced to land owners/operators having less than 12.5 acres amounted to Rs.59,611 million representing 72.8% share in the overall disbursement. Farmers owning/operating land from 12.5 to less than 16 acres received Rs.6,914 million constituting 8.4% share. Farmers operating land from 16 acres to less than 25 acres received Rs.8,768 million constituting 10.7% share. It was followed by Rs.2,421 million constituting 3.0% disbursed to farmers with land holding from 25 to 32 acres. An amount of Rs.2,471 million was advanced to farmers operating land from 32 to 50 acres representing 3.0% of overall disbursement. An amount of Rs.675 million was advanced to land operators from 50 to 64 acres constituting 0.8%. Remaining credit amounting to Rs.1,067 million was disbursed to land holders of 64 acres and above which constituted 1.3% of total disbursement.

1.7 Scheme-wise Disbursement of Loans

a) Zarkhaiz/Awami Zarai Scheme

Zarkhaiz/ Awami Zarai Scheme has played a significant role in meeting the credit requirements under production loans. An amount of Rs.27,016 million was disbursed under the scheme during the year 2014. Credit availability to farmers at their door-steps enables them to purchase the required quality inputs. One Window Operation is facilitating the farmers on every Monday during the sowing seasons with the collaboration of Provincial Governments, Agriculture Department, Board of Revenue and Postal Authorities. It remains operative throughout the country (except Mingora Zone in KPK, Turbat Zone in Balochistan, FATA, Gilgit-Baltistan and AJ&K being unsettled/Hilly areas).

With the objective to facilitate farming community, the Board of Directors of the Bank has approved that the production finance extended by the Bank for purchase of inputs may not be conditioned and farmers/borrowers may have the choice to avail production loans in cash under Awami Zarai Scheme (AZS) through their deposit accounts.

b) Sada Bahar Scheme (SBS)

To ensure timely availability of inputs and fulfillment of the financing needs of farming community, Sada Bahar Scheme was launched on 1st July, 2005. SBS caters to the working capital requirements for dairy, poultry and fisheries as well. Assessment for inputs' requirement for the whole year is made at the time of first application. The assessed amount is treated as Revolving Finance Limit (provided it is within the security limits). In order to revolve loans, thorough scrutiny is undertaken after every three years along with fresh enquiries determining credit worthiness with all requisite documentation. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if it was previously sanctioned by the higher authority. An amount of Rs.22,469 million was disbursed during the year under Sada Bahar Scheme.

c) Kissan Dost Scheme

Kissan Dost Scheme was launched in January 2012 for provision of credit on concessional rates of mark-up i.e. 13.5% for financing of crop production loans (financing for inputs i.e. seed, fertilizer, pesticides & others etc.). The financing is available for one season crop either Rabi or Kharif. The security once mortgaged and charge created in favour of the Bank will continue to serve the purpose up to available credit limit. In case the amount of fresh financing under this scheme and outstanding balance of existing financing exceeds the amount of overall credit limit allocated by the Bank, additional security in favour of the Bank would be arranged as per standing

instructions. An amount of Rs. 13,107 million was disbursed during the year under review.

2. LOAN RECOVERIES

2.1 Recovery Operations

During the period from January to December 2014, agricultural loans amounting to Rs.78,721 million have been recovered against total recoverable amount of Rs. 85,839 million showing recovery rate of 91.7% whereas, the bank had recovered Rs. 72,636 million with recovery rate of 91.9% during last year. Province wise detail is as under:-

(Rs. in Million)

Province	2014	2013	Absolute Increase	Increase (%)
Punjab	63,591	58,861	4,730	8
Sindh	10,389	9,381	1,008	11
Khyber Pakhtunkhwa	4,035	3,813	222	6
Balochistan	183	158	25	16
AJ&K	283	258	25	10
Gilgit	240	165	75	46
Total	78,721	72,636	6,085	8

Recovery of SAM loans during the year 2014 amounted to Rs. 2,557 million against the target of Rs.5,500 million.

2.2 Future Plan

The recovery target for Agri loans during the year 2015 has been fixed as Rs.85.721 billion whereas; an amount of Rs.5 billion has been earmarked as target for SAM loans recovery.

Strategy/Future Outlook

1. To strengthen the functions being performed by Recovery & SAM Division at Head Office as per future requirements:
 - i. Creation of additional unit for NPLs persuasions.
 - ii. Restructuring of operational control of Legal Litigation Units (LLU) through Zonal Chief and monitoring through Recovery Litigation Department (RLD).
 - iii. Creation of additional unit in RLD to monitor legal process at branches and LLUs
2. To enhance monitoring of recovery loans from different angles:
 - I. Classification of loan
 - ii. Age wise default
 - iii. Purpose wise recovery

3. To analyze recovery operations on regular basis for taking corrective measures, where required to achieve the recovery targets of Agri loans.
4. To add more features in DiMIS to facilitate the field functionaries deputed on recoveries of Agri loans:
 - I. Variations of recoverable and its comparison with different periods.
 - ii. %age of recovery as against recoverable & its comparison with corresponding period.
 - iii. Monitoring of cases at the verge of charging off through early warning system to contain addition to SAM portfolio.
5. To add more monitoring tools in DiMIS for monitoring legal actions initiated against defaulters.

3. OPERATIONS & BUSINESS OUTREACH

The Bank has successfully achieved the target of opening and functionalizing of 37 new branches under Annual Branch Expansion Plan - 2014. Under ABEP – 2015, SBP has approved opening of 18 new branches. Presently the branch network comprises of 32 Zonal Offices and 416 branches. Against the deposit target of Rs.18,000 million, the Bank has achieved a record deposit of Rs.26,702 million representing an achievement of 148%. A target of Rs.28, 000 million has been assigned to field offices for the year, 2015. Against the target of 10,000 Hajj applications, the Bank received 11,133 applications.

ZTBL has collected 1,116,407 utility bills against target of 1,100,000 utility bills in year 2014. The Bank has allocated a target of 1,200,000 utility bills collection for 2015. Inward remittances through Western Union are operative in 224 branches of the Bank. During the year 6,748 transactions were made, however, to boost up this activity, a target of 15,000 transactions has been planned for the year 2015. Out of total No. of 1620 lockers 836 were occupied/rented out by the end of 2014. All 416 ZTBL Branches have been migrated to Centralized Deposit Management System (cDMS).

4. FINANCIAL PERFORMANCE OF THE BANK

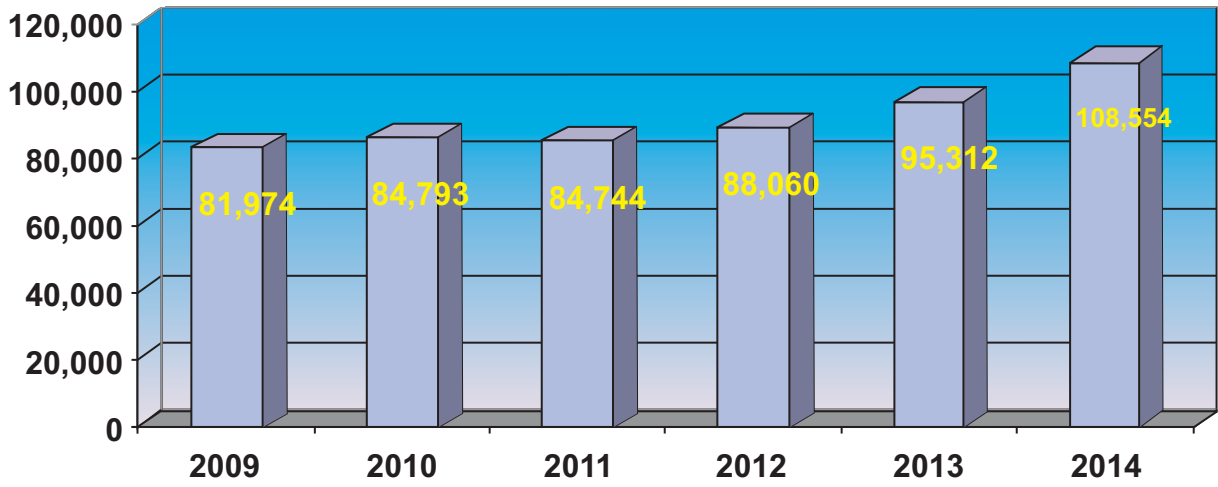
Despite all constraints, there has been a growing trend in the total assets and equity of the Bank due to consistent profitability of the bank in the last 3 years. The assets of the bank remained at Rs.163,563 million whereas the assets of the Group as per consolidated annual accounts amounted to be Rs.163,847 million. The Bank's Capital Adequacy Ratio (CAR) as at December 31, 2014 was 25.61% of its risk weighted exposure, as against required ratio of 10% and industry average of 17.1 %. The Bank earned after tax profit of Rs.5,417 million and the Group showed after-tax profit of Rs.5,456 million. The classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank mobilized its deposits upto Rs.26,702 million as on 31.12.2014.

(Rs. in Million)

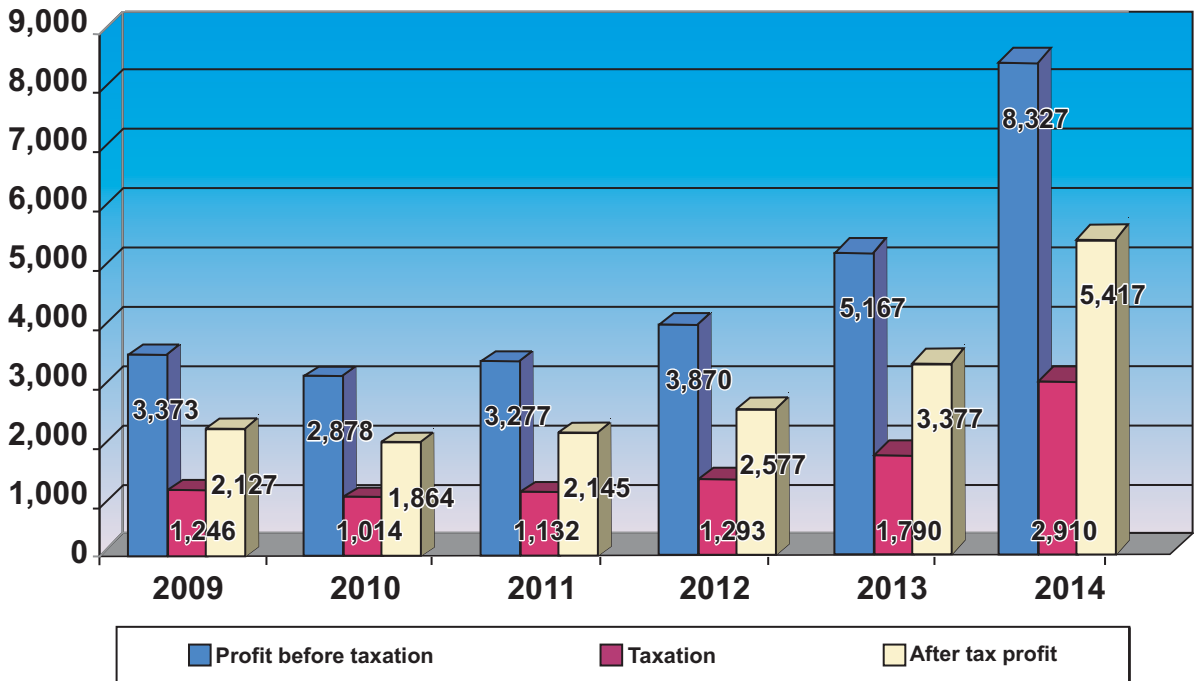
Particulars	2009	2010	2011	2012	2013	2014
Total Assets	112,619	117,586	122,548	131,649	148,448	163,563
Advances – net	81,974	84,793	84,744	88,060	95,312	108,554
Cash & Bank Balance	11,891	13,662	14,233	12,525	12,742	10,085
Operating Fixed Assets	1,070	1,132	1,167	1,180	1,347	1,581
Share Capital	12,522	12,522	12,522	12,522	12,522	12,522
Deposits	8,751	9,603	8,962	11,097	14,907	26,702
Share Deposit Money						89,491
Appropriations						
Profit/(Loss) before Taxation	3,373	2,878	3,277	3,870	5,167	8,327
Taxation	1,246	1,014	1,132	1,293	1,790	2,910
After Tax Profit/(Loss)	2,127	1,864	2,145	2,577	3,377	5,417
Un-appropriated Profit brought forward	3,262	4,964	6,456	10,360	12,263	13,598
Profit available for Appropriation	5,389	6,828	8,601	12,937	15,640	19,015
Other comprehensive Income	-	-	-	(156)	(1,366)	(3,379)
Effect of changes in accounting policy for defined benefit plans	-	-	2,188	-	-	-
Issuance of bonus shares	-	-	-	-	-	-
Transferred to Statutory Reserve (20% of after tax profit)	(425)	(372)	(429)	(518)	(675)	(1,083)
Un-appropriated Profit Carried forward	4,964	6,456	10,360	12,263	13,598	14,553
Earnings per Share	1.698	1.489	1.713	2.058	2.696	4.326



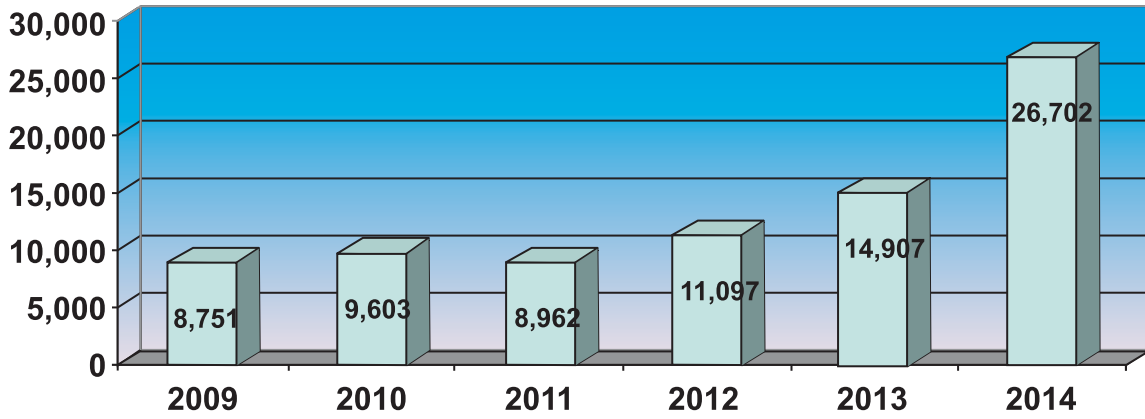
Advances Net



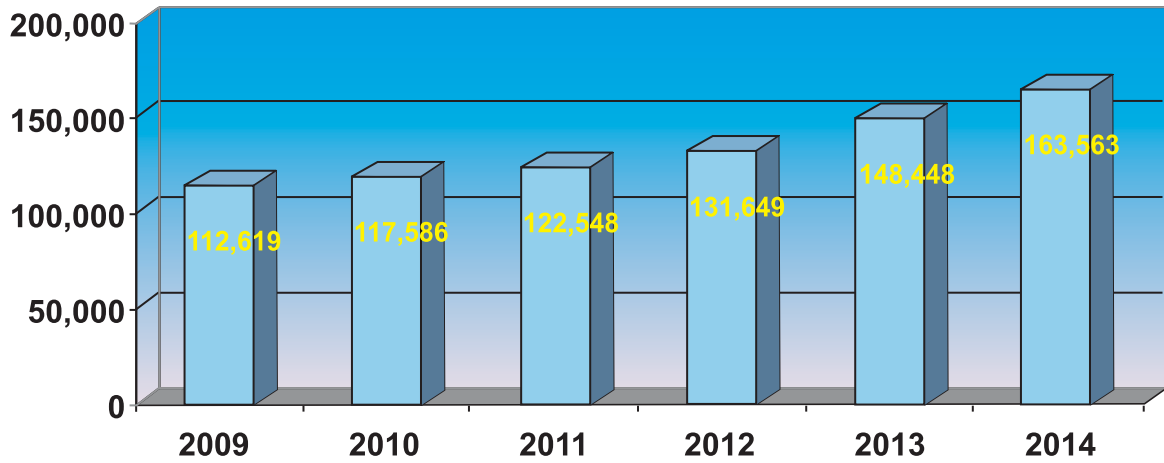
Profit before & after Tax



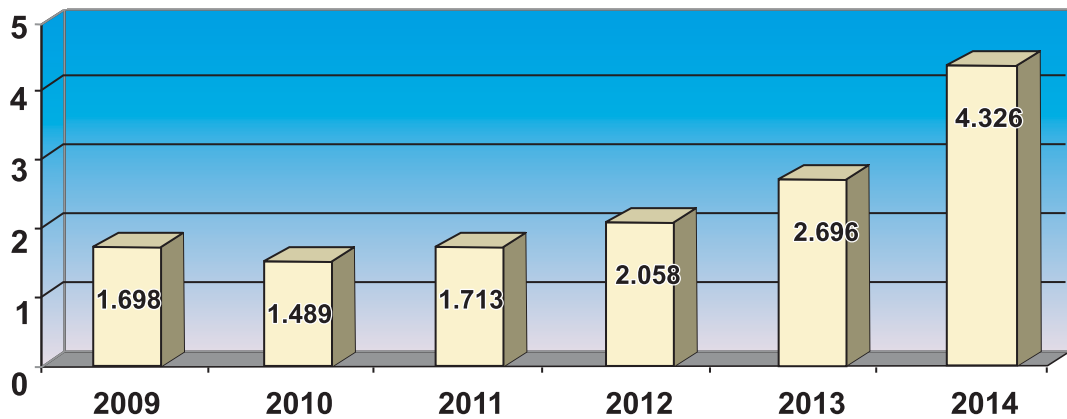
Deposits



Total Assets



Earnings Per Share



4.2 Capital

The authorized capital of the bank has been enhanced from Rs. 25 billion to Rs.125 billion divisible into 12,500,000,000 numbers of shares as resolved by the share holders during the first extra-ordinary general meeting held on August 13, 2014. The paid up capital of the Bank as on 31.12.2014 was Rs.12.522 billion. The issuance of shares worth Rs.89.491 billion are under consideration. Pattern of share holding as on 31.12.2014 is annexed.

4.3 Credit & Entity Ratings

JCR-VIS Credit Rating Company ,Limited Karachi in their report dated 8 August 2014 has reaffirmed credit rating of the Bank at 'AAA/A-1+'(December 2013:AAA/A-1+) with stable outlook, medium to long term credit rating of "A" and short term credit rating of A-2 (31December 2013: A medium to long term credit rating, A-2 short term credit rating).

Entity rating has been upgraded (August 2014) to 'AAA/A-1+' (Triple A/A-One Plus).It reflects the financial position while capturing the risk profile of the Bank without taking into account the sovereign guarantee.

4.4 Earnings per Share

During the year under review the basic earnings per share remained Rs. 4.326 as compared to Rs.2.696 in year 2013.The Group posted an EPS of Rs.4.357 as compared to 2.720 last year. Earnings per share have shown substantial growth during the period under review as compared to the last year mainly due to SBP principal debt (Rupees 51.257 billion), subordinated loan (Rupees 3,204 billion) and accrued mark-up (Rupees 35.030 billion), owed by the bank to SBP as on 30th June, 2014 into equity investment of SBP in the Bank. Consequently no mark up has been charged on the aforesaid debt which resulted in enhanced profit and earnings per share. Its computation has been reported in the financial statements.

4.5 Conversion of SBP Debt into Equity

In view of future financial viability and sustainability of the Bank, in a meeting held on 11 July 2014, among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert outstanding SBP debt-principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presidential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18th July, 2014 and the shareholders of the Bank in their extra ordinary general meeting dated 13th august 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in the process to complete further legal and corporate formalities.

4.6 Strengthening of Treasury Operations

Due to stable interest rate environment in money market, where discount rate of 10.0% was maintained by SBP through January 2014 to November 2014, ZTBL treasury managed to optimize the rate of return on employed assets in the said year as compared to previous two years.

The Pakistan Revaluation Rates (PKRV) remained stable during the year 2014 where as three months PKRV



averaged around 9.92%. SBP in its monetary policy statement announced on November 15th, 2014 decreased discount rate by 50 bps from 10.0% to 9.50%. During the year 2014, Treasury Operations not only increased the investment in longer term-government securities from 5% to 30% but also hedged and realized handsome gains on its treasury portfolio benefiting from decrease in PKRV rates and subsequent reduction in discount rate to 9.50%. ZTBL Treasury utilized all avenues in managing treasury book with proactive trading of government securities and active participation in SBP auctions of government securities. ZTBL treasury realized capital gains of Rs.118.101 million whereas un-realized capital gains stood at Rs.192.246 million by year end. The realized and un-realized gains on portfolio of government securities stood at Rs. 310.347 million. Proactive strategy and smooth operations of treasury paid off in year 2014 in terms of increase in return by 2.22% thus increasing it to 12.14% from average PKRV of 9.92%. The treasury income for the year 2014 remained at Rs 2.606 billion including un-realized gains as compared to Rs 2.239 billion last year as per unconsolidated financial statements.

5. HUMAN RESOURCE DEVELOPMENT

The Bank has made strenuous efforts for enhancing the capabilities and competencies of the existing human resource by persuading training programs and motivation through promotions. The Bank has strengthened its manpower with the pace of its operations by promoting 1,466 officers/staff during 2014 having committed/clean service record. Moreover, the Bank did not forget its retiring employees by increasing 20% of their net pension. During the period under review, the Bank has successfully played its role in the field of agriculture finance with the strength of 5,777 ZTBL employees and 2,474 employees hired from the KSSL (a subsidiary of the Bank).

The improvement of HR policies and systems is a continuous process. During the year 2014, various HR policies were updated. To enhance the competencies of manpower, about 103 courses were conducted and 3,382 officers/staff were trained in different areas, including 503 officers trained in ERP modules and 290 officers were imparted training in other institutes.

The alignment of the bank has been started by the HR Division with overall business in order to face future challenges & goals of the bank. Yearly succession planning of retired employees keeping in view the required skill, experience and education was done. During the year, around 400 fresh agriculture / MBA graduates have been inducted to fill the existing gap of human resource. New package for pays, allowances and fringe benefits for Bank employees was introduced. A handbook of financial/ administrative & disciplinary powers, delegated to various functionaries of the Bank has been published and updated. An amount of Rs. 322.124 million was disbursed to 874 employees of the Bank as per entitlement in respect of staff advances i.e. HBA, Conveyance Advances, Personal loans etc.

5.1 Re-Organization

In order to establish strong and effective internal control system in the bank and to ensure efficiency in the operations and reliability of financial reporting, a full fledged Internal Control over Financial Reporting Department under Corporate Affairs and Internal Control over Financial Reporting Division has been established.

5.2 Future Plan / Strategy

HR has planned to take review and revise performance management policy to gradually reach the "Best Practices" of performance evaluation and revision/ updating of "Performance Parameters" to alleviate performance driven culture in ZTBL. Further shift over from Performance Management System to Performance Appraisal Module of ERP is expected. Moreover, welfare activities for the Bank employees will be continued as per previous routine with employee's motivation through effective career planning and development in future.



6. STRENGTHENING OF SYSTEM CONTROLS, IT / MIS INFRASTRUCTURE UP-GRADATION

In order to imbue transparency and efficiency in Bank's operations, the strive for acquisition and implementation of modern Information and Communication Technology (ICT) infrastructure continued during 2014. The centralized version of Deposit Management System (cDMS) has been equipped with Anti-money Laundering–AML Application and Real-Time Online settlement of funds has been implemented in all branches. All 416 ZTBL Branches have been migrated to Centralized Deposit Management System (cDMS). The efforts to enhance cDMS to support clearing of inward/outward cheques through RTGS/NIFT are underway. Moreover, computerized utility bills collection with online transfer of funds to hub branch has also been introduced.

Online Credit Worthiness Report (CWR) acquisition system has been implemented which replaced the manual retrieval process. ICT infrastructure was enhanced to integrate SBP eCIB facility with Bank's loan processing system. Resultantly branches have been connected through reliable and robust communication network to submit and retrieve latest CWR of the customer. Dynamic Integrated Management Information System has been enhanced to allow authorized users to review CWR reports of each farmer.

The failover site for RTGS/ToS –Treasury Software at Zonal Office, Karachi has been made re-operational to enable the Bank to provide IT-services during the event of disaster to Treasury, Clifton Karachi. Implementation of Security documents management system (SDMS) has been in process during 2014. During 2013-14 the Bank took the initiative to start in-house implementation of Oracle ERP. In the month of April; Loan Appraisal Management System (LAMS) has been launched in order to automate Bank's business processes related to loan evaluation. It is pertinent to mention here that the Bank signed off MoU with Ubank for financial inclusion among farmers' community in especial and rural segments of the country in general.

6.1 Future Outlook

Enhancement of cDMS to support RTGS / NIFT shall be completed by 2015. The Bank aims at 100% implementation of SDMS at branches in coming year. Implementation of Oracle ERP in the Bank and its subsidiary will continue in the next year as well. It is expected that in 2015 the Bank will sign off the agreement with Ubank.

Up-gradation of in-house built financial application has been in process to be serving as the CBAS. The detailed plan for development of CBAS, automation and implementation consists of following parameters;

- i. In-house development of Core Banking Application Software (CBAS) through up gradation of existing indigenously developed banking application.
- ii. Modernization of accounting system through implementation of Oracle ERP-EBS.
- iii. System Integration for banking and financing services like Alternate Delivery Channels (ADC), mobile banking/financial services, E-Banking/internet banking and ATM services.
- iv. Network up-gradation.
- v. IT operation enhancements.
- vi. Implementation / enhancement of IT-security.
- vii. Expansion in IT Infrastructure to newly opened branches (for alignment with CBAS/ERP).
- viii. Establishment of DR site.
- ix. Software Quality assurance.

7. TECHNOLOGY DISSEMINATION

To enhance farmers' awareness and to provide guide lines to Bank's field functionaries regarding modern agricultural technologies, activities continued in 50 Model Villages established across the country. Endeavour has been made to introduce and demonstrate latest agriculture technologies like solar energy tube well, solar fruit and vegetables dryer, bio-gas for running tube well, tunnel farming, small agricultural machinery for saving time and labour, sprinkler and drip irrigation system, bee keeping, animal fattening, artificial insemination for breed improvement, soil water testing etc. At ZTBL farm off-season tomato crop has been grown in tunnels for demonstrations. Organic farming has also been initiated in year 2014. Olive plantation has been demonstrated. Counseling services were provided to farmers regarding new technologies. Brochures and leaflets were printed in local languages to enhance access of local farmers to agriculture information. Ostrich farming has been started initially with twelve birds on the farm in the said year. Fish farming has been promoted in a newly constructed fish pond. Two acres have been reserved for rose cultivation. Directory of agriculture machinery manufacturers has been compiled and uploaded on the website for farmers' guidance. Multiplication of bee colonies has been demonstrated on the farm. ZTBL farm activities were demonstrated to students who visited the Bank from various agriculture universities across the country.

7.1 Future Outlook

To further enhance the role and effectiveness of the initiatives taken under the platform and concept of Model Village, and to broaden the spectrum of technical and technological awareness role of ZTBL towards farming community, Model Village concept will be revitalized by converting it into Farmers Training Centers. This initiative envisages helping a great deal in establishing the intended first hand / direct relationship between the Bank and farming community by way of imparting on-site training through field days, conducting workshops and arranging short training courses.



Ostrich Farming at ZTBL owned Farm in Islamabad.

8. RISK MANAGEMENT FRAMEWORK & POLICY

8.1 Risk Management Framework

Effective risk management is fundamental to the business activities of a bank. ZTBL has committed to strengthen its risk management structure at the organizational level through a broader framework of Board / Senior Management. A separate, Credit Administration & Risk Management Division works in the Bank, under which an exclusive Department of Risk Management is functional encompassing Credit, Operational, Market and Liquidity Risks, Basel Accords and Risk & Compliance Units. The Division is independent of business and operations of the Bank and the Head of the Division directly reports to the President. A Board Risk Management Committee and an Internal Risk Management Committee have been set up to address all issues relating to risk management process in the Bank. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control.

8.2 Risk Management Policy & Charter

The risk management policy of the Bank encompasses a broader risk management framework of the Bank. Credit portfolio, disbursement, recovery, NPL & SAM are critically analyzed on quarterly basis and risk gaps are reported to the Management and further to Internal Risk Management Committee suggesting appropriate steps to bridge the gaps. Similarly in order to analyze issues related to operational risk, an Operational Risk Model has been developed comprising of Key Risk Indicators (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on regular basis and risk gaps are submitted to senior management for corrective measures / remedial actions which are in turn presented to Board Risk Management Committee for review. As per SBP guidelines on AML&CFT a template of Customer Risk Profiling (CRP) has been developed to identify and quantify the risk related with customer and make rating of each individual customer.

9. CORPORATE SOCIAL RESPONSIBILITY

Zarai Taraqati Bank Limited remains committed and dedicated to serve the needs of farming community and aims to contribute for their betterment in every possible way. To mitigate the emerging energy crises, steps are being taken to encourage the use of alternative source of energy like solar, bio gas and wind mills to give relief to farmers. Promotion of Ostrich farming and quail breeding has led to overcome the meat shortage contributing in up lifting the economic health of poor farmers. Demonstration/exhibitions and training programs conducted in different agro-ecological zones of the country give a good boost in capacity building of farmers resulting in increased per acre yield. Besides the agriculture technology disseminating activities, the Bank is also actively involved in sports sponsorships. The Bank also supported the rehabilitation of flood affected and IDPs. It also offers internships to university graduates. Bank also circulates brochures and supplements including various topics of interest of farmers and agriculture entrepreneurs. The Bank believes that the growth of its business depends on the growth of farming community around it.

10. SUBSIDIARY COMPANY

Kissan Support Services (Pvt.) Limited was incorporated as a subsidiary of Zarai Taraqati Bank Limited in 2006 with an Authorized Capital of Rs.100 million fully subscribed by the Bank. Under its Memorandum and Article of Association KSSL will undertake non- core activities of the Bank so that Bank may focus on core banking business more efficiently. The KSSL has been providing following services to ZTBL in year 2014:

- a. Recruitment / provision of clerical / non clerical staff.
- b. Security Services.
- c. Management of Sports Activities.
- d. Photocopying Services.
- e. Janitorial Services.
- f. Repair & Maintenance Services.

HIGHLIGHTS OF ZTBL OPERATIONS
(As on 31.12.2014)

PARTICULARS	AMOUNT (Rs. in Million)
A. DISBURSEMENT	
1. TOTAL DISBURSEMENT	81,934
a. Production Loans	63,286
b. Development Loans	18,648
2. TRACTORS FINANCED	
a. Number	10,554
b. Amount	7,489
3. TUBEWELLS FINANCED	
a. Number	1,569
b. Amount	608
4. LOANS TO SUBSISTENCE FARMERS	61,321
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	75,300
6. NUMBER OF BORROWERS SERVED	414,358
B. RECOVERY OPERATIONS	
TOTAL AMOUNT RECOVERED	78,721
C. NETWORK OF OPERATIONS	
1. NUMBER OF ZONES	32
2. NUMBER OF BRANCHES	416
3. NUMBER OF MCOs	1,271

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework.

- i. The Bank's financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, changes in equity and cash flows.
- ii. Proper books of accounts of the Bank have been maintained.
- iii. 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.
- iv. International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- v. The current system of internal control is under constant review by the internal audit department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- vi. Based on the results of December 31, 2014, the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data of last six years in summarized form, are included in this Annual Report.
- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2014 except as disclosed in these financial statement.

STATEMENT OF INTERNAL CONTROLS

Statement of Internal Controls:

The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the Bank's internal control system, periodic reviewing of internal control procedures and maintenance of risk averse control environment.

Management of the Bank has adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls from the State Bank of Pakistan (SBP). As part of Internal Control Framework relating to financial reporting, during 2012-13 the Bank with the help of a consulting firm mapped and documented As-Is processes and controls, identified gaps and developed remediation/management testing plans while successfully completing the ICFR roadmap issued by the State Bank of Pakistan.

During 2014, the management constituted a separate Department of Internal Control over Financial Reporting which has been further strengthened by inducting experienced and professionally qualified individuals from the industry. While concerted efforts have always been made to comply with the SBP Guidelines, the identification, evaluation and management of risks within each of the Bank's key activities remains an ongoing process. All Internal Control Systems, no matter how well designed, have inherent limitations that they may not entirely eliminate misstatements, however Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors.

The Statutory Auditors of the bank have reviewed the Internal Control Framework of the bank and issued "Long Form Report" for the years 2012, 2013 and 2014 which have already been submitted to State Bank of Pakistan. The observations pointed out in these LFRs have now been considerably reduced. Management is confident that with the implementation of ERP and MIS Automation, the internal control deficiencies pointed out by the statutory auditors will be completely resolved and settled out. However, based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would continuously be evaluating to enhance and further strengthen the internal control system of the Bank.

BOARD MEETINGS

Five meetings of the Board were held during the year 2014. Attendance of the members remained as under:-

S.No.	Name of Members	Designation	No. of meetings attended
01	Syed Yawar Ali	Chairman	04
02	Syed Talat Mahmood	President / CEO / Director	05
03	Mr. Saeed Ahmad	Director	05
04	Mr. Zia-ul-Mustafa Awan	Director	04
05	Mr. Majyd Aziz Balagamwala	Director	05
06	Mr. Mohsin Aziz	Director	03
07	Mr. Abdul Bari Tareen	Director	05
08	Mr. Asif Sharif	Director	05

AUDITORS OF THE BANK

1. M/s Ilyas Saeed & Company, Chartered Accountants
2. M/s Riaz Ahmad & Company, Chartered Accountants

EXTRA ORDINARY GENERAL MEETING

1st Extra Ordinary General Meeting of the Bank was held on August 13, 2014 at Islamabad.

ANNUAL GENERAL MEETING

11th Annual General Meeting of the Bank was held on September 18, 2014 at Islamabad

ACKNOWLEDGEMENTS

The Board would like to thank our valued customers especially the farming community for their valuable inputs to introduce enhanced facilities and new products for their benefit, State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continued guidance and support, our shareholders for their patronage, trust and confidence and our employees for working as a committed team.

On behalf of the Board of Directors



(Syed Talat Mahmood)

President & CEO

ZARAI TARAQIATI BANK LIMITED

Corporate Information (As on 31.12.2014)

Name:	Zarai Taraqati Bank Limited
Legal Status:	A Public Limited Company (By Shares)
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country
Authorized Capital:	Rs.125,000,000,000/- divided into 12,500,000,000 ordinary shares of Rs.10 each
Paid-up capital:	Rs.12,522,440,670/-
Consideration for Issuance of shares:	Rs.89,490,984,762/-
Board of Directors:	
Syed Yawar Ali	Chairman
Syed Talat Mahmood	Director (President / CEO, ZTBL)
Mr. Saeed Ahmad	Director
Mr. Zia-ul-Mustafa Awan	Director
Mr. Majyd Aziz Balagamwala	Director
Mr. Mohsin Aziz	Director
Mr. Abdul Bari Tareen	Director
Mr. Asif Sharif	Director
Chief Operating Officer:	Sheikh Aman Ullah
Chief Financial Officer:	Mr. Abdul Ghaffar Bhatti
Company Secretary:	Mr. Mehboob Hussain
Auditors:	M/s Ilyas Saeed & Company, Chartered Accountants M/s Riaz Ahmad & Company, Chartered Accountants
Head Office:	1 Faisal Avenue, P.O. Box No.1400, Islamabad Pakistan.
Website:	www.ztbl.com.pk

Value of Investments of Employees' Fund

The Bank operates ten funds for its employees and as per last respective audited financial statements their value of investments are:

(Rs. in million)	
Name of Fund	for year ended on 31.12.2014
Contributory Provident Fund	957.737
Gratuity Fund under SR-2005	2,202.035
Name of Fund	for year ended on 30.06.2014
General Provident Fund (Officers)	1,953.736
General Provident Fund (Staff)	616.811
Employees Provident Fund	57.756
Gratuity Fund under SSR-1961	1,843.516
Pension Fund	6,351.956
Benevolent Fund (Officers)	753.980
Benevolent Fund (Staff)	348.850
Employees Benefit Fund	173.306

The Bank also operates two unfunded schemes namely, Leave encashment and Post Retirement Medical Benefit scheme.

Appointment & Remuneration of the Directors

Appointment of the Chairman and members of the Board of Directors has been made by the Government of Pakistan being the major shareholder u/s (11) sub section 3(a) of the Banking Nationalization Act-1974. Bank adopts the remuneration policy for Board Members as given in Section 78 of the Article of Association of the Bank. During 11th Annual General Meeting of the Bank, the shareholders approved the following remuneration/fees and other benefits for the members while attending the meeting of the Board of Directors or its sub committees.

- | | | |
|----|---------------------------------|---|
| 1. | Meeting of the BoD/shareholders | Rs 40,000/ meeting |
| 2. | Meeting of Board Sub Committees | Rs 25,000/ meeting |
| 3. | Travelling by own car | Rs 18/ KM or Return Air Ticket (Business Class) |
| 4. | 5 Star Hotel accommodation | At actual |

ZARAI TARAQIATI BANK LIMITED

SHAREHOLDING OF ZTBL

Sr. No.	NAME OF SHARE HOLDERS	NUMBER OF SHARES	AMOUNT (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of Khyber Pakhtunkhwa	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan *	527,500	5,275,000
	Total	1,252,244,067	12,522,440,670

* Certificates of shares of Government of Erstwhile East Pakistan have not yet been issued.

ZARAI TARAQIATI BANK LIMITED

BOARD SUB-COMMITTEES

A. AUDIT COMMITTEE

1.	Mr. Zia-ul-Mustafa Awan	Chairman
2.	Mr. Majyd Aziz Balagamwala	Member
3.	Mr. Abdul Bari Tareen Head, Internal Audit Division	Member Secretary

B. HUMAN RESOURCE MANAGEMENT COMMITTEE

1.	Mr. Majyd Aziz Balagamwala	Chairman
2.	Syed Talat Mahmood	Member
3.	Mr. Abdul Bari Tareen Head, Human Resource Division	Member Secretary

C. RISK MANAGEMENT COMMITTEE

1.	Mr. Saeed Ahmad	Chairman
2.	Mr. Zia-ul-Mustafa Awan	Member
3.	Mr. Asif Sharif Head, Credit Administration & Risk Management Division	Member Secretary

D. BUSINESS STRATEGY COMMITTEE

1.	Syed Yawar Ali	Chairman
2.	Mr. Zia-ul-Mustafa Awan	Member
3.	Mr. Majyd Aziz Balagamwala	Member
4.	Mr. Abdul Bari Tareen	Member
5.	Mr. Asif Sharif	Member
6.	Mr. Saeed Ahmad Chief Operating Officer	Member Secretary

CORPORATE AFFAIRS DEPARTMENT

No. CAU/1(4)/AGM/12/2015/

Dated: March 30, 2015

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the **12th Annual General Meeting of Zarai Taraqati Bank Limited will be held on April 20th, 2015 at 11:00 AM at ZTBL, Head Office, Islamabad** to transact the following business:

1. To confirm minutes of 11th Annual General Meeting held on September 18, 2014.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2014 together with the Director's Review and Auditor's Report thereon.
3. To appoint the Auditors of the Bank for the year ending December 31, 2015 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

(MEHBOOB HUSSAIN)
Company Secretary
051-9252765

1. Government of Pakistan, through Secretary Finance Division, GoP, Islamabad.
2. Governments of Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan through Chief Secretaries, Lahore, Karachi, Peshawar and Quetta.
3. Chairman, ZTBL Board.
4. Additional Registrar of Companies, Company Registration Office, Islamabad.
5. M/s Ilyas Saeed & Company, Chartered Accountants, Islamabad and M/s Riaz Ahmad & Company, Chartered Accountants, Islamabad.

Company Secretary

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

Name of Bank Zarai Taraqati Bank Limited
Name of the line ministry Finance Division, GoP
For the year ended December 31, 2014

- I. This statement is being presented to comply with the requirements of the Code of Corporate Governance ("the Code"), as contained in prudential regulations G-1 for Corporate/Commercial Banking issued by the State Bank of Pakistan (SBP) and the Public Sector Companies (Corporate Governance) Rules, 2013 (herein after called "the Rules") issued for the purpose of establishing a framework of good governance, whereby the Bank is managed in compliance with the best practices of corporate governance.
- II. The Bank has complied with the provisions contained in the code and the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N																						
			Tick the relevant box																							
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2	The Board has the requisite percentage of independent directors. At present the Board includes: <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Independent Directors</td> <td>Syed Yawar Ali</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Zia-ul-Mustafa Awan</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Majyd Aziz Balagamwala</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Mohsin Aziz</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Abdul Bari Tareen</td> <td>07.07.2014</td> </tr> <tr> <td>Mr.Asif Sharif</td> <td>07.07.2014</td> </tr> <tr> <td>Executive Directors</td> <td>Syed Talat Mahmood</td> <td>30.04.2014</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr.Saeed Ahmad</td> <td>07.07.2014</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Syed Yawar Ali	07.07.2014	Mr.Zia-ul-Mustafa Awan	07.07.2014	Mr.Majyd Aziz Balagamwala	07.07.2014	Mr.Mohsin Aziz	07.07.2014	Mr.Abdul Bari Tareen	07.07.2014	Mr.Asif Sharif	07.07.2014	Executive Directors	Syed Talat Mahmood	30.04.2014	Non-Executive Directors	Mr.Saeed Ahmad	07.07.2014	3(2)	✓	
Category	Names	Date of appointment																								
Independent Directors	Syed Yawar Ali	07.07.2014																								
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	Mr.Abdul Bari Tareen	07.07.2014																								
Mr.Asif Sharif	07.07.2014																									
Executive Directors	Syed Talat Mahmood	30.04.2014																								
Non-Executive Directors	Mr.Saeed Ahmad	07.07.2014																								
3	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)	N/A																							
4	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																							
5	All the resident Directors of the Bank are registered as tax payers and non of them has defaulted in payment of any loan to a Banking Company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that sock exchange.		✓																							
6	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	✓																							
7	The chairman of the Board is working separately from the chief executive of the Bank.	4(1)	✓																							
8	The chairman has been elected from amongst the independent directors.	4(4)	✓																							

9	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓	
10	(a) The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website www.ztbl.com.pk (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓	
11	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
12	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)		✓
13	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Bank.	5(5)(b)(vi)		✓
14	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
15	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	✓	
16	The Board has developed a vision and mission statement, corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓	
17	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 and Chief Executive Officer (executive Director) and non-executive Directors, have been taken by the Board/shareholders.		✓	
18	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓	
19	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓	
20	The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of a process, based on specified criteria, developed by it. The Board has also monitored and assessed the performance of senior management on quarterly basis.	8	N/A ✓	
21	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained and related party transactions are executed at arm's length price.	9	✓	

22	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Bank's website.	10	✓																			
23	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments information as specified in the Rules.	11	N/A																			
24	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="430 746 1189 1056"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>03</td> <td>Mr. Zia-ul-Mustafa Awan</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mr. Saeed Ahmad</td> </tr> <tr> <td>Human Resource Committee</td> <td>03</td> <td>Mr. Majyd Aziz Balagamwala</td> </tr> <tr> <td>Procurement Committee</td> <td>--</td> <td>--</td> </tr> <tr> <td>Nomination Committee</td> <td>--</td> <td>--</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	03	Mr. Zia-ul-Mustafa Awan	Risk Management Committee	03	Mr. Saeed Ahmad	Human Resource Committee	03	Mr. Majyd Aziz Balagamwala	Procurement Committee	--	--	Nomination Committee	--	--	12	✓ ✓ ✓	✓ ✓
Committee	Number of members	Name of Chair																				
Audit Committee	03	Mr. Zia-ul-Mustafa Awan																				
Risk Management Committee	03	Mr. Saeed Ahmad																				
Human Resource Committee	03	Mr. Majyd Aziz Balagamwala																				
Procurement Committee	--	--																				
Nomination Committee	--	--																				
25	The Board has approved appointment of Chief Financial Officer, Bank Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																			
26	The Bank has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.	16	✓																			
27	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			
28	The directors, CEO and executives do not hold any interest in the shares of the Bank.	18	✓																			
29	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Bank contains criteria and details of remuneration of each director.	19	✓																			
30	The financial statements of the Bank were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	✓																			
31	<p>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members:</p> <table border="1" data-bbox="430 1634 1166 1917"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Zia-ul-Mustafa Awan</td> <td>Independent</td> <td>FCMA CFO & Business Administrator, Lahore Int. Expo Centre</td> </tr> <tr> <td>Mr. Majyd Aziz Balagamwala</td> <td>Independent</td> <td>M.A. (Mangnt.) Entrepreneur</td> </tr> <tr> <td>Mr. Abdul Bari Tareen</td> <td>Independent</td> <td>M.A. (Soci.) Progressive farmer</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</p>	Name of Member	Category	Professional background	Mr. Zia-ul-Mustafa Awan	Independent	FCMA CFO & Business Administrator, Lahore Int. Expo Centre	Mr. Majyd Aziz Balagamwala	Independent	M.A. (Mangnt.) Entrepreneur	Mr. Abdul Bari Tareen	Independent	M.A. (Soci.) Progressive farmer	21	✓ ✓							
Name of Member	Category	Professional background																				
Mr. Zia-ul-Mustafa Awan	Independent	FCMA CFO & Business Administrator, Lahore Int. Expo Centre																				
Mr. Majyd Aziz Balagamwala	Independent	M.A. (Mangnt.) Entrepreneur																				
Mr. Abdul Bari Tareen	Independent	M.A. (Soci.) Progressive farmer																				

32	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	✓	
33	The Bank has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓	
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	✓	
36	The Bank has complied with all the corporate and financial reporting requirements of the Rules.		✓	

(SYED TALAT MAHMOOD)
President / CEO

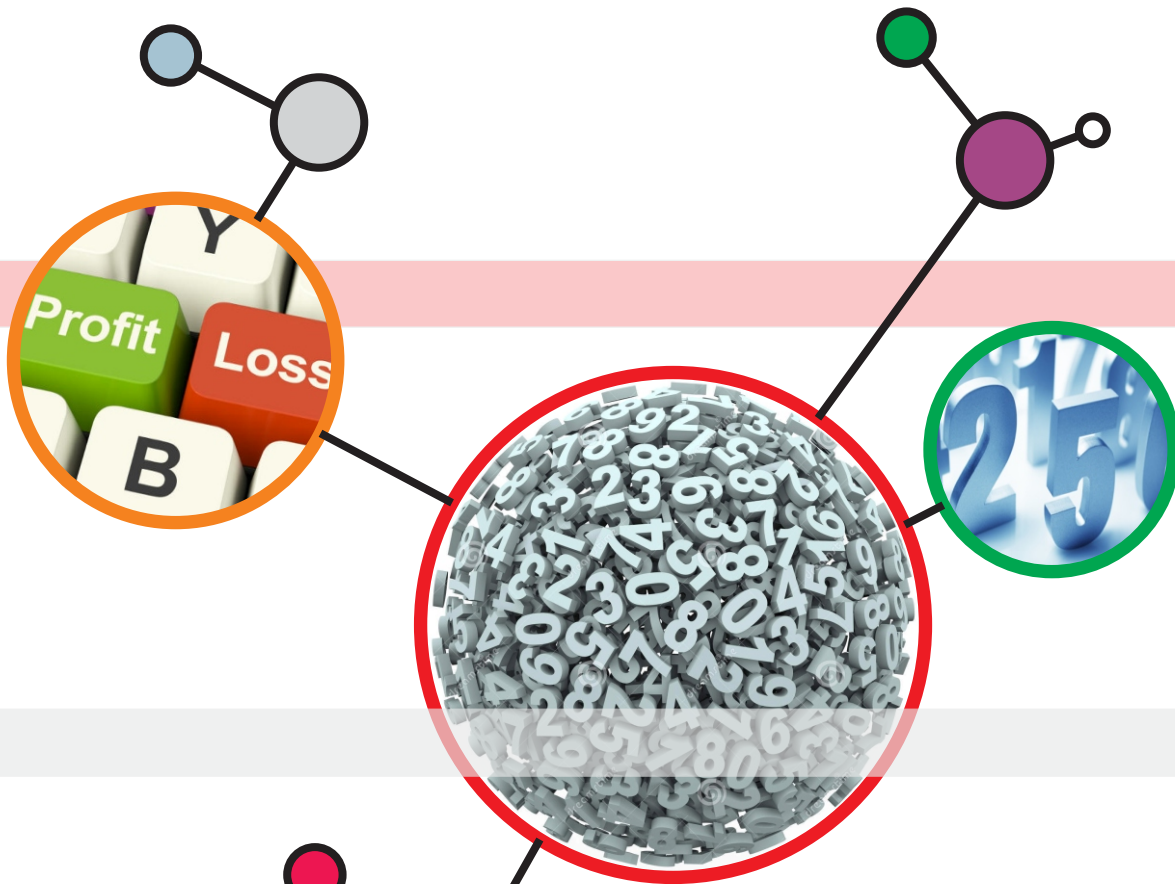
(SYED YAWAR ALI)
Chairman

SCHEDULE II

EXPLANATION FOR NON-COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Code and Rules have been complied with (except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Sr. No.	Rule/ sub-rule No.	Reasons for non-compliance	Future course of action
1	5(5)(b)(ii)	The Board of Directors constituted in July 2014 and was busy to clearing back log as the Board was non-existent since March 2013.	Conflict of interest policy is under preparation for approval of the Board
2	5(5)(b)(vi)	.....do.....	The Policy on Anticorruption is under approval of the Board.
3	12	.....do.....	Constitution of Nomination Committee and Procurement Committee is being proposed for placement in the forthcoming meeting of the Board of Directors.



Unconsolidated FINANCIAL STATEMENTS

RIAZ AHMAD & COMPANY

Chartered Accountants
2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad

ILYAS SAEED & CO.

Chartered Accountants
Office # 26, 2nd Floor
Rose Plaza, I-8 Markaz
Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Zarai Taraqiati Bank Limited ("the Bank") as at 31 December 2014 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 one hundred and thirty one branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated 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 give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Emphasis of matter

We draw attention to Note 16.5 to the financial statements, which more fully explains the decisions on conversion of borrowings from State Bank of Pakistan (SBP) (Note 16.3 and 16.4), SBP sub-ordinated loan (Note 18) and related accrued mark-up on borrowings from SBP and SBP sub-ordinated loan into fully paid-up ordinary shares of the Bank. Further, the Bank's claim from Government of Pakistan on account of mark-up differential (Note 23.1.1) and various Presidential Relief Packages (Note 23.1.2) has been waived off by the Board of Directors of the Bank.

Our opinion is not qualified in respect of the above matter.



RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Atif Bin Arshad

Date: 27 March 2015

Islamabad



ILYAS SAEED & CO.

Chartered Accountants

Name of engagement partner:

Imran Ilyas

Date: 27 March 2015

Islamabad

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2014

	Note	2014	2013
ASSETS		..... Rupees in '000	
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	5,982,441	9,113,832
Lendings to financial institutions	9	820,190	3,646,716
Investments - net	10	29,337,315	23,609,958
Advances - net	11	108,553,958	95,311,716
Operating fixed assets	12	1,581,077	1,347,307
Deferred tax assets - net	13	1,528,810	-
Other assets - net	14	11,656,953	11,790,826
		163,562,877	148,448,277
LIABILITIES			
Bills payable	15	561,964	706,265
Borrowings	16	969,349	55,174,903
Deposits and other accounts	17	26,701,911	14,906,582
Sub-ordinated loan	18	-	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	-	130,022
Other liabilities	19	10,698,014	41,842,923
		38,931,238	115,965,018
NET ASSETS		124,631,639	32,483,259
REPRESENTED BY			
Share capital	20	12,522,441	12,522,441
Reserves	21	4,590,135	3,506,658
Unappropriated profit		14,553,175	13,597,945
		31,665,751	29,627,044
Share deposit money	16.5	89,490,985	-
Surplus on revaluation of assets - net of tax	22	3,474,903	2,856,215
		124,631,639	32,483,259
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Note	2014	2013
..... Rupees in '000			
Mark-up / return / interest earned	24	15,495,473	12,943,416
Mark-up / return / interest expensed	25	2,399,949	3,892,880
Net mark-up / interest income		13,095,524	9,050,536
Provision for diminution in the value of investments - net	10.3	-	-
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Write offs under relief packages		113,663	7,911
Bad debts written off directly		-	-
		1,494,987	1,050,959
Net mark-up / interest income after provisions		11,600,537	7,999,577
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		28,410	13,512
Dividend income		66,737	51,667
Income from trading in government securities		-	-
Income from dealing in foreign currencies		-	-
Gain on sale of securities		118,136	30,399
Unrealized gain on revaluation of investments classified as held for trading		-	-
Other income	26	4,299,889	4,816,973
Total non-mark-up / interest income		4,513,172	4,912,551
		16,113,709	12,912,128
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	7,786,170	7,708,726
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Other charges	28	11,099	464
Total non mark-up / interest expenses		7,786,603	7,745,584
		8,327,106	5,166,544
EXTRA ORDINARY / UNUSUAL ITEMS			
		-	-
PROFIT BEFORE TAXATION			
		8,327,106	5,166,544
Taxation - Current year		2,973,440	1,799,026
- Prior years		4,245	62
- Deferred		(67,963)	(9,103)
	29	2,909,722	1,789,985
PROFIT AFTER TAXATION			
		5,417,384	3,376,559
Unappropriated profit brought forward		13,597,945	12,263,088
Profit available for appropriation		19,015,329	15,639,647
Basic earnings per share (Rupees)	30	4.326	2.696
Diluted earnings per share (Rupees)	31	4.326	2.696

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2014

	2014	2013
	..... Rupees in '000	
PROFIT AFTER TAXATION FOR THE YEAR	5,417,384	3,376,559
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans	(5,197,964)	(2,102,139)
Deferred tax	1,819,287	735,749
	(3,378,677)	(1,366,390)
Items that may be reclassified to profit and loss account	-	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY	2,038,707	2,010,169
COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY		
Net change in fair value of available for sale securities	847,107	1,174,811
Deferred tax	(228,419)	(117,480)
	618,688	1,057,331
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,657,395	3,067,500

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Note	2014	2013
..... Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,327,106	5,166,544
Dividend income		(66,737)	(51,667)
		8,260,369	5,114,877
Adjustments for non-cash charges:			
Depreciation	12.2	212,411	138,363
Amortization	12.3	111	117
Amortization of deferred income	19.3	(796)	(838)
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Provision for employees post retirement medical benefits	35.5.6	624,216	464,608
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Fixed assets - written off	28	1,171	336
Write offs under relief packages		113,663	7,911
Reversal for defined benefit plans	27	(944,948)	(299,975)
Gain on sale of securities		(118,136)	(30,399)
Gain on sale of operating fixed assets	26	(55,283)	(14,873)
		1,203,067	1,344,692
(Increase) / decrease in operating assets:		9,463,436	6,459,569
Lendings to financial institutions		2,826,526	(3,646,716)
Net investments in held for trading securities		-	1,041,437
Advances - net		(14,737,229)	(8,302,251)
Other assets - net		(2,175,374)	(522,487)
		(14,086,077)	(11,430,017)
Increase / (decrease) in operating liabilities:			
Bills payable		(144,301)	412,241
Borrowings		(2,948,341)	3,882,746
Deposits and other accounts		11,795,329	3,809,626
Other liabilities		1,327,414	4,116,447
		10,030,101	12,221,060
Employees' benefits paid		(412,800)	(249,383)
Income tax paid		(2,564,283)	(983,513)
		2,430,377	6,017,716
Net cash generated from operating activities		2,430,377	6,017,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(14,550,984)	(1,849,223)
Net investments in held to maturity securities		9,788,870	(3,712,490)
Dividend income		66,737	51,667
Investments in operating fixed assets		(462,944)	(311,021)
Sale proceeds of property and equipment disposed off		70,764	20,038
		(5,087,557)	(5,801,029)
Net cash used in investing activities		(5,087,557)	(5,801,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) / increase in cash and cash equivalents		(2,657,180)	216,687
Cash and cash equivalents at beginning of the year		12,741,754	12,525,067
Cash and cash equivalents at end of the year	32	10,084,574	12,741,754

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
					Rupees in '000
Balance as at 31 December 2012 - restated	12,522,441	2,771,346	60,000	12,263,088	27,616,875
Profit after taxation for the year ended 31 December 2013	-	-	-	3,376,559	3,376,559
Other comprehensive loss for the year ended 31 December 2013	-	-	-	(1,366,390)	(1,366,390)
Total comprehensive income for the year ended 31 December 2013	-	-	-	2,010,169	2,010,169
Transferred to statutory reserve	-	675,312	-	(675,312)	-
Balance as at 31 December 2013	12,522,441	3,446,658	60,000	13,597,945	29,627,044
Profit after taxation for the year ended 31 December 2014	-	-	-	5,417,384	5,417,384
Other comprehensive loss for the year ended 31 December 2014	-	-	-	(3,378,677)	(3,378,677)
Total comprehensive income for the year ended 31 December 2014	-	-	-	2,038,707	2,038,707
Transferred to statutory reserve	-	1,083,477	-	(1,083,477)	-
Balance as at 31 December 2014	12,522,441	4,530,135	60,000	14,553,175	31,665,751

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2014

1. STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

The Federal Government in its cabinet meeting held on 28 August 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan and for matters connected therewith or incidental thereto.

1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqiati Bank Limited ("the Bank") was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1) / 2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqiati Bank Limited on 14 December 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rupees 8.7 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 416 (2013: 379) branches in Pakistan as at close of the year.

1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary are being issued separately.

3. STATEMENT OF COMPLIANCE

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various Circulars.

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

3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2014 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the financial statements.

3.5 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2015:

	Effective date (accounting periods beginning on or after)
-IAS 27 - Separate financial statements (Amendments)	1 January 2015
-IFRS 10 - Consolidated financial statements (Amendments)	1 January 2015
-IFRS 11 - Joint Arrangements	1 January 2015
-IFRS 12 - Disclosure of interests in other entities (Amendments)	1 January 2015
-IFRS 13 - Fair value measurement	1 January 2015

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments which are carried at fair value.

These financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to the nearest thousand Rupees.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5.1 Classification of investments

As described in Note 6.4, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

5.2 Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan (SBP) from time to time and the management's judgment in case of subjective provision.

5.3 Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in Note 35 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with the IAS 8 'Changes in Accounting Estimates and Errors'.

5.5 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price.

Impairment of investments in subsidiary and associates

The Bank considers that a decline in the recoverable value of investment in subsidiary and associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account.

5.6 Taxation

In making the estimates for income tax currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Bank's future taxable profits are taken into account.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

6.1 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

6.2 Cash and cash equivalents

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

6.3 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by the SBP.

6.4 Investments

The Bank classifies its investments as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments, other than those in subsidiary and associates, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', 'investment in subsidiary' and 'investments in associates' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) 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 company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiary and investments in associates are carried at cost less accumulated impairment losses, if any.

6.5 Operating fixed assets and depreciation / amortization

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

Gains / losses, if any, on disposal of operating fixed assets are charged to profit and loss account during the year.

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

6.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over its useful life over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

6.7 Impairment

The carrying value of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.8 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value and the current fair value of such assets.

6.9 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the 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 the tax rates enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

6.10 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method.

6.11 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

Commission income is recognized on a time proportion basis.

- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.
- Dividend income is recognized when the Bank's right to receive has been established.
- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.
- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

6.13 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect current best estimates.

6.14 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the statement of financial position date.

6.15 Financial assets and financial liabilities

Financial instruments carried in the statement of financial position include cash and balances with treasury banks, balances with other banks, investments (excluding investment in associates and subsidiary), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

All the financial assets and liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income for the current year.

6.16 Offsetting

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

6.17 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no convertible dilutive potential ordinary shares in issue as at 31 December 2014.

6.19 Segment reporting

The Bank is engaged in providing agri-financing and operates only in Pakistan.

	Note	2014	2013
Rupees in '000			
7 CASH AND BALANCES WITH TREASURY BANKS			
Local currency			
In hand		1,648,193	981,661
Prize bonds		1,246	1,177
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,452,692	2,645,082
National Bank of Pakistan		2	2
		<u>4,102,133</u>	<u>3,627,922</u>

7.1 Deposits with SBP are maintained to comply with their requirements issued from time to time.

	Note	2014	2013
Rupees in '000			
8 BALANCES WITH OTHER BANKS			
In Pakistan - local currency:			
In current accounts		35,036	21,373
In deposit accounts	8.1	5,947,405	9,092,459
		<u>5,982,441</u>	<u>9,113,832</u>

8.1 These carry mark-up rates ranging from 6.50% to 10.25% per annum (2013: 6.00% to 10.30% per annum).

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	2,365,000
Repurchase agreement lendings	9.2	820,190	1,281,716
		<u>820,190</u>	<u>3,646,716</u>

9.1 Particulars of lendings

In local currency		820,190	3,646,716
In foreign currencies		-	-
		<u>820,190</u>	<u>3,646,716</u>

9.2 These carry mark-up rate of 10.25% per annum (2013: 10.00% to 10.40% per annum).

9.3 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
..... Rupees in '000						
Market Treasury Bills	820,190	-	820,190	1,281,716	-	1,281,716
	<u>820,190</u>	<u>-</u>	<u>820,190</u>	<u>1,281,716</u>	<u>-</u>	<u>1,281,716</u>

10 INVESTMENTS - NET
10.1 Investments by types

	Note	2014			2013		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
..... Rupees in '000							
Available-for-sale securities							
Market Treasury Bills	10.6	15,021,572	969,349	15,990,921	1,693,733	3,916,490	5,610,223
Shares in listed companies	10.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	10.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds		-	-	-	20,042	-	20,042
Pakistan Investment Bonds	10.8	4,170,348		4,170,348	-	-	-
Term Finance Certificates	10.9	39,976	-	39,976	19,996	-	19,996
		19,332,450	969,349	20,301,799	1,834,325	3,916,490	5,750,815
Held-to-maturity securities							
Market Treasury Bills	10.6	3,223,265	-	3,223,265	12,464,036	-	12,464,036
Pakistan Investment Bonds	10.8	890,399	-	890,399	1,325,350	-	1,325,350
Sukuk Bonds	10.7	812,431	-	812,431	807,443	-	807,443
		4,926,095	-	4,926,095	14,596,829	-	14,596,829
Subsidiary company (unlisted)							
Kissan Support Services (Private) Limited	10.10	100,000	-	100,000	100,000	-	100,000
Investments at cost		24,358,545	969,349	25,327,894	16,531,154	3,916,490	20,447,644
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
Investments (net of provisions)		24,347,287	969,349	25,316,636	16,519,896	3,916,490	20,436,386
Surplus on revaluation of available-for-sale securities - net	22	4,019,978	701	4,020,679	3,154,720	18,852	3,173,572
Investments at revalued amounts (net of provisions)		28,367,265	970,050	29,337,315	19,674,616	3,935,342	23,609,958

10.2	Investments by segments	Note	2014		2013	
			Rupees in '000			
	Federal Government Securities:					
	Market Treasury Bills	10.6	19,214,186	18,074,259		
	Pakistan Investment Bonds	10.8	5,060,747	1,325,350		
	Sukuk Bonds	10.7	812,431	827,485		
			25,087,364	20,227,094		
	Fully paid-up ordinary shares:					
	Listed companies	10.4	90,031	90,031		
	Un-listed companies	10.5	10,523	10,523		
			100,554	100,554		
	Other investments					
	Term Finance Certificates	10.9	39,976	19,996		
	Investment in related party					
	Subsidiary company (unlisted)	10.10	100,000	100,000		
	Total investments at cost		25,327,894	20,447,644		
	Provision for diminution in value of investments	10.3	(11,258)	(11,258)		
	Investments (net of provisions)		25,316,636	20,436,386		
	Surplus on revaluation of available-for-sale securities	22	4,020,679	3,173,572		
	Total investments at carrying value		29,337,315	23,609,958		
10.3	Particulars of provision for diminution in value of investments					
	Opening balance		11,258	11,258		
	Charge for the year		-	-		
	Closing balance		11,258	11,258		
10.3.1	Particulars of provision in respect of type and segment					
	Available-for-sale securities - listed securities		735	735		
	Available-for-sale securities - un-listed securities		10,523	10,523		
			11,258	11,258		
10.4	Particulars of investments held in listed companies					
	Number of ordinary shares	Paid up value/share	Name	2014	2013	
	2014	2013	Rupees	Rupees in '000		
	430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
	450,000	450,000	10	Uqab Breeding Farm Limited (Note 10.4.1)	585	585
	150,000	150,000	10	Mubarik Dairies Limited (Note 10.4.2)	150	150
	300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 10.4.3)	-	-
					90,031	90,031
10.4.1	Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.					
10.4.2	Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.					
10.4.3	Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.					
10.4.4	Market value of listed investments is Rupees 3,918.014 million (2013: Rupees 3,250.660 million).					
10.5	Particulars of investments held in un-listed companies					
	Name of Investee	Percentage of holding	Number of shares held	Break up value per share Rupees	Based on audited financial statements for the year ended	Name of chief executive/ managing director
	Pakistan Mercantile Exchange Limited (Note 10.5.1)	3.30%	909,091	(3.15)	30 June 2014	Mr. Samir Ahmed
	Saudi Pak Kala Bagh Livestock Limited (Note 10.5.2 & 10.5.4)	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
	Pakistan Agricultural Storage and Services Corporation Limited (Note 10.5.4)	8.33%	2,500	83,014.57	31 March 2014	Maj. Gen. (R) Sohail Shafqat
	Larkana Sugar Mills Limited (Note 10.5.3 & 10.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

- 10.5.1 Due to negative break up value, this investment has been fully provided for in these financial statements.
- 10.5.2 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.
- 10.5.3 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.
- 10.5.4 Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.
- 10.5.5 Cost of unlisted investments is Rupees 10.523 million (2013: Rupees 10.523 million) and face value of investments in unlisted shares is Rupees 21.591 million (2013: Rupees 21.591 million).

10.6 Principal terms of investments in Market Treasury Bills - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Feb 2015 to May 2015	On maturity	9.47 to 9.98	at maturity
Market Treasury Bills - held to maturity	Unrated	April 2015	On maturity	9.80 to 9.82	at maturity

- 10.6.1 Market Treasury Bills are held by the Bank which also cover statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities. Market value of Market Treasury Bills classified as 'held to maturity' as on 31 December 2014 is Rupees 3,225.416 million (2013: Rupees 12,426.447 million).

10.7 Principal terms of investments in Sukuk Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	9.97	at maturity

- 10.7.1 Market value of Sukuk bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 802.160 million (2013: Rupees 808.810 million).

10.8 Principal terms of investments in Pakistan Investment Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds - available for sale	Unrated	July 2016 to July 2017	On maturity	10.13 to 12.52	at maturity
Pakistan Investment Bonds - held to maturity	Unrated	July 2015 to Aug 2015	On maturity	10.24 to 10.70	at maturity

- 10.8.1 Market value of Pakistan Investment Bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 870.037 million (2013: Rupees 1,140.701 million).

10.9 Particulars of investments in Term Finance Certificates

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA-	February 2021	On maturity	11.41 to 11.43	at maturity

10.10 Particulars of investment in subsidiary company (un-listed)

Name of investee	Note	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Chief executive
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Kissan Support Services (Private) Limited (KSSL) (Ordinary shares)	10.10.1	100%	10,000,000	Rupees 28.776	31 December 2014	Brig. (R) Khalid Rafique
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- 10.10.1 KSSL is a wholly owned subsidiary of the Bank and was incorporated in Pakistan as a private limited company on 19 September 2005. KSSL provides multiple services to the Bank including security and janitorial services.

10.11 Quality of Available-for-Sale securities

	2014		2013	
	Market value	Credit rating	Market value	Credit rating
	Rupees in '000		Rupees in '000	
Shares in listed companies				
Nestle Pakistan Limited	3,918,014	Unrated	3,250,660	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	3,918,014		3,250,660	
Pakistan Investment Bonds	4,362,582	Unrated	-	
Market Treasury Bills	16,165,413	Unrated	5,629,883	Unrated
Sukuk Bonds	20,106	Unrated	20,106	Unrated
Term Finance Certificates	39,692	AA-	20,431	AA/A1+
	<u>24,505,807</u>		<u>8,921,080</u>	

11	ADVANCES - NET	Note	2014	2013
			Rupees in '000	
	Loans, etc.			
	In Pakistan - gross	11.1	115,495,766	102,224,529
	Less:			
	- Provision against non-performing advances	11.2	(6,919,999)	(6,896,440)
	- Provision against staff advances		(21,809)	(16,373)
			(6,941,808)	(6,912,813)
	Advances - net of provision		108,553,958	95,311,716
11.1	Particulars of advances (gross)			
11.1.1	In local currency		115,495,766	102,224,529
11.1.2	Short term		66,699,624	58,935,133
	Long term		48,796,142	43,289,396
			115,495,766	102,224,529

11.2 Advances include Rupees 18,663.722 million (2013: Rupees 17,771.792 million) which have been placed under non-performing status as detailed below:

Category of classification	2014			2013		
	..... Rupees in '000 .....			..... Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	11,279,270	-	-	10,546,077	-	-
Substandard	2,774,219	554,840	554,840	2,675,831	535,162	535,162
Doubtful	2,490,127	1,245,053	1,245,053	2,377,209	1,188,602	1,188,602
Loss	2,120,106	2,120,106	2,120,106	2,172,675	2,172,676	2,172,676
	18,663,722	3,919,999	3,919,999	17,771,792	3,896,440	3,896,440
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	18,663,722	3,919,999	6,919,999	17,771,792	3,896,440	6,896,440

11.3 Particulars of provision against non-performing advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553
Charge for the year	5,223,911	-	5,223,911	5,395,181	-	5,395,181
Reversals	(3,848,023)	-	(3,848,023)	(4,349,042)	-	(4,349,042)
	1,375,888	-	1,375,888	1,046,139	-	1,046,139
Amounts written off	-	-	-	-	-	-
Amounts charged off	(1,352,329)	-	(1,352,329)	(1,312,252)	-	(1,312,252)
	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

11.3.1 Particulars of provision against non-performing advances

In local currency	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

- 11.3.2** Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.
- 11.3.3** In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,679,524 million (2013: Rupees 1,378,412 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2014	2013
Rupees in '000			
11.4 Particulars of write offs			
11.4.1 Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
11.5 Particulars of charged offs			
11.5.1 Against provisions		1,352,329	1,312,252
11.5.2 Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000	11.7	1,352,329	1,312,252

- 11.6 Details of write offs of Rupees 500,000 and above**
In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2014, no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

- 11.7 Particulars of charged off**
In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2014 was Rupees 25,741 million (Rupees 26,966 million as at 31 December 2013) with an addition of Rupees 1,352 million (Rupees 1,312 million for the year ended 31 December 2013) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

- 11.8 Particulars of loans and advances to directors, executives and officers**
Debts due by the directors, executives and officers of the Bank or any of them either severally or jointly with other persons:

	Note	2014	2013
Rupees in '000			
Balance at the beginning of year		1,698,988	1,951,795
Loans granted during the year		298,812	111,232
		1,997,800	2,063,027
Repayments		(307,554)	(364,039)
Balance at the end of year		1,690,246	1,698,988
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	213,711	399,850
Property and equipment	12.2	1,367,263	947,246
Intangible assets	12.3	103	211
		1,581,077	1,347,307
12.1 Capital work-in-progress			
Civil works		195,216	335,703
Equipment		1,270	46,971
Advances to suppliers and contractors		150	150
Consultancy charges		13,547	13,547
Others		3,528	3,479
		213,711	399,850

12.2 Property and equipment

Description	COST				ACCUMULATED DEPRECIATION					
	At 01 January 2014	Additions	(Deletions)/ adjustments	At 31 December 2014	At 01 January 2014	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2014	Book value at 31 December 2014	Annual rate of Depreciation
Rupees in '000										
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	9,075	813	-	9,888	5,251	Lease terms for 33 to 99 years
Buildings on freehold land	150,112	183,166	-	333,278	59,720	4,435	-	64,155	269,123	5%
Buildings on leasehold land	355,577	4,982	-	360,559	118,059	3,442	-	121,501	239,058	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	5,299	796	-	6,095	15,129	5%
Furniture and fixtures	138,697	48,339	(5,506)	181,530	54,084	13,752	(4,841)	62,995	118,535	10%/20%
Computer, office and other equipment	282,839	222,499	(5,124)	500,214	203,710	67,066	(5,021)	265,755	234,459	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	917,478	188,923	(95,568)	1,010,833	705,768	122,107	(80,855)	747,020	263,813	20%
2014	2,260,480	647,909	(106,198)	2,802,191	1,313,234	212,411	(90,717)	1,434,928	1,367,263	

Description	COST				ACCUMULATED DEPRECIATION					
	At 01 January 2013	Additions	(Deletions)/ adjustments	At 31 December 2013	At 01 January 2013	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2013	Book value at 31 December 2013	Annual rate of Depreciation
Rupees in '000										
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	7,981	1,094	-	9,075	6,064	Lease terms for 33 to 99 years
Buildings on freehold land	147,048	3,064	-	150,112	55,472	4,248	-	59,720	90,392	5%
Buildings on leasehold land	348,394	7,183	-	355,577	113,535	4,523	-	118,059	237,518	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	4,461	838	-	5,299	15,925	5%
Furniture and fixtures	110,598	30,912	(2,813)	138,697	47,381	9,399	(2,696)	54,084	84,613	10%/20%
Computer, office and other equipment	257,512	30,350	(5,023)	282,839	182,775	25,934	(4,999)	203,710	79,129	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	839,849	112,037	(34,408)	917,478	642,825	92,327	(29,384)	705,768	211,710	20%
2013	2,119,178	183,546	(42,244)	2,260,480	1,211,949	138,363	(37,079)	1,313,234	947,246	

12.2.1 Detail of disposal of operating fixed assets during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal/ settlement	Particulars of buyers	Location
..... Rupees in '000							
Vehicles							
Suzuki Cultus, VE-508	939	345	594	594	As per Bank policy	S. Farrukh Mehdi Jaffari, Ex-SVP	Islamabad
Suzuki Cultus, AU-291	1,044	70	974	975	As per Bank policy	Shakil-ud-Din, Ex-VP	Islamabad
Honda City, CA-434	1,044	8	1,036	1,036	As per Bank policy	Iftikhar Hussain (late), Ex-VP	Islamabad
Toyota Corolla, QG-680	1,294	1,014	280	281	As per Bank policy	Razia Begum, Ex-EVP	Islamabad
Toyota Corolla, QF-708	1,294	972	322	323	As per Bank policy	Muhammad Asghar, Ex-EVP	Islamabad
Toyota Corolla, VS-349	1,504	477	1,027	1,027	As per Bank policy	Shabbir Ahmed, Ex-AEVP	Islamabad
Toyota Hilux, SZ-128	3,009	1,903	1,106	1,106	As per Bank policy	Ihsan-ul-Haq Khan, Ex-President	Islamabad
	10,128	4,789	5,339	5,342			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	96,070	85,928	10,142	65,422			
	106,198	90,717	15,481	70,764			

2014 2013
Rupees in '000

12.2.2 Carrying amount of temporarily idle property 74,971 74,996

12.2.3 The title documents of freehold land having cost of Rupees 0.849 million (2013: Rupees 0.849 million) and leasehold land having book value of Rupees 0.061 million (2013: Rupees 0.121 million) are still in the name of Agricultural Development Bank of Pakistan.

12.3 Intangible assets

Description	COST			ACCUMULATED AMORTIZATION			Book value at 31 December 2014	Annual rate of amortization
	At 01 January 2014	Additions	At 31 December 2014	At 01 January 2014	Charge for the year	At 31 December 2014		
..... Rupees in '000								
Computer software	1,156	3	1,159	946	111	1,057	102	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2014	81,656	3	81,659	81,445	111	81,556	103	

Description	COST			ACCUMULATED AMORTIZATION			Book value at 31 December 2013	Annual rate of amortization
	At 01 January 2013	Additions	At 31 December 2013	At 01 January 2013	Charge for the year	At 31 December 2013		
..... Rupees in '000								
Computer software	1,156	-	1,156	829	117	946	210	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2013	81,656	-	81,656	81,328	117	81,445	211	

	Note	2014	2013
Rupees in '000			
13 DEFERRED TAX ASSETS / (LIABILITIES) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Accelerated tax depreciation		(49,786)	(38,521)
Defined benefit plans		-	(351,793)
Surplus on revaluation of assets	22	(545,776)	(317,358)
		<u>(595,562)</u>	<u>(707,672)</u>
Deductible temporary differences on:			
Defined benefit plans		1,467,494	-
Provision against non-performing loans and advances		656,878	577,650
		<u>1,528,810</u>	<u>(130,022)</u>
14 OTHER ASSETS - NET			
Income / mark-up accrued on deposits in local currency		4,367	41,538
Income / mark-up accrued on securities		387,602	21,685
Accrued interest / mark-up on advances	14.1	6,842,759	5,497,079
Stationery and stamps in hand		74,588	68,998
Amount recoverable from Federal Government	14.2	549,154	404,818
Crop loan insurance claim recoverable from Insurance Company		-	303,522
Tax recoverable	14.3	422,653	410,934
Non banking assets acquired in satisfaction of claims	14.4	270,697	281,670
Receivable from defined benefit plans	14.5	2,761,549	5,093,181
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		24,009	16,389
Security deposits		2,776	2,472
Advances and other prepayments		604,124	307,425
Others		445,139	84,245
		<u>12,402,542</u>	<u>12,547,081</u>
Provision held against other assets	14.6	(745,589)	(756,255)
Other assets - net of provisions		<u>11,656,953</u>	<u>11,790,826</u>

14.1 This does not include Rupees 3,254.630 million (2013: Rupees 2,838.183 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

14.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium.

14.3 This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 23.2.3.

14.4 Market value of non-banking assets acquired in satisfacton of claims is Rupees 638.346 million (2013: Rupees 667.784 million).

	Note	2014	2013
Rupees in '000			
14.5 Receivable from defined benefit plans			
Pension scheme			
Gratuity scheme - Staff Regulations 1975	35.1.5	822,242	3,310,851
Gratuity scheme - SR - 2005	35.4.1.5	1,939,307	1,741,282
	35.4.2.5	-	41,048
	14.5.1	<u>2,761,549</u>	<u>5,093,181</u>

14.5.1 These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 'Employee Benefits' against its defined benefit schemes on the recommendation of independent actuary.

	Note	2014	2013
14.6 Provision held against other assets		Rupees in '000	
Opening balance		756,255	719,861
Charge for the year		908	55,464
Reversals		(11,574)	(19,070)
		(10,666)	36,394
Amount written off		-	-
Closing balance		745,589	756,255
	Note	2014	2013
		Rupees in '000	
15 BILLS PAYABLE			
- In Pakistan		561,964	706,265
16 BORROWINGS			
- In Pakistan	16.1	969,349	55,174,903
16.1 Particulars of borrowings with respect to currencies			
- In local currency	16.2	969,349	55,174,903
16.2 Details of borrowings from financial institutions - secured			
Borrowing from State Bank of Pakistan (SBP)			
Agricultural loans	16.3 & 16.5	-	50,174,089
Agri-project loans	16.4 & 16.5	-	1,083,124
SMEs and Agricultural loans		-	1,200
		-	51,258,413
Repurchase agreement borrowings	16.6	969,349	3,916,490
		969,349	55,174,903
16.3	As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rupees 1.577 billion carried interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rupees 48.597 billion were based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans were secured by way of guarantee of Government of Pakistan (GoP).		
16.4	These loans were given by the SBP for the purpose of providing finance to agro based industry. These were subject to profit and loss sharing with a maximum share of profit to the SBP ranging from 4.00% to 6.00% per annum. These were secured by guarantee given by the GoP.		
16.5	In view of future financial viability and sustainability of the Bank, in a meeting, held on 11 July 2014 among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert outstanding SBP debt - principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presedential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18 July 2014 and the shareholders of the Bank in their extra ordinary general meeting dated 13 August 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in process to complete further legal and corporate formalities.		
16.6	It carries markup at the rate of 9.75% (2013: 9.65% to 9.98%) and is secured against market treasury bills of carrying value of Rupees 970.050 million (2013: Rupees 3,935.342 million). This is repayable by April 2015.		

	Note	2014	2013
Rupees in '000			
17 DEPOSITS AND OTHER ACCOUNTS			
Customers - local currency			
Fixed deposits		496,081	378,583
Saving deposits	17.1	13,768,046	5,982,810
Current accounts - remunerative		80,182	83,188
Current accounts - non-remunerative	17.2	12,330,319	8,433,921
Unclaimed deposits		27,283	28,080
		26,701,911	14,906,582

17.1 This includes Rupees 6.199 million (2013: Rupees 8.144 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 62.993 million (2013: Rupees 66.533 million) as deposit of employees' benefit funds.

17.2 This includes Rupees 1.384 million (2013: Rupees 0.544 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 0.010 million (2013: Rupees 0.010 million) as deposit of employees' benefit funds.

18 SUB-ORDINATED LOAN

As more fully explained in Note 16.5, the Bank is in process to issue fully paid-up ordinary shares to the SBP against sub-ordinated debt and related mark-up.

	Note	2014	2013
Rupees in '000			
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		777	33,411,693
Accrued expenses		909,105	963,455
Taxation (provisions less payments)		3,464,237	3,039,116
Branch adjustment account		341,025	473,257
Payable to Ministry of Food Agriculture and Livestock	19.1	176,100	176,100
Profit payable on deposits and other accounts		150,291	66,045
Net liabilities relating to Bangladesh	19.2	189	189
Provision for Gratuity scheme - SR - 2005	35.4.2.5	53,215	-
Provision for employees' post retirement medical benefits	35.5.4	4,220,464	2,325,802
Provision for employees' compensated absences	35.6.2	866,380	681,457
Payable to subsidiary company	39	8,130	10,095
Security deposits		25,685	23,721
Deferred income	19.3	15,131	15,927
Others	19.4	467,285	656,066
		10,698,014	41,842,923

- 19.1 This represents the amount of Rupees 8.100 million (2012: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2012: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2014	2013
Rupees in '000			
19.2 Net liabilities relating to Bangladesh			
Liabilities		1,607,516	1,578,146
Assets		(1,607,327)	(1,577,957)
	19.2.1	<u>189</u>	<u>189</u>

- 19.2.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated 6 May 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2014	2013
Rupees in '000			
19.3 Deferred Income			
Opening balance		15,927	16,765
Amortization during the year	26	(796)	(838)
Closing balance		<u>15,131</u>	<u>15,927</u>

- 19.3.1 Deferred income comprises of the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

- 19.4 This represents various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding income tax, contribution received from borrowers, etc.

20 SHARE CAPITAL

20.1 Authorized Capital

	2014	2013		2014	2013
	Number of shares			Rupees in '000	
	12,500,000,000	2,500,000,000	Ordinary shares of Rupees 10 each	125,000,000	25,000,000

20.2 Issued, subscribed and paid up capital

	2014	2013		2014	2013
	1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each fully paid in cash	11,869,612	11,869,612
	65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
	<u>1,252,244,067</u>	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

20.3

Shareholder	No of ordinary shares	Paid-up value per share	2014	2013
Rupees in '000				
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,256	1,256
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

21 RESERVES

	Revenue reserve		2014	2013
	Statutory reserves	Contingencies reserve		
..... Rupees in '000				
Opening balance	3,446,658	60,000	3,506,658	2,831,346
Transferred from unappropriated profit	1,083,477	-	1,083,477	675,312
Closing balance	4,530,135	60,000	4,590,135	3,506,658

21.1 Statutory reserves represent reserve maintained as per requirement of section 21 of the Banking Companies Ordinance, 1962.

21.2 The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

	2014	2013
	Rupees in '000	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) arising on revaluation of available-for-sale securities:		
Quoted investments	3,828,718	3,161,364
Other securities	191,961	12,208
	4,020,679	3,173,572
Related deferred tax liability	(545,776)	(317,357)
	3,474,903	2,856,215

23 CONTINGENCIES AND COMMITMENTS
23.1 Contingent assets

23.1.1 The Government of Pakistan reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect was worked out at Rupees 33,062 million for the period from 01 July 2004 to 30 June 2014 (31 December 2013: Rupees 32,377 million). This amount was not accounted for in these financial statements as the formal approval from Ministry of Finance was not received by the Bank. However, as more fully explained in Note 16.5, the Board of Directors has resolved to waive off this claim along with claims against Presidential Relief Packages (Note 23.1.2)

23.1.2 There was a contingent asset of an amount of Rupees 1.708 billion (2013: Rupees 1.708 billion) receivable from the Federal Government on account of following Presidential Relief Packages:

	2014	2013
	Rupees in '000	
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	1,707,726	1,707,726

As more fully explained in Note 16.5, the Board of Directors has resolved to waive off claims against the above Presidential Relief Packages.

23.2 Contingent liabilities

23.2.1 Contingent liabilities in respect of 521 cases (2013: 596 cases) filed against the Bank by various borrowers.

23.2.2 Contingent liabilities in respect of 458 cases (2013: 432 cases) filed against the Bank in various courts of law by the employees.

	4,580,091	8,762,497
	1,692,334	1,240,130

- 23.2.3** There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP against the aforesaid decision.
- 23.2.4** Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), where case is pending. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.5** The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated 9 June 2010, 1 March 2011, 22 July 2011 and 16 April 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 4,640.154 million out of which Rupees 1,887.415 million has been adjusted against payment of advance tax for the period from June 2012 to May 2013. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in the financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.6** Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.7** Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of the Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), on appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 of the Income Tax Ordinance, 2001. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 27.792 million for tax year 2009. To avail the Government amnesty, the Bank paid Rupees 19.183 million under protest with waiver of penalty amount of Rupees 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR(A) against the orders of DCIR. CIR(A) upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9** DCIR passed order under section 122(1) read with section 122(5) and raised a demand of Rs. 1,150.617 million and subsequently reduced it to Rupees 597.740 million for tax year 2010. The Bank filed appeal before CIR(A) who decided the case by annulling the orders of DCIR with the directions to give the lawful treatment to the evidences provided by the appellant. The Bank has filed appeal with ATIR against the orders of the CIR(A) where the case is still pending. No provision has been made in the financial statements as favourable outcome is expected.
- 23.2.10** ACIR passed orders under section 122(5A) and raised demand of Rupees 3.288 billion for tax year 2010, Rupees 2.923 billion for tax year 2011 and Rupees 2.037 billion for tax year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank has filed appeal with ATIR against the orders of the CIR(A) which has been decided by the ATIR in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.11** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 208.337 million for tax year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to Assessing Officer for verification. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12** ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rupees 4.920 billion for tax year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both have filed appeals before ATIR against the orders of the CIR(A) which are pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.13** Order STA No. 416/IB/2012 for tax year 2008 and STA No. 417/IB/2012 for tax year 2009 were issued by ATIR to delete the demand of Rupees 51.476 million and Rupees 171.794 million respectively in respect of Federal Excise Duty / Sales Tax raised by the Assessing Officer. Against the orders, reference applications have been filed by FBR in Honorable Islamabad High Court, Islamabad on 7 May 2013. No provision for said amounts have been recognized in the financial statements as the Bank is confident of a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.14** Assessment orders were passed by DCIR regarding Federal Excise Duty / Sales Tax for the year 2011 and year 2012 by raising demand of Rupees 485.940 million and Rupees 712.552 million respectively. The Bank filed appeal against the orders with CIR(A) who reduced the amount by Rupees 855.251 million and confirmed the rest of demand of Rupees 343.242 million. Further appeal was filed before ATIR against the decision of the CIR(A) which has been decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad for the year 2011. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

	Note	2014	2013
		Rupees in '000	
23.3	Commitments against capital expenditure	4,496	93,638
24	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to customers	12,889,081	10,704,108
	On investments:		
	- In held for trading securities	-	17,434
	- In held to maturity securities	558,667	853,975
	- In available for sale securities	1,585,733	803,109
		2,144,400	1,674,518
	On deposits with financial institutions	271,245	453,119
	On securities purchased under resale agreement	130,154	37,698
	On call money lendings	60,593	73,973
		15,495,473	12,943,416
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On deposits	561,718	278,842
	On borrowings and subordinated debt - State Bank of Pakistan	1,689,826	3,526,059
	On securities sold under repurchased agreement	122,327	76,541
	Bank commission and other charges	26,078	11,438
		2,399,949	3,892,880
26	OTHER INCOME		
	Rent on property - KSSL - subsidiary company	8,906	9,694
	Rent on property - others	23,753	18,847
		32,659	28,541
	Recoveries of charged off amounts	2,557,110	3,418,065
	Gain on sale of operating fixed assets	55,283	14,873
	Loan application fee	1,149,550	897,521
	Deferred income amortization	19.3	796
	Others	26.1	504,491
		4,299,889	4,816,973

	Note	2014	2013
Rupees in '000			
26.1 OTHERS			
Sale proceeds of loan application forms		53,474	49,632
Postal charges received from loanees		208,956	195,423
Accounting and other services rendered to KSSL - subsidiary company		21,475	21,953
Miscellaneous income	26.1.1	220,586	190,127
		504,491	457,135
26.1.1	This includes sale of scrap, renewal fee of Sada Bahar Scheme and charges of loose cheques.		
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	27.1	6,511,512	6,057,730
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	35.1.7	(1,171,745)	(404,004)
- Benevolent scheme - officers / executives	35.2.7	32,021	(45,585)
- Benevolent scheme - clerical / non-clerical	35.3.7	(3,576)	(33,518)
- Gratuity under old staff regulations	35.4.1.7	(220,475)	(182,435)
- Gratuity scheme - staff regulation 2005	35.4.2.7	233,551	130,312
- Employees' compensated absences	35.6.2	185,276	235,255
		(944,948)	(299,975)
Contribution to defined contribution plan - provident fund	35.8	79,646	20,166
Non-executive directors' fees and other expenses		3,233	6,249
Rent, taxes, insurance, electricity, etc.		253,686	205,299
Legal and professional charges		182,593	84,220
Communications		75,601	66,797
Repairs and maintenance		50,671	54,841
Motor vehicle expenses		444,248	407,856
Traveling expenses		153,965	152,088
Stationery and printing		91,954	96,281
Advertisement and publicity		14,210	11,388
Auditors' remuneration	27.2	5,264	5,104
Depreciation - tangible	12.2	212,411	138,363
Amortization - intangible	12.3	111	117
Services rendered by KSSL - subsidiary company		556,990	595,579
Commutation to employees	27.3	14,073	3,320
Others		80,950	103,303
		7,786,170	7,708,726

27.1 This includes post retirement medical benefit amounting to Rupees 624.216 million (2013: Rupees 464.608 million)

27.2 Auditors' remuneration

	2014		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
..... Rupees in '000			
Audit fee	880	880	1,760
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	2,632	2,632	5,264

	2013		Total
	Ilyas Saeed & Co.	Riaz Ahmad & Co.	
	Chartered Accountants	Chartered Accountants	
	..... Rupees in '000		
Audit fee	800	800	1,600
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	<u>2,552</u>	<u>2,552</u>	<u>5,104</u>

**27.3 Commutation to employees
- Under Staff Regulations - 2005**

Commutation to employees under Staff Regulations - 2005 (SR - 2005) comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers / executives under SSR-1961 opted for SR - 2005) and amount received from pension fund thereof.

- Voluntary Golden Handshake Scheme - 2011 for drivers

All drivers of the Bank having age between 55-59 years as on 1 January 2011 were entitled for Voluntary Golden Handshake Scheme (VGHS - 2011) subject to completion of 10-20 years of service. VGHS - 2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2014	2013
		Rupees in '000	
28 OTHER CHARGES			
Penalties imposed by SBP		9,928	128
Fixed assets - written off		1,171	336
		<u>11,099</u>	<u>464</u>
29 TAXATION			
For the year:			
Current		2,973,440	1,799,026
Deferred		(67,963)	(9,103)
For prior years:			
Current		4,245	62
	29.1	<u>2,909,722</u>	<u>1,789,985</u>
29.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year		<u>8,327,106</u>	<u>5,166,544</u>
Tax rate		<u>35%</u>	<u>35%</u>
Tax on accounting income		2,914,487	1,808,290
Tax effect on separate block of income (taxable at reduced rate)			
Gain on sale of securities @ 25%		-	(7,600)
Dividend income		(19,387)	(12,917)
Tax effect of permanent differences		(19,387)	(20,517)
Penalties imposed by SBP		3,475	45
Repair allowance of one fifth allowed against rental income		(2,286)	-
		1,189	45
Tax effect of prior years		4,245	62
Others		9,188	2,105
		<u>2,909,722</u>	<u>1,789,985</u>

	2014	2013
30 BASIC EARNINGS PER SHARE		
Profit after tax for the year - Rupees in '000	5,417,384	3,376,559
Weighted average number of ordinary shares outstanding during the year	1,252,244,067	1,252,244,067
Basic earnings per share in Rupees	4.326	2.696

31 DILUTED EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2014.

	Note	2014	2013
Rupees in '000			
32 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	5,982,441	9,113,832
		10,084,574	12,741,754

	Number
33 STAFF STRENGTH	
Permanent	5,777
Contractual	10
Total staff strength	5,787

34 CREDIT RATING

JCR-VIS Credit Rating Company Limited, Karachi in their report dated 8 August 2014 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2013: AAA/A-1+) with stable outlook, medium to long term credit rating of A and short-term credit rating of A-2 (31 December 2013: A medium to long term credit rating, A-2 short term credit rating).

35 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank operates the following retirement benefit plans for its employees:

Pension Scheme - funded

Benevolent Scheme - funded

Post Retirement Medical Benefits - unfunded

Employees Gratuity Scheme - funded

Employees Compensated Absences - unfunded

Defined Contribution Plan

35.1 Pension scheme
35.1.1 General description

For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

35.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2014	..... % .....	2013
Valuation discount rate	11.25		12.75
Expected rate of increase in salary	9.25		10.50
Expected rate of return on plan assets	11.25		12.75
Expected rate of increase in pension	7.00		7.50

Note

2014 2013

Rupees in '000

35.1.3 Changes in the present value of obligation

Present value of obligation as on 01 January	2,748,554	1,848,263
Current service cost	71,279	39,085
Interest cost	337,765	199,879
Benefits paid	(198,834)	(203,416)
Transferred to Gratuity - SSR 1961	(24,131)	(16,952)
Transferred from SR 2005	3,194,617	-
Remeasurement due to change in demographic assumptions	-	254,268
Remeasurement due to experience	3,738,355	627,427
Present value of obligation as at 31 December	<u>9,867,605</u>	<u>2,748,554</u>

35.1.4 Changes in the fair value of plan assets

Total assets as on 01 January	6,059,405	5,692,003
Expected return on plan assets	759,898	642,968
Remeasurement due to return on investment	53,870	(73,607)
Contributions	-	1,457
Benefits paid	(198,834)	(203,416)
Funds receivable from Gratuity under Staff Regulations - 2005 (SR-2005)	1,411,508	-
Amount to be recovered from employees transferred from SR 2005	2,604,000	-
Total assets as at 31 December	<u>10,689,847</u>	<u>6,059,405</u>

35.1.5 Amounts recognized in statement of financial position

Present value of defined benefit obligation	9,867,605	2,748,554
Fair value of plan assets	(10,689,847)	(6,059,405)
Asset recognized in the statement of financial position	14.5 <u>(822,242)</u>	<u>(3,310,851)</u>

	Note	2014	2013	
		Rupees in '000		
35.1.6 Movement in net asset recognized				
Opening net assets		(3,310,851)	(3,843,740)	
Credit for the year	35.1.7	(1,171,745)	(404,004)	
Other comprehensive income		3,684,485	955,302	
Transferred to Gratuity - SSR 1961		(24,131)	(16,952)	
Contributions		-	(1,457)	
Closing net asset	14.5	<u>(822,242)</u>	<u>(3,310,851)</u>	
35.1.7 Expense / (income) recognized in the profit and loss account				
Current service cost		71,279	39,085	
Interest cost		(422,134)	(443,089)	
Net impact of transfer from SR 2005		(820,890)	-	
		<u>(1,171,745)</u>	<u>(404,004)</u>	
35.1.8 Actual return on plan assets				
Actual return on plan assets		<u>813,768</u>	<u>569,361</u>	
		2014	2013	
		Fair value	Fair value	
		Rupees in '000	Rupees in '000	
		%	%	
35.1.9 Composition of fair value of plan assets				
Government securities		5,662,464	231,356	
Term deposit receipts		995,464	5,800,141	
Deposits in the Bank		16,411	30,256	
Debtors and creditors		4,015,508	(189)	
Due to the Bank		-	(2,159)	
Fair value of total plan assets		<u>10,689,847</u>	<u>6,059,405</u>	
		100.00	100.00	
		2014	2013	
		2012	2011	
		2010		
	 Rupees in '000		
35.1.10 Other relevant details				
Present value of defined benefit obligation		9,867,605	2,748,554	1,848,263
Fair value of plan assets		(10,689,847)	(6,059,405)	(5,692,003)
Surplus in pension fund		<u>(822,242)</u>	<u>(3,310,851)</u>	<u>(3,843,740)</u>
Experience adjustment		(3,738,355)	(881,695)	(301,482)
Assumptions gain / (loss)		-	-	-
Actuarial (loss) / gain on obligation		<u>(3,738,355)</u>	<u>(881,695)</u>	<u>(301,482)</u>
Experience adjustment		53,870	(73,607)	-
Assumptions gain / (loss)		-	-	-
Actuarial gain / (loss) on assets		<u>53,870</u>	<u>(73,607)</u>	<u>44,065</u>

35.1.11 The expected contribution to the Pension Fund for 2015 is Rupees 268.181 million (2014: Nil).

35.2 Benevolent scheme - officers / executives

35.2.1 General description

For all officers / executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rupees 100, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

		2014	..... % .....	2013
Valuation discount rate		11.25		12.75	
Expected rate of increase in salary		9.25		10.50	
Expected rate of return on plan assets		11.25		12.75	
	Note	2014		2013	
		Rupees in '000			
35.2.3 Changes in the present value of obligation					
Present value of obligation as on 01 January		245,632		244,874	
Current service cost		28,317		9,887	
Contributions - Employees		(11,930)		-	
Interest cost		30,010		27,097	
Remeasurement due to change in demographic assumptions		-		(4,868)	
Remeasurement due to change in financial assumptions		-		(16,540)	
Remeasurement due to change in experience		36,303		3,679	
Past service cost		75,729		-	
Benefits paid		(20,515)		(18,497)	
Present value of obligation as at 31 December		<u>383,546</u>		<u>245,632</u>	
35.2.4 Changes in the fair value of plan assets					
Total assets as on 01 January		728,898		677,701	
Expected return on plan assets		90,106		77,460	
Remeasurement due to return on investment		31,590		(17,984)	
Contributions - Employer		11,930		5,109	
Contributions - Employees		11,930		5,109	
Benefits paid		(20,515)		(18,497)	
Total assets as at 31 December		<u>853,939</u>		<u>728,898</u>	
35.2.5 Amounts recognized in the statement of financial position					
Present value of defined benefit obligation		383,546		245,632	
Fair value of plan assets		(853,939)		(728,898)	
Unrecognized due to impact of asset ceiling		470,393		483,266	
Asset recognized in the statement of financial position		<u>-</u>		<u>-</u>	
35.2.6 Movement in net asset recognized					
Opening net receivable		-		-	
Expense / (credit) for the year	35.2.7	32,021		(45,585)	
Comprehensive income		(20,091)		50,694	
Contribution to fund / benefits paid during the year		(11,930)		(5,109)	
Closing net receivable		<u>-</u>		<u>-</u>	
35.2.7 Expense / (income) recognized in profit and loss account					
Current service cost		28,317		9,887	
Interest cost		(60,095)		(50,363)	
Contributions - Employees		(11,930)		(5,109)	
Past service cost		75,729		-	
		<u>32,021</u>		<u>(45,585)</u>	
35.2.8 Actual return on plan assets					
Actual return on plan assets		<u>121,696</u>		<u>59,476</u>	
		2014		2013	
		Fair value	%	Fair value	%
35.2.9 Composition of fair value of plan assets		Rupees in '000		Rupees in '000	
Government securities		829,008	97.08	61,358	8.42
Term deposit receipts		21,034	2.46	664,610	91.18
Deposits in the Bank		3,897	0.46	2,938	0.40
Debtors and creditors		-	-	(8)	(0.00)
Fair value of total plan assets		<u>853,939</u>	<u>100.00</u>	<u>728,898</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
35.2.10 Other relevant details					
			Rupees in '000		
Present value of defined benefit obligation	383,546	245,632	244,874	211,133	177,105
Fair value of plan assets	(853,939)	(728,898)	(677,701)	(609,363)	(545,226)
Surplus in benevolent scheme - officers / executives	(470,393)	(483,266)	(432,827)	(398,230)	(368,121)
Experience adjustment	(36,303)	17,729	6,596	(11,828)	6,636
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(36,303)	17,729	6,596	(11,828)	6,636
Experience adjustment	31,590	(17,984)	-	(3,017)	(16,541)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	31,590	(17,984)	-	(3,017)	(16,541)
35.3 Benevolent scheme - clerical / non-clerical					
35.3.1 General description					
For all clerical / non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rupees 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.					
35.3.2 Principal actuarial assumption					
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:					
			2014	..... % .....	2013
Valuation discount rate			11.25		12.75
Expected rate of increase in salary			9.25		10.50
Expected rate of return on plan assets			11.25		12.75
			2014		2013
			Rupees in '000		
35.3.3 Changes in the present value of obligation					
Present value of obligation as on 01 January			28,012		31,149
Current service cost			4,430		1,394
Contributions - Employees			(2,506)		-
Interest cost			3,376		3,453
Remeasurement due to change in demographic assumptions			-		(1,360)
Remeasurement due to change in financial assumptions			-		(2,668)
Remeasurement due to change in experience			176		(1,707)
Past service cost			34,599		-
Benefits paid			(3,060)		(2,249)
Present value of obligation as at 31 December			65,027		28,012
35.3.4 Changes in the fair value of plan assets					
Total assets as on 01 January			340,003		306,517
Expected return on plan assets			43,475		35,455
Remeasurement due to return on investment			8,654		(5,540)
Contributions - Employer			2,506		2,910
Contributions - Employees			2,506		2,910
Benefits paid			(3,060)		(2,249)
Total assets as at 31 December			394,084		340,003
35.3.5 Amounts recognized in the statement of financial position					
Present value of defined benefit obligation			65,027		28,012
Fair value of plan assets			(394,084)		(340,003)
Unrecognized due to impact of asset ceiling			329,057		311,991
Asset recognized in the statement of financial position			-		-

	Note	2014	2013	
Rupees in '000				
35.4.1.3 Changes in the present value of obligation				
Present value of obligation as on 01 January		-	-	
Benefits paid		(24,131)	(16,952)	
Addition to liability from Pension Fund		24,131	16,952	
Present value of obligation as at 31 December		-	-	
35.4.1.4 Changes in the fair value of plan assets				
Total assets as on 01 January		1,741,282	1,594,870	
Expected return on plan assets		220,475	182,435	
Remeasurement due to return on investment		1,681	(19,071)	
Benefits paid		(24,131)	(16,952)	
Total assets as at 31 December		1,939,307	1,741,282	
35.4.1.5 Amounts recognized in the statement of financial position				
Present value of defined benefit obligation		-	-	
Fair value of plan assets		(1,939,307)	(1,741,282)	
Asset recognized in the statement of financial position	14.5	(1,939,307)	(1,741,282)	
35.4.1.6 Movement in net asset recognized				
Opening net assets		(1,741,282)	(1,594,870)	
Credit for the year	35.4.1.7	(220,475)	(182,435)	
Comprehensive income		(1,681)	19,071	
Addition to liability from Pension Fund		24,131	16,952	
Closing net assets	14.5	(1,939,307)	(1,741,282)	
35.4.1.7 Income recognized in profit and loss account				
Expected return on plan assets		(220,475)	(182,435)	
35.4.1.8 Actual return on plan assets				
Actual return on plan assets		222,156	163,364	
35.4.1.9 Composition of fair value of plan assets				
		2014	2013	
		Fair value	Fair value	
		%	%	
		Rupees in '000	Rupees in '000	
Government securities		979,491	57,438	
Term deposit receipts		954,228	1,671,471	
Deposits in the Bank		5,588	9,048	
Debtors and creditors		-	3,861	
Due from / (to) the Bank		-	(536)	
Fair value of total plan assets		1,939,307	1,741,282	
		100.00	100.00	
		2014	2013	
		2012	2011	
		2010		
	 Rupees in '000		
35.4.1.10 Other relevant details				
Present value of defined benefit obligation		-	-	
Fair value of plan assets		(1,939,307)	(1,741,282)	
Surplus in gratuity scheme under old staff regulations		(1,939,307)	(1,741,282)	
Experience adjustment		-	-	
Assumptions gain / (loss)		-	-	

	2014	2013	2012	2011	2010
	Rupees in '000				
Actuarial gain / (loss) on obligation	-	-	-	-	397,152
Experience adjustment	1,681	(19,071)	-	3,700	(12,429)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	1,681	(19,071)	-	3,700	(12,429)
35.4.1.11	No contribution is expected in 2015 to the Gratuity Fund scheme under old regulations.				
35.4.2	Gratuity under Staff Regulations - 2005 (SR-2005)				
35.4.2.1	General description				
	The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.				
35.4.2.2	Principal actuarial assumption				
	The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:				
				2014	2013
			 %	
Valuation discount rate				11.25	12.75
Expected rate of increase in salary				9.25	10.50
Expected rate of return on plan assets				11.25	12.75
			Note	2014	2013
				Rupees in '000	
35.4.2.3	Changes in the present value of obligation				
				1,634,839	992,636
Present value of obligation as on 01 January				262,655	185,120
Current service cost				203,749	111,627
Interest cost				-	(5,794)
Remeasurment due to change in demographic assumptions				253,178	395,189
Remeasurment due to experience				(1,411,508)	-
Transferred to SSR 1961				(73,610)	(43,939)
Benefits paid				869,303	1,634,839
Present value of obligation as at 31 December					
35.4.2.4	Changes in the fair value of plan assets				
				1,675,887	1,360,616
Total assets as on 01 January				232,853	166,435
Expected return on plan assets				18,034	(24,461)
Remeasurement due to return on investment				(1,411,508)	-
Funds payable to SSR 1961				374,432	217,236
Contributions				(73,610)	(43,939)
Benefits paid				816,088	1,675,887
Total assets as at 31 December					
35.4.2.5	Amounts recognized in the statement of financial position				
				869,303	1,634,839
Present value of defined benefit obligation				(816,088)	(1,675,887)
Fair value of plan assets				53,215	(41,048)
Asset recognized in the statement of financial position			14.5		
35.4.2.6	Movement in net asset recognized				
				(41,048)	(367,980)
Opening net assets				233,551	130,312
Charge for the year			35.4.2.7	235,144	413,856
Comprehensive income				(374,432)	(217,236)
Contribution to fund during the year				53,215	(41,048)
Closing net assets					
35.4.2.7	Expense recognized in profit and loss account				
				262,655	185,120
Current service cost				(29,104)	(54,808)
Interest cost				233,551	130,312

	Note	2014	2013		
Rupees in '000					
35.5.5 Movement in net liability recognized					
Opening net liability		2,325,802	1,257,078		
Charge for the year	35.5.6	624,216	464,608		
Comprehensive income		1,294,026	626,788		
Benefits paid during the year		(23,580)	(22,672)		
Closing net liability		<u>4,220,464</u>	<u>2,325,802</u>		
35.5.6 Expense recognized in profit and loss account					
Current service cost		227,175	321,347		
Interest cost		242,300	143,261		
Net impact of transfer		154,741	-		
		<u>624,216</u>	<u>464,608</u>		
35.5.7 Post retirement medical benefits - sensitivity analysis					
	Discount rate		Salary increase rate		
	+1%	-1%	+1%	-1%	
Obligation (Rupees in million)	3,783,224	4,679,650	4,637,023	3,812,767	
%age change	-10.36%	10.88%	9.87%	-9.66%	
	Withdrawal rate		Mortality age		
	+1%	-1%	1 year back	1 year forward	
Obligation (Rupees in million)	4,241,566	4,201,894	4,262,668	4,179,947	
%age change	50.00%	-0.44%	1.00%	-0.96%	
	2014	2013	2012	2011	
 Rupees in '000				
35.5.8 Other relevant details					
Present value of defined benefit obligation	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Deficit in post retirement medical benefits	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Experience adjustment	(1,294,026)	(626,788)	107,383	89,849	1,988,525
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(1,294,026)	(626,788)	107,383	89,849	1,988,525
35.6 Employees compensated absences - unfunded					
The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.					
35.6.1 Principal actuarial assumption					
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:					
	2014	..... % .....		2013
Valuation discount rate	11.25			12.75	
Expected rate of increase in salary	9.25			10.50	

	2014	2013
	Rupees in '000	
35.6.2 Movement in liability recognized for compensated absences		
Opening liability	681,457	446,202
Charge for the year	185,276	235,255
Benefits paid during the year	(353)	-
Closing liability	866,380	681,457

Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2014	2013	2012	2011	2010
	Rupees in '000				
Opening liability	681,457	446,202	343,973	798,452	1,194,349
Charged / (reversal) for the year	185,276	235,255	102,229	(454,479)	(395,897)
Benefits paid during the year	(353)	-	-	-	-
	866,380	681,457	446,202	343,973	798,452

35.7 Risks Associated with Defined Benefit Plans

Investment Risk

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

Longevity Risk

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

Salary Increase Risk

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

Withdrawal Risk

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

35.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 4061 (2013: 2067) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 1716 (2013: 3532) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 79.646 million (2013: Rupees 20.166 million) in respect of this fund.

36 COMPENSATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for compensation, including all benefits to the President, Directors and Executives of the Bank is as follows:

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	..... Rupees in '000					
Fee	-	-	3,233	6,249	-	-
Managerial remuneration	9,617	6,116	-	-	2,361,113	2,066,149
Charged for defined benefit plan	1,722	1,226	-	-	1,998,456	129,483
Contribution to defined benefit or contributory fund	-	-	-	-	38,706	25,394
Rent and house maintenance	1,665	3,364	-	-	22,784	7,807
Utilities	330	917	-	-	6,172	1,901
Medical	1,290	917	-	-	3,650	1,909
Conveyance	227	845	-	-	-	1,469
Club facility	16	56	-	-	-	-
Leave fare assistance	1,456	1,425	-	-	-	-
	<u>16,323</u>	<u>14,866</u>	<u>3,233</u>	<u>6,249</u>	<u>4,430,881</u>	<u>2,234,112</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>11</u>	<u>4,023</u>	<u>1,828</u>

36.1 The Chief executive, senior vice presidents and above, other than covered under SR-2005, have been provided with Bank maintained cars. Vice presidents and above, governed by SR-2005, have also been provided cars under Car Loan Depreciation Policy (CLDP).

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in Note 5.2 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
..... Rupees in '000									
2014									
Total income	-	-	-	-	-	-	-	-	20,008,645
Total expenses	-	-	-	-	-	-	-	-	11,681,539
Net income before tax	-	-	-	-	-	-	-	-	8,327,106
Taxation	-	-	-	-	-	-	-	-	2,909,722
Income after tax	-	-	-	-	-	-	-	-	5,417,384
Segment assets (gross)	-	-	-	-	-	-	-	-	171,261,532
Segment non performing loans	-	-	-	-	-	-	-	-	18,663,722
Segment provision required	-	-	-	-	-	-	-	-	3,919,999
Segment liabilities	-	-	-	-	-	-	-	-	38,931,238
Segment return on net assets (%)	-	-	-	-	-	-	-	-	6.68%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	8.67%
2013									
Total income	-	-	-	-	-	-	-	-	17,855,967
Total expenses	-	-	-	-	-	-	-	-	12,689,423
Net income before tax	-	-	-	-	-	-	-	-	5,166,544
Taxation	-	-	-	-	-	-	-	-	1,789,985
Income after tax	-	-	-	-	-	-	-	-	3,376,559
Segment assets (gross)	-	-	-	-	-	-	-	-	156,128,603
Segment non performing loans	-	-	-	-	-	-	-	-	17,771,792
Segment provision required	-	-	-	-	-	-	-	-	3,896,440
Segment liabilities	-	-	-	-	-	-	-	-	115,965,018
Segment return on net assets (%)	-	-	-	-	-	-	-	-	15.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.31%

39 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its subsidiary company, employee benefit plans and key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. Details of loans and advances to directors, executives and officers of the Bank, are given in Note 11.8 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to president, directors and executives and disposal of vehicles to employees are disclosed in Note 36 and Note 12.2.1 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Subsidiary company		Key management personnel	
	2014	2013	2014	2013
..... Rupees in '000'				
Advances				
Balance at the beginning of the year	-	-	7,183	14,533
Loan granted during the year	-	-	6,555	910
Repayment during the year	-	-	(2,179)	(8,260)
Balance at the end of the year	-	-	11,559	7,183
Deposits				
Deposits at the beginning of the year	8,688	31,103	3,054	8,250
Deposits received during the year	48,918	55,440	80,399	74,889
Deposits repaid during the year	(50,023)	(77,855)	(79,592)	(80,085)
Deposits at the end of the year	7,583	8,688	3,861	3,054
Investments at the end of the year	100,000	100,000	-	-
Payable at the end of the year	8,130	10,095	-	-
..... Rupees in '000'				
Other transactions				
Mark-up / interest earned	-	-	466	308
Mark-up / interest expensed	1,682	1,677	-	-
Compensation	-	-	56,762	72,477
Post retirement benefit	-	-	5,252	4,976
Contribution to defined benefit plans	-	-	530	319
Services rendered by subsidiary company	556,990	595,579	-	-
Rent, accounting and communication charges	30,394	31,697	-	-

40 CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of application

The Basel III Framework is applicable to the Bank at the level of standalone financial statements of the Bank. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

40.2 Capital Management

Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and capital adequacy ratio

The State Bank of Pakistan through its BSD Circular No. 07 dated 15 April 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ended on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2014 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2014 is 25.61% of its risk weighted exposure.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular BPRD Circular No. 06 dated 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr.No.	Ratio	Year ended						As of 31
		2013	2014	2015	2016	2017	2018	December 2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

- *(Consisting of CET1 only)

Bank's regulatory capital is analyzed in to three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer to note 40.3)
- Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1 (refer to note 40.3)
- Tier 2 capital, which includes subordinated debt, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets) and net of tax reserves on revaluation of equity investments up to a maximum of 56% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.3)

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management, striking compromise proposal and settlement and composition of assets mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. 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 entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities. The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank's management of capital during the year.

40.3 Capital Adequacy Ratio

	2014	2013
	Amount	Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	12,522,441
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on issue of Shares	-	-
5 General/ Statutory Reserves	4,590,135	3,506,658
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	14,553,175	13,597,945
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	31,665,751	29,627,044
10 Total regulatory adjustments applied to CET1 (Note 40.3.1)	(204,551)	(50,211)
11 Common Equity Tier 1	31,461,200	29,576,833
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustments applied to AT1 capital (Note 40.3.2)	-	-
19 Additional Tier 1 capital	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	31,461,200	29,576,833
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	3,204,323
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules	-	-
24 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,323,858	1,250,883
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on Property	-	-
29 of which: Unrealized Gains/Losses on AFS	1,945,946	1,285,297
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	3,269,804	5,740,503
33 Total regulatory adjustments applied to T2 capital (Note 40.3.3)	(40,000)	(50,000)
34 Tier 2 capital (T2) after regulatory adjustments	3,229,804	5,690,503
35 Tier 2 capital recognized for capital adequacy	3,229,804	5,690,503
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-

	2014 Amount	2013 Amount
37 Total Tier 2 capital admissible for capital adequacy	3,229,804	5,690,503
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	34,691,004	35,267,336
39 Total Risk Weighted Assets {for details refer Note 40.6}	135,471,027	119,020,881
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	23.22%	24.85%
41 Tier-1 capital to total RWA	23.22%	24.85%
42 Total capital to RWA	25.61%	29.63%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	5.50%	5.00%
49 Tier 1 minimum ratio	7.00%	6.50%
50 Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information
40.3.1 Common Equity Tier 1 capital: Regulatory adjustments

	2014 Amount	Amounts subject to Pre - Basel III treatment	2013 Amount
..... Rupees in '000			
1 Goodwill (net of related deferred tax liability)	-		-
2 All other intangibles (net of any associated deferred tax liability)	(103)		(211)
3 Shortfall of provisions against classified assets	-		-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5 Defined-benefit pension fund net assets	(164,448)	(822,242)	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of property/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		-
17 of which: deferred tax assets arising from temporary differences	-		-
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investment in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(40,000)		(50,000)
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(204,551)		(50,211)

	2014		2013
	Amount	Amounts subject to Pre - Basel III treatment	Amount
..... Rupees in '000			
40.3.2 Additional Tier 1 Capital: regulatory adjustments			
23 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 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	(40,000)		(50,000)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	40,000		50,000
30 Total of Regulatory Adjustment applied to AT1 capital (sum of 23 to 29)	-		-
40.3.3 Tier 2 Capital: regulatory adjustments			
31 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	(40,000)		(50,000)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		-
33 Investment in own Tier 2 capital instrument	-		-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
36 Total Regulatory Adjustment applied to T2 capital (sum of 31 to 35)	(40,000)		(50,000)
40.3.4 Additional Information			
		2014	2013
		Amount	Amount
		..... Rupees in '000	
Risk weighted assets subject to Pre-Basel III Treatment			
37 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
(i) of which: deferred tax assets		-	-
(ii) of which: Defined-benefit pension fund net assets		822,242	2,152,053
(iii) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		-	-
(iv) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		-	-
Amounts below the thresholds for deduction (before risk weighting)			
38 Non-significant investments in the capital of other financial entities		-	-
39 Significant investments in the common stock of financial entities		-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)		-	-
Applicable caps on the inclusion of provisions in Tier 2			
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		3,000,000	3,000,000
42 Cap on inclusion of provisions in Tier 2 under standardized approach		1,323,858	1,250,883
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-

40.4 Capital Structure Reconciliation

Step 1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2014	2014
	Rupees in '000	
Assets		
Cash and balances with treasury banks	4,102,133	4,102,133
Balances with other banks	5,982,441	5,982,198
Lending to financial institutions	820,190	820,190
Investments	29,337,315	29,337,315
Advances	108,553,958	108,552,835
Operating fixed assets	1,581,077	1,565,827
Deferred tax assets	1,528,810	-
Other assets	11,656,953	14,540,165
Total assets	163,562,877	164,900,663
Liabilities & Equity		
Bills payable	561,964	561,964
Borrowings	969,349	969,349
Deposits and other accounts	26,701,911	26,701,911
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	176,878
Other liabilities	10,698,014	8,794,703
Total liabilities	38,931,238	37,204,805
Share capital/ Head office capital account	12,522,441	12,522,441
Reserves	4,590,135	4,498,502
Unappropriated/ Unremitted profit/ (losses)	14,553,175	17,565,319
Minority Interest	-	-
Share deposit money	89,490,985	89,490,985
Surplus on revaluation of assets	3,474,903	3,618,611
Total liabilities	124,631,639	127,695,858
Total liabilities & equity	163,562,877	164,900,663

Step 2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2014	2014	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	4,102,133	4,102,133	
Balanced with other banks	5,982,441	5,982,198	
Lending to financial institutions	820,190	820,190	
Investments	29,337,315	29,337,315	
Threshold			
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	108,553,958	108,552,835	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	3,000,000	3,000,000	g
Fixed Assets	1,581,077	1,565,827	
Deferred Tax Assets	1,528,810	-	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	11,656,953	14,540,165	
of which: Goodwill	-	-	j
of which: Intangibles	103	103	k
of which: Defined-benefit pension fund net assets	822,242	3,396,086	l
Total assets	163,562,877	164,900,663	
Liabilities & Equity			
Bills payable	561,964	561,964	
Borrowings	969,349	969,349	
Deposits and other accounts	26,701,911	26,701,911	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	176,878	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	287,785	-	q
of which: other deferred tax liabilities	(287,785)	-	r
Other liabilities	10,698,014	8,794,703	
Total liabilities	38,931,238	37,204,805	
Share capital	12,522,441	12,522,441	
of which: amount eligible for CET1	12,522,441	12,522,441	s
of which: amount eligible for AT1	-	-	t
Reserves	4,590,135	4,498,502	
of which: portion eligible for inclusion in CET1 (provide breakup)	4,590,135	4,498,502	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	14,553,175	17,565,319	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Share deposit money	89,490,985	89,490,985	
Surplus on revaluation of assets	3,474,903	3,618,611	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	3,474,903	3,618,611	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	124,631,639	127,695,858	
Total liabilities & Equity	163,562,877	164,900,663	

Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	4,498,502	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitting profits/(losses)	17,565,319	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	34,586,262	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	(103)	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,103)	
Common Equity Tier 1	34,536,159	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	

	Component of regulatory capital reported by bank	Source based on reference number from Note 40.4.2
	Rupees in '000	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(z)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(g)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,476,555	
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	portion of (aa)
54 of which: portion pertaining to AFS securities	1,279,350	
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	2,755,905	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	(50,000)	
64 Tier 2 capital (T2)	2,705,905	
65 Tier 2 capital recognized for capital adequacy	2,705,905	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	2,705,905	
TOTAL CAPITAL (T1 + admissible T2)	37,242,064	

40.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Zarai Taraqiati Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,522,441
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

40.6 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2014	2013	2014	2013
	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Banks	119,736	232,407	1,197,362	2,324,070
Retail	7,152,636	6,210,220	71,526,362	62,102,197
Loans secured against residential property	50,461	57,170	504,614	571,702
Past due loans	2,038,336	1,914,839	20,383,358	19,148,392
Listed equity investments	-	325,066	-	3,250,660
Investments in fixed assets	158,097	134,710	1,580,974	1,347,096
Other assets	1,071,583	1,132,279	10,715,830	11,322,785
Total credit risk	10,590,849	10,006,691	105,908,500	100,066,902
Off-Balance Sheet				
Non-market related	14	377	140	3,770
	10,590,863	10,007,068	105,908,640	100,070,672
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	640	-	7,995	-
Equity position risk	626,882	-	7,836,028	-
Foreign exchange risk	-	-	-	-
Total market risk	627,522	-	7,844,023	-
Operational risk				
Capital requirement for operational risks	1,737,469	1,516,017	21,718,364	18,950,209
	1,737,469	1,516,017	21,718,364	18,950,209
Total	12,955,854	11,523,085	135,471,027	119,020,881
Capital adequacy ratio				
	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	23.22%	5.00%	24.85%
Tier-1 capital to total RWA	7.00%	23.22%	6.50%	24.85%
Total capital to RWA	10.00%	25.61%	10.00%	29.63%

* As SBP capital requirement of 10% (10% in 2013) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

41 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.
- Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.
- Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

41.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio is more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report is also be generated. This enables the management to take proactive measurements for having a quality credit portfolio / products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

41.1.1 Credit Risk - General disclosures

The Bank has adopted Standardized Approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

41.1.2 Credit Risk: Disclosures for portfolio subject to the standardized approach

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank.

Credit exposures subject to standardized approach

Exposures	Rating	2014			2013		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000							
Cash and cash equivalents	-	1,649,439	1,649,439	-	982,838	982,838	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	29,488,963	29,488,963	-	24,592,603	24,592,603	-
Claims on banks	-	-	-	-	2,384,996	1,892,000	492,996
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	5,986,810	4,789,448	1,197,362	9,155,372	7,324,298	1,831,074
Claims categorized as retail portfolio	-	95,368,482	23,842,121	71,526,362	82,802,929	20,700,732	62,102,197
Claims fully secured by residential property	-	1,441,753	937,139	504,614	1,633,435	1,061,733	571,702
Past due loans	-	14,743,723	(5,639,635)	20,383,358	13,875,353	(5,273,039)	19,148,392
Listed equity investments	-	-	-	-	3,250,660	-	3,250,660
Investments in premises, plant and equipment and all other fixed assets	-	1,580,974	-	1,580,974	1,347,096	-	1,347,096
All other assets	-	10,715,830	-	10,715,830	11,322,785	-	11,322,785
		<u>160,975,974</u>	<u>55,067,475</u>	<u>105,908,499</u>	<u>151,348,067</u>	<u>51,281,165</u>	<u>100,066,902</u>

41.1.3 Credit Risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

41.1.4 Credit Risk: Disclosures for portfolio subject to the standardized approach

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due). Advances are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

Concentration of risk

Out of the total financial assets of Rupees 158,714 million (2013: Rupees 146,097 million) the financial assets which are subject to credit risk amount to Rupees 139,996 million (2013: Rupees 127,909 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 25,087 million (2013: Rupees 20,227 million) are guaranteed by the Government of Pakistan.

41.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2014 the composition of equity investments and subsidiary is as follows:

Exposures	Available for sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	3,918,014	-
Equity investments - others	-	100,000
Total value	<u>3,918,014</u>	<u>100,000</u>

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

Investments - Available for sale

Investment in subsidiary

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiary are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

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 company as per the latest available audited financial statements.

The cumulative unrealized gain of Rupees 4,020.679 million (2013: Rupees 3,173.572 million) is recognized in the statement of financial position in respect of 'available for sale' securities.

41.1.6 Segmental information

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

41.1.7 Segments by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	113,537,306	98.30%	-	-	4,580,091	24.88%
Individuals	-	-	16,916,465	63.35%	1,692,334	9.19%
Others	1,958,460	1.70%	9,785,446	36.65%	12,138,249	65.93%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	100,187,375	98.01%	-	-	8,762,497	29.36%
Individuals	-	-	14,831,122	99.49%	1,174,436	3.93%
Others	2,037,154	1.99%	75,460	0.51%	19,911,431	66.71%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

41.1.8 Segments by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	9,736,611	36.46%	12,138,249	65.93%
Private	115,495,766	100.00%	16,965,300	63.54%	6,272,425	34.07%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%

2013

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	23,917	0.16%	19,911,431	66.71%
Private	102,224,529	100.00%	14,882,665	99.84%	9,936,933	33.29%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

* This amount represents deposits belonging to autonomous / semi-autonomous bodies.

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

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000			
Agriculture, forestry, hunting and fishing	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

41.1.10 Details of non-performing advances and specific provisions by sector

Private	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

41.1.11 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	8,327,106	163,562,877	124,631,639	18,410,674

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	5,166,544	148,448,277	32,483,259	29,848,364

41.2 Market risk management

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments / placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of conversion into equity instruments. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

41.2.1 Foreign exchange risk management

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

41.2.2 Equity price risk

The Bank's proprietary positions in the equity instruments expose it to the equity price risk in banking book. Equity price risk is managed by applying limits. The stress test for equity price risk assesses the impact of fall in stock market index. This exercise is done based on the criteria advised by SBP for Stress Testing on Equities.

41.3 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions.

2014												
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Not exposed to Yield / Interest risk	
		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	-	4,102,133	-	-	-	-	-	-	-	-	-	4,102,133
Balances with other banks	5.69	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	820,190	820,190	-	-	-	-	-	-	-	-	-
Investments - net	10.08	29,237,315	-	11,570,461	12,541,912	358,862	360,783	155,345	-	39,976	-	4,209,976
Advances - net	12.39	108,553,958	36,693,613	47,439	3,380,196	25,520,951	18,506,237	8,856,122	9,698,049	5,009,432	454,072	387,847
Other assets - net	-	10,070,539	-	-	-	-	-	-	-	-	-	10,070,539
		158,766,576	41,496,244	13,617,900	15,922,108	25,879,813	18,867,020	9,011,467	9,698,049	5,049,408	454,072	18,770,495
Liabilities												
Bills payable	-	561,964	-	-	-	-	-	-	-	-	-	561,964
Borrowings	-	969,349	-	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	7.02	26,701,911	14,107,842	69,109	-	124,731	2,249	272,442	1,331	-	-	12,124,207
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	6,376,521	-	-	-	-	-	-	-	-	-	6,376,521
		34,609,745	14,107,842	69,109	-	1,094,080	2,249	272,442	1,331	-	-	19,062,692
On-balance sheet gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Cumulative yield / interest risk sensitivity gap		124,156,831	27,388,402	40,937,193	56,859,301	81,645,034	100,509,805	109,248,830	118,945,548	123,994,956	124,449,028	124,156,831
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:												
Rupees in '000						Rupees in '000						
Total financial assets		158,766,576							Total financial liabilities		34,609,745	
Add non-financial assets:									Add non-financial liabilities:			
Investment in subsidiary company		100,000							Other liabilities		4,321,493	
Operating fixed assets		1,581,077							Total liability as per statement of financial position		38,931,238	
Deferred tax assets - net		1,528,810										
Other assets		1,586,414										
Total assets as per statement of financial position		163,562,877										

41.3.1 Mismatch of interest rate sensitive assets and liabilities

Effective Yield / Interest rate	Total	2013										Not exposed to Yield / Interest risk
		Exposed to Yield / Interest risk										
		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 b	-	3,627,922	-	-	-	-	-	-	-	-	-	3,627,922
Balances with other banks	7.27	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	8.65	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-	-
Investments - net	9.92	23,509,958	1,297,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	-	3,333,267
Advances - net	12.35	95,311,716	30,341,193	39,248	2,504,885	25,187,504	16,234,117	7,781,364	8,612,938	3,745,828	524,710	339,929
Other assets - net	-	10,887,238	-	-	-	-	-	-	-	-	-	10,887,238
		146,097,382	42,017,872	19,165,764	2,504,885	25,615,065	17,301,022	8,245,601	8,768,283	3,765,824	524,710	18,188,356
Liabilities												
Bills payable	-	706,265	-	-	-	-	-	-	-	-	-	706,265
Borrowings	6.09	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-	-
Deposits and other accounts	2.34	14,906,582	6,306,159	70,390	100,200	129,037	-	53,258	1,161	-	-	8,246,377
Sub-ordinated loans	12 month T-bill	3,204,323	-	-	-	3,204,323	-	-	-	-	-	-
Other liabilities	-	37,624,741	-	-	-	-	-	-	-	-	-	37,624,741
		111,616,814	10,223,849	70,390	100,200	54,590,573	-	53,258	1,161	-	-	46,577,383
On-balance sheet gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Cumulative yield / interest risk sensitivity gap		34,480,568	31,794,023	50,889,397	53,294,082	24,318,574	41,619,596	49,811,939	58,579,061	62,344,885	62,869,595	34,480,568

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000		Rupees in '000
Total financial assets	146,097,382	Total financial liabilities	111,616,814
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Deferred tax liabilities - net	130,022
Operating fixed assets	1,347,307	Other liabilities	4,218,182
Other assets	903,588		
Total assets as per statement of financial position	148,448,277	Total liability as per statement of financial position	115,965,018

41.4 Liquidity risk

Assets and Liabilities Management Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly, the yields on fund's placement have been constantly increasing.

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

	2014									
	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	..... Rupees in '000									
Assets										
Cash and balances with treasury banks	4,102,133	4,102,133	-	-	-	-	-	-	-	-
Balances with other banks	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-
Lending to financial institutions	820,190	820,190	-	-	-	-	-	-	-	-
Investments - net	29,337,315	-	11,610,438	12,541,912	358,862	360,783	155,345	-	39,976	4,269,999
Advances - net	108,553,958	36,695,926	52,063	3,387,280	25,532,525	18,535,951	8,876,820	9,725,126	5,120,158	628,109
Other assets - net	11,656,953	1,126,767	781,450	854,481	1,687,833	1,047,876	881,251	1,519,799	1,965,699	1,791,797
Deferred tax assets - net	1,528,810	1,528,810	-	-	-	-	-	-	-	-
Operating fixed assets	1,581,077	-	-	-	198,054	-	-	-	-	1,383,023
	163,562,877	48,256,267	14,443,951	16,783,673	27,777,274	19,944,610	9,913,416	11,244,925	7,125,833	8,072,928
Liabilities										
Bills payable	561,964	561,964	-	-	-	-	-	-	-	-
Borrowings	969,349	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	26,701,911	26,232,049	69,109	-	124,731	2,249	272,442	1,331	-	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,698,014	2,842,386	992,743	84,309	1,761,692	1,907,352	306,802	759,442	1,459,056	584,232
	38,931,238	29,636,399	1,061,852	1,053,658	1,886,423	1,909,601	579,244	760,773	1,459,056	584,232
Net assets	124,631,639	18,619,868	13,382,099	15,730,015	25,890,851	18,035,009	9,334,172	10,484,152	5,666,777	7,488,696
Share capital	12,522,441									
Reserves	4,590,135									
Unappropriated profit	14,553,175									
Surplus on revaluation of assets - net of tax	3,474,903									
Share deposit money	89,490,985									
	<u>124,631,639</u>									

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

	2013									
	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	3,627,922	3,627,922	-	-	-	-	-	-	-	-
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
Lending to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
Investments - net	23,609,958	1,397,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	3,333,267
Advances - net	95,311,716	30,343,526	42,583	2,511,633	25,201,310	16,252,556	7,800,380	8,639,859	3,858,506	661,363
Other assets - net	11,790,826	2,752,106	520,228	591,162	1,561,129	851,859	730,094	1,321,290	1,768,522	1,694,436
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	1,347,307	-	-	-	367,574	-	-	-	-	979,733
	148,448,277	48,500,233	19,689,327	3,102,795	27,557,574	18,171,320	8,994,711	10,116,494	5,647,024	6,668,799
Liabilities										
Bills payable	706,265	706,265	-	-	-	-	-	-	-	-
Borrowings	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-
Deposits and other accounts	14,906,582	14,552,536	70,390	100,200	129,037	-	53,258	1,161	-	-
Sub-ordinated loan	3,204,323	-	-	-	3,204,323	-	-	-	-	-
Deferred tax liabilities - net	130,022	-	-	-	-	-	-	130,022	-	-
Other liabilities	41,842,923	687,329	358,218	1,317,940	34,612,423	317,940	224,286	591,142	1,037,125	2,696,520
	115,965,018	19,863,820	428,608	1,418,140	89,202,996	317,940	277,544	722,325	1,037,125	2,696,520
Net assets	32,483,259	28,636,413	19,260,719	1,684,655	(61,645,422)	17,853,380	8,717,167	9,394,169	4,609,899	3,972,279
Share capital	12,522,441									
Reserves	3,506,658									
Unappropriated profit	13,597,945									
Surplus on revaluation of assets - net of tax	2,856,215									
	<u>32,483,259</u>									

41.5 Operational risk

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

- With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 March 2015 by the Board of Directors of the Bank.

43 GENERAL

43.1 Comparative information has been re-classified or re-arranged in these financial statements for the purposes of better presentation. However, no significant reclassification has been made in these financial statements.

43.2 The figures in the financial statements are rounded off to the nearest thousand rupees.

PRESIDENT / CHIEF EXECUTIVE
 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

DIRECTOR
 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2014

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
1	SHER MUHAMMAD 384/WB BASTI MALOOK, MULTAN	SHER MUHAMMAD	326 20 240467	MUZAFAR KHAN	0.508	0.058	-	0.567	0.508	0.058	-	0.567
2	GHULAM SARWAR VILL. LAL PUR, TEHSIL MUZAFARGARH	GHULAM SARWAR	315 40 414469	MUHAMMAD BUX	-	0.522	-	0.522	-	0.522	-	0.522
3	PIR WALI MUHAMMAD JAN DEH VESERKI, TANDO M. K. HYDERABAD	PIR WALI MUHAMMAD JAN	45695-7905229-7	PIR GHULAM NABI JAN	0.525	-	-	0.525	0.525	-	-	0.525
4	HIDAYATULLAH DEH.SAWRI, DAULAT PUR, NAWABSHAH	HIDAYATULLAH	43494-8918516-9	HAJI KHAN	0.254	0.256	-	0.509	0.254	0.256	-	0.509
5	HIDAYATULLAH CHAK NO 234 TAL ROHRI, SUKKUR	HIDAYATULLAH	416-18-131218	SOOMAR KHAN	0.749	0.302	-	1.051	0.749	0.301	-	1.050
6	HASHAMAT HUSSAIN R.O MUHALLA ALI MURAD TAL.KHP	HASHAMAT HUSSAIN	00439-4900791-8	SHABBIR HUSSAIN	0.100	0.968	-	1.068	0.100	0.836	-	0.936
7	ABDUL QADIR DEH JAMAL, KHAIRPUR, SUKKUR	ABDUL QADIR	403-22-147785	ABDUL HAKIM	0.098	0.728	-	0.826	0.098	0.728	-	0.826
8	NIZAMUDDIN MORIO DAKHAN PO TAL G YASEEN	NIZAMUDDIN	00412-1707039-3	MORIO KHAN	0.094	0.488	-	0.583	0.094	0.488	-	0.583
9	MOHAMMAD ASIF SALEEM MUZA JHANDA TEH DIST JHANG	MOHAMMAD ASIF SALEEM	33202-9483483-9	AMIR ABDULLAH	0.133	1.123	-	1.256	0.133	1.070	-	1.203
10	M S RAPID REAPER MUJHAT STREET, BOSAN RD. MOHALLAH NASHAMAN COLONY, MULTAN	TAHIR MUJTABA KHAN MUHAMMAD USMAN TAHIR	35202-2702407-6 35202-2702407-6	GHULAM MUJTABA KHAN IRSHAD ULLAH TARAR	4.650	3.409	-	8.059	1.908	-	-	1.908
11	SHAHZAD AHMAD KHAN VILL FADDA, MAILSI, VEHARI	IRSHAD ULLAH TARAR(LATE) MST. SURRYA BEGUM(LATE) SHAHZAD AHMAD KHAN	34301-1741211-3 36301-10432500-1 325 78 313728	KHUSHI MUHAMMAD TARAR GHULAM MUJTABA KHAN MUHAMMAD MUMTAZ KHAN	0.583	0.004	-	0.587	0.583	0.004	-	0.587

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
12	SHAZIA RIAZ VILL. SANDHAL, MAILSI, VEHARI	SHAZIA RIAZ	32508-8044390-5	MUHAMMAD SHOAB	0.537	-	-	0.537	0.537	-	-	0.537
	MUHAMMAD SHOAB VILL. SANDHAL, MAILSI, VEHARI	MUHAMMAD SHOAB	325 61 410222	IQBAL HUSSAIN							-	
13	MST MUMTAZ MAI VILL SHATAB GARH, KARAMPUR, VEHARI	MST MUMTAZ MAI	36602-3141239-6	AHMED KHAN	0.931	0.140	-	1.071	0.931	0.140	-	1.071
	SAKINDAR HAYAT KHAN VILL. SHATAB GARH, KARAMPUR, VEHARI	SAKINDAR HAYAT KHAN	325 52 385629	AHMED KHAN							-	
14	MST. SAGHER MAI VILL DHALLOO, KARAMPUR, VEHARI	MST. SAGHER MAI	00325-6353834-2	M. MUMTAZ KHAN	0.726	0.027	-	0.754	0.726	0.027	-	0.754
15	MUHAMMAD SARDAR KHAN VILL DHALLOO, KARAMPUR, VEHARI	MUHAMMAD SARDAR KHAN	325-36-024786	ATTA MUHAMMAD KHAN	0.976	0.634	-	1.610	0.657	-	-	0.657
16	GOHAR ALI VILL GHARYALA, MAKHDOOM RASHID, MULTAN	GOHAR ALI	32304-7008328-6	HABIB AHMED	3.022	1.179	-	4.201	2.583	-	-	2.583
17	MUHAMMAD SADIQ DEH DAM, HUB CHOWKI, KARACHI	MUHAMMAD SADIQ	51507-7447859-3	MUHAMMAD HASSAN	0.095	0.950	-	1.046	0.095	0.800	-	0.896
18	AMIR SAEED ALI KHAN DEH KHOORO, BADIN, HYDERABAD	AMIR SAEED ALI KHAN	00344-2103533-8	ALTAF ALI KHAN	0.135	1.702	-	1.837	0.135	1.702	-	1.837
	AHMED DEH KHOROO, BADIN HYDERABAD	AHMED	42201-6288325-5	MUHAMMAD ZIA								
	ABDUL SATTAR DEH KHOROO, BADIN, HYDERABAD	ABDUL SATTAR	270-50-169808	SAADAT ALI KHAN								
19	MUHAMMAD AZHAR UNIT NO 3 LATIFABAD HYDERABAD	MUHAMMAD AZHAR	41308-8923326-3	RASOOL BUX BALUCH	0.000	6.192	-	6.193	0.000	3.044	-	3.044
20	MUHAMMAD ASHRAF DEH RIP, GOLARCHI, HYDERABAD	MUHAMMAD ASHRAF	459-53-076719	MUHAMMAD RAHIM	0.114	1.080	-	1.193	0.114	1.076	-	1.189
21	SHAMASUDDIN DEH GHARO, K N SHAH, LARKANA	SHAMASUDDIN	46408-7014877-0	MOHAMMD RAMZAN	0.387	0.289	-	0.676	0.387	0.289	-	0.676
22	MIRAL KHAN DEH JAGIRABAD, KANDHKOT, LARKANA	MIRAL KHAN	00404-8800869-8	ABDULLAH KHAN	0.081	0.825	-	0.906	0.081	0.695	-	0.776

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
23	MUHAMMAD ISMAIL DEH UDDI TAL THUL, LARKANA	MUHAMMAD ISMAIL	00404-3004971-6	MITHO KHAN	0.079	0.509	-	0.589	0.079	0.507	-	0.586
24	NAZIMUDDIN R/O BHADUR BHAND TALKA MIROKHA	NAZIMUDDIN	00427-4905462-6	SHAHABUDDIN	0.084	0.816	-	0.899	0.084	0.632	-	0.715
25	KAMAL KHAN DEH GHARI P.O.SOHBAT PUR	KAMAL KHAN	607-40-008751	MITHA KHAN	0.086	0.878	-	0.964	0.086	0.853	-	0.939
26	SALEEM DAD KHAN VILL ARAZI NOUSHER, BASIRPUR, OKARA	SALEEM DAD KHAN	273-62-126720	JAMIL DAD KHAN	0.595	0.280	-	0.875	0.595	0.264	-	0.859
27	YASMIN BEGUM VILL. HASSAN SHAH, TEHSIL KARAMPUR, SAHIWAL	YASMIN BEGUM	325-89-158574	RIAZ HUSSAIN	0.770	0.961	-	1.731	0.770	0.116	-	0.886
28	MST. NOOR SAIN VILL SHER GARH, KARAMPUR, SAHIWAL	MST. NOOR SAIN	325-31-295873	NOOR MUHAMMAD	0.775	0.937	-	1.712	0.775	0.099	-	0.874
29	SULTAN BIBI VILL ZARKOT, KARAMPUR, SAHIWAL	SULTAN BIBI	325-75-120735	MIAN SHAH SAWAR	0.500	0.018	-	0.518	0.500	0.018	-	0.518
30	MUHAMMAD ANWAR VILL 57 EB, ARIFWALA, SAHIWAL	MUHAMMAD ANWAR	338-86-270599	CHIRAGH HASSAN	0.804	1.230	-	2.034	0.804	0.334	-	1.138
31	MST. GHERO BIBI VILL MATIAL P O GUJER KHAN	MST. GHERO BIBI	217-00-105528	RANG BAZ KHAN	0.300	0.255	-	0.555	0.300	0.255	-	0.555
32	JUMMA MOUZA PI9RKUS, TEHSIL HUB CHOWKI, KARACHI	JUMMA	641-38-064941	MUBARAK	0.372	0.560	-	0.932	0.372	0.188	-	0.560
33	AL SYED DAIRY FARM VILL JERO RATIAL, GUJER KHAN	SYED ZOUQALI SHAH	217-49-223755	SYED FEROUZ SHAH	1.875	4.044	-	5.919	1.875	1.107	-	2.982
34	MST. RABIA VILL DHOODA, MAILSI VEHARI	SYED FEROUZ SHAH MST. RABIA	217-26-202208 325-37-371136	SYED MUHAMMAD SHAH MEHFOOZ ALI	0.313	0.275	-	0.588	0.313	0.265	-	0.578
35	PARVEEN MAI VILL FADDA, MAILSI, VEHARI MUHAMMAD JAMIL VILL FADDA, MAILSI, VEHARI	PARVEEN MAI MUHAMMAD JAMIL	36325-64533948 325-90-234698	MUHAMMAD NAWAZ KHAN FATEH MUHAMMAD	0.865	0.812	-	1.677	0.627	-	-	0.627
36	MUHAMMAD ISMAIL KHAN VILL FADDA, MAILSI, VEHARI	MUHAMMAD ISMAIL KHAN	325-60-356466	AHMED YAR	0.603	0.526	-	1.129	0.603	0.026	-	0.629
37	MEHFOOZ ALI VILL FADDA, MAILSI, VEHARI	MEHFOOZ ALI	325-95-39371138	FAJJAR DIN	0.815	0.054	-	0.869	0.813	0.040	-	0.853
38	MUHAMMAD AKMAL KHAN VILL HASSAN SHAH,	MUHAMMAD AKMAL KHAN	325-89-440640	MUHAMMAD ZAFAR KHAN	0.950	0.567	-	1.517	0.588	0.063	-	0.651

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
39	KARAMPUR, VEHARI MUHAMMAD HAYAT KOHISTAN 7/1, VILL BOTA MAKAN THATTA	MUHAMMAD HAYAT	451-38-018449	MIAN DAD	0.100	0.907	-	1.007	0.100	0.884	-	0.984
40	JAMAL UD DIN KOHISTAN 7/1, VILL BOTA MAKAN THATTA	JAMAL UD DIN	49192-99133177	MUHAMMAD FAZIL	0.095	0.666	-	0.761	0.095	0.662	-	0.757
41	JAMAL UD DIN KOHISTAN 7/1, VILL BOTA MAKAN THATTA	JAMAL UD DIN	49192-99133177	MUHAMMAD FAZIL	0.064	0.485	-	0.549	0.064	0.485	-	0.549
42	MUHAMMAD UMMER VILL BOOCHKI, TANDO JAM, HYDERABAD	MUHAMMAD UMMER	0045-142844861	JAN MUHAMMAD	0.023	0.633	-	0.656	0.023	0.608	-	0.631
43	LAL KHAN VILL 6 CHAK SUHELO, NAWABSHAH	LAL KHAN	431-16-149703	SAEED KHAN	0.084	0.993	-	1.077	0.084	0.909	-	0.993
44	PIRAL KHAN VILL DEHRAN, QAZI AHMED TOWN, NAWABSHAH	PIRAL KHAN	435-41-093090	SHAKAL KHAN	0.287	0.229	-	0.516	0.287	0.229	-	0.516
45	HABIBULLAH VILL THERHI TALUKA, KHAIRPUR	HABIBULLAH	439-36-036452	MUHAMMAD SALEH	0.077	1.001	-	1.078	0.077	0.918	-	0.995
46	NASAR ULLAH VILL PIRJAN KHAN, KANDHKOT, LARAKANA	NASAR ULLAH	403-37-131370	PIR JAN KHAN	0.099	0.820	-	0.919	0.099	0.743	-	0.842
47	NAZAR MUHAMMAD HYDERPUR P O BAHOO KHOSO, THUL	NAZAR MUHAMMAD	404-47-004543	SARDAR KHAN	0.081	0.751	-	0.832	0.081	0.629	-	0.710
48	GHULAM HUSSAIN DEH HYDERPUR P O BAHOO KHOSO THUL	GHULAM HUSSAIN	40495-89148854	ARZ MUHAMMAD	0.092	0.689	-	0.781	0.092	0.584	-	0.676
49	KARAM KHAN VILL SOOPHEE KILLI, DUKI, QUETTA	KARAM KHAN	56301-10772443	MUHAMMAD	0.186	1.184	-	1.370	0.186	0.998	-	1.184
50	SHER JAN DOULATABAD TEHSIL KIRDGAP, MASTUNG	SHER JAN	54102-15663163	HAJI DAULAT KHAN	0.460	0.325	-	0.785	0.460	0.189	-	0.649
51	ABDUL WAHID TURBAT TEH, TURBAT KECHI	ABDUL WAHID	632-89-030292	M A SALAM	0.218	0.736	-	0.954	0.218	0.681	-	0.899
					26.351	43.018	-	69.369	22.248	25.322	-	47.571



ZTBL

Consolidated FINANCIAL STATEMENTS





RIAZ AHMAD & COMPANY

Chartered Accountants
2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad

ILYAS SAEED & CO.

Chartered Accountants
Office # 26, 2nd Floor
Rose Plaza, I-8 Markaz
Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Zarai Taraqiati Bank Limited ("the Bank") and its subsidiary company as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for one hundred and thirty one branches which have been audited by us. We have also expressed separate opinion on the financial statements of Zarai Taraqiati Bank Limited. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by Ilyas Saeed & Co., Chartered Accountants, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of Ilyas Saeed & Co., Chartered Accountants. 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 Zarai Taraqiati Bank Limited and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

Emphasis of matter

We draw attention to Note 16.5 to the consolidated financial statements, which more fully explains the decisions on conversion of borrowings from State Bank of Pakistan (SBP) (Note 16.3 and 16.4), SBP sub-ordinated loan (Note 18) and related accrued mark-up on borrowings from SBP and SBP sub-ordinated loan into fully paid-up ordinary shares of the Bank. Further, the Bank's claim from Government of Pakistan on account of mark-up differential (Note 23.1.1) and various Presidential Relief Packages (Note 23.1.2) has been waived off by the Board of Directors of the Bank.

Our opinion is not qualified in respect of the above matter.



RIAZ AHMAD & COMPANY

Chartered Accountants
Name of engagement partner:
Atif Bin Arshad
Date: 27 March 2015
Islamabad



ILYAS SAEED & CO.

Chartered Accountants
Name of engagement partner:
Imran Ilyas
Date: 27 March 2015
Islamabad

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	6,302,813	9,370,154
Lendings to financial institutions	9	820,190	3,646,716
Investments - net	10	29,237,315	23,542,336
Advances - net	11	108,553,958	95,311,716
Operating fixed assets	12	1,584,150	1,348,947
Deferred tax assets - net	13	4,581,812	
Other assets - net	14	11,664,530	11,802,325
		163,846,901	148,650,116
LIABILITIES			
Bills payable	15	561,964	706,265
Borrowings	16	969,349	55,174,903
Deposits and other accounts	17	26,695,967	14,897,893
Sub-ordinated loan	18	-	3,204,323
Liabilities against assets subject to finance lease		-	
Deferred tax liabilities - net	13	-	97,002
Other liabilities	19	10,800,223	41,926,879
		39,027,503	116,007,265
NET ASSETS			
		124,819,398	32,642,851
REPRESENTED BY			
Share capital	20	12,522,441	12,522,441
Reserves	21	4,588,766	3,505,289
Unappropriated profit		14,742,303	13,758,929
		31,853,510	29,786,659
Share deposit money	16.5	89,490,985	
Surplus on revaluation of assets - net of tax	22	3,474,903	2,856,192
		124,819,398	32,642,851
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
Mark-up / return / interest earned	24	15,522,130	12,962,641
Mark-up / return / interest expensed	25	2,398,270	3,891,207
Net mark-up / interest income		13,123,860	9,071,434
Provision for diminution in the value of investments - net	10.3	-	-
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Write offs under relief packages		113,663	7,911
Bad debts written off directly		-	-
		1,494,987	1,050,959
Net mark-up / interest income after provisions		11,628,873	8,020,475
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		28,648	13,512
Dividend income		68,116	54,068
Income from trading in government securities		-	
Income from dealing in foreign currencies		-	
Gain on sale of securities		118,414	30,399
Unrealized gain on revaluation of investments classified as held for trading		-	
Other income	26	4,269,529	4,785,455
Total non-mark-up / interest income		4,484,707	4,883,434
		16,113,580	12,903,909
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	7,730,765	7,656,119
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Other charges	28	11,099	464
Total non mark-up / interest expenses		7,731,198	7,692,977
		8,382,382	5,210,932
EXTRA ORDINARY / UNUSUAL ITEMS			
PROFIT BEFORE TAXATION		8,382,382	5,210,932
Taxation - Current year		3,003,990	1,820,705
- Prior years		4,263	62
- Deferred		(82,153)	(16,297)
	29	2,926,100	1,804,470
PROFIT AFTER TAXATION		5,456,282	3,406,462
Unappropriated profit brought forward		13,758,929	12,389,354
Profit available for appropriation		19,215,211	15,795,816
Basic earnings per share (Rupees)	30	4.357	2.720
Diluted earnings per share (Rupees)	31	4.357	2.720

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	..... Rupees in '000	
PROFIT AFTER TAXATION FOR THE YEAR	5,456,282	3,406,462
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans	(5,214,509)	(2,094,843)
Deferred tax	1,825,078	733,268
	(3,389,431)	(1,361,575)
Items that may be reclassified to profit and loss account	-	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY	2,066,851	2,044,887
COMPONENTS OF COMPREHENSIVE INCOME NOT		
Net change in fair value of available for sale securities	847,130	1,174,788
Deferred tax	(228,419)	(117,480)
	618,711	1,057,308
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,685,562	3,102,195

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,382,382	5,210,932
Dividend income		(68,116)	(54,068)
		8,314,266	5,156,864
Adjustments for non-cash charges:			
Depreciation	12.2	213,243	139,270
Amortization	12.3	111	117
Amortization of deferred income	19.4	(796)	(838)
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Provision for employees post retirement medical benefits	35.5.6	624,216	464,608
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Fixed assets - written off	28	1,171	336
Write offs under relief packages		113,663	7,911
Reversal for defined benefit plans	27	(914,358)	(285,908)
Gain on sale of securities		(118,414)	(30,399)
Gain on sale of operating fixed assets	26	(55,283)	(14,873)
		1,234,211	1,359,666
		9,548,477	6,516,530
(Increase) / decrease in operating assets:			
Lendings to financial institutions		2,826,526	(3,646,716)
Net investments in held for trading securities		-	1,041,437
Advances - net		(14,737,229)	(8,302,251)
Other assets - net		(2,171,452)	(513,647)
		(14,082,155)	(11,421,177)
Increase / (decrease) in operating liabilities:			
Bills payable		(144,301)	412,241
Borrowings		(2,948,341)	3,882,746
Deposits and other accounts		11,798,074	3,832,040
Other liabilities		1,316,766	4,148,045
		10,022,198	12,275,072
Employees' benefits paid		(414,036)	(250,134)
Income tax paid		(2,611,850)	(1,021,898)
Net cash generated from operating activities		2,462,634	6,098,393

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(14,518,583)	(1,851,624)
Net investments in held to maturity securities	9,789,148	(3,712,490)
Dividend income	68,116	54,068
Investments in operating fixed assets	(465,209)	(311,624)
Sale proceeds of property and equipment disposed off	70,764	20,038
Net cash used in investing activities	(5,055,764)	(5,801,632)

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease) / increase in cash and cash equivalents	(2,593,130)	296,761
Cash and cash equivalents at beginning of the year	12,998,076	12,701,315
Cash and cash equivalents at end of the year	32 10,404,946	12,998,076

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue Reserves		Contingencies reserve		Un-appropriated profit		Total	
Rupees in '000							
12,522,441	2,769,977	60,000	12,389,354	27,741,772	3,406,462	(1,361,575)	2,044,887
-	-	-	3,406,462	3,406,462	-	(1,361,575)	2,044,887
-	675,312	-	(675,312)	-	-	-	-
12,522,441	3,445,289	60,000	13,758,929	29,786,659	5,456,282	(3,389,431)	2,066,851
-	-	-	5,456,282	5,456,282	-	(3,389,431)	2,066,851
-	1,083,477	-	(1,083,477)	-	-	-	-
12,522,441	4,528,766	60,000	14,742,303	31,853,510			

Balance as at 31 December 2012 - restated

Profit after taxation for the year ended 31 December 2013

Other comprehensive loss for the year ended 31 December 2013

Total comprehensive income for the year ended 31 December 2013

Transferred to statutory reserve

Balance as at 31 December 2013

Profit after taxation for the year ended 31 December 2014

Other comprehensive loss for the year ended 31 December 2014

Total comprehensive income for the year ended 31 December 2014

Transferred to statutory reserve

Balance as at 31 December 2014

The annexed notes 1 to 43 and Annexure I form an integral part of these consolidated financial statements.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqati Bank Limited

Subsidiary company

Kissan Support Services (Private) Limited

1.1 Zarai Taraqati Bank Limited ("the Bank")
(a) Reorganization and conversion

The Federal Government in its cabinet meeting held on 28 August 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan and for matters connected therewith or incidental thereto.

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1) / 2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqati Bank Limited on 14 December 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rupees 8.7 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 416 (2013: 379) branches in Pakistan as at close of the year.

(c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited company on 19 September 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqati Bank Limited, 1-Faisal Avenue, Zero Point, Head Office, Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

These consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary company.

2.2 The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated 17 February 2006 has issued 'Revised forms of Annual Financial Statements'. These unconsolidated financial statements have been presented in accordance with such revised form.
3 STATEMENT OF COMPLIANCE
3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) shall prevail.
3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments Disclosures' on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the Group's financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
3.3 IFRS 8, 'Operating Segments' is effective for the accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.
3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2014 but are considered not relevant or do not have a significant effect on the Group's operations and therefore are not detailed in these consolidated financial statements.

3.5 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2015:

	Effective date (accounting periods beginning on or after)
- IAS 27 - Separate financial statements (Amendments)	1 January 2015
- IFRS 10 - Consolidated financial statements (Amendments)	1 January 2015
- IFRS 11 - Joint Arrangements	1 January 2015
- IFRS 12 - Disclosure of interests in other entities (Amendments)	1 January 2015
- IFRS 13 - Fair value measurement	1 January 2015

There are other new and amended standards and interpretations that are mandatory for the accounting periods beginning on or after 1 January 2015 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on these consolidated financial statements other than in presentation / disclosures.

4 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments which are carried at fair value.

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand Rupees.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5.1 Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

5.2 Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by State Bank of Pakistan (SBP) from time to time and the management's judgment in case of subjective provision.

5.3 Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in Note 35 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with the IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

5.5 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

Impairment of investments in associates

The Group considers that a decline in the recoverable value of investment in associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the consolidated profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the consolidated profit and loss account.

5.6 Taxation

In making the estimates for income tax currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Group's future taxable profits are taken into account.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

6.1 Basis of consolidation

The consolidated financial statements include the financial statements of Zarai Taraqiati Bank Limited and its subsidiary company.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiary is disposed off. The assets and liabilities of subsidiary company has been consolidated on a line by line basis based on the financial statements as at 31 December 2014 and the carrying value of investments held by the Bank is eliminated against the subsidiary shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

6.2 Staff retirement benefits

Zarai Taraqiati Bank Limited

The Bank operates the following staff retirement benefits for its employees:

Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

Kissan Support Services (Private) Limited

Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rupees 400/- per employee per month.

Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at 31 December 2014 using the 'Projectes Unit Credit Method' as under the latest IAS - 19 revised 2011.

6.3 Cash and cash equivalents

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

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by the SBP.

6.5 Investments

The Group classifies its investments as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' and are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale' is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the consolidated profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) 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 company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiary and investments in associates are carried at cost less accumulated impairment losses, if any.

6.6 Operating fixed assets and depreciation / amortization

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

Gains / losses, if any, on disposal of operating fixed assets are charged to consolidated profit and loss account during the year.

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

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over its useful life over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

6.8 Impairment

The carrying value of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the consolidated profit and loss account except for the impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.9 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value and the current fair value of such assets.

6.10 Taxation**Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits, exemptions and rebate as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the 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 the tax rates enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

6.11 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method.

6.12 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.13 Revenue recognition**Zarai Taraqiati Bank Limited**

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

- Commission income is recognized on a time proportion basis.

- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.

- Dividend income is recognized when the Group's right to receive has been established.

- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

Kissan Support Services (Private) Limited

Revenue from services is recognized as and when services are rendered. Interest income is recognized on accrual basis. Commission income is recognized when services are rendered.

6.14 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect current best estimates.

6.15 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the statement of financial position date.

6.16 Financial assets and financial liabilities

Financial instruments carried in the consolidated statement of financial position include cash and balances with treasury banks, balances with other banks, investments (excluding investment in associates), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

All the financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income for the current year.

6.17 Offsetting

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

6.18 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.19 Borrowing cost

Borrowing cost on finances which are specifically obtained for the acquisition of qualifying assets are capitalized. All other borrowing costs are charged to consolidated profit and loss account in the period in which these are incurred.

6.20 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Group.

6.21 Other receivables

Other receivables are recognized at nominal amount which is fair value of consideration to be received in future.

6.22 Trade debts

Trade debts are carried at the amounts billed / charged, less an estimate made for doubtful debts based on review of outstanding amounts at the year end, if any.

	Note	2014	2013
		Rupees in '000	
7 CASH AND BALANCES WITH TREASURY BANKS			
Local currency			
In hand		1,648,193	981,661
Prize bonds		1,246	1,177
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,452,692	2,645,082
National Bank of Pakistan		2	2
		4,102,133	3,627,922
		4,102,133	3,627,922
7.1	Deposits with SBP are maintained to comply with their requirements issued from time to time.		
8 BALANCES WITH OTHER BANKS			
In Pakistan - local currency:			
In current accounts		35,036	21,373
In deposit accounts	8.1	6,267,777	9,348,781
		6,302,813	9,370,154
		6,302,813	9,370,154
8.1	These carry mark-up rates ranging from 6.50% to 10.25% per annum (2013: 6.00% to 10.30% per annum).		
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	2,365,000
Repurchase agreement lendings	9.2	820,190	1,281,716
		820,190	3,646,716
		820,190	3,646,716
9.1	Particulars of lendings		
	In local currency	820,190	3,646,716
	In foreign currencies	-	-
		820,190	3,646,716
		820,190	3,646,716
9.2	These carry mark-up rate of 10.25% per annum (2013: 10.00% to 10.40% per annum).		
9.3	Securities held as collateral against lendings to financial institutions		

	2014			2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Market Treasury Bills	820,190	-	820,190	1,281,716	-	1,281,716
	820,190	-	820,190	1,281,716	-	1,281,716
	820,190	-	820,190	1,281,716	-	1,281,716

10 INVESTMENTS - NET
10.1 Investments by types

	Note	2014			2013		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
..... Rupees in '000							
Available-for-sale securities							
Market Treasury Bills	10.6	15,021,572	969,349	15,990,921	1,693,733	3,916,490	5,610,223
Shares in listed companies	10.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	10.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds		-	-	-	20,042	-	20,042
Pakistan Investment Bonds	10.8	4,170,348	-	4,170,348	-	-	-
Term Finance Certificates	10.9	39,976	-	39,976	19,996	-	19,996
Units of mutual funds		-	-	-	32,401	-	32,401
		19,332,450	969,349	20,301,799	1,866,726	3,916,490	5,783,216
Held-to-maturity securities							
Market Treasury Bills	10.6	3,223,265	-	3,223,265	12,464,036	-	12,464,036
Pakistan Investment Bonds	10.8	890,399	-	890,399	1,325,350	-	1,325,350
Sukuk Bonds	10.7	812,431	-	812,431	807,443	-	807,443
		4,926,095	-	4,926,095	14,596,829	-	14,596,829
Investments at cost		24,258,545	969,349	25,227,894	16,463,555	3,916,490	20,380,045
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
Investments (net of provisions)		24,247,287	969,349	25,216,636	16,452,297	3,916,490	20,368,787
Surplus on revaluation of available-for-sale securities - net	22	4,019,978	701	4,020,679	3,154,697	18,852	3,173,549
Investments at revalued amounts (net of provisions)		28,267,265	970,050	29,237,315	19,606,994	3,935,342	23,542,336

10.2 Investments by segments	Note	2014	2013
		Rupees in '000	
Federal Government Securities:			
Market Treasury Bills	10.6	19,214,186	18,074,259
Pakistan Investment Bonds	10.8	5,060,747	1,325,350
Sukuk Bonds	10.7	812,431	827,485
		25,087,364	20,227,094
Fully paid-up ordinary shares:			
Listed companies	10.4	90,031	90,031
Un-listed companies	10.5	10,523	10,523
		100,554	100,554
Units of Mutual Funds		-	32,401
Other investments			
Term Finance Certificates	10.9	39,976	19,996
Total investments at cost		25,227,894	20,380,045
Provision for diminution in value of investments	10.3	(11,258)	(11,258)
Investments (net of provisions)		25,216,636	20,368,787
Surplus on revaluation of available-for-sale securities	22	4,020,679	3,173,549
Total investments at carrying value		29,237,315	23,542,336
10.3 Particulars of provision for diminution in value of investments			
Opening balance		11,258	11,258
Charge for the year		-	-
Closing balance		11,258	11,258

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities - listed securities	735	735
Available-for-sale securities - un-listed securities	10,523	10,523
	11,258	11,258

10.4 Particulars of investments held in listed companies

Number of ordinary shares		Paid up value/share	Name	2014	2013
2014	2013	Rupees		Rupees in '000	
430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
450,000	450,000	10	Uqab Breeding Farm Limited (Note 10.4.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited (Note 10.4.2)	150	150
300,000	300,000	10		-	-
			Dadabhoy Agricultural Leasing Limited (Note 10.4.3)		
				90,031	90,031

10.4.1 Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.

10.4.2 Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested of final settlement. This investment has been fully provided for in these consolidated financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.

10.4.3 Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.

10.4.4 Market value of listed investments is Rupees 3,918.014 million (2013: Rupees 3,250.660 million).

10.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
			Rupees		
Pakistan Mercantile Exchange Limited (Note 10.5.1)	3.30%	909,091	(3.15)	30 June 2014	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 10.5.4)	8.33%	2,500	83,014.57	31 March 2014	Maj. Gen. (R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 10.5.3 & 10.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

10.5.1 Due to negative break up value, this investment has been fully provided for in these consolidated financial statements.

10.5.2 Saudi Pak Kala Bagh Livestock Limited has defaulted in the re payment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.

10.5.3 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

10.5.4 Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.

10.5.5 Cost of unlisted investments is Rupees 10.523 million (2013: Rupees 10.523 million) and face value of investments in unlisted shares is Rupees 21.591 million (2013: Rupees 21.591 million)

10.6 Principal terms of investments in Market Treasury Bills - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Feb 2015 to May 2015	On maturity	9.47 to 9.98	at maturity
Market Treasury Bills - held to maturity	Unrated	April 2015	On maturity	9.80 to 9.82	at maturity

10.6.1 Market Treasury Bills are held by the Bank which also cover statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities. Market value of Market Treasury Bills classified as 'held to maturity' as on 31 December 2014 is Rupees 3,225.416 million (2013: Rupees 12,426.447 million)

10.7 Principal terms of investments in Sukuk Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	9.97	at maturity

10.7.1 Market value of Sukuk bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 802.160 million (2013: Rupees 808.810 million).

10.8 Principal terms of investments in Pakistan Investment Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds - available for	Unrated	July 2016 to July 2017	On maturity	10.13 to 12.52	at maturity
Pakistan Investment Bonds - held to	Unrated	July 2015 to August 2015	On maturity	10.24 to 10.70	at maturity

10.8.1 Market value of Pakistan Investment Bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 870.037 million (2013: Rupees 1,140.701 million).

10.9 Particulars of investments in Term Finance Certificates

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA-	February 2021	at maturity	11.41 to 11.43	at maturity

10.10 Quality of Available-for-Sale securities

	2014		2013	
	Market value Rupees in '000	Credit rating	Market value Rupees in '000	Credit rating
Shares in listed companies				
Nestle Pakistan Limited	3,918,014	Unrated	3,250,660	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	<u>3,918,014</u>		<u>3,250,660</u>	
Units of Mutual Funds				
NAFA	-		21,596	AA
Askari Fund Management	-		10,782	AAA
	<u>-</u>		<u>32,378</u>	
Pakistan Investment Bonds	4,362,582	Unrated	-	
Market Treasury Bills	16,165,413	Unrated	5,629,883	Unrated
Sukuk Bonds	20,106	Unrated	20,106	Unrated
Term Finance Certificates	39,692	AA-	20,431	AA/A1+
	<u>24,505,807</u>		<u>8,985,836</u>	

Note 2014 2013
Rupees in '000

11 ADVANCES - NET

Loans, etc.			
In Pakistan - gross	11.1	115,495,766	102,224,529
Less:			
- Provision against non-performing advances	11.2	(6,919,999)	(6,896,440)
- Provision against staff advances		(21,809)	(16,373)
		<u>(6,941,808)</u>	<u>(6,912,813)</u>
Advances - net of provision		<u>108,553,958</u>	<u>95,311,716</u>

11.1 Particulars of advances (gross)

11.1.1 In local currency	66,699,624	58,935,133
11.1.2 Short term	48,796,142	43,289,396
Long term	<u>115,495,766</u>	<u>102,224,529</u>

11.2 Advances include Rupees 18,663.722 million (2013: Rupees 17,771.792 million) which have been placed under non-performing status as detailed below:

Category of classification	2014			2013		
	..... Rupees in '000 .....			..... Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	11,279,270	-	-	10,546,077	-	-
Substandard	2,774,219	554,840	554,840	2,675,831	535,162	535,162
Doubtful	2,490,127	1,245,053	1,245,053	2,377,209	1,188,602	1,188,602
Loss	2,120,106	2,120,106	2,120,106	2,172,675	2,172,676	2,172,676
	18,663,722	3,919,999	3,919,999	17,771,792	3,896,440	3,896,440
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	18,663,722	3,919,999	6,919,999	17,771,792	3,896,440	6,896,440

11.3 Particulars of provision against non-performing advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553
Charge for the year	5,223,911	-	5,223,911	5,395,181	-	5,395,181
Reversals	(3,848,023)	-	(3,848,023)	(4,349,042)	-	(4,349,042)
	1,375,888	-	1,375,888	1,046,139	-	1,046,139
Amounts written off	11.4	-	-	-	-	-
Amounts charged off	11.5	(1,352,329)	(1,352,329)	(1,312,252)	-	(1,312,252)
Closing balance	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

11.3.1 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
In local currency	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,679.524 million (2013: Rupees 1,378.412 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2014	2013
Rupees in '000			
11.4 Particulars of write offs			
11.4.1 Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
11.5 Particulars of charged offs			
11.5.1 Against provisions		1,352,329	1,312,252
11.5.2 Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000	11.7	1,352,329	1,312,252

11.6 Details of write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2014, no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

11.7 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2014 was Rupees 25,741 million (Rupees 26,966 million as at 31 December 2013) with an addition of Rupees 1,352 million (Rupees 1,312 million for the year ended 31 December 2013) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

11.8 Particulars of loans and advances to directors, executives and officers

Debts due by the directors, executives and officers of the Bank or any of them either severally or jointly with other persons:

	Note	2014	2013
Rupees in '000			
Balance at the beginning of year		1,698,988	1,951,795
Loans granted during the year		298,812	111,232
		1,997,800	2,063,027
Repayments		(307,554)	(364,039)
Balance at the end of year		1,690,246	1,698,988

12 OPERATING FIXED ASSETS

Capital work-in-progress	12.1	213,711	399,850
Property and equipment	12.2	1,370,336	948,886
Intangible assets	12.3	103	211
		1,584,150	1,348,947

12.1 Capital work-in-progress

Civil works		195,216	335,703
Equipment		1,270	46,971
Advances to suppliers and contractors		150	150
Consultancy charges		13,547	13,547
Others		3,528	3,479
		213,711	399,850

12.2 Property and equipment

Description	C O S T				A C C U M U L A T E D D E P R E C I A T I O N				Book value at 31 December 2014	Annual rate of Depreciation
	At 01 January 2014	Additions	(Deletions)/ adjustments	At 31 December 2014	At 01 January 2014	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2014		
	..... Rupees in '000									
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	9,075	813	-	9,888	5,251	Lease terms for 33 to 99 years
Buildings on freehold land	150,112	183,166	-	333,278	59,720	4,435	-	64,155	269,123	5%
Buildings on leasehold land	355,577	4,982	-	360,559	118,058	3,442	-	121,500	239,059	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	5,299	796	-	6,095	15,129	5%
Furniture and fixtures	139,279	48,339	(5,506)	182,112	54,264	13,792	(4,841)	63,215	118,897	10% / 20%
Computer, office and other equipment	285,611	222,953	(5,124)	503,440	205,445	67,530	(5,021)	267,954	235,486	20% / 33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20% / 33.33%
Vehicles	921,503	190,734	(96,850)	1,015,387	709,593	122,435	(82,137)	749,891	265,496	20%
2014	2,267,859	650,174	(107,480)	2,810,553	1,318,973	213,243	(91,999)	1,440,217	1,370,336	

Description	C O S T				A C C U M U L A T E D D E P R E C I A T I O N				Book value at 31 December 2013	Annual rate of Depreciation
	At 01 January 2013	Additions	(Deletions)/ adjustments	At 31 December 2013	At 01 January 2013	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2013		
	..... Rupees in '000									
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	7,981	1,094	-	9,075	6,064	Lease terms for 33 to 99 years
Buildings on freehold land	147,048	3,064	-	150,112	55,472	4,248	-	59,720	90,392	5%
Buildings on leasehold land	348,394	7,183	-	355,577	113,535	4,523	-	118,058	237,519	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	4,461	838	-	5,299	15,925	5%
Furniture and fixtures	111,180	30,912	(2,813)	139,279	47,517	9,443	(2,696)	54,264	85,015	10%/20%
Computer, office and other equipment	259,684	30,950	(5,023)	285,611	184,111	26,333	(4,999)	205,445	80,166	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	843,872	112,039	(34,408)	921,503	646,186	92,791	(29,384)	709,593	211,910	20%
2013	2,125,955	184,148	(42,244)	2,267,859	1,216,782	139,270	(37,079)	1,318,973	948,886	

12.2.1 Detail of disposal of operating fixed assets during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal/ settlement	Particulars of buyers	Location
..... Rupees in '000							
Vehicles							
Suzuki Cultus, VE-508	939	345	594	594	As per Bank policy	S. Farrukh Mehdi Jaffari, Ex-SVP	Islamabad
Suzuki Cultus, AU-291	1,044	70	974	975	As per Bank policy	Shakil-ud-Din, Ex-VP	Islamabad
Honda City, CA-434	1,044	8	1,036	1,036	As per Bank policy	Iftikhar Hussain (late), Ex-VP	Islamabad
Toyota Corolla, QG-680	1,294	1,014	280	281	As per Bank policy	Razia Begum, Ex-EVP	Islamabad
Toyota Corolla, QF-708	1,294	972	322	323	As per Bank policy	Muhammad Asghar, Ex-EVP	Islamabad
Toyota Corolla, VS-349	1,504	477	1,027	1,027	As per Bank policy	Shabbir Ahmed, Ex-AEVP	Islamabad
Toyota Hilux, SZ-128	3,009	1,903	1,106	1,106	As per Bank policy	Ihsan-ul-Haq Khan, Ex-President	Islamabad
	10,128	4,789	5,339	5,342			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	97,352	87,210	10,142	65,422			
	107,480	91,999	15,481	70,764			
			2014	2013			
			Rupees in '000				

12.2.2 Carrying amount of temporarily idle property

74,971	74,996
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12.2.3 The title documents of freehold land having cost of Rupees 0.849 million (2013: Rupees 0.849 million) and leasehold land having book value of Rupees 0.061 million (2013: Rupees 0.121 million) are still in the name of Agricultural Development Bank of Pakistan.

12.3 Intangible assets

Description	COST			ACCUMULATED AMORTIZATION			Book value at 31 December 2014	Annual rate of amortization
	At 01 January 2014	Additions	At 31 December 2014	At 01 January 2014	Charge for the year	At 31 December 2014		
..... Rupees in '000								
Computer software	1,156	3	1,159	946	111	1,057	102	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2014	81,656	3	81,659	81,445	111	81,556	103	

Description	COST			ACCUMULATED AMORTIZATION			Book value at 31 December 2013	Annual rate of Amortization
	At 01 January 2013	Additions	At 31 December 2013	At 01 January 2013	Charge for the year	At 31 December 2013		
..... Rupees in '000								
Computer software	1,156	-	1,156	829	117	946	210	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2013	81,656	-	81,656	81,328	117	81,445	211	

	Note	2014	2013
Rupees in '000			
13 DEFERRED TAX ASSETS / (LIABILITIES) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Accelerated tax depreciation		(49,477)	(38,224)
Defined benefit plans		-	(331,074)
Surplus on revaluation of assets	22	(545,776)	(317,357)
		<u>(595,253)</u>	<u>(686,655)</u>
Deductible temporary differences on:			
Provision for medical facilities		15,300	12,003
Defined benefit plans		1,504,887	
Provision against non-performing loans and advances		656,878	577,650
		<u>1,581,812</u>	<u>(97,002)</u>
14 OTHER ASSETS - NET			
Income / mark-up accrued on deposits in local currency		10,234	45,394
Income / mark-up accrued on securities		387,602	21,685
Accrued interest / mark-up on advances	14.1	6,842,759	5,497,079
Stationery and stamps in hand		74,588	68,998
Amount recoverable from Federal Government	14.2	549,154	404,818
Crop loan insurance claim recoverable from Insurance Company		-	303,522
Tax recoverable	14.3	422,653	410,934
Non banking assets acquired in satisfaction of claims	14.4	270,697	281,670
Receivable from defined benefit plans	14.5	2,761,549	5,093,181
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		25,235	18,591
Security deposits		2,776	2,472
Advances and other prepayments		604,608	310,533
Others		445,139	86,578
		<u>12,410,119</u>	<u>12,558,580</u>
Provision held against other assets	14.6	(745,589)	(756,255)
Other assets - net of provisions		<u>11,664,530</u>	<u>11,802,325</u>

14.1 This does not include Rupees 3,254.630 million (2013: Rupees 2,838.183 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

14.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium.

14.3 This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 23.2.3.

14.4 Market value of non-banking assets acquired in satisfaction of claims is Rupees 638.346 million (2013: Rupees 667.784 million).

	Note	2014	2013
Rupees in '000			
14.5 Receivable from defined benefit plans			
Pension scheme	35.1.5	822,242	3,310,851
Gratuity scheme - Staff Regulations 1975	35.4.1.5	1,939,307	1,741,282
Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.5	-	41,048
	14.5.1	<u>2,761,549</u>	<u>5,093,181</u>

14.5.1 These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 'Employee Benefits' against its defined benefit schemes on the recommendation of independent actuary.

	Note	2014	2013
Rupees in '000			
14.6 Provision held against other assets			
Opening balance		756,255	719,861
Charge for the year		908	55,464
Reversals		(11,574)	(19,070)
		(10,666)	36,394
Amount written off		-	-
Closing balance		745,589	756,255

	Note	2014	2013
Rupees in '000			
15 BILLS PAYABLE			
- In Pakistan		561,964	706,265
16 BORROWINGS			
- In Pakistan	16.1	969,349	55,174,903
16.1 Particulars of borrowings with respect to currencies			
- In local currency	16.2	969,349	55,174,903
16.2 Details of borrowings from financial institutions - secured			
Borrowing from State Bank of Pakistan (SBP)			
Agricultural loans	16.3 & 16.5	-	50,174,089
Agri-project loans	16.4 & 16.5	-	1,083,124
SMEs and Agricultural loans		-	1,200
		-	51,258,413
Repurchase agreement borrowings	16.6	969,349	3,916,490
		969,349	55,174,903

16.3 As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rupees 1.577 billion carried interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rupees 48.597 billion were based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans were secured by way of guarantee of Government of Pakistan (GoP).

16.4 These loans were given by the SBP for the purpose of providing finance to agro based industry. These were subject to profit and loss sharing with a maximum share of profit to the SBP ranging from 4.00% to 6.00% per annum. These were secured by guarantee given by the GoP.

16.5 In view of future financial viability and sustainability of the Bank, in a meeting, held on 11 July 2014 among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert outstanding SBP debt - principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presidential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18 July 2014 and the shareholders of the Bank in their extra ordinary general meeting dated 13 August 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in process to complete further legal and corporate formalities.

16.6 It carries markup at the rate of 9.75% (2013: 9.65% to 9.98%) and is secured against market treasury bills of carrying value of Rupees 970.050 million (2013: Rupees 3,935.342 million). This is repayable by April 2015.

	Note	2014	2013
		Rupees in '000	
17 DEPOSITS AND OTHER ACCOUNTS			
Customers - local currency			
Fixed deposits		496,081	378,583
Saving deposits	17.1	13,763,443	5,974,665
Current accounts - remunerative		80,182	83,188
Current accounts - non-remunerative	17.2	12,328,978	8,433,377
Unclaimed deposits		27,283	28,080
		<u>26,695,967</u>	<u>14,897,893</u>
17.1	This includes Rupees 62.993 million (2013: Rupees 66.533 million) as deposit of employees' benefit funds.		
17.2	This includes Rupees 0.010 million (2013: Rupees 0.010 million) as deposit of employees' benefit funds.		
18 SUB-ORDINATED LOAN			
As more fully explained in Note 16.5, the Bank is in process to issue fully paid-up ordinary shares to the SBP against sub-ordinated debt and related mark-up.			
	Note	2014	2013
		Rupees in '000	
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		777	33,411,693
Accrued expenses		916,213	988,754
Taxation (provisions less payments)		3,415,308	3,007,186
Branch adjustment account		341,025	473,257
Provision for Gratuity scheme	19.1	160,053	60,939
Payable to Ministry of Food Agriculture and Livestock	19.2	176,100	176,100
Profit payable on deposits and other accounts		149,395	65,685
Net liabilities relating to Bangladesh	19.3	189	189
Provision for employees' post retirement medical benefits	35.5.4	4,220,464	2,325,802
Provision for employees' compensated absences	35.6.2	866,380	681,457
Security deposits		25,904	24,065
Deferred income	19.4	15,131	15,927
Others	19.5	513,284	695,825
		<u>10,800,223</u>	<u>41,926,879</u>
19.1 Provision for Gratuity scheme			
Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.5	53,215	
Gratuity scheme of the Company	35.4.3.4	106,838	60,939
	19.1.1	<u>160,053</u>	<u>60,939</u>
19.1.1	These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 'Employee Benefits' against its defined benefit schemes on the recommendation of independent actuary.		

- 19.2** This represents the amount of Rupees 8.100 million (2012: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2012: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2014	2013
Rupees in '000			
19.3 Net liabilities relating to Bangladesh			
Liabilities		1,607,516	1,578,146
Assets		(1,607,327)	(1,577,957)
	19.3.1	<u>189</u>	<u>189</u>

- 19.3.1** This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated 6 May 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2014	2013
Rupees in '000			
19.4 Deferred Income			
Opening balance		15,927	16,765
Amortization during the year	26	(796)	(838)
Closing balance		<u>15,131</u>	<u>15,927</u>

- 19.4.1** Deferred income comprises of the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

- 19.5** This represents various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding income tax, contribution received from borrowers, etc.

20 SHARE CAPITAL

20.1 Authorized Capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
12,500,000,000	2,500,000,000	Ordinary shares of Rupees 10 each	125,000,000	25,000,000

20.2 Issued, subscribed and paid up capital

2014	2013		2014	2013
1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
<u>1,252,244,067</u>	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

As more fully explained in Note 16.5, the Board of Directors has resolved to waive off claims against the above Presidential Relief Packages.

23.1.3 The Company had let out a property to the Institute of Business Education (IBE) on the 27 March 2008. Subsequently, the Company served vacation notice dated 26 January 2009 on IBE. IBE failed to vacate the property within notice period. The Company filed a petition with Civil Judge, Islamabad for the vacation of the property. This petition was decided in the favor of the Company. Subsequently, the Company filed another petition for the recovery of rent arrears for the period beyond the notice period of Rupees 2.669 million along with markup @ 2% plus prevailing bank profit rate and cost of suit with the Civil Judge, Islamabad. IBE paid an amount of Rupees 0.658 million out of the total claim and deducted tax including surcharge amounting to Rupees 0.045 million. However, the Company returned the cheque received as the amount claimed is higher than the payment made but took credit of tax withheld and deposited in the Government treasury by IBE. This reduced the receivable balance to Rupees 2.647 million. The management decided to settle the case out of court and the party agreed to pay Rupees 2.000 million and the case was placed before the Company's Board in its 33rd meeting held on 1 October 2014 and decided to settle the account after recovery of Rupees 2.000 million. The remaining amount approved to be written-off accordingly by the BoD.

23.2 Contingent liabilities

	2014	2013
	Rupees in '000	
23.2.1 Contingent liabilities in respect of 521 cases (2013: 596 cases) filed against the Bank by various borrowers.	4,580,091	8,762,497
23.2.2 Contingent liabilities in respect of 458 cases (2013: 432 cases) filed against the Bank in various courts of law by the employees.	1,692,334	1,240,130

23.2.3 There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP against the aforesaid decision.

23.2.4 Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), where case is pending. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.5 The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated 9 June 2010, 1 March 2011, 22 July 2011 and 16 April 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 4,640.154 million out of which Rupees 1,887.415 million has been adjusted against payment of advance tax for the period from June 2012 to May 2013. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in these consolidated financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.

23.2.6 Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

23.2.7 Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of the Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), on appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 of the Income Tax Ordinance, 2001. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.

- 23.2.8** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 27.792 million for tax year 2009. To avail the Government amnesty, the Bank paid Rupees 19.183 million under protest with waiver of penalty amount of Rupees 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR(A) against the orders of DCIR. CIR(A) upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9** DCIR passed order under section 122(1) read with section 122(5) and raised a demand of Rs. 1,150.617 million and subsequently reduced it to Rupees 597.740 million for tax year 2010. The Bank filed appeal before CIR(A) who decided the case by annulling the orders of DCIR with the directions to give the lawful treatment to the evidences provided by the appellant. The Bank has filed appeal with ATIR against the orders of the CIR(A) where the case is still pending. No provision has been made in these consolidated financial statements as favourable outcome is expected.
- 23.2.10** ACIR passed orders under section 122(5A) and raised demand of Rupees 3.288 billion for tax year 2010, Rupees 2.923 billion for tax year 2011 and Rupees 2.037 billion for tax year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank has filed appeal with ATIR against the orders of the CIR(A) which has been decided by the ATIR in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.11** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 208.337 million for tax year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to Assessing Officer for verification. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12** ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rupees 4.920 billion for tax year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both have filed appeals before ATIR against the orders of the CIR(A) which are pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.13** Order STA No. 416/IB/2012 for tax year 2008 and STA No. 417/IB/2012 for tax year 2009 were issued by ATIR to delete the demand of Rupees 51.476 million and Rupees 171.794 million respectively in respect of Federal Excise Duty / Sales Tax raised by the Assessing Officer. Against the orders, reference applications have been filed by FBR in Honorable Islamabad High Court, Islamabad on 7 May 2013. No provision for said amounts have been recognized in these consolidated financial statements as the Bank is confident of a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.14** Assessment orders were passed by DCIR regarding Federal Excise Duty / Sales Tax for the year 2011 and year 2012 by raising demand of Rupees 485.940 million and Rupees 712.552 million respectively. The Bank filed appeal against the orders with CIR(A) who reduced the amount by Rupees 855.251 million and confirmed the rest of demand of Rupees 343.242 million. Further appeal was filed before ATIR against the decision of the CIR(A) which has been decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad for the year 2011. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.15** The Officer Inland Revenue, Large Taxpayers Unit (LTU), Islamabad amended the assessment of the Company under section 122(5A) for the financial year ended 31 December 2009 i.e. tax year 2010 and created a demand of Rupees 5.095 million. Being aggrieved, the Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment framed by the Officer Inland Revenue. The tax amount of Rupees 5.095 million has been deposited with the tax authorities and at the same time the Company preferred an appeal before the Appellate Tribunal Inland Revenue, Islamabad under section 131 of the Income Tax Ordinance, 2001. Date of hearing is yet to be fixed. No provision has been made in these consolidated financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.
- 23.2.16** The Officer Inland Revenue, Large Taxpayers Unit (LTU), Islamabad has invited proceedings against the Company under Section 161/205 of the Income Tax, Ordinance, 2001 for the tax year 2009 and 2011. The Company has submitted all the documentary evidences yet, the case is pending for adjudication. No provision has been made in these consolidated financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.

		2014	2013
		Rupees in '000	
23.3	Commitments against capital expenditure	4,496	93,638
24	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to customers	12,889,081	10,704,108
	On investments:		
	- In held for trading securities	-	17,434
	- In held to maturity securities	558,667	853,975
	- In available for sale securities	1,585,733	803,109
		2,144,400	1,674,518
	On deposits with financial institutions	297,902	472,344
	On securities purchased under resale agreement	130,154	37,698
	On call money lendings	60,593	73,973
		15,522,130	12,962,641
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On deposits	560,036	277,165
	On borrowings and subordinated debt - State Bank of Pakistan	1,689,826	3,526,059
	On securities sold under repurchased agreement	122,327	76,541
	Bank commission and other charges	26,081	11,442
		2,398,270	3,891,207
26	OTHER INCOME		
	Rent on property	23,753	18,847
	Recoveries of charged off amounts	2,557,110	3,418,065
	Gain on sale of operating fixed assets	55,283	14,873
	Loan application fee	1,149,550	897,521
	Deferred income amortization	19.4	796
	Others	26.1	483,037
		4,269,529	4,785,455
26.1	OTHERS		
	Sale proceeds of loan application forms	53,474	49,632
	Postal charges received from loanees	208,956	195,423
	Miscellaneous income	26.1.1	220,607
		483,037	435,311
26.1.1	This includes sale of scrap, renewal fee of Sada Bahar Scheme and charges of loose cheques.		
27	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	27.1	6,930,913
	Charge / (reversal) for defined benefit plans and other benefits:		
	- Pension scheme	35.1.7	(1,171,745)
	- Benevolent scheme - officers / executives	35.2.7	32,021
	- Benevolent scheme - clerical / non-clerical	35.3.7	(3,576)
	- Gratuity under old staff regulations	35.4.1.7	(220,475)
	- Gratuity scheme - staff regulation 2005	35.4.2.7	233,551
	- Gratuity scheme of the Company	35.4.3.6	30,590
	- Employees' compensated absences	35.6.2	185,276
			(914,358)
			(285,908)

Contribution to defined contribution plan - provident fund	35.8	79,646	20,166
Non-executive directors' fees and other expenses		3,233	6,249
Rent, taxes, insurance, electricity, etc.		257,338	207,012
Legal and professional charges		182,824	85,012
Communications		82,429	78,248
Repairs and maintenance		50,671	56,762
Motor vehicle expenses		444,317	407,993
Traveling expenses		154,317	152,359
Stationery and printing		94,175	98,195
Advertisement and publicity		14,210	11,388
Auditors' remuneration	27.2	5,526	5,374
Depreciation - tangible	12.2	213,243	139,270
Amortization - intangible	12.3	111	117
Commutation to employees	27.3	14,073	3,320
Others		118,097	160,512
		<u>7,730,765</u>	<u>7,656,119</u>

27.1 This includes post retirement medical benefit amounting to Rupees 624.216 million (2013: Rupees 464.608 million)

27.2 Auditors' remuneration

	2014		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	1,018	880	1,898
Fee for half year review	271	200	471
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	53	-	53
Out of pocket expenses	873	873	1,746
	<u>2,894</u>	<u>2,632</u>	<u>5,526</u>
	2013		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	925	800	1,725
Fee for half year review	265	200	465
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	80	-	80
Out of pocket expenses	873	873	1,746
	<u>2,822</u>	<u>2,552</u>	<u>5,374</u>

27.3 Commutation to employees

- Under Staff Regulations - 2005

Commutation to employees under Staff Regulations - 2005 (SR - 2005) comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers / executives under SSR-1961 opted for SR - 2005) and amount received from pension fund thereof.

- Voluntary Golden Handshake Scheme - 2011 for drivers

All drivers of the Bank having age between 55-59 years as on 1 January 2011 were entitled for Voluntary Golden Handshake Scheme (VGHSS - 2011) subject to completion of 10-20 years of service. VGHSS - 2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2014	2013
Rupees in '000			
28 OTHER CHARGES			
Penalties imposed by SBP		9,928	128
Fixed assets - written off		1,171	336
		11,099	464
29 TAXATION			
For the year:			
Current		3,003,990	1,820,705
Deferred		(82,153)	(16,297)
For prior years:			
Current		4,263	62
	29.1	2,926,100	1,804,470
		2,926,100	1,804,470
	Note	2014	2013
Rupees in '000			
29.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year		8,382,382	5,210,932
Tax rate		35%	35%
Tax on accounting income		2,933,834	1,823,826
Tax effect on separate block of income (taxable at reduced rate)			
Gain on sale of securities @ 25%		-	(7,600)
Dividend income		(19,387)	(12,917)
		(19,387)	(20,517)
Tax effect of permanent differences			
Penalties imposed by SBP		3,475	45
Repair allowance of one fifth allowed against rental income		(2,286)	-
		1,189	45
Tax effect of prior years		4,263	62
Others		42,201	1,054
		2,962,100	1,804,470
		2,962,100	1,804,470
30 BASIC EARNINGS PER SHARE			
Profit after tax for the year - Rupees in '000		5,456,282	3,406,462
Weighted average number of ordinary shares outstanding during the year.		1,252,244,067	1,252,244,067
Basic earnings per share in Rupees		4.357	2.720
31 DILUTED EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2014.			
	Note	2014	2013
Rupees in '000			
32 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	6,302,813	9,370,154
		10,404,946	12,998,076
		10,404,946	12,998,076

		2014	2013
33	STAFF STRENGTH		Number
	- The Bank		
	Permanent	5,777	5,599
	Contractual	10	13
	Total staff strength	5,787	5,612
	- The Company		
	Total staff strength	2,474	2,164
34	CREDIT RATING		
	JCR-VIS Credit Rating Company Limited, Karachi in their report dated 8 August 2014 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2013: AAA/A-1+) with stable outlook, medium to long term credit rating of A and short-term credit rating of A-2 (31 December 2013: A medium to long term credit rating, A-2 short term credit rating).		
35	DEFINED BENEFIT AND CONTRIBUTION PLANS		
	The Group operates the following retirement benefit plans for its employees:		
	Pension Scheme - funded		
	Benevolent Scheme - funded		
	Post Retirement Medical Benefits - unfunded		
	Employees Gratuity Scheme - funded		
	Employees Gratuity Scheme - unfunded of the Company		
	Employees Compensated Absences - unfunded		
	Defined Contribution Plan		
35.1	Pension scheme		
35.1.1	General description		
	For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.		
35.1.2	Principal actuarial assumption		
	The latest actuarial valuation is carried out as at 31 December 2014. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:		
		2014	2013
	 %	
	Valuation discount rate	11.25	12.75
	Expected rate of increase in salary	9.25	10.50
	Expected rate of return on plan assets	11.25	12.75
	Expected rate of increase in pension	7.00	7.50
	Note	2014	2013
35.1.3	Changes in the present value of obligation	Rupees in '000	
	Present value of obligation as on 01 January	2,748,554	1,848,263
	Current service cost	71,279	39,085
	Interest cost	337,765	199,879
	Benefits paid	(198,834)	(203,416)
	Transferred to Gratuity - SSR 1961	(24,131)	(16,952)
	Transferred from SR 2005	3,194,617	-
	Remeasurement due to change in demographic assumptions	-	254,268
	Remeasurement due to experience	3,738,355	627,427
	Present value of obligation as at 31 December	9,867,605	2,748,554
35.1.4	Changes in the fair value of plan assets		
	Total assets as on 01 January	6,059,405	5,692,003
	Expected return on plan assets	759,898	642,968
	Remeasurement due to return on investment	53,870	(73,607)
	Contributions	-	1,457
	Benefits paid	(198,834)	(203,416)
	Funds receivable from Gratuity under Staff Regulations - 2005 (SR-2005)	1,411,508	-
	Amount to be recovered from employees transferred from SR 2005	2,604,000	-
	Total assets as at 31 December	10,689,847	6,059,405

	Note	2014	2013
Rupees in '000			
35.1.5 Amounts recognized in statement of financial position			
Present value of defined benefit obligation		9,867,605	2,748,554
Fair value of plan assets		(10,689,847)	(6,059,405)
Asset recognized in the statement of financial position	14.5	<u>(822,242)</u>	<u>(3,310,851)</u>
	Note	2014	2013
Rupees in '000			
35.1.6 Movement in net asset recognized			
Opening net assets		(3,310,851)	(3,843,740)
Credit for the year	35.1.7	(1,171,745)	(404,004)
Other comprehensive income		3,684,485	955,302
Transferred to Gratuity - SSR 1961		(24,131)	(16,952)
Contributions		-	(1,457)
Closing net asset	14.5	<u>(822,242)</u>	<u>(3,310,851)</u>
35.1.7 Expense / (income) recognized in the profit and loss account			
Current service cost		71,279	39,085
Interest cost		(422,134)	(443,089)
Net impact of transfer from SR 2005		(820,890)	-
		<u>(1,171,745)</u>	<u>(404,004)</u>
35.1.8 Actual return on plan assets			
Actual return on plan assets		813,768	569,361

	2014		2013	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
35.1.9 Composition of fair value of plan assets				
Government securities	5,662,464	52.97	231,356	3.82
Term deposit receipts	995,464	9.31	5,800,141	95.72
Deposits in the Bank	16,411	0.15	30,256	0.50
Debtors and creditors	4,015,508	37.57	(189)	(0.00)
Due to the Bank	-	-	(2,159)	(0.04)
Fair value of total plan assets	<u>10,689,847</u>	<u>100.00</u>	<u>6,059,405</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
..... Rupees in '000					
35.1.10 Other relevant details					
Present value of defined benefit obligation	9,867,605	2,748,554	1,848,263	1,503,105	1,202,368
Fair value of plan assets	(10,689,847)	(6,059,405)	(5,692,003)	(5,206,173)	(4,609,499)
Surplus in pension fund	<u>(822,242)</u>	<u>(3,310,851)</u>	<u>(3,843,740)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>
Experience adjustment	(3,738,355)	(881,695)	(301,482)	(197,824)	219,527
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(3,738,355)</u>	<u>(881,695)</u>	<u>(301,482)</u>	<u>(197,824)</u>	<u>219,527</u>
Experience adjustment	53,870	(73,607)	-	44,065	(85,595)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>53,870</u>	<u>(73,607)</u>	<u>-</u>	<u>44,065</u>	<u>(85,595)</u>

35.1.11 The expected contribution to the Pension Fund for 2015 is Rupees 268.181 million (2014: Nil).

35.2 Benevolent scheme - officers / executives

35.2.1 General description

For all officers / executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rupees 100, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
..... %		
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

	Note	2014	2013
Rupees in '000			
35.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		245,632	244,874
Current service cost		28,317	9,887
Contributions - Employees		(11,930)	-
Interest cost		30,010	27,097
Remeasurement due to change in demographic assumptions		-	(4,868)
Remeasurement due to change in financial assumptions		-	(16,540)
Remeasurement due to change in experience		36,303	3,679
Past service cost		75,729	-
Benefits paid		(20,515)	(18,497)
Present value of obligation as at 31 December		<u>383,546</u>	<u>245,632</u>
35.2.4 Changes in the fair value of plan assets			
Total assets as on 01 January		728,898	677,701
Expected return on plan assets		90,106	77,460
Remeasurement due to return on investment		31,590	(17,984)
Contributions - Employer		11,930	5,109
Contributions - Employees		11,930	5,109
Benefits paid		(20,515)	(18,497)
Total assets as at 31 December		<u>853,939</u>	<u>728,898</u>
35.2.5 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation		383,546	245,632
Fair value of plan assets		(853,939)	(728,898)
Unrecognized due to impact of asset ceiling		470,393	483,266
Asset recognized in the statement of financial position		<u>-</u>	<u>-</u>
35.2.6 Movement in net asset recognized			
Opening net receivable		-	-
Expense / (credit) for the year	35.2.7	32,021	(45,585)
Comprehensive income		(20,091)	50,694
Contribution to fund / benefits paid during the year		(11,930)	(5,109)
Closing net receivable		<u>-</u>	<u>-</u>
35.2.7 Expense / (income) recognized in profit and loss account			
Current service cost		28,317	9,887
Interest cost		(60,095)	(50,363)
Contributions - Employees		(11,930)	(5,109)
Past service cost		75,729	-
		<u>32,021</u>	<u>(45,585)</u>
35.2.8 Actual return on plan assets			
Actual return on plan assets		<u>121,696</u>	<u>59,476</u>
35.2.9 Composition of fair value of plan assets			
		2014	2013
		Fair value	Fair value
		Rupees in '000	Rupees in '000
		%	%
Government securities		829,008	61,358
		97.08	8.42
Term deposit receipts		21,034	664,610
		2.46	91.18
Deposits in the Bank		3,897	2,938
		0.46	0.40
Debtors and creditors		-	(8)
		-	(0.00)
Fair value of total plan assets		<u>853,939</u>	<u>728,898</u>
		100.00	100.00

	2014	2013	2012	2011	2010
	..... Rupees in '000				
35.2.10 Other relevant details					
Present value of defined benefit obligation	383,546	245,632	244,874	211,133	177,105
Fair value of plan assets	(853,939)	(728,898)	(677,701)	(609,363)	(545,226)
Surplus in benevolent scheme - officers / executives	(470,393)	(483,266)	(432,827)	(398,230)	(368,121)
Experience adjustment	(36,303)	17,729	6,596	(11,828)	6,636
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(36,303)	17,729	6,596	(11,828)	6,636
Experience adjustment	31,590	(17,984)	-	(3,017)	(16,541)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	31,590	(17,984)	-	(3,017)	(16,541)

35.3 Benevolent scheme - clerical / non-clerical
35.3.1 General description

For all clerical / non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rupees 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
 %	
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

35.3.3 Changes in the present value of obligation

	2014	2013
	Rupees in '000	
Present value of obligation as on 01 January	28,012	31,149
Current service cost	4,430	1,394
Contributions - Employees	(2,506)	-
Interest cost	3,376	3,453
Remeasurement due to change in demographic assumptions	-	(1,360)
Remeasurement due to change in financial assumptions	-	(2,668)
Remeasurement due to change in experience	176	(1,707)
Past service cost	34,599	-
Benefits paid	(3,060)	(2,249)
Present value of obligation as at 31 December	65,027	28,012

35.3.4 Changes in the fair value of plan assets

	2014	2013
	Rupees in '000	
Total assets as on 01 January	340,003	306,517
Expected return on plan assets	43,475	35,455
Remeasurement due to return on investment	8,654	(5,540)
Contributions - Employer	2,506	2,910
Contributions - Employees	2,506	2,910
Benefits paid	(3,060)	(2,249)
Total assets as at 31 December	394,084	340,003

35.3.5 Amounts recognized in the statement of financial position

	2014	2013
Present value of defined benefit obligation	65,027	28,012
Fair value of plan assets	(394,084)	(340,003)
Unrecognized due to impact of asset ceiling	329,057	311,991
Asset recognized in the statement of financial position	-	-

	Note	2014	2013	
		Rupees in '000		
35.3.6 Movement in net asset recognized				
Opening net receivable		-	-	
Credit for the year	35.3.7	(3,576)	(33,518)	
Comprehensive income		6,082	36,428	
Contribution to fund / benefits paid during the year		(2,506)	(2,910)	
Closing net receivable		-	-	
35.3.7 Income recognized in profit and loss account				
Current service cost		4,430	1,394	
Interest cost		(2,506)	(2,910)	
Contributions - Employees		(40,099)	(32,002)	
Past service cost		34,599	-	
		(3,576)	(33,518)	
35.3.8 Actual return on plan assets				
Actual return on plan assets		52,129	29,915	
35.3.9 Composition of fair value of plan assets				
		2014	2013	
		Fair value	Fair value	
		Rupees in '000	Rupees in '000	
		%	%	
Government securities		381,139	20,092	
		96.71	5.90	
Term deposit receipts		10,584	317,209	
		2.69	93.30	
Deposits in the Bank		2,361	2,710	
		0.60	0.80	
Debtors and creditors		-	(8)	
		-	(0.00)	
Fair value of total plan assets		394,084	340,003	
		100.00	100.00	
35.3.10 Other relevant details				
		2014	2013	
		2012	2011	
		2010		
	 Rupees in '000		
Present value of defined benefit obligation		65,027	28,012	
		31,149	23,370	
		20,014		
Fair value of plan assets		(394,084)	(340,003)	
		(306,517)	(273,293)	
		(249,923)	(240,105)	
Surplus in benevolent scheme - clerical / non-clerical		(329,057)	(311,991)	
		(275,368)	(249,923)	
		(220,091)		
Experience adjustment		(176)	5,735	
		(1,618)	(835)	
		19,057		
Assumptions gain / (loss)		-	-	
		-	-	
Actuarial (loss) / gain on obligation		(176)	5,735	
		(1,618)	(835)	
		19,057		
Experience adjustment		8,654	(5,540)	
		-	-	
		-	-	
Assumptions gain / (loss)		-	-	
		-	-	
Actuarial (loss) / gain on assets		8,654	(5,540)	
		-	-	
		-	-	

35.4 Gratuity scheme

35.4.1 Gratuity under old Staff Regulations of the Bank

35.4.1.1 General description

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

		2014	2013
	 %	
Valuation discount rate		11.25	12.75
Expected rate of increase in salary		9.25	10.50
Expected rate of return on plan assets		11.25	12.75

	Note	2014	2013
		Rupees in '000	
35.4.1.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		-	-
Benefits paid		(24,131)	(16,952)
Addition to liability from Pension Fund		24,131	16,952
Present value of obligation as at 31 December		<u>-</u>	<u>-</u>
35.4.1.4 Changes in the fair value of plan assets			
Total assets as on 01 January		1,741,282	1,594,870
Expected return on plan assets		220,475	182,435
Remeasurement due to return on investment		1,681	(19,071)
Benefits paid		(24,131)	(16,952)
Total assets as at 31 December		<u>1,939,307</u>	<u>1,741,282</u>
35.4.1.5 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation		-	-
Fair value of plan assets		(1,939,307)	(1,741,282)
Asset recognized in the statement of financial position	14.5	<u>(1,939,307)</u>	<u>(1,741,282)</u>
35.4.1.6 Movement in net asset recognized			
Opening net assets		(1,741,282)	(1,594,870)
Credit for the year	35.4.1.7	(220,475)	(182,435)
Comprehensive income		(1,681)	19,071
Addition to liability from Pension Fund		24,131	16,952
Closing net assets	14.5	<u>(1,939,307)</u>	<u>(1,741,282)</u>
35.4.1.7 Income recognized in profit and loss account			
Expected return on plan assets		(220,475)	(182,435)
35.4.1.8 Actual return on plan assets			
Actual return on plan assets		<u>222,156</u>	<u>163,364</u>

	2014		2013	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
35.4.1.9 Composition of fair value of plan assets				
Government securities	979,491	50.50	57,438	3.30
Term deposit receipts	954,228	49.21	1,671,471	95.99
Deposits in the Bank	5,588	0.29	9,048	0.52
Debtors and creditors	-	-	3,861	0.22
Due from / (to) the Bank	-	-	(536)	(0.03)
Fair value of total plan assets	<u>1,939,307</u>	<u>100.00</u>	<u>1,741,282</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
	..... Rupees in '000				
35.4.1.10 Other relevant details					
Present value of defined benefit obligation	-	-	-	-	-
Fair value of plan assets	(1,939,307)	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)
Surplus in gratuity scheme under old staff regulations	(1,939,307)	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)
Experience adjustment	-	-	-	-	397,152
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	-	-	-	-	397,152
Experience adjustment	1,681	(19,071)	-	3,700	(12,429)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	1,681	(19,071)	-	3,700	(12,429)

35.4.1.11 No contribution is expected in 2015 to the Gratuity Fund scheme under old regulations.

35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005) of the Bank

35.4.2.1 General description

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.

35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
 %	
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

	Note	2014	2013
		Rupees in '000	
35.4.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		1,634,839	992,636
Current service cost		262,655	185,120
Interest cost		203,749	111,627
Remeasurement due to change in demographic assumptions		-	(5,794)
Remeasurement due to experience		253,178	395,189
Transferred to SSR 1961		(1,411,508)	-
Benefits paid		(73,610)	(43,939)
Present value of obligation as at 31 December		869,303	1,634,839

35.4.2.4 Changes in the fair value of plan assets

Total assets as on 01 January	1,675,887	1,360,616
Expected return on plan assets	232,853	166,435
Remeasurement due to return on investment	18,034	(24,461)
Funds payable to SSR 1961	(1,411,508)	-
Contributions	374,432	217,236
Benefits paid	(73,610)	(43,939)
Total assets as at 31 December	816,088	1,675,887

35.4.2.5 Amounts recognized in the statement of financial position

Present value of defined benefit obligation		869,303	1,634,839
Fair value of plan assets		(816,088)	(1,675,887)
Asset recognized in the statement of financial position	19.1	53,215	(41,048)

	Note	2014	2013
Rupees in '000			
35.4.2.6 Movement in net asset recognized			
Opening net assets		(41,048)	(367,980)
Charge for the year	35.4.2.7	233,551	130,312
Comprehensive income		235,144	413,856
Contribution to fund during the year		(374,432)	(217,236)
Closing net assets		<u>53,215</u>	<u>(41,048)</u>
35.4.2.7 Expense recognized in profit and loss account			
Current service cost		262,655	185,120
Interest cost		(29,104)	(54,808)
		<u>233,551</u>	<u>130,312</u>
	Note	2014	2013
Rupees in '000			
35.4.2.8 Actual return on plan assets			
Actual return on plan assets		<u>250,887</u>	<u>141,974</u>

	2014		2013	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
35.4.2.9 Composition of fair value of plan assets				
Government securities	1,991,836	244.07	-	-
Term deposit receipts	229,123	28.08	1,670,667	99.69
Deposits in the Bank	6,637	0.81	5,228	0.31
Debtors and creditors	(1,411,508)	(172.96)	(8)	(0.00)
Fair value of total plan assets	<u>816,088</u>	<u>100.00</u>	<u>1,675,887</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
..... Rupees in '000					
35.4.2.10 Other relevant details					
Present value of defined benefit obligation	869,303	1,634,839	992,636	804,808	612,864
Fair value of plan assets	(816,088)	(1,675,887)	(1,360,616)	(1,038,563)	(730,213)
(Surplus) / deficit in gratuity scheme under staff regulations - 2005 (SR-2005)	<u>53,215</u>	<u>(41,048)</u>	<u>(367,980)</u>	<u>(233,755)</u>	<u>(117,349)</u>
Experience adjustment	(253,178)	(389,395)	72,489	57,132	154,132
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>(253,178)</u>	<u>(389,395)</u>	<u>72,489</u>	<u>57,132</u>	<u>154,132</u>
Experience adjustment	18,034	(24,461)	(13,283)	(2,186)	(8,812)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>18,034</u>	<u>(24,461)</u>	<u>(13,283)</u>	<u>(2,186)</u>	<u>(8,812)</u>

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2015 amount to Rupees 122.184 million.

35.4.3 Gratuity scheme of the Company

35.4.3.1 General description

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

35.4.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
	%	
Valuation discount rate	11.25	13.00
Expected rate of increase in salary	10.25	12.00

	Note	2014	2013
Rupees in '000			
35.4.3.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		60,939	54,919
Current service cost		22,748	7,794
Interest cost		7,842	6,273
Benefits paid		(1,236)	(751)
Actuarial (gain) / loss on obligation		16,545	(7,296)
Present value of obligation as at 31 December		<u>106,838</u>	<u>60,939</u>
35.4.3.4 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation	19.1	<u>106,838</u>	<u>60,939</u>
	Note	2014	2013
Rupees in '000			
35.4.3.5 Movement in net (asset) / liability recognized			
Opening net (asset) / liability		60,939	54,919
Charge for the year	35.4.3.6	30,590	14,067
Comprehensive income		(1,236)	(7,296)
Contribution to fund during the year		16,545	(751)
Closing net asset		<u>106,838</u>	<u>60,939</u>
35.4.3.6 Expense recognized in profit and loss account			
Current service cost		22,748	7,794
Interest cost		7,842	6,273
		<u>30,590</u>	<u>14,067</u>
35.5 Post retirement medical benefits			
35.5.1 General description			
The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.			
35.5.2 Principal actuarial assumption			
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:			
		2014	2013
	 %	
Valuation discount rate		11.25	12.75
Medical inflation rate		8.25	7.50
	Note	2014	2013
Rupees in '000			
35.5.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		2,325,802	1,257,078
Current service cost		227,175	150,501
Past service cost		-	170,846
Interest cost		242,300	143,261
Net impact of transfer		154,741	
Remeasurement due to change in demographic assumptions		-	200,839
Remeasurement due to experience		1,294,026	425,949
Benefits paid		(23,580)	(22,672)
Present value of obligation as at 31 December		<u>4,220,464</u>	<u>2,325,802</u>
35.5.4 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation	19	<u>4,220,464</u>	<u>2,325,802</u>

	Note	2014	2013
Rupees in '000			
35.5.5 Movement in net liability recognized			
Opening net liability		2,325,802	1,257,078
Charge for the year	35.5.6	624,216	464,608
Comprehensive income		1,294,026	626,788
Benefits paid during the year		(23,580)	(22,672)
Closing net liability		<u>4,220,464</u>	<u>2,325,802</u>
35.5.6 Expense recognized in profit and loss account			
Current service cost		227,175	321,347
Interest cost		242,300	143,261
Net impact of transfer		154,741	-
		<u>624,216</u>	<u>464,608</u>
35.5.7 Post retirement medical benefits - sensitivity analysis			

	Discount rate		Salary increase rate	
	+1%	-1%	+1%	-1%
Obligation (Rupees in million)	3,783,224	4,679,650	4,637,023	3,812,767
%age change	-10.36%	10.88%	9.87%	-9.66%
	Withdrawal rate		Mortality age	
	+1%	-1%	1 year back	1 year forward
Obligation (Rupees in million)	4,241,566	4,201,894	4,262,668	4,179,947
%age change	50.00%	-0.44%	1.00%	-0.96%

	2014	2013	2012	2011	2010
35.5.8 Other relevant details	..... Rupees in '000				
Present value of defined benefit obligation	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Deficit in post retirement medical benefits	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Experience adjustment	(1,294,026)	(626,788)	107,383	89,849	1,988,525
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(1,294,026)	(626,788)	107,383	89,849	1,988,525

35.6 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

35.6.1 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
 %	
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50

35.6.2 Movement in liability recognized for compensated absences

	2014	2013
Rupees in '000		
Opening liability	681,457	446,202
Charge for the year	185,276	235,255
Benefits paid during the year	(353)	-
Closing liability	<u>866,380</u>	<u>681,457</u>

Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2014	2013	2012	2011	2010
	..... Rupees in '000				
Opening liability	681,457	446,202	343,973	798,452	1,194,349
Charged / (reversal) for the year	185,276	235,255	102,229	(454,479)	(395,897)
Benefits paid during the year	(353)	-	-	-	-
	866,380	681,457	446,202	343,973	798,452

35.7 Risks Associated with Defined Benefit Plans

Investment Risk

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

Longevity Risk

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

Salary Increase Risk

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

Withdrawal Risk

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

35.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 4061 (2013: 2067) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 1716 (2013: 3532) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 79.646 million (2013: Rupees 20.166 million) in respect of this fund.

36 COMPENSATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for compensation, including all benefits to the President, Directors and Executives of the Bank is as follows:

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	..... Rupees in '000					
Fee	-	-	3,233	6,249	-	-
Managerial remuneration	9,617	6,116	-	-	2,361,113	2,066,149
Charged for defined benefit plan	1,722	1,226	-	-	1,998,456	129,483
Contribution to defined benefit or contributory fund	-	-	-	-	38,706	25,394
Rent and house maintenance	1,665	3,364	-	-	22,784	7,807
Utilities	330	917	-	-	6,172	1,901
Medical	1,290	917	-	-	3,650	1,909
Conveyance	227	845	-	-	-	1,469
Club facility	16	56	-	-	-	-
Leave fare assistance	1,456	1,425	-	-	-	-
	16,323	14,866	3,233	6,249	4,430,881	2,234,112
Number of persons	1	1	8	11	4,023	1,828

36.1 The Chief executive, senior vice presidents and above, other than covered under SR-2005, have been provided with Bank maintained cars. Vice Presidents and above, governed by SR-2005, have also been provided cars under Car Loan Depreciation Policy (CLDP).

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in Note 5.2 to these consolidated financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
..... Rupees in '000									
2014									
Total income	-	-	-	-	-	-	-	-	20,008,645
Total expenses	-	-	-	-	-	-	-	-	11,681,539
Net income before tax	-	-	-	-	-	-	-	-	8,327,106
Taxation	-	-	-	-	-	-	-	-	2,909,722
Income after tax	-	-	-	-	-	-	-	-	5,417,384
Segment assets (gross)	-	-	-	-	-	-	-	-	171,261,532
Segment non performing loans	-	-	-	-	-	-	-	-	18,663,722
Segment provision required	-	-	-	-	-	-	-	-	3,919,999
Segment liabilities	-	-	-	-	-	-	-	-	38,931,238
Segment return on net assets (%)	-	-	-	-	-	-	-	-	6.68%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	8.67%
2013									
Total income	-	-	-	-	-	-	-	-	17,855,967
Total expenses	-	-	-	-	-	-	-	-	12,689,423
Net income before tax	-	-	-	-	-	-	-	-	5,166,544
Taxation	-	-	-	-	-	-	-	-	1,789,985
Income after tax	-	-	-	-	-	-	-	-	3,376,559
Segment assets (gross)	-	-	-	-	-	-	-	-	156,128,603
Segment non performing loans	-	-	-	-	-	-	-	-	17,771,792
Segment provision required	-	-	-	-	-	-	-	-	3,896,440
Segment liabilities	-	-	-	-	-	-	-	-	115,965,018
Segment return on net assets (%)	-	-	-	-	-	-	-	-	15.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.31%

39 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party transactions with its employee benefit plans and key management personnel.

Details of transactions with related parties and balances with them other than those disclosed in these consolidated financial statements are as under:

	Key management personnel	
	2014	2013
	..... Rupees in '000'	
Advances		
Balance at the beginning of the year	7,183	14,533
Loan granted during the year	6,555	910
Repayment during the year	(2,179)	(8,260)
Balance at the end of the year	<u>11,559</u>	<u>7,183</u>
Deposits		
Deposits at the beginning of the year	3,054	8,250
Deposits received during the year	80,399	74,889
Deposits repaid during the year	(79,592)	(80,085)
Deposits at the end of the year	<u>3,861</u>	<u>3,054</u>
Other transactions		
Mark-up / interest earned	466	308
Compensation	56,762	72,477
Post retirement benefit	5,252	4,976
Contribution to defined benefit plans	530	319

40 CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of application

The Basel III Framework is applicable to the Bank at the level of standalone financial statements of the Bank. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

40.2 Capital Management

Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and capital adequacy ratio

The State Bank of Pakistan through its BSD Circular No. 07 dated 15 April 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ended on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2014 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2014 is 25.61% of its risk weighted exposure.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular BPRD Circular No. 06 dated 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr.No.	Ratio	Year ended						As of 31
		2013	2014	2015	2016	2017	2018	December 2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

- *(Consisting of CET1 only)

Bank's regulatory capital is analyzed in to three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer to note 40.3)
- Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1 (refer to note 40.3)
- Tier 2 capital, which includes subordinated debt, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets) and net of tax reserves on revaluation of equity investments up to a maximum of 56% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.3)

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management, striking compromise proposal and settlement and composition of assets mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. 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 entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank's management of capital during the year.

40.3 Capital Adequacy Ratio

	2014	2013
	Amount	Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	12,522,441
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on issue of Shares	-	-
5 General/ Statutory Reserves	4,590,135	3,506,658
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	14,553,175	13,597,945
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	31,665,751	29,627,044
10 Total regulatory adjustments applied to CET1 (Note 40.3.1)	(204,551)	(50,211)
11 Common Equity Tier 1	31,461,200	29,576,833
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustments applied to AT1 capital (Note 40.3.2)	-	-
19 Additional Tier 1 capital	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	31,461,200	29,576,833
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	3,204,323
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules	-	-
24 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,323,858	1,250,883
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on Property	-	-
29 of which: Unrealized Gains/Losses on AFS	1,945,946	1,285,297
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	3,269,804	5,740,503
33 Total regulatory adjustments applied to T2 capital (Note 40.3.3)	(40,000)	(50,000)
34 Tier 2 capital (T2) after regulatory adjustments	3,229,804	5,690,503
35 Tier 2 capital recognized for capital adequacy	3,229,804	5,690,503

	2014 Amount	2013 Amount
36		
37	3,229,804	5,690,503
38	34,691,004	35,267,336
39	135,471,027	119,020,881
Capital Ratios and buffers (in percentage of risk weighted assets)		
40	23.22%	24.85%
41	23.22%	24.85%
42	25.61%	29.63%
43		
44	-	-
45	-	-
46	-	-
47	-	-
National minimum capital requirements prescribed by SBP		
48	5.50%	5.00%
49	7.00%	6.50%
50	10.00%	10.00%

Regulatory Adjustments and Additional Information	2014		2013
	Amount	Amounts subject to Pre - Basel III treatment	Amount
	..... Rupees in '000		
40.3.1 Common Equity Tier 1 capital: Regulatory adjustments			
1 Goodwill (net of related deferred tax liability)	-		-
2 All other intangibles (net of any associated deferred tax liability)	(103)		(211)
3 Shortfall of provisions against classified assets	-		-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5 Defined-benefit pension fund net assets	(164,448)	(822,242)	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of property/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		-
17 of which: deferred tax assets arising from temporary differences	-		-
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investment in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(40,000)		(50,000)
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(204,551)		(50,211)
40.3.2 Additional Tier 1 Capital: regulatory adjustments			
23 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		-
24 Investment in own AT1 capital instruments	-		-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28 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	(40,000)		(50,000)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	40,000		50,000
30 Total of Regulatory Adjustment applied to AT1 capital (sum of 23 to 29)	-		-

	2014 Amount	2013 Amount
..... Rupees in '000		
40.3.3 Tier 2 Capital: regulatory adjustments		
31 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	(40,000)	(50,000)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 Total Regulatory Adjustment applied to T2 capital (sum of 31 to 35)	(40,000)	(50,000)
	2014	2013
40.3.4 Additional Information	Amount	Amount
Risk weighted assets subject to Pre-Basel III Treatment		
37 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	822,242	2,152,053
(iii) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,000,000	3,000,000
42 Cap on inclusion of provisions in Tier 2 under standardized approach	1,323,858	1,250,883
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.4 Capital Structure Reconciliation
Step 1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2014	2014
Rupees in '000		
Assets		
Cash and balances with treasury banks	4,102,133	4,102,133
Balanced with other banks	5,982,441	5,982,198
Lending to financial institutions	820,190	820,190
Investments	29,337,315	29,337,315
Advances	108,553,958	108,552,835
Operating fixed assets	1,581,077	1,565,827
Deferred tax assets	1,528,810	
Other assets	11,656,953	14,540,165
Total assets	163,562,877	164,900,663
Liabilities & Equity		
Bills payable	561,964	561,964
Borrowings	969,349	969,349
Deposits and other accounts	26,701,911	26,701,911
Sub-ordinated loans	-	
Liabilities against assets subject to finance lease	-	
Deferred tax liabilities	-	176,878
Other liabilities	10,698,014	8,794,703
Total liabilities	38,931,238	37,204,805
Share capital/ Head office capital account	12,522,441	12,522,441
Reserves	4,590,135	4,498,502
Unappropriated/ Unremitted profit/ (losses)	14,553,175	17,565,319
Minority Interest	-	
Share deposit money	89,490,985	89,490,985
Surplus on revaluation of assets	3,474,903	3,618,611
Total liabilities	124,631,639	127,695,858
Total liabilities & equity	163,562,877	164,900,663

Step 2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2014	2014	
Rupees in '000			
Assets			
Cash and balances with treasury banks	4,102,133	4,102,133	
Balanced with other banks	5,982,441	5,982,198	
Lending to financial institutions	820,190	820,190	
Investments	29,337,315	29,337,315	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	108,553,958	108,552,835	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	3,000,000	3,000,000	g
Fixed Assets	1,581,077	1,565,827	
Deferred Tax Assets	1,528,810	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	11,656,953	14,540,165	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	103	103	k
<i>of which: Defined-benefit pension fund net assets</i>	822,242	3,396,086	l
Total assets	163,562,877	164,900,663	
Liabilities & Equity			
Bills payable	561,964	561,964	
Borrowings	969,349	969,349	
Deposits and other accounts	26,701,911	26,701,911	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	176,878	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	287,785	-	q
<i>of which: other deferred tax liabilities</i>	(287,785)	-	r
Other liabilities	10,698,014	8,794,703	
Total liabilities	38,931,238	37,204,805	
Share capital	12,522,441	12,522,441	
<i>of which: amount eligible for CET1</i>	12,522,441	12,522,441	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	4,590,135	4,498,502	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	4,590,135	4,498,502	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	14,553,175	17,565,319	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Share deposit money	89,490,985	89,490,985	
Surplus on revaluation of assets	3,474,903	3,618,611	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	3,474,903	3,618,611	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Equity	124,631,639	127,695,858	
Total liabilities & Equity	163,562,877	164,900,663	

Step 3	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from Step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	4,498,502	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/(losses)	17,565,319	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	34,586,262	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	(103)	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,103)	
Common Equity Tier 1	34,536,159	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from 40.4.2
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,476,555	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities	1,279,350	portion of (aa)
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	2,755,905	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	(50,000)	
64 Tier 2 capital (T2)	2,705,905	
65 Tier 2 capital recognized for capital adequacy	2,705,905	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	2,705,905	
TOTAL CAPITAL (T1 + admissible T2)	37,242,064	

40.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Zarai Taraqati Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,522,441
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

40.6 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2014	2013	2014	2013
	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Banks	119,736	232,407	1,197,362	2,324,070
Retail	7,152,636	6,210,220	71,526,362	62,102,197
Loans secured against residential property	50,461	57,170	504,614	571,702
Past due loans	2,038,336	1,914,839	20,383,358	19,148,392
Listed equity investments	-	325,066	-	3,250,660
Investments in fixed assets	158,097	134,710	1,580,974	1,347,096
Other assets	1,071,583	1,132,279	10,715,830	11,322,785
Total credit risk	10,590,849	10,006,691	105,908,500	100,066,902
Off-Balance Sheet				
Non-market related	14	377	140	3,770
	10,590,863	10,007,068	105,908,640	100,070,672
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	640	-	7,995	-
Equity position risk	626,882	-	7,836,028	-
Foreign exchange risk	-	-	-	-
Total market risk	627,522	-	7,844,023	-
Operational risk				
Capital requirement for operational risks	1,737,469	1,516,017	21,718,364	18,950,209
	1,737,469	1,516,017	21,718,364	18,950,209
Total	12,955,854	11,523,085	135,471,027	119,020,881
Capital adequacy ratio				
	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	23.22%	5.00%	24.85%
Tier-1 capital to total RWA	7.00%	23.22%	6.50%	24.85%
Total capital to RWA	10.00%	25.61%	10.00%	29.63%

* As SBP capital requirement of 10% (10% in 2013) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

41 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.
- Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore
- Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management departments independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

41.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio is more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report is also be generated. This enables the management to take proactive measurements for having a quality credit portfolio / products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

41.1.1 Credit Risk - General disclosures

The Bank has adopted Standardized Approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

41.1.2 Credit Risk: Disclosures for portfolio subject to the standardized approach

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank

Credit exposures subject to standardized approach

Exposures	Rating	2014			2013	
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Net amount
..... Rupees '000						
Cash and cash equivalents	-	1,649,439	1,649,439	-	982,838	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	29,488,963	29,488,963	-	24,592,603	-
Claims on banks	-	-	-	-	2,384,996	492,996
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	5,986,810	4,789,448	1,197,362	9,155,372	1,831,074
Claims categorized as retail portfolio	-	95,368,482	23,842,121	71,526,362	82,802,929	62,102,197
Claims fully secured by residential property	-	1,441,753	937,139	504,614	1,633,435	571,702
Past due loans	-	14,743,723	(5,639,635)	20,383,358	13,875,353	19,148,392
Listed equity investments	-	-	-	-	3,250,660	3,250,660
Investments in premises, plant and equipment and all other fixed assets	-	1,580,974	-	1,580,974	1,347,096	1,347,096
All other assets	-	10,715,830	-	10,715,830	11,322,785	11,322,785
		160,975,974	55,067,475	105,908,499	151,348,067	100,066,902

41.1.3 Credit Risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

41.1.4 Credit Risk: Disclosures for portfolio subject to the standardized approach

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due). Advances are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

Concentration of risk

Out of the total financial assets of Rupees 158,714 million (2013: Rupees 146,097 million) the financial assets which are subject to credit risk amount to Rupees 139,996 million (2013: Rupees 127,909 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 25,087 million (2013: Rupees 20,227 million) are guaranteed by the Government of Pakistan.

41.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2014 the composition of equity investments and subsidiary is as follows:

Exposures	Available for Sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	3,918,014	-
Equity investments - others	-	100,000
Total value	<u>3,918,014</u>	<u>100,000</u>

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

Investments - Available for sale
Investment in subsidiary

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiary are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

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 company as per the latest available audited financial statements.

The cumulative unrealized gain of Rupees 4,020.679 million (2013: Rupees 3,173.572 million) is recognized in the statement of financial position in respect of 'available for sale' securities.

41.1.6 Segmental information

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

41.1.7 Segments by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	113,537,306	98.30%	-	-	4,580,091	24.88%
Individuals	-	-	16,916,465	63.35%	1,692,334	9.19%
Others	1,958,460	1.70%	9,785,446	36.65%	12,138,249	65.93%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%
	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
	Agriculture, forestry, hunting and fishing	100,187,375	98.01%	-	-	8,762,497	29.36%
Individuals	-	-	14,831,122	99.49%	1,174,436	3.93%
Others	2,037,154	1.99%	75,460	0.51%	19,911,431	66.71%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

41.1.8 Segments by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	9,736,611	36.46%	12,138,249	65.93%
Private	115,495,766	100.00%	16,965,300	63.54%	6,272,425	34.07%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%
	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
	Public / government *	-	-	23,917	0.16%	19,911,431	66.71%
Private	102,224,529	100.00%	14,882,665	99.84%	9,936,933	33.29%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

* This amount represents deposits belonging to autonomous / semi-autonomous bodies.

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

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000			
Agriculture, forestry, hunting and fishing	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

41.1.10 Details of non-performing advances and specific provisions by sector

Private	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

41.1.11 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	8,327,105	163,509,662	124,631,638	18,410,674

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	5,166,544	148,448,277	32,483,259	29,848,364

41.2 Market risk management

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments / placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of conversion into equity instruments. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

41.2.1 Foreign exchange risk management

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

41.2.2 Equity price risk

The Bank's proprietary positions in the equity instruments expose it to the equity price risk in banking book. Equity price risk is managed by applying limits. The stress test for equity price risk assesses the impact of fall in stock market index. This exercise is done based on the criteria advised by SBP for Stress Testing on Equities.

41.3 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions.

Effective Yield / Interest rate	Total	2014 Exposed to Yield / Interest risk									Not exposed to Yield / Interest risk	
		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	-	4,102,133	-	-	-	-	-	-	-	-	-	4,102,133
Balances with other banks	5.69	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	820,190	820,190	-	-	-	-	-	-	-	-	-
Investments - net	10.08	29,237,315	-	11,570,461	12,541,912	358,862	360,783	155,345	-	39,976	-	4,209,976
Advances - net	12.39	108,553,958	36,693,613	47,439	3,380,196	25,520,951	18,506,237	8,856,122	9,698,049	5,009,432	454,072	387,847
Other assets - net	-	10,070,539	-	-	-	-	-	-	-	-	-	10,070,539
		158,766,576	41,496,244	13,617,900	15,922,108	25,879,813	18,867,020	9,011,467	9,698,049	5,049,408	454,072	18,770,495
Liabilities												
Bills payable	-	561,964	-	-	-	-	-	-	-	-	-	561,964
Borrowings	-	969,349	-	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	7.02	26,701,911	14,107,842	69,109	-	124,731	2,249	272,442	1,331	-	-	12,124,207
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	6,376,521	-	-	-	-	-	-	-	-	-	6,376,521
		34,609,745	14,107,842	69,109	-	1,094,080	2,249	272,442	1,331	-	-	19,062,692
On-balance sheet gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Cumulative yield / interest risk sensitivity gap		124,156,831	27,388,402	40,937,193	56,859,301	81,645,034	100,509,805	109,248,830	118,945,548	123,994,956	124,449,028	124,156,831

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000		Rupees in '000
Total financial assets	158,766,576	Total financial liabilities	34,609,745
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Other liabilities	4,321,493
Operating fixed assets	1,581,077	Total liability as per statement of financial position	38,931,238
Deferred tax assets - net	1,528,810		
Other assets	1,586,414		
Total assets as per statement of financial position	163,562,877		

41.3.1 Mismatch of interest rate sensitive assets and liabilities

2013

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Not exposed to Yield / Interest risk	
		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	-	3,627,922	-	-	-	-	-	-	-	-	-	3,627,922
Balances with other banks	7.27	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	8.65	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-	-
Investments - net	9.92	23,509,958	1,297,847	16,744,800	427,561	1,066,905	464,237	155,345	19,996	-	-	3,333,267
Advances - net	12.35	95,311,716	30,341,193	39,248	2,504,885	25,187,504	16,234,117	7,781,364	8,612,938	3,745,828	524,710	339,929
Other assets - net	-	10,887,238	-	-	-	-	-	-	-	-	-	10,887,238
		146,097,382	42,017,872	19,165,764	2,504,885	25,615,065	17,301,022	8,245,601	8,768,283	3,765,824	524,710	18,188,356
Liabilities												
Bills payable	-	706,265	-	-	-	-	-	-	-	-	-	706,265
Borrowings	6.09	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-	-
Deposits and other accounts	2.34	14,906,582	6,306,159	70,390	100,200	129,037	-	53,258	1,161	-	-	8,246,377
Sub-ordinated loans	bill rate	3,204,323	-	-	-	3,204,323	-	-	-	-	-	-
Other liabilities	-	37,624,741	-	-	-	-	-	-	-	-	-	37,624,741
		111,616,814	10,223,849	70,390	100,200	54,590,573	-	53,258	1,161	-	-	46,577,383
On-balance sheet gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Cumulative yield / interest risk sensitivity gap		34,480,568	31,794,023	50,889,397	53,294,082	24,318,574	41,619,596	49,811,939	58,579,061	62,344,885	62,869,595	34,480,568

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000		Rupees in '000
Total financial assets	146,097,382	Total financial liabilities	111,616,814
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Deferred tax liabilities - net	130,022
Operating fixed assets	1,347,307	Other liabilities	4,218,182
Other assets	903,588	Total liability as per statement of financial position	115,965,018
Total assets as per statement of financial position	148,448,277		

41.4 Liquidity risk

Assets and Liabilities Management Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly, the yields on fund's placement have been constantly increasing.

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

	2014									
	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	4,102,133	4,102,133	-	-	-	-	-	-	-	-
Balances with other banks	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-
Lending to financial institutions	820,190	820,190	-	-	-	-	-	-	-	-
Investments - net	29,337,315	-	11,610,438	12,541,912	358,862	360,783	155,345	-	39,976	4,269,999
Advances - net	108,553,958	36,695,926	52,063	3,387,280	25,532,525	18,535,951	8,876,820	9,725,126	5,120,158	628,109
Other assets - net	11,656,953	1,126,767	781,450	854,481	1,687,833	1,047,876	881,251	1,519,799	1,965,699	1,791,797
Deferred tax assets - net	1,528,810	1,528,810	-	-	-	-	-	-	-	-
Operating fixed assets	1,581,077	-	-	-	198,054	-	-	-	-	1,383,023
	163,562,877	48,256,267	14,443,951	16,783,673	27,777,274	19,944,610	9,913,416	11,244,925	7,125,833	8,072,928
Liabilities										
Bills payable	561,964	561,964	-	-	-	-	-	-	-	-
Borrowings	969,349	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	26,701,911	26,232,049	69,109	-	124,731	2,249	272,442	1,331	-	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,698,014	2,842,386	992,743	84,309	1,761,692	1,907,352	306,802	759,442	1,459,056	584,232
	38,931,238	29,636,399	1,061,852	1,053,658	1,886,423	1,909,601	579,244	760,773	1,459,056	584,232
Net assets	124,631,639	18,619,868	13,382,099	15,730,015	25,890,851	18,035,009	9,334,172	10,484,152	5,666,777	7,488,696
Share capital	12,522,441									
Reserves	4,590,135									
Unappropriated profit	14,553,175									
Surplus on revaluation of assets - net of tax	3,474,903									
Share deposit money	89,490,985									
	124,631,639									

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

2013

	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	3,627,922	3,627,922	-	-	-	-	-	-	-	-
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
Lending to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
Investments - net	23,609,958	1,397,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	3,333,267
Advances - net	95,311,716	30,343,526	42,583	2,511,633	25,201,310	16,252,556	7,800,380	8,639,859	3,858,506	661,363
Other assets - net	11,790,826	2,752,106	520,228	591,162	1,561,129	851,859	730,094	1,321,290	1,768,522	1,694,436
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	1,347,307	-	-	-	367,574	-	-	-	-	979,733
	148,448,277	48,500,233	19,689,327	3,102,795	27,557,574	18,171,320	8,994,711	10,116,494	5,647,024	6,668,799
Liabilities										
Bills payable	706,265	706,265	-	-	-	-	-	-	-	-
Borrowings	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-
Deposits and other accounts	14,906,582	14,552,536	70,390	100,200	129,037	-	53,258	1,161	-	-
Sub-ordinated loan	3,204,323	-	-	-	3,204,323	-	-	-	-	-
Deferred tax liabilities - net	130,022	-	-	-	-	-	-	130,022	-	-
Other liabilities	41,842,923	687,329	358,218	1,317,940	34,612,423	317,940	224,286	591,142	1,037,125	2,696,520
Net assets	32,483,259	28,636,413	19,260,719	1,684,655	(61,645,422)	17,853,380	8,717,167	9,394,169	4,609,899	3,972,279
Share capital	12,522,441									
Reserves	3,506,658									
Unappropriated profit	13,597,945									
Surplus on revaluation of assets - net of tax	2,856,215									
	<u>32,483,259</u>									

41.5 Operational risk

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issue, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.
- With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 27 March 2015 by the Board of Directors of the Bank.

43 GENERAL

- 43.1** Comparative information has been re-classified or re-arranged in these consolidated financial statements for the purposes of better presentation. However, no significant reclassification has been made in these consolidated financial statements.
- 43.2** The figures in the consolidated financial statements are rounded off to the nearest thousand rupees.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
	R/O BHADUR BHAND TALKA MIROKHA											
25	KAMAL KHAN DEH GHARI P.O.SOHBAT PUR	KAMAL KHAN	607-40-008751	MITHA KHAN	0.086	0.878	-	0.964	0.086	0.853	-	0.939
26	SALEEM DAD KHAN VILL ARAZI NOUSHER, BASIRPUR, OKARA	SALEEM DAD KHAN	273-62-126720	JAMIL DAD KHAN	0.595	0.280	-	0.875	0.595	0.264	-	0.859
27	YASMIN BEGUM VILL. HASSAN SHAH, TEHSIL KARAMPUR, SAHIWAL	YASMIN BEGUM	325-89-158574	RIAZ HUSSAIN	0.770	0.961	-	1.731	0.770	0.116	-	0.886
28	MST. NOOR SAIN VILL SHER GARH, KARAMPUR, SAHIWAL	MST. NOOR SAIN	325-31-295873	NOOR MUHAMMAD	0.775	0.937	-	1.712	0.775	0.099	-	0.874
29	SULTAN BIBI VILL ZARKOT, KARAMPUR, SAHIWAL	SULTAN BIBI	325-75-120735	MIAN SHAH SAWAR	0.500	0.018	-	0.518	0.500	0.018	-	0.518
30	MUHAMMAD ANWAR VILL 57 EB, ARIFWALA, SAHIWAL	MUHAMMAD ANWAR	338-86-270599	CHIRAGH HASSAN	0.804	1.230	-	2.034	0.804	0.334	-	1.138
31	MST. GHERO BIBI VILL MATIAL P O GUJER KHAN	MST. GHERO BIBI	217-00-105528	RANG BAZ KHAN	0.300	0.255	-	0.555	0.300	0.255	-	0.555
32	JUMMA MOUZA PI9RKUS, TEHSIL HUB CHOWKI, KARACHI	JUMMA	641-38-064941	MUBARAK	0.372	0.560	-	0.932	0.372	0.188	-	0.560
33	AL SYED DAIRY FARM VILL JERO RATIAL, GUJER KHAN	SYED ZOUQ ALI SHAH	217-49-223755	SYED FEROZ SHAH	1.875	4.044	-	5.919	1.875	1.107	-	2.982
34	MST. RABIA VILL DHOODA, MAILSI VEHARI	SYED FEROZ SHAH MST. RABIA	217-26-202208 325-37-371136	SYED MUHAMMAD SHAH MEHFOOZ ALI	0.313	0.275	-	0.588	0.313	0.265	-	0.578
35	PARVEEN MAI VILL FADDA, MAILSI, VEHARI	PARVEEN MAI	36325-64533948	MUHAMMAD NAWAZ KHAN	0.865	0.812	-	1.677	0.627	-	-	0.627
	MUHAMMAD JAMIL VILL FADDA, MAILSI, VEHARI	MUHAMMAD JAMIL	325-90-234698	FATEH MUHAMMAD								
36	MUHAMMAD ISMAIL KHAN VILL FADDA, MAILSI, VEHARI	MUHAMMAD ISMAIL KHAN	325-60-356466	AHMED YAR	0.603	0.526	-	1.129	0.603	0.026	-	0.629
37	MEHFOOZ ALI VILL FADDA, MAILSI, VEHARI	MEHFOOZ ALI	325-95-39371138	FAJJAR DIN	0.815	0.054	-	0.869	0.813	0.040	-	0.853
38	MUHAMMAD AKMAL KHAN VILL HASSAN SHAH, KARAMPUR,VEHARI	MUHAMMAD AKMAL KHAN	325-89-440640	MUHAMMAD ZAFAR KHAN	0.950	0.567	-	1.517	0.588	0.063	-	0.651
39	MUHAMMAD HAYAT KOHISTAN 7/1, VILL	MUHAMMAD HAYAT	451-38-018449	MIAN DAD	0.100	0.907	-	1.007	0.100	0.884	-	0.984



Statistical ANNEX



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SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

Sr. No.	DESCRIPTION	2010	2011	2012	2013	2014
	<u>DURING THE YEAR</u>					
1	AGRICULTURAL CREDIT DISBURSED	69,561	65,452	64,133	71,107	81,934
2	LOANS TO SUBSISTENCE FARMERS	47,135	44,606	45,207	51,858	61,321
3	2 AS %AGE OF 1	1	1	1	1	1
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	61,174	58,066	57,617	64,575	75,300
5	4 AS %AGE OF 1	1	1	1	1	1
6	FINANCING OF TRACTORS					
	- NUMBER	13,321	908	7,296	9,212	10,554
	- AMOUNT	6,270	431	3,594	5,977	7,489
7	6 AS %AGE OF 1	0	0	0	0	0
8	AGRI. CREDIT RECOVERY	71,936	72,422	67,376	72,636	78,721
9	CUMMULATIVE RECOVERY (%)	1	1	1	1	1
10	TOTAL INCOME	13,248	12,581	15,737	17,856	16,114
11	TOTAL EXPENDITURE	10,370	9,302	11,848	7,746	7,787
12	PROFIT BEFORE TAXATION	2,879	3,277	3,889	5,167	8,327
	<u>AT THE END OF THE YEAR</u>					
1	TOTAL ASSETS	117,586	122,468	131,859	148,448	163,563
2	LOAN PORTFOLIO (NET)	84,793	84,744	88,060	95,312	108,554
3	NUMBER OF ZONAL OFFICES	27	31	31	31	32
4	NUMBER OF BRANCHES	355	359	359	379	416
5	NUMBER OF MCO's	1,362	1,277	1,313	1,308	1,271
6	NUMBER OF REGULAR EMPLOYEES	5,494	5,789	5,724	5,599	5,777

LOANS DISBURSED SINCE INCEPTION: AREA-WISE UPTO 31.12.2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	763,883.676	77.8
2	SINDH	145,567.747	14.8
3	KHYBER PAKHTUN KHWA	55,098.712	5.6
4	BALUCHISTAN	9,960.057	1.0
5	AZAD KASHMIR	3,849.224	0.4
6	GILGIT/BALTISTAN	3,577.756	0.4
	TOTAL	981,937.172	100.0

LOANS DISBURSED : AREA-WISE DURING 01-01-2014 TO 31-12-2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	348,856.000	66,119.011	80.7
2	SINDH	41,377.000	11,294.875	13.8
3	KHYBER PAKHTUN KHWA	17,321.000	3,726.698	4.5
4	BALUCHISTAN	755.000	216.860	0.3
5	AZAD KASHMIR	4,481.000	276.860	0.3
6	GILGIT/BALTISTAN	1,568.000	299.443	0.4
	TOTAL	414,358.000	81,933.747	100.0

**TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

Sr. No.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	303,843	49,514.564	28,424	7,981.532	16,589	8,622.915	348,856	66,119.011
2	SINDH	36,978	10,104.572	3,638	853.960	761	336.343	41,377	11,294.875
3	KHYBER PAKHTUN KHWA	13,632	3,130.112	3,244	444.046	445	152.540	17,321	3,726.698
4	BALUCHISTAN	662	177.715	46	10.382	47	28.763	755	216.860
5	AZAD KASHMIR	3,837	195.882	623	66.076	21	14.902	4,481	276.860
6	GILGIT/BALTISTAN	570	162.784	985	127.970	13	8.689	1,568	299.443
	TOTAL	359,522	63,285.629	36,960	9,483.966	17,876	9,164.152	414,358	81,933.747

**LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2014 TO 31.12.2014**

(RUPEES MILLION)

Sr. No.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	409,412.000	81,219.481	99.1
2	HYPOTHECATION LOANS	324.000	93.860	0.1
3	PERSONAL SURETY LOANS	3,217.000	102.524	0.1
4	OTHER SECURITY	1,405.000	517.882	0.7
	TOTAL	414,358.000	81,933.747	100.0

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2014**

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSED	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since Inception upto 31-12-2003	299,868.874	450,648.000	73,726.696	132,613.000	12,630.003
2004	33,714.580	7,848.000	1,952.655	4,369.000	845.424
2005	39,356.053	10,807.000	2,893.575	3,895.000	703.891
2006	52,520.505	9,052.000	2,512.927	1,918.000	292.898
2007	55,912.018	10,275.000	3,478.103	1,218.000	178.114
2008	70,698.335	16,143.000	5,741.191	1,941.000	340.850
2009	77,680.431	24,596.000	9,994.861	1,917.000	360.733
2010	69,561.375	13,321.000	6,269.645	1,839.000	397.014
2011	65,451.788	908.000	431.248	1,745.000	476.253
2012	64,132.759	7,296.000	3,594.398	2,051.000	524.817
2013	71,106.707	9,212.000	5,976.749	1,522.000	575.109
2014	81,933.747	10,554.000	7,489.295	1,569.000	608.154
TOTAL	981,937.172	570,660.000	124,061.343	156,597.000	17,933.260

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
I. DEVELOPMENT LOANS	54,836.000	18,648.118	22.8
1. TRACTORS	12,542.000	7,489.295	9.1
2. DAIRY FARMING	25,772.000	7,240.714	8.8
3. FARM EQUIPMENT	1,945.000	455.148	0.6
4. TUBEWELLS	1,625.000	608.154	0.8
5. LIVESTOCK	8,645.000	1,936.593	2.4
6. POULTRY FARMING	28.000	4.586	-
7. ORCHARDS	316.000	61.261	0.1
8. LAND DEVELOPMENT	532.000	68.314	0.1
9. FISHERIES	6.000	1.970	-
10. FARM TRANSPORTATION	3.000	0.220	-
11. GODOWN/ COLD STORAGE	1,396.000	501.612	0.6
12. OTHERS	2,026.000	280.251	0.3
II. PRODUCTION LOANS	359,522.000	63,285.629	77.2
1. FERTILIZER	172,571.000	30,377.102	37.1
2. PESTICIDES	68,309.000	12,024.270	14.7
3. SEEDS	100,666.000	17,719.976	21.6
4. LABOUR HIRE/ OTHER CHARGES	6.000	0.490	-
5. WORKING CAPITAL FOR POULTRY	4,533.000	818.724	1.0
6. WORKING CAPITAL FOR DAIRY	7,277.000	1,721.652	2.1
7. WORKING CAPITAL FOR LIVESTOCK	18.000	2.751	-
8. WORKING CAPITAL FOR FISHERIES	83.000	10.937	-
9. OTHERS	6,059.000	609.727	0.7
TOTAL:-	414,358.000	81,933.747	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25,000/-	9,349.000	2.300	190.367	0.2
RS.25,001 TO 50,000/-	40,250.000	9.700	1,584.218	1.9
RS.50,001 TO 100,000/-	99,088.000	23.900	7,668.141	9.4
RS.100,001 TO 200,000/-	117,384.000	28.300	16,642.531	20.3
RS.200,001 TO 500,000/-	120,162.000	29.000	37,926.276	46.3
RS.500,001 TO 1,000,000/-	27,679.000	6.700	17,245.876	21.1
OVER 1,000,000/-	446.000	0.100	676.338	0.8
TOTAL	414,358.000	100.000	81,933.747	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	83	0.0	6.696	0.0
B. OWNERS				
UNDER 5.1 HECTARES (UNDER 12.5 ACRES)	346,882	83.7	59,611.364	72.8
5.1 TO UNDER 6.5 HECTARES (12.5 TO UNDER 16 ACRES)	23,442	5.7	6,914.090	8.4
6.5 TO UNDER 10.1 HECTARES (16 TO UNDER 25 ACRES)	25,171	6.1	8,767.928	10.7
10.1 TO UNDER 13 HECTARES (25 TO UNDER 32 ACRES)	6,584	1.6	2,421.312	3.0
13 TO UNDER 20.2 HECTARES (32 TO UNDER 50 ACRES)	6,843	1.6	2,471.319	3.0
20.2 TO UNDER 26 HECTARES (50 TO UNDER 64 ACRES)	2,042	0.5	674.362	0.8
26 HECTARES & ABOVE (64 ACRES & ABOVE)	3,311	0.8	1,066.676	1.3
TOTAL	414,358	100.0	81,933.747	100.0

RECOVERY POSITION DURING 01-01-2014 TO 31-12-2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	68,566.625	63,591.135	92.7
2	SINDH	12,014.176	10,389.047	86.5
3	KHYBER PAKHTUN KHWA	4,459.852	4,034.894	90.5
4	BALUCHISTAN	239.898	182.691	76.2
5	AZAD KASHMIR	285.841	283.040	99.0
6	GILGIT/BALTISTAN	272.690	240.324	88.1
	TOTAL	85,839.082	78,721.131	91.7

**CUMMULATIVE RECOVERY SINCE INCEPTION
UPTO 31.12.2014**

(RUPEES MILLION)

Sr. No.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2014	RECOVERY RATE (%)
1	PUNJAB	779,309.589	774,334.099	4,975.490	99.4
2	SINDH	142,580.623	140,955.494	1,625.129	98.9
3	KHYBER PAKHTUN KHWA	57,329.859	56,904.901	424.958	99.3
4	BALUCHISTAN	7,564.014	7,506.806	57.208	99.2
5	AZAD KASHMIR	3,605.177	3,602.377	2.800	99.9
6	GILGIT/BALISTAN	3,287.764	3,255.398	32.366	99.0
	TOTAL	993,677.026	986,559.075	7,117.951	99.3

**STAFF POSITION
(REGULAR EMPLOYEES)**

(NUMBERS)

YEAR	OFFICERS	STAFF	TOTAL	M.C.O's.
CY' 2003	3,711	2,027	5,738	1,363
CY' 2004	3,657	1,934	5,591	1,328
CY' 2005	3,609	1,934	5,543	1,311
CY' 2006	3,485	1,841	5,326	1,258
CY' 2007	3,629	1,704	5,333	1,269
CY' 2008	3,651	1,635	5,286	1,243
CY' 2009	3,709	1,565	5,274	1,212
CY' 2010	3,930	1,564	5,494	1,362
CY' 2011	4,145	1,644	5,789	1,277
CY' 2012	4,095	1,629	5,724	1,313
CY' 2013	4,218	1,381	5,599	1,308
CY' 2014	4,581	1,196	5,777	1,271

NETWORK OF FIELD OFFICES AS ON 31.12.2014

(NUMBERS)

Sr. No.	PROVINCES / AREAS	ZONAL	BRANCHES
1	PUNJAB	17	221
2	SINDH	6	89
3	KHYBER PAKHTUN KHWA	4	53
4	BALUCHISTAN	3	33
5	AZAD KASHMIR	1	11
6	GILGIT/BALTISTAN	1	9
	TOTAL	32	416

ANNUAL REPORT
2014



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