



پاک وطن ہے اپنی جان

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For Askari Bank, our relationship with our clients is what matters the most. It is the foundation of our core belief – *Pak Watan Hai Apni Jaan* (Our Pakistan, Our Pride) – which has guided us through the last twenty-three years.

In our cover, we pause and reflect on the essence of what makes us who we are. As Pakistanis, our indomitable spirit is our greatest strength; which has helped us endure and thrive in the most uncertain times. Today, it has become the stepping stone behind our illustrious journey – the enduring bond that unites and defines us for the past we share and the future we wish to create.

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23 YEARS OF BANKING

Askari Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It commenced operations on April 1, 1992, and is principally engaged in the business of banking, as defined in the Banking Companies Ordinance, 1962. The Bank is listed on Karachi, Lahore and Islamabad Stock Exchanges.

Askari Bank has since expanded into a network of 321 branches / sub-branches, including 53 dedicated Islamic banking branches / sub-branch, and a wholesale bank branch in Bahrain.

A shared network of over 9,000 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As at December 31, 2014, the Bank had equity of Rs. 23.7 billion and total assets of Rs. 447 billion, with 955,156 banking customers, serviced by our 5,894 employees. Askari Investment Management Limited and Askari Securities Limited are subsidiaries of Askari Bank engaged in the business of managing mutual funds and share brokerage, respectively.

KEY FINANCIAL HIGHLIGHTS FOR 2014

Rupees in million	2014	2013	Growth%
Total assets	447,083	394,827	13.2
Deposits	387,587	335,241	15.6
Advances - net	170,496	163,557	4.2
Investments	217,214	165,863	31.0
Shareholders' equity	23,707	18,729	26.6
Operating profit	6,103	2,663	129.2
Profit / (loss) before taxation	5,781	(8,441)	168.5
Profit / (loss) after taxation	4,015	(5,480)	173.3
Capital adequacy ratio - percent	13.03	10.39	~
Cash dividend per share - rupees	2.0	-	-
Market value per share - rupees	23.1	14.0	64.8
Net book value per share - rupees	18.8	14.9	26.6

22.4% Return on Core Equity
(2014) 2013: -32.1%

Rs. 3.2 Earnings Per Share
(2014) 2013: Rs. -5.9

1.0% Return on Assets
(2014) 2013: -1.5%

64.5% Cost to Income Ratio
(2014) 2013: 78.2%



VISION

To be the bank of first choice in the region

MISSION

To be the leading bank in Pakistan with an international presence, delivering quality service through innovative technology and effective human resource management in a modern and progressive organizational culture of meritocracy, maintaining high ethical and professional standards, while providing enhanced value to all our stakeholders, and contributing to society

PAKISTAN'S PROFILE

Country Statistics

Land area - sq. km	796,100
Population - million	188
Population Growth - percent	1.95
Population Density - people / sq. km	236
Life expectancy - years	66
Literacy - percent	60

Economic Indicators

At fiscal year end	2009-10	2010-11	2011-12	2012-13	2013-14
GDP Growth Rate - percent	2.6	3.6	3.8	3.7	4.1
Exports - USD Million	19,680	25,369	24,718	24,802	25,075
Imports - USD Million	31,132	35,796	40,371	40,157	41,630
Inflation - percent	10.1	13.7	11.0	7.4	8.0
Trade Balance - USD Million	(11,452)	(10,427)	(15,653)	(15,355)	(16,555)
Foreign currency reserves - USD Million	16,750	18,244	15,289	11,020	14,141
Exchange Rate - USD	85.51	85.97	94.55	99.66	98.80
Exchange Rate - Euro	104.82	124.54	118.99	130.18	134.94

Banking System

At financial year end	2010	2011	2012	2013	2014
Net assets of banking system - PKR Billion	695	784	873	943	1,207
Total assets of banking system - PKR Billion	7,117	8,171	9,720	10,487	12,106
Capital adequacy ratio - percent	13.9	15.1	15.6	14.9	17.1
Advances / Deposits ratio - percent	61.6	53.6	52.2	49.5	48.2
Return on Assets (before tax) - percent	1.5	2.2	2.0	1.6	2.2
Return on Equity (before tax) - percent	15.5	23.0	21.2	17.9	24.3
KSE 100 index - points	12,022	11,348	16,905	25,261	32,131
KSE Market capitalization - PKR Billion	3,269	2,946	4,242	6,057	7,381

Source: Websites of Ministry of Finance - Govt. of Pakistan, the State Bank of Pakistan and Karachi Stock Exchange



PRODUCTS & SERVICES

Branch Banking

Through a branch network in major cities, towns and cantonments, made up of conventional, corporate, consumer, Islamic, as well as agricultural banking service branches, we aim to provide our customers with a wide array of offerings catering to their banking needs.

Askari Bachat Account

Askari Mahana Bachat Account is a term deposit designed for individuals with a medium term investment appetite. It offers customers the option of investing for one and two years tenures and has been designed keeping in view savings needs of customers who want profit on a monthly basis. With competitive rates of return paid monthly on the 1st of every following month and the option of getting a financing facility of up to 90 percent, Askari Bachat Account caters to customers saving needs without blocking their funds for a longer duration.

Value Plus Current Deposit

Askari Value Plus Current Account offers value and flexibility. This product promises greater financial freedom and security with matching flexibility. Now customers (individuals) can open a "Value Plus Current Account" to avail the benefit of free life insurance coverage of upto Rs. 2 million, debt card with two supplementary cards, I-Net facilities, SMS alerts, issuance of cheque books, payorders, demand drafts, with no minimum balance requirements.

Current Account

Current accounts cater to the variety of financial needs of our diverse customer base with added benefits of free cheque book, issue of demand drafts / pay-orders and much more.

Savings Account

Saving accounts offered by the Bank to both individual and institutional customers include Askari Special Deposit and normal saving account based on profit and loss sharing basis. Askari saving deposits offer attractive features and competitive returns and certain flexibility similar to current accounts.

Rupee Traveler Cheques

Askari Bank offers customers a widely accepted 'Rupee Traveler Cheques', which eliminates all financial risks while traveling. It is a safe and secure way to make payments.

Bancassurance

The Bank offers innovative banking solutions with a touch of insurance in it by fusion of banking, wealth management and insurance products. In partnership with Eastern Federal Union (EFU) Life and Jubilee Life Insurance Company Limited, the Bank offers its customers with value added life insurance and wealth management products tailored to suit their long term financial requirements and protection plans through select branches.

ASK Sona Card

ASK SONA CARD is a joint venture of Askari Bank Limited & Fauji Fertilizer Company Limited (FFC), specially designed to create convenience and cater to the business needs of FFC and its dealers. It is an innovative, electronic cash management solution that replaces the existing conventional collections system. It is a transaction specific debit card with plastic money features which will replace the conventional transfer of funds.

Askari Aasaan Money Transfer

Aasaan Money Transfer is a service offered by Askari Bank providing quick and free home remittances of overseas Pakistanis to beneficiaries in Pakistan received through our arrangements of correspondent banks and exchange companies. Aasaan Money Transfer is completely cost free and is available for all citizens across the country.

Our Home Remittance Department has dedicated team of customer service officers who are available to respond to the queries of remitters and beneficiaries of the remittances.

Corporate & Investment Banking

At Askari, we understand the unique business requirements of our corporate and institutional clients, and accordingly the Bank's Corporate and Investment Banking Group (CIBG) strives to meet their expectations through provision of



customized and relationship based banking approach.

Corporate, Commercial & SME Banking

Corporate Banking works on a long-term relationship based business model to provide a single point within the Bank for meeting all business requirements of its corporate and institutional customers, including public sector enterprises, with the primary objective of enhancing customer service. Dedicated relationship managers for each of our corporate client ensure customer satisfaction, which remains top priority. Our relationship oriented outlook focuses upon providing a complete array of tailored financing solutions, that are practical and cost effective, some of which include:

- Working Capital Facilities
- Term Loans

- Structured Trade Finance Facilities
- Letters of Guarantee
- Letters of Credit
- Fund Transfers / Remittances
- Bill Discounting
- Export Financing
- Receivable Discounting

Investment Banking

Investment Banking focuses on origination and execution of a range of financial advisory and capital raising services to corporate and institutional clients besides actively managing the Bank's proprietary investments in the local equity and debt markets. Investment Banking offers various tailored financial solutions including debt syndications, project finance and advisory services, debt placements through capital markets as well as structured trade finance facilities. Whether a company is seeking to access the local or cross border syndications

and debt capital markets, project financing needs, advisory services related to M&A or the local equity capital markets for raising capital, Askari Bank's Investment Banking is well positioned to provide due assistance. We create and tailor the right structured solutions for the customers' needs in order to enhance businesses wealth and market competitiveness.

Consumer Banking

Askari Bank's consumer finance is focused on enhancing retail portfolio through new and improved initiatives and products. Special attention is given to business opportunities involving strategic alliances to earn sustainable returns, with greater emphasis on secured form of consumer lending and an aim to increase product offerings while improving and maintaining quality of asset portfolio.

PRODUCTS & SERVICES

Ask4Car

It is a product for vehicle financing for both new and used vehicles at affordable and competitive mark-up, easy processing without any hidden costs.

Personal Finance

With unmatched financing features in terms of loan amount, payback period and most affordable monthly installments, Askari Bank's personal finance makes sure that the customer gets the most out of their loan; the product tenure ranges from one to five years and is designed primarily for salaried individuals.

Mortgage Finance

Whether our customer plan to construct a house, buy a constructed house, or renovate a house, Askari mortgage finance enables them to pursue their goal without any problem. Mortgage is a premium home financing product for customers belonging to the upper, upper middle and middle income groups, residing in the urban areas of Pakistan.

Master Credit Card

Askari Bank offers a competitive suite of silver, gold and platinum Master Credit cards focusing on providing superior services, travel privileges, and shopping pleasures. It also offers reward points and transactional alerts through SMS as enhanced security feature.

Askari World Master Card

During the year, Askari Bank pioneered Pakistan's first ever 'World MasterCard' in collaboration with MasterCard international – world card is specifically developed for Bank's customers seeking extravagance and high class service worldwide.

Askari Branchless Banking

Jointly with China Mobile Pakistan, Askari Bank launched branchless banking program under the brand name of "Timepey" during 2012. With this program, banking has become very convenient, easy and secured yet much more efficient. Branchless banking customers enjoy the benefit of sending or receiving funds at anytime and to any place within the country. A wide network of Timepey shops across Pakistan are fully equipped to handle day to day needs of the customers. Under the program, following transactions are currently being handled:

Timepey Money Transfer

Using Timepey Money Transfer, customers can now send and receive money from any Timepey outlet in the most efficient, secure and convenient way. Following funds transfers are catered under this facility:

- Person to Person Funds Transfer
- Government to Person Funds Transfer
- Person to Account Funds Transfer
- Account To Person Funds Transfer

- Account to Account Funds Transfer

Timepey Utility Bill Payment

Timepey account holders and non account holders can pay all your utility bills through Timepey instantly and without any charges. Just dial *888# from mobile phone without leaving the comfort of your home, or visit any Timepey agent for cash payment.

Timepey mobile top-up

With Timepey account customers can purchase prepaid airtime and pay postpaid bills any time anywhere from their own mobile phone. This service is available to Zong customers having a Timepey account.

Agricultural Banking

Agricultural banking products and services are specifically designed for Pakistan's crop farming, other farming and rural business segment. Agricultural Banking products and services, some of which are listed below, offer improved and efficient delivery and control mechanism for meeting increased demand for credit by the farmers in easy, accessible and affordable manner.

- Kissan Ever Green Finance
- Kissan Tractor Finance
- Kissan Livestock Development Finance
- Kissan Farm Mechanization Finance
- Kissan Aabpashi Finance

Islamic Banking

With the help of the Bank's Shariah Advisor and professional bankers, Askari Islamic banking provides Riba free and Shariah compliant solutions to various customer segments through its 53 dedicated Islamic Banking Branches, spread across the country.

Islamic Deposit Products

Our customers enjoy the freedom to choose from a wide array of deposit product menu that offer flexible term deposit schemes, current accounts and savings accounts.

Our AHSAN Munafa product is a chequing account that offers higher expected monthly returns calculated on a daily product basis. Askari Halal Saving Account is tailored to meet all business requirements of our customers and offers a host of free value added services. Askari Islamic Investment Certificates is a Mudarabah based term deposit product which allows the customers to invest their savings for different tenors ranging from 3 months to 5 years and earn Halal returns on periodic basis.

Islamic Consumer Banking Products

On the consumer banking front, Askari Ijarah Bis Sayyarah allows the customers to drive a car of their choice, while the Askari Home Musharakah allows the customers to purchase, build, renovate a home and transfer existing house finance facility from other financial institutions.

Islamic Corporate Banking

Our continuous efforts to provide a diversified range of Shariah compliant, innovative financial products and solutions to the corporate / commercial clients continue to win us new relationships. Working capital facilities are primarily provided under Murabaha and Salam whilst the term facilities are rendered under Diminishing Musharakah and Ijarah mode of Islamic Finance.

Alternate Delivery Channels

Internet (I.NET) Banking

Askari's I.Net banking assures convenient banking from the comfort of your home. Now, customers are no longer required to wait in long and worrisome queues for a financial transaction, 24/7 balance inquiry, statement of accounts, fund transfer, utility bill payment etc.

Call Center

Askari's Call Center provides a single point of contact for all of its customers, yet offer unique and individualized services on real time information for its time-conscious customers; it is operated 24/7 and service customers for providing information of products and services, handling inquiries, attending requests.

Automated Teller Machine (ATM)

Askari Bank is a member of two electronic ATM inter-bank connectivity platforms i.e., MNET and 1-link. Through this shared network of online over 9,000 ATMs including Askari Bank's 356 dedicated ATMs covering major cities in Pakistan supports the delivery channels for customer service. It provides services of e-banking and payment system products.

Visa Debit Card

Askari Visa Debit Card enables customers access to convenient banking services; now you can manage your account, withdraw cash, make purchases and transfer your funds through Askari Visa Debit Card, which also offers the convenience of a credit card without the hassle of monthly bills and interest charges. No minimum balance requirements for issuance or retention of the VISA Debit Card. An eligible customer may apply for any of the debit cards i.e. classic or gold.

** Above referred products and services are subject to various terms and conditions. Further details about the products listed above or additional offerings of Askari Bank, any of our branches may be contacted at toll free 0800-00078 or our website www.askaribank.com.pk may be visited.*

CORPORATE INFORMATION

Board of Directors

Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd)
Chairman – Non-Executive Director

Lt Gen Naeem Khalid Lodhi, HI (M) (Retd)
Non-Executive Director

Lt Gen Muhammad Haroon Aslam, HI (M), S Bt (Retd)
Non-Executive Director

Mr. Qaiser Javed
Non-Executive Director

Dr. Nadeem Inayat
Non-Executive Director

Mr. Manzoor Ahmed
Non-Executive Director – NIT Nominee

Mr. Asif Reza Sana
Independent Director

Mr. Zaffar Ahmad Khan
Independent Director

Mr. Tariq Hafeez Malik
Independent Director

Mr. Muhammad Ghous
Independent Director

Syed M. Husaini
President & Chief Executive

Board Committees

Audit & Compliance

Mr. Asif Reza Sana
Chairman

Mr. Qaiser Javed

Dr. Nadeem Inayat

Mr. Manzoor Ahmed

Mr. Tariq Hafeez Malik

Risk Management

Dr. Nadeem Inayat
Chairman

Mr. Qaiser Javed

Mr. Asif Reza Sana

Syed M. Husaini

Human Resource & Remuneration

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

Mr. Qaiser Javed

Mr. Zaffar Ahmad Khan

Syed M. Husaini

Information Technology

Mr. Tariq Hafeez Malik
Chairman

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

Syed M. Husaini



Chief Financial Officer

Mr. Saleem Anwar, FCA

Company Secretary

Mr. Umar Shahzad, FCIS

Auditors

KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisors

RIAA Law
Advocates & Corporate Counselors

Shariah Advisor

Dr. Muhammad Tahir Mansoori

Registered / Head Office

AWT Plaza, The Mall
P. O. Box No. 1084
Rawalpindi – 46000
Pakistan.
Tel: (92 51) 906 3000
Fax: (92 51) 927 2455 & (92 51) 927 2445
E-mail: webmaster@askaribank.com.pk

Registrar & Share Transfer Office

THK Associates (Private) Limited
Ground Floor, State Life Building No.3
Dr. Ziauddin Ahmad Road
P. O. Box: 8533
Karachi – 75530
Tel: (92 21) 111 000 322
Fax: (92 21) 35655595

Entity Ratings

Long Term: AA
Short Term: A1+
By JCR-VIS Credit Rating Company Limited

Website

www.askaribank.com.pk

NOTICE OF THE 23rd ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Tuesday, March 31, 2015 at 10:00 am at Pearl Continental Hotel, Rawalpindi to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 22nd Annual General Meeting held on March 30, 2014.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2014 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2015 and to fix their remuneration.

The retiring auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, having completed five consecutive years period, are not eligible for re-appointment in terms of the Code of Corporate Governance 2012, which requires Banks to change auditors after every five years. The Board of Directors, on the recommendation of Board's Audit and Compliance Committee, propose appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as auditors of the Bank for the year ending December 31, 2015 in place of the retiring auditors. M/s A. F. Ferguson, Chartered Accountants, being eligible, have offered themselves for appointment.
4. To approve, as recommended by the Directors, payment of final cash dividend @10% i.e. Re.1/- per share for the financial year 2014, in addition

to 10% interim cash dividend already paid.

Special Business:

5. To consider and if deemed fit, approve and adopt the alteration in the Article no. 106 of the Articles of Association of the Bank and pass the following special resolutions with or without modification(s):

"Resolved that pursuant to Section 28 of the Companies Ordinance, 1984 the Articles of Association of the Bank be altered in the following manner:

Article 106 of the Articles of Association of the Bank be deleted and in its place the following new Article be substituted:

Every Director, other than the President & Chief Executive or Executive Director, shall be entitled to be paid a fee as decided by the Board for attending Board / Board Committee meetings. Every Director shall be entitled to be reimbursed expenses incurred in consequences of his attendance at meetings of the Directors."

"Further Resolved that the President & Chief Executive and Company Secretary of the Bank be and are hereby authorized to either singly or jointly, take all steps necessary, ancillary and incidental for registering and amending the Articles of Association of

the Company, including but not limited to filing of all the requisite statutory forms and all other documents as may be required to be filed with the Companies Registration Office of the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan, submitting all such documents as may be required with the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the amendment in the Articles of Association."

6. Acquisition of Foundation Securities (Private) Limited (FSL)

To consider and, if thought fit, pass the following as special resolutions for the acquisition of between 29,163,680 (Twenty Nine Million One Hundred Sixty Three Thousand Six Hundred Eighty) and 30,460,060 (Thirty Million Four Hundred Sixty Thousand Sixty) shares of FSL (being between 95.74% and 100% of the issued and paid up share capital of FSL) from the shareholders of FSL (including Fauji Foundation) by the Bank.

The special resolutions to be passed are as under:

“RESOLVED THAT pursuant to Section 208 of the Companies Ordinance, 1984, the Bank be and is hereby authorized to acquire between 29,163,680 (Twenty Nine Million One Hundred Sixty Three Thousand Six Hundred Eighty) and 30,460,060 (Thirty Million Four Hundred Sixty Thousand Sixty) shares of FSL (being between 95.74% and 100% of the issued and paid up share capital of FSL) from the shareholders of FSL (including Fauji Foundation) at a price of PKR 8.16 (Pak Rupees Eight & Paisas Sixteen only) per share.

FURTHER RESOLVED that the President & CE of the Bank or any officer authorized by the President & CE, be and is hereby authorized and empowered to act on behalf of the Bank to implement the objective of this Special Resolution to all intents and purposes and do all acts, deeds and things necessary for the same, including but not limited to negotiate, finalize, execute and ensure delivery of all deeds and documents on behalf of the Bank.”

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

By Order of the Board



Umar Shahzad
Company Secretary

Rawalpindi
March 8, 2015

NOTES

1. The statement under section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business to be transacted at the meeting is annexed.
2. The Share Transfer books of the Bank will remain closed from March 24, 2015 to March 31, 2015 (both days inclusive). Transfers received at M/s THK Associates (Private) Limited, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmad Road, Karachi-75530, the Registrar and Share Transfer Office of the Bank at the close of the business on March 20, 2015 will be treated in time.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
4. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
5. The instrument appointing a proxy, together with attested copy of Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
6. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.
7. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
8. Copy of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
9. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
10. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.
11. The Government of Pakistan through Finance Act, 2014 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies/banks. These rates are as follows:
 - a) For filers of income tax returns—10%
 - b) For non-filers of income tax returns—15%

NOTICE OF THE 23rd ANNUAL GENERAL MEETING

To enable the Bank to make tax deduction on the amount of cash dividend @ 10% instead of 15 % all shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @15% instead of 10%.

Special Notes to the Shareholders:

12. Submission of Copies of CNIC (Mandatory):

The Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831(I)/2012 dated July 5, 2012 and SRO 19 (I)/2014 dated January 10, 2014 has made it mandatory that the dividend warrants should bear the Computerized Identity Card Number (CNIC) of the registered member or authorized person, except in the case of minor(s) and corporate members. Therefore individual members or their authorized representatives who have not yet provided an attested copy of their valid CNICs to the Shares Registrar are requested to provide the same at their earliest to avoid any inconvenience. The corporate entities are requested to provide their National Tax Number (NTN).

13. Dividend Mandate (Optional):

In order to make the process of payment of cash dividend more efficient, SECP vide its Circular No. 8(4) SM/CDC 2008 dated April 5, 2013 has issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. The shareholders may, therefore, authorize the Bank to credit the dividend directly to their bank account for all future dividends declared by the Bank. Accordingly, all non-CDC shareholders are requested to send their bank account details to the Bank's Share Registrar at the address given above. Shareholders who hold shares with Participant/ Central Depository Company of Pakistan Limited (CDC) are advised to provide the mandate to the concerned Stock Broker / Central Depository Company of Pakistan Limited.

14. Transmission of Audited Financial Statements & Notices to members through email:

In terms of S.R.O. 787(I)/2014 of SECP, the Bank has made available on its website, a Standard Request Form, which members may use to communicate their e-mail address and consent for electronic transmission of Audited Financial Statements and Notice, alongwith postal and e-mail address of Share Registrar to whom such requests shall be sent.

15 Consent for Video Conference Facility

In compliance of Circular No. 10 dated May 21, 2014 of Securities & Exchange Commission of Pakistan (SECP), shareholders of the Bank are informed that they can also avail video conference facility in Lahore & Karachi. In this regards please fill the following and submit to registered address of the Bank 10 days before holding of general meeting.

If the Bank receives consent from members holding in aggregate 10 % or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

I/We,----- of -----,being a member of Askari Bank Limited, holder of ----- Ordinary Share(s) as per Register Folio No.----- hereby opt for video conference facility at ----- .

Signature of Member

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

This statement sets out the material facts pertaining to the special business to be transacted at the 23rd Annual General Meeting of the Bank to be held on March 31, 2015.

Item No. 5 of the Notice – Amendment in Articles of Association

The Board of Directors have approved and recommended the alteration in the Article 106 for Remuneration of Directors by substituting the existing Article

with new Article 106 of Articles of Association.

Comparison of Article 106 of the Articles of Association before and after the proposed change is as follows:

	Existing	Proposed
106	Remuneration Payable to Directors of the Company for attending Board Meetings shall not exceed Rs. 50,000 and remuneration payable to Directors of the Company for attending meetings of Board Committees shall not exceed Rs. 25,000 and a Director who performs extra service or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowance and perquisites etc, or partly in one way and partly in another) as the members may fix and the Company may also pay any Director all such reasonable expenses as may be incurred in attending and returning from Board meetings or meetings of Board Committees or which he may otherwise incur in or about the business of the Company.	Every Director, other than the President & Chief Executive or Executive Director, shall be entitled to be paid a fee as decided by the Board for attending Board / Board Committee meetings. Every Director shall be entitled to be reimbursed expenses incurred in consequences of his attendance at meetings of the Directors.

Interest of the Directors and their relatives

The Directors of the Bank and their relatives have no interest in the proposed amendments in the Articles of Association of the Bank except to the extent of the proposed amendments in the Clause 106 for Remuneration of Directors.

Inspection of Documents

Copies of Memorandum and Articles of Association of the Bank, Statement under Section 160 (1) (b) of the Companies Ordinance, 1984, Annual and Quarterly financial statements as the case may be and other related information/

documents of the Bank which may be inspected/procured during business hours on any working day at the Registered Office of the Bank from the date of publication of this notice till conclusion of the Annual General Meeting.

Item No. 6 of the Notice – Acquisition of shares of Foundation Securities (Private) Limited

Foundation Securities (Private) Limited ("FSL") is a private limited company, primarily involved in the business of brokerage and holds a trading rights entitlement certificate issued by the Karachi Stock Exchange Limited. FSL's issued and paid up share capital

is currently PKR 304,600,600/- (Pak Rupees Three Hundred Four Million Six Hundred Thousand Six Hundred only), divided into 30,460,060 (Thirty Million Four Hundred Sixty Thousand Sixty) shares of PKR 10/- (Pak Rupees Ten only) each, out of which 95.74% are currently held by Fauji Foundation, which is also a sponsor shareholder of Askari Bank Limited (the "Bank").

The Bank is desirous of acquiring between 29,163,680 (Twenty Nine Million One Hundred Sixty Three Thousand Six Hundred Eighty) and 30,460,060 (Thirty Million Four Hundred Sixty Thousand Sixty) shares of FSL (being between 95.74% and 100% of the issued and paid up share capital of FSL)

NOTICE OF THE 23rd ANNUAL GENERAL MEETING

from the shareholders of FSL (including Fauji Foundation) at a price of PKR 8.16 (Pak Rupees Eight & Paisas Sixteen only). The Bank currently has an existing subsidiary which is involved in the business of brokerage i.e. Askari Securities Limited, and is desirous to expand the operations of the same. Subsequent to the acquisition (or simultaneously if required),

the Bank intends on merging the companies, with FSL being the surviving entity.

The above acquisition / investment has been approved by the Board of Directors of the Bank in their meeting held on February 13, 2015 at Fauji Foundation Head Office, Tipu Road, Rawalpindi.

Since FSL is an associated company / undertaking of the Bank, the approval of the shareholders of the Bank is required under section 208 of the Companies Ordinance, 1984.

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16 January 2012 is set out below:

Name of the associated company	Foundation Securities (Private) Limited ("FSL").
Relationship with associated company	The same is an associated company as Fauji Foundation, which (directly and indirectly) owns a significant portion of the shares of the Bank, also owns 95.74% of the shares of FSL.
Purpose, benefits and period of investment	The purpose of the investment is to acquire between 29,163,680 (Twenty Nine Million One Hundred Sixty Three Thousand Six Hundred Eighty) and 30,460,060 (Thirty Million Four Hundred Sixty Thousand Sixty) shares of FSL (being between 95.74% and 100% of the issued and paid up share capital of FSL) from the shareholders of FSL (including Fauji Foundation) and subsequently (or simultaneously if required) merge the same with the existing subsidiary of the Bank also involved in the business of brokerage (i.e. Askari Securities Limited). The same will, inter alia, allow the business to grow and is expected to reap rewards for the Bank, being its shareholder. The period of the investment will depend on the performance of the operations.
Maximum Amount of investment	Up to PKR 248,554,090/- (Pak Rupees Two Hundred Forty Eight Million Five Hundred Fifty Four Thousand Ninety only).
Maximum Price at which securities will be acquired.	PKR 8.16 (Pak Rupees Eight & Paisas Sixteen only) per share of FSL.
Number of securities and percentage thereof held before and after the proposed investment.	Currently held: Nil The Bank intends on acquiring between 95.74% and 100% of the issued and paid up share capital of FSL, comprising between 29,163,680 and 30,460,060 ordinary shares of FSL.
In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1).	Between PKR 8.20 (Pak Rupees Eight and Paisas Twenty only) per share to PKR 9.19 (Pak Rupees Nine and Paisas Nineteen only) per share.
Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 7.10 (Pak Rupees Seven and Paisas Ten only) per share

Name of the associated company	Foundation Securities (Private) Limited ("FSL").
Earning per share of the associated company or associated undertaking for the last three years.	FY 2012: PKR 0.55 per share FY 2013: PKR 1.14 per share FY 2014: PKR 0.13 per share
Sources of fund from which securities will be acquired.	The Bank shall utilize its own funds.
Salient features of the agreement(s), if any entered into with its associated company or associated undertaking with regards to the proposed investment.	Not Applicable
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	Nil
Any other important details necessary for the members to understand the transaction.	Details of the transaction have been adequately provided above.



MANAGEMENT

Syed M. Husaini
President & Chief Executive

Rehan Mir
Global Treasurer

Saleem Anwar
Chief Financial Officer

Farrukh Iqbal Khan
Group Head - Operations

Khurshid Zafar
Group Head - Corporate & Investment
Banking

Abdus Samad Khan
Country Head - Agriculture & Rural Business

Syed Mohammad Mujeeb
Chief Information Officer

Rashid Nawaz Tipu
Group Head - Branch Banking

Rizwan Hameed
Country Head - SME & Commercial Banking

Syed Adil Abbas Zaidi
Country Head - International Banking

Zehra Khalikdina
Country Head - Risk Management

Zain ul Abidin
Country Head - Compliance & Data

Abdul Waseem
Country Head - Credit Administration

Muhammad Nadeem
Head - Credits

Asim Bashir
Country Head - Alternate Delivery Channel

Shahid Abbasi
Chief Internal Auditor

Zahid Hassan Qureshi
Country Head - Special Asset Management

Ali Akbar Hemani
Country Head - Service Quality

Syed Rehan Mobin
Head - Equity Capital Markets

Zahid Afzal
Country Head - System & Operations

Syed Jafar Raza Rizvi
Country Head - Investment Banking

Tariq Mehmood
Head - General Services

Bakar Ahmed
Country Head - Human Resource

Qaiser H. Abbasi
Head - Unsecured Consumer Products

Pirzada Shahid Azhar Quddusi
Head - Secured Consumer Products

Raja Waheed Zaman
Head - Distribution

Umar Shahzad
Company Secretary

North Region

Sher Afgan Khanzada
Regional General Manager - North I

Shahid Alam Siddiqui
Regional General Manager - North II

Central Region

Saulat Hameed
Regional General Manager - Central I

Ejaz Musarrat Siddiqui
Regional General Manager - Central II

South Region

Waqar ul Islam
Regional General Manager - South I

Asim Asif
Regional General Manager - South II

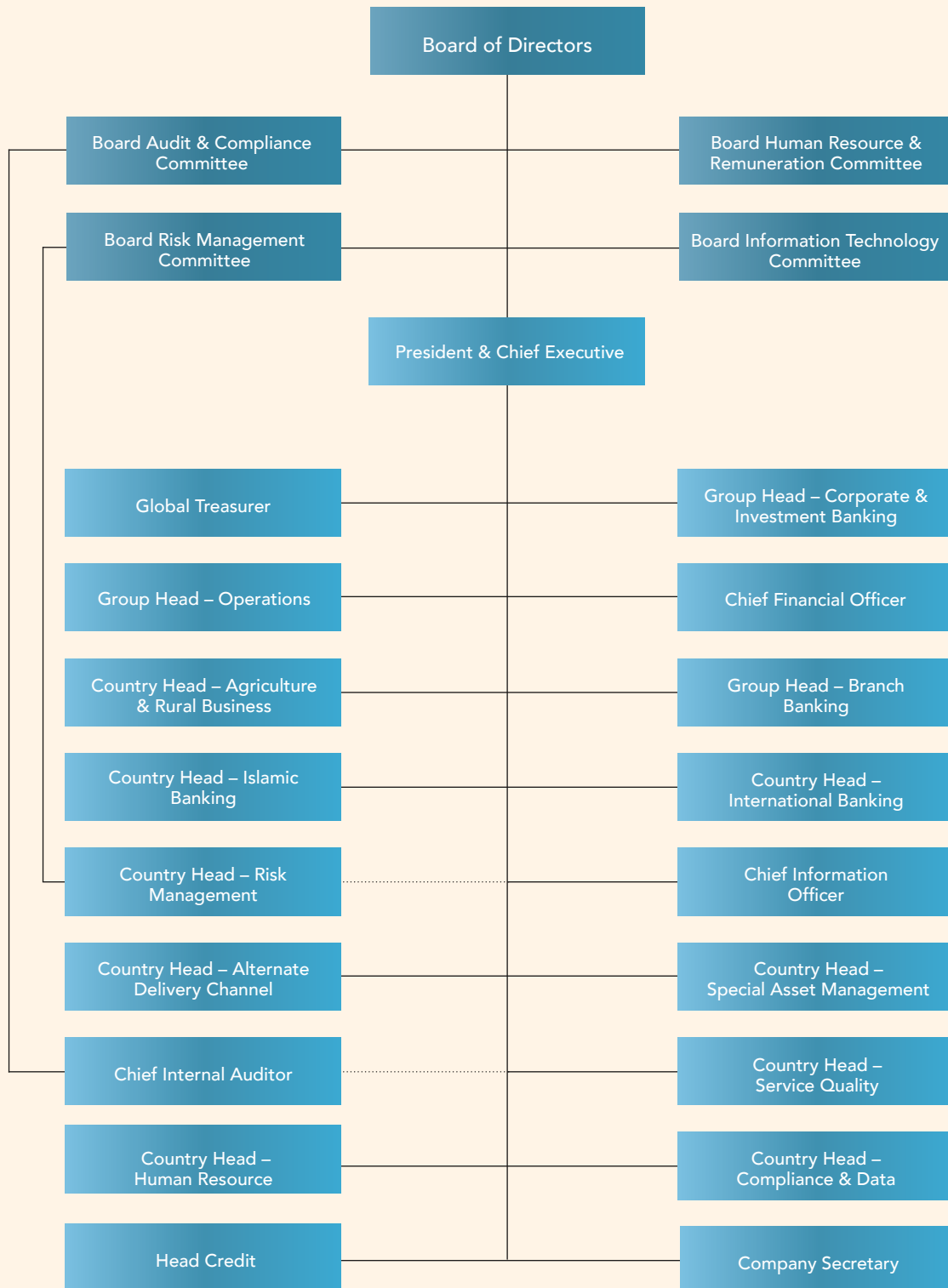
Islamic Banking

Fahd Sardar Khan
Country Head - Islamic Banking Services
Division

Wholesale Bank Branch, Bahrain

Khurram Dar
Branch Manager

ORGANOGRAM



CHAIRMAN'S MESSAGE

It gives me immense pleasure to report a year of exceptional performance in the history of Askari Bank. Following the change of ownership and the reorganizational initiatives, the resulting turnaround of the Bank testifies that 'change creates opportunity'.

The Bank posted a healthy growth in revenues that enabled a strong bottom line for full year 2014 – profit after taxation reported at Rs.4.015 billion. Based on the financial results for 2014, the Board is pleased to announce a final cash dividend of Rs.1.0 per share (i.e. 10%) bringing the total cash dividend for the year to Rs.2.0 per share (i.e. 20%). These financial results are attributable to successful execution of business strategies effectively capitalizing on available opportunities.

We are placing greater emphasis on sound governance, which we believe is crucial to the long-term success, and our diversified banking business is dependent on stable and responsible governance and compliance principles, robust management processes and effective risk management and controls. Our conformance and performance framework supports business decisions and opportunities to work and yield better.

In today's banking, service excellence entails professional management of relationships, product knowledge, ability to provide advisory and customised solutions. It calls for having the right products and



distribution channels in place, secure and efficient processes and providing comfort and convenience to our customers to do their banking with us. We remain committed to making progress in all these areas having laid a firm foundation on each of these fronts over the last eighteen months.

The improvement in monetary management and the positive trends of other economic indicators, particularly inflation remaining lower than projections, are reflecting in the banking sector indicators; including return on assets and equity, asset quality and capital adequacy showing improvement and stability. It is expected that the sector will register further improvement in periods to come and will continue to be a notable contributor to the economic growth of the country.

I take this opportunity to thank my predecessor, Lt Gen Muhammad Mustafa Khan (Retd.) for his invaluable services and contributions towards smooth transition and successful transformation of the Bank.

I extend my deep appreciation to the management and staff for their relentless pursuit towards success and for their commitment to working together as a winning team.

A handwritten signature in black ink, appearing to read 'Khalid Nawaz Khan'.

Lt Gen Khalid Nawaz Khan
HI (M) (Retd), Sitara-i-Esar

February 13, 2015

PRESIDENT'S REVIEW

Amongst the factors that contributed towards a successful 2014, the most significant is the association of the Askari brand with the Fauji Group, that enabled a strong governance culture, strategic direction and much needed capacity for growth and expansion.

Following a tumultuous period fraught with the effects of clean-up and remedial measures, the reported year is being termed as a turnaround. Now the challenge is to optimize on the achievements of 2014, analyse the risks and opportunities vis-à-vis Askari's positioning – in aiming for the best in class service provision and sustained value for our sponsors and other stakeholders in the journey ahead.

While reviewing performance of your Bank, it is pertinent that we reflect on the economy, which sets the stage for all economic and business activities.

Despite challenges to our economy, local currency appreciation, accumulation of foreign exchange reserves, improved growth of large-scale manufacturing, positive trend of inflation, unprecedented performance of bourses, are some of the positives for 2014. However, the energy situation did not show any significant improvement, while exports remained largely stagnant



in recent years, despite the Generalised System of Preferences plus (GPS+) status granted by the European Union. However, on the back of improvement in key economic indicators, the State Bank of Pakistan (SBP) has embarked upon monitoring easing to serve as impetus for credit growth, and to facilitate trade finance – a catalyst for country's economic growth.

During the year, the Bank posted a profit before and after tax of Rs. 5.78 billion and Rs.4.01 billion, respectively, compared to loss before and after tax of Rs. 8.44 billion and Rs.5.48 billion in 2013. Operating profit (profit before provisions against non-performing

assets and taxation) increased by 129 percent, mainly due to an increase in net revenues; net interest / mark-up income increased by 38 percent, and non-fund income increased by 48 percent. Within non-fund income, business related revenues; income from dealing in foreign currencies and fee, commission and brokerage income increased by 76 percent and 23 percent, respectively. Return on core equity and return on assets remained in line with the peers, and are reported at 22.4 percent and 1.0 percent respectively.

The asset quality, as reflected by the ratio of non-performing loans (NPL) to gross advances improved to 15.8

PRESIDENT'S REVIEW



percent compared to 17.2 percent last year. In absolute terms, NPL reduced by Rs.1.7 billion to Rs. 31.4 billion at end 2014. The coverage ratio against NPL at year end 2014 improved to 89.8 percent, against 86.4 percent at end 2013.

Our branch banking function plays a key role in maintaining an optimal deposit profile, while targeting growth and expansion of the deposits base. We have initiated a program to improve our branch banking infrastructure for effective brand recognition, and to make branch banking more accessible, supported by our investments in alternate delivery channels and e-products. Improvements in branch ambiance were also initiated to provide a comfortable branch environment with improved service standard. Branch banking recognizes innovation and service as the real differentiators, and offers a variety of products and

services for its diverse customer base. During the year, a focused and targeted liability mobilization initiative resulted in a growth of current and savings accounts (CASA) by 17.3 percent, and contributed towards a notable increase in net margins. The initiative also improved deposit concentration by spreading out the deposit-base over the growing branch network. We are confident that our branch banking is well poised to increase its share of the retail market.

Our corporate and investment banking group recognizes the potential of Pakistan as a vital emerging market owing to its population and geographical significance. The group takes pride in the creation of wealth, value and service to the entire spectrum of economic activity, ranging from projects of infrastructure development and national

importance in power, cement, telecommunications, textiles and fertilizer sectors to small and medium enterprises. Our products offer various solutions for short- and long-term financing, which cater to working capital, local / foreign trade, strategic expansions, capital markets, syndications, project finance underwriting and financial advisory. The group develops carefully cultured solutions for corporates and PSEs, and assures customer satisfaction through an efficient long-term relationship based business model. Our three dedicated regional corporate centers facilitate our corporate clientele in a professional and effective manner.

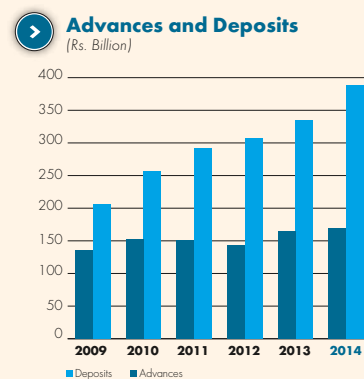
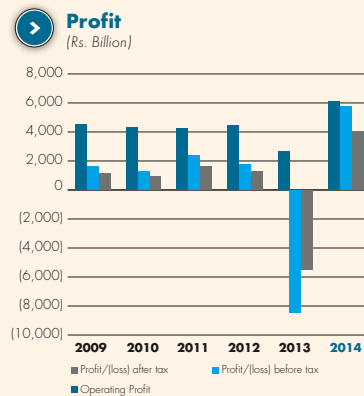
Askari Bank fosters the spirit of small / medium enterprises (SE/ ME) and commercial banking through financial deepening and extension of credit towards the grassroots of small and medium

traders, manufacturers and businessmen. We recognize the importance of this market segment and offer to augment its financing needs by ensuring opportunity in terms of access to credit through strategically located regional credit hubs along with our branches across the country. Through these hubs, the Bank has further facilitated more opportunities in the area of trade finance by taking trade expertise and improving awareness on trade related activity.

The investment banking focuses on origination and execution of a full range of financial advisory and capital raising services for corporate and institutional clients as well as actively managing the Bank's proprietary investments in the local equity and debt markets. Equity capital market function optimizes on investment-based returns with principle preservation and liquidity through efficient investments. Its key responsibility is to form a risk-controlled, diversified portfolio supported by domestic, regional and international economic, political and investment dynamics. It also deals with investments in shares, mutual funds, initial and secondary public offerings in primary and secondary markets.

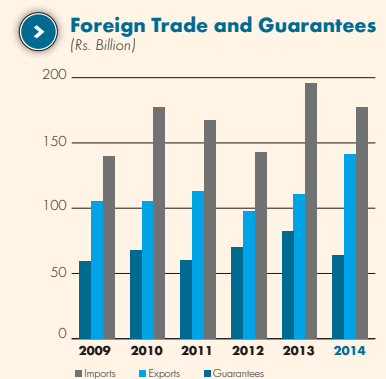
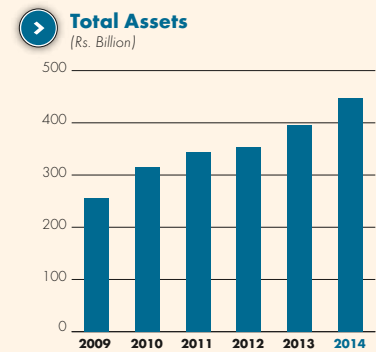
Our money market investment portfolios reflect a strategic shift during the year to avail arbitrage as evident from the yields of Market Treasury Bills and Pakistan Investment Bonds. Apart from investments, our liquidity management team activated our marketing unit and provided advisory services to the clients mainly concerning foreign exchange in order to increase volume and enhance revenues.

Askari Islamic banking offers a range of Shariah compliant



offerings to suite the banking needs of our diverse customer segments. During the year under review, Islamic banking registered a healthy growth of 37 percent; total assets reached Rs.25.6 billion at December 31, 2014 from Rs.18.8 billion as at the close of last year. Islamic deposits grew by 22 percent to Rs.21.2 billion, as compared to Rs.17.5 billion, last year. Our foot print of Islamic branches, currently at 53, will be expanded further in 2015 and new Islamic banking products on the asset as well as liability side will be offered to augment our efforts to provide innovative solutions to the customers and shall contribute towards the growth of Islamic banking.

During the year, we expanded our home remittance arrangements under the umbrella of Askari Aasaan Money Transfer with enhanced features and network.



We will continue to play our role in attracting workers' remittances back to the country through our efforts to develop an international network of relationships that channels remittances through the banking system.

Askari Bank also pioneered two products in local banking during the year; (a) Pakistan's first ever 'World MasterCard' (credit card) in collaboration with MasterCard international – world card is specifically developed for Bank's customers seeking extravagance and high-class service worldwide, and (b) ASK SONA CARD, a joint venture of Askari Bank Limited and Fauji Fertilizer Company Limited, customized to fast-track fertilizer distribution across the country.

We place technology at the forefront of our operations, with enhanced network outreach and service delivery through electronic

PRESIDENT'S REVIEW

channels and initiated a business process re-engineering initiative. The Bank's technology platform has gone through an extensive assessment for best use of available telecommunications, including capacity evaluation for integration and future upgrades. Our primary objective was to ensure benefits of improved controls under a centralized environment, while offering efficient and superior customer service. The Bank's implementation of a state-of-the-art system for key applications has significantly boosted the performance over the year in review.

Recognizing the significance and effectiveness of alternate delivery channels and e-products in present day banking, special emphasis was placed on their development through a revamp aiming at efficient, secure and improved customer service and also as a means for customer feedback for product development. Our customer contact centre is functional on a 24/7 basis and provides a single point of contact including self-service phone banking. Our internet banking 'i-net' provides easy and secure access and is fast attracting customers' attention as the number of i-net transactions increased by 50 percent during 2014. Also, accessibility of internet banking features through mobile phones is currently under development for roll-out during 2015. Our branches and ATMs are linked real-time online through satellite communication systems.

While technological advancements pave the way for business growth and expansion, the Bank takes cognizance of risks associated with the use of technology, and assigns priority to security in all systems

and data through the use of latest available tools following integrated approach.

The Bank functions with a dedicated unit, fully equipped with automated solutions designed to monitor and prevent money-laundering. The unit actively monitors transactions and provides requisite guidance and awareness across the Bank. The function has also established a risk-scoring system in order to create 'know your customer' profiles and assigns risk ratings. These systems help the Bank to mitigate and deter risks emanating from such activities.

We are pursuing an aggressive branch expansion plan and during the year under review, the branch network reached 321 – a total of 60 new branches have been added to the network since June 2013 i.e. post-acquisition by the Fauji Group. Further expansion for 2015 has been planned and work has already been initiated on some locations. As part of improving banking infrastructure, certain branches have also been relocated to new and more accessible premises for better facilitation to our customers. In addition to our wholesale banking branch in Bahrain, the Bank has also initiated opening a representative office in China during 2015.

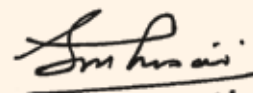
While we focus on expansion, we remain committed towards bringing further efficiencies in our processes through the extended use of technology supported by a robust and effective governance and risk management framework.

Our brand is known for being a trusted bank, partnering for progress in delivering value to our stakeholders. During the year, Askari brand was immensely benefited by an advertisement

produced for paying tribute to the heroes of our armed forces who have laid their lives for the motherland. The Bank also recognises corporate social responsibility as an integral part of our business model. Our CSR focus remains in the areas of relief, rehabilitation, health, education and sports. We have initiated in-house banking training program for the graduate children of our less earning employees with the aim of enhancing employment opportunities for them. We recognize this program as our way of "paying it forward" and contributing in the lives of people around us.

I am confident that the Bank is on a growth trajectory and the team is fully geared to respond to the challenges coming our way. We are forward looking and remain committed to thinking beyond today. We will make all endeavours to provide best in class service to our valued customers and deliver excellent results to our Sponsors.

I place on record my appreciation for our Sponsors for their guidance and support extended during the year, to the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan, and other regulatory bodies for creating an enabling environment for financial service industry. We stay committed to serving and safeguarding the rights of our stakeholders, by upholding the tenets of good governance and accepted best practice.



Syed M. Husaini
President & CE

February 13, 2015

CORPORATE SOCIAL RESPONSIBILITY

The Bank's concept of Corporate Social Responsibility (CSR) is deep rooted and an integral part of its business model. Our aim is to invest in social initiatives for creating long term social values for the communities in which we operate.

Our CSR focus during 2014 remained in the areas of health, education, relief and rehabilitation, and sports. Recognizing the significance of education particularly in the remote areas of Pakistan, Askari Bank has sponsored establishment of a school in the district of Gilgit. The project is expected to complete in 2015 and will provide quality educational to the children of Jutial town of Gilgit district.

We have initiated in-house banking training program for the graduate children of our less earning employees with the aim of enhancing employment opportunities for them. We recognize this program as our way of "paying it forward" and contributing in the lives of people around us.

Other educational events sponsored by the Bank included:

- Debate Competition by NUML Model United Nations 2014, Islamabad
- 3 Days Mega event "EPICA '14" by Centre for Advanced Studies Engineering, Islamabad
- Conference on Industry Summit Ideas 2014 by South Asian Strategic Stability Institute
- Fiesta '14 by APCOMS, Rawalpindi Campus

During the year, the Bank contributed for various sporting events, as follow:

- Chief of Army Staff Polo Cup, Rawalpindi
- T-20 Ramadan Cricket Cup by Frontier Corps Baluchistan
- Corps Commander Open Golf Tournament, Lahore
- President of Pakistan Gold Medal Golf Championship 2014
- Askari Bank Corporate Golf Team Challenge Trophy, Islamabad
- Motocross Championship by National Logistics Cell, Rawalpindi
- IBEX Golf Tournament Sargodha
- 11th SBP Governor's Cup Cricket Tournament, Lahore
- 9th Brigadier Farhat Sabir Golf Tournament, Multan
- Sports Gala 2014 by NUML Lahore Campus

The Bank also financed events organized by various institutions for creating awareness on the issues of environment and other social causes. The most significant ones were:

- Annual Meena Bazaar by Attock Sahara Foundation, Rawalpindi
- Spring Food Festival by NESCOM, Islamabad
- International Water Conference & Exhibition, Islamabad
- Farmers Festival 2014 by SBP at Sindh Agriculture University, Tando Jam
- Sponsorship for International Anti Corruption Day by NAB, Peshawar



- Sponsorship Fundraising event by The Citizens Foundation, Karachi

In the time of need Askari Bank also contributed generously towards the relief and rehabilitation of the affectees of natural disasters.

VALUE ADDED STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

Rs. in '000 % age

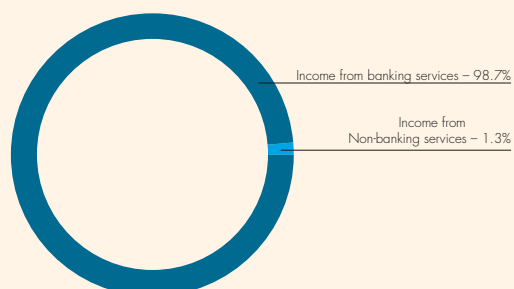
Value Added

Income from banking services	36,957,673	
Cost of services	(4,934,739)	
Provision against non-performing assets	(321,978)	
Valued added by banking services	31,700,956	98.7
Non-banking services income	402,640	1.3
Total value added	32,103,596	100.0

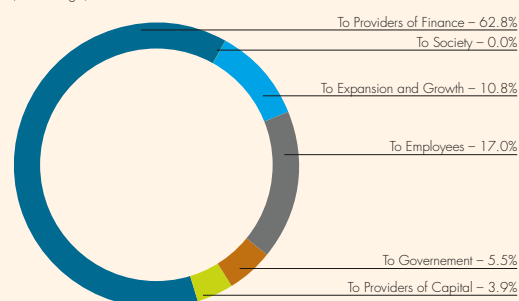
Value Allocated

to employees		
Salaries, allowances and other benefits	5,453,429	17.0
to government		
Income tax	1,766,481	5.5
to providers of capital		
Cash dividend	1,260,259	3.9
to providers of finance		
as financial charges	20,149,820	62.8
to society		
as donations	6,140	0.0
to expansion and growth		
Depreciation	712,794	2.2
Retained in business	2,754,673	8.6
	3,467,467	10.8
Total value allocated	32,103,596	100.0

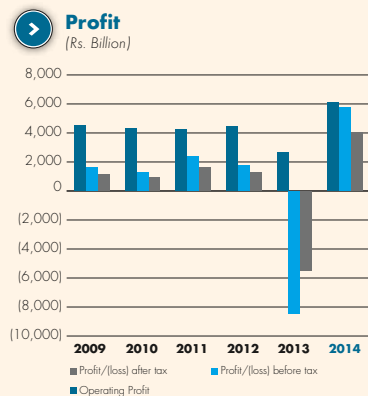
Value Added (Percentage)



Value Allocated (Percentage)

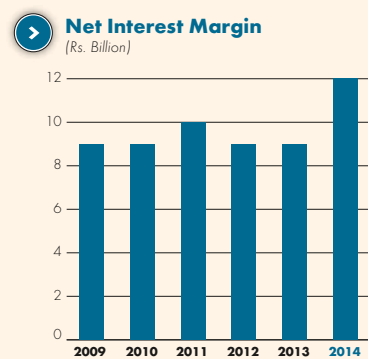


FINANCIAL REVIEW



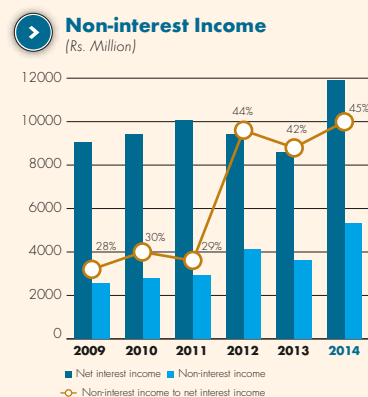
Profit

Operating profit of the Bank registered a healthy increase of 129 percent over last year. This increase is attributable to 38.3 percent rise in net interest income, 47.8 percent jump in non-interest income, while the rise in operating expenses was contained at 16.5 percent. These results were achieved on the back of improvement in net spread and business volumes, and also prudently capitalizing on the available market opportunities while implementing austerity and cost control measures. Profit before and after tax for the year 2014 remained at Rs.5.78 billion and Rs.4.01 billion respectively compared with the loss before and after tax of Rs.8.44 billion and Rs.5.48 billion in 2013.



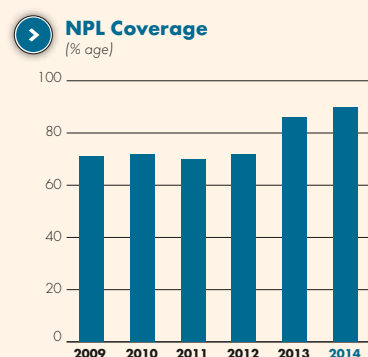
Net mark-up / interest Income

Net interest income of the Bank grew by 38.3 percent as the increase in interest income outpaced the increase in interest expense. Loans & advances and investment portfolios continue to be the main contributor of interest income, which rose by 23 percent and 21 percent respectively. GOP securities including Market Treasury Bills, Pakistan Investment Bonds, and GOP Ijarah Sukuk comprised 93.59 percent of Bank's AFS investments and consequently contribute significantly towards overall interest yields. The growth in interest expenses was restricted at 17.3 percent, also supported by healthy growth of 26.4 percent in current accounts.



Non-mark-up / non-interest Income

The growth in business and volume of transactions contributed in bringing improvement in non-fund based revenues. The core non fund revenues i.e., Fee, commission and brokerage income and other income increased by 22.7 percent and 37.7 percent respectively. Gain realized on sale of securities due to unprecedented performance of bourses increased by 119.9 percent while income from dealing in foreign currencies grew by 76.1 percent on the back of effectively capitalizing on the available arbitrage opportunities.

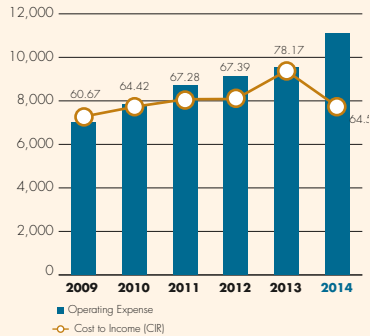


NPL Coverage

The coverage ratio improved by almost 338 bps. The additional provisions against NPLs booked during the year and the decrease of Rs. 1.74 billion (5.27 percent) in NPLs contributed in improving the coverage ratio.

FINANCIAL REVIEW

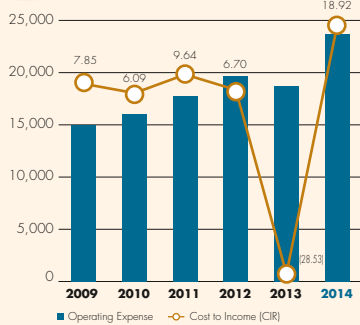
Operating Expenses (Rs. Million)



Operating expenses

The aggregate increase in operating expenses contained at 16.51 percent despite additional cost of 40 new branches added to the existing network during 2014 and general inflationary upsurge. This was achieved by inculcating a more cost conscious culture across the Bank and also by eliminating structural redundancies and controlling leakages. As a result, the cost to income ratio for the year 2014 of 64.54 percent, showed a significant improvement over last year, which was 78.17 percent.

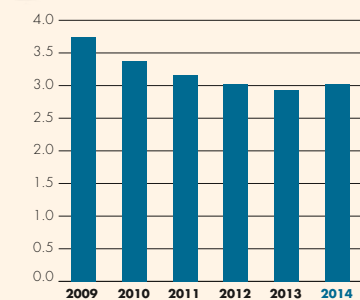
Shareholder's Funds (Rs. Million)



Shareholders' funds

The shareholders' funds registered an increase of 26.58 percent over last year reflecting the accumulation of profit after taxation for the year 2014 of Rs.4,015 million and the effects of increase of 110.82 percent in surplus on revaluation of assets, which stood at Rs.4.4 billion as on December 31, 2014 against Rs.2.1 billion at the end of 2013. The increase in surplus on revaluation of assets was primarily due to improved mark-to-market position of available-for-sale securities, PIB's, on the back of improvement in the trend of benchmark rates. Consequently, the net book value per share of the Bank increased to Rs.18.81 as on December 31, 2014 from Rs.14.86 at end 2013.

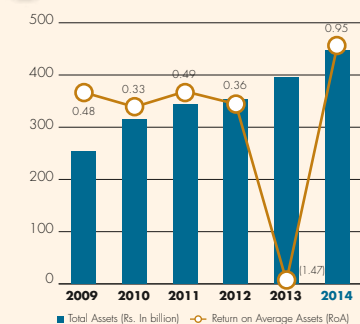
Intermediation Cost (% age)



Intermediation cost

It is computed by taking ratio of operating expenses to average deposits. The slight increase in 2014 is mainly due to increase in operating expenses due to new branches which normally start contributing towards the deposits after completion of incubation period.

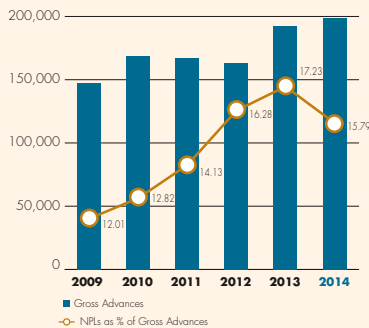
Return on Average Assets (Rs. Billion)



Return on average assets (RoA)

The RoA of the Bank for the year 2014 increased mainly due to increase posting highest ever after tax profit of Rs.4.01 billion, partly offset by increase in average assets of 12.6 percent.

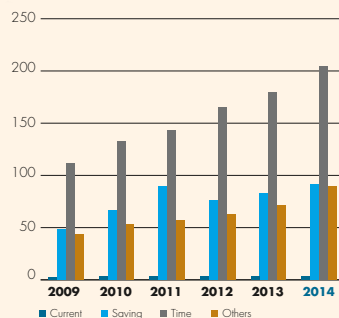
Non-performing Loans (Rs. million)



Non-performing loans (NPLs)

The NPLs of the Bank as on December 31, 2014 declined by 5.27 percent over last year reflecting a net deletion of Rs.1.74 billion. The decline is mainly in 'loss' category of classification of 5.05 percent. As a result, reversal in provision against NPLs in 'loss' category decreased by Rs. 365 million netted off by expiry of the FSV benefit to the tune of Rs. 605 million, on all categories of classification. The combination of factors i.e., decline in NPLs and increase in gross advances, resulted in NPL-to-advances ratio to improve from 17.23 percent of the last year to 15.79 percent at end 2014.

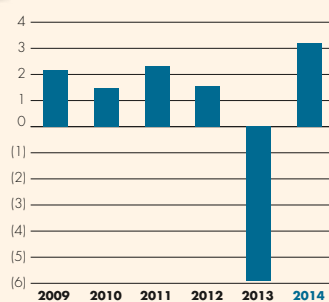
Deposits (Rs. Billion)



Deposits

Customer deposits as on December 31, 2014, registered a growth of around 15.6 percent over last year. The major increase was in current and saving accounts (CASA), which climbed by 17.26 percent. The average deposit size almost maintained its level.

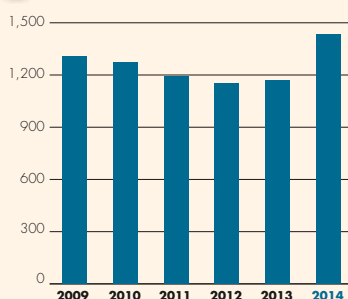
Earnings Per Share (Rupee)



Earnings per share

EPS reflects profit after taxation generated per share. The EPS of the Bank for the year 2014 was recorded at Rs.3.19 against loss per share of Rs.5.90 of the corresponding period, last year. This was mainly due to high provisions / impairment against non-performing assets of Rs.11.1 billion booked during 2013.

Fee, Commission & Brokerage Income (Rs. million)



Fee, Commission & Brokerage Income

Increase is mainly contributed by commission on import and export bills, facility processing fee and Bancaassurance. Increased business volumes and effectively exploiting market opportunities also played a key role in enhancing fee based revenues.

FINANCIAL CALENDAR

2014

1st Quarter Results issued on	April 17, 2014
2nd Quarter Results issued on	July 21, 2014
3rd Quarter Results issued on	October 25, 2014
23rd Annual Report issued on	February 13, 2015
23rd Annual General Meeting scheduled for	March 31, 2015
1st Interim Cash Dividend	Declared on July 21, 2014
Final Cash Dividend	Within 45 days of declaration

2013

1st Quarter Results issued on	April 22, 2013
2nd Quarter Results issued on	July 23, 2013
3rd Quarter Results issued on	October 21, 2013
22nd Annual Report issued on	February 17, 2014
22nd Annual General Meeting held on	March 30, 2014
55% Right Shares	Announced July 23, 2013

Sunnarized Quarterly Financial Results

Rupees in million	2014				2013			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Financial Position								
Assets								
Cash, short term funds & statutory deposits with SBP	37,021	52,208	40,514	29,626	35,609	27,620	31,376	37,666
Investments	154,094	151,390	172,300	217,214	156,840	145,813	160,952	165,863
Advances	169,832	172,252	167,265	170,496	148,115	140,321	136,837	163,557
Operating fixed assets	8,546	7,887	7,855	8,299	8,707	8,621	8,463	8,567
Other assets	19,720	23,763	21,552	21,448	14,351	17,922	18,275	19,174
Total assets	389,212	407,500	409,486	447,083	363,622	340,296	355,903	394,827
Liabilities								
Borrowings from financial institutions	42,786	14,880	18,818	13,742	32,345	9,154	14,709	24,546
Customers deposits	307,368	344,840	350,312	387,587	295,984	293,325	303,679	335,241
Sub-ordinated loans	3,994	3,994	7,994	7,993	5,492	5,491	5,491	3,994
Other liabilities	15,127	23,423	12,379	14,055	10,115	16,100	13,559	12,317
Total liabilities	369,276	387,137	389,503	423,376	343,936	324,070	337,438	376,099
Net Assets	19,937	20,363	19,983	23,707	19,686	16,226	18,465	18,729
Shareholders' funds								
Share capital	12,603	12,603	12,603	12,603	8,131	8,131	11,360	12,603
Reserves and unappropriated profit / (loss)	5,038	6,158	5,877	6,686	9,709	5,356	5,526	4,030
Surplus on revaluation of assets	2,297	1,603	1,503	4,418	1,847	2,740	1,579	2,096
Total shareholders' funds	19,937	20,363	19,983	23,707	19,686	16,226	18,465	18,729
Profit & Loss								
Total income	9,077	9,670	9,993	11,180	8,104	7,215	8,071	8,169
Mark-up / return / interest earned	7,555	8,344	9,065	9,640	7,286	6,332	6,999	7,344
Mark-up / return / interest expensed	5,017	5,362	5,818	6,514	5,100	4,667	4,517	5,079
Net mark-up / interest income	2,538	2,982	3,247	3,126	2,186	1,664	2,482	2,265
Non - mark-up / interest income	1,522	1,327	928	1,540	818	883	1,072	826
Fee, commission and exchange income	355	480	310	1,276	263	330	346	230
Other income	1,167	847	618	264	555	553	726	595
Operating expenses	2,725	2,759	2,740	2,883	2,199	2,541	2,542	2,251
Provisions against non-performing assets	(116)	(19)	31	426	382	6,766	837	3,119
Operating profit	1,335	1,549	1,436	1,783	806	6	1,011	840
Profit / (loss) before tax	1,451	1,568	1,405	1,358	424	(6,760)	174	(2,279)
Taxation	431	448	432	455	148	(2,376)	17	749
Profit / (loss) after taxation	1,021	1,120	972	902	276	(4,383)	157	(1,530)
Ratios (percent)								
Return on average shareholders' funds (RoE)	21.1%	22.2%	19.3%	16.5%	5.6%	-97.6%	3.6%	-32.9%
Return on average assets (RoA)	1.0%	1.1%	1.0%	0.8%	0.3%	-5.0%	0.2%	-1.6%

SHARE & DEBT INFORMATION

1. Share Information

1.1 The ordinary shares of Askari Bank Limited are listed on the Karachi, Lahore and Islamabad stock exchanges. The audited financial statements have been submitted to the stock exchanges within the requisite notice periods as required by the relevant regulations. Askari Bank's Central Depository System ID is 05132.

1.2 Market symbols

Karachi Stock Exchange – AKBL, Reuters – ASKB.KA, Bloomberg – AKBL: PA

1.3 Share price and volume

Year	Shares (in Numbers)	Shareholders' funds (in Billion)	Market capitalization (in Billion)	KSE's market capitalization (in Billion)	share in market capitalization (Percent)	Share Price			shares traded during the year (in Numbers)
						High During the year	Low During the year	Close at December 31	
2001	103,553,663	2.58	1.38	297.42	0.46%	16.45	10.35	13.30	51,396,000
2002	108,731,400	4.17	2.92	595.21	0.49%	27.90	13.50	26.85	36,984,000
2003	114,168,000	5.05	5.88	951.45	0.62%	53.90	21.30	51.50	96,059,000
2004	125,584,800	6.02	11.80	1,723.45	0.68%	98.25	50.61	94.00	1,043,563,300
2005	150,701,684	8.81	19.11	2,746.56	0.93%	133.25	70.00	126.80	612,803,600
2006	200,433,239	11.05	21.04	2,771.11	0.76%	145.00	68.00	104.95	444,476,500
2007	300,649,859	12.27	29.99	4,329.91	0.69%	128.75	75.50	99.75	1,628,929,400
2008	405,877,308	12.97	5.91	1,857.18	0.32%	106.20	14.57	14.57	382,990,000
2009	507,346,700	14.95	13.85	2,753.54	0.50%	28.69	12.15	27.30	190,782,242
2010	642,744,335	16.00	11.37	3,268.95	0.35%	31.14	12.70	17.69	132,010,181
2011	707,018,400	17.78	7.09	2,945.78	0.24%	19.25	8.50	10.03	110,231,037
2012	813,071,084	19.69	14.00	4,242.28	0.33%	17.75	9.89	17.22	462,420,623
2013	1,260,260,180	18.73	17.64	6,056.51	0.29%	19.69	10.76	14.00	373,297,000
2014	1,260,260,180	23.71	29.07	7,380.53	0.39%	23.14	13.37	23.07	590,931,000

1.4 Record of share issues

Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
2005	Bonus @ 20%	25,116,947	251,169,474
2006	Bonus @ 33%	49,731,555	497,315,549
2007	Bonus @ 50%	100,216,620	1,002,166,196
2008	Bonus @ 35%	105,227,450	1,052,274,496
2009	Bonus @ 25%	101,469,326	1,014,693,261
2010	Share issued to shareholders of erstwhile Askari Leasing Limited	28,273,315	282,733,150
2010	Bonus @ 20%	107,123,990	1,071,239,900
2011	Bonus @ 10%	64,274,460	642,744,604
2012	Bonus @ 15%	106,052,684	1,060,526,840
2013	55% Rights issue @ Rs. 10 per share	447,189,096	4,471,890,960
2014	-	-	-
		1,260,260,180	12,602,601,800

2. Debts Information

2.1 Askari Bank has issued the following Term Finance Certificates (TFCs).

(Rupees in million)	TFC - I	TFC - II	TFC - III	TFC - IV	TFC - V
IPO investors	1,000	1,125	2,375	1,000	4,000
General Public	500	226	19	-	-
Underwriters	-	149	606	-	-
	1,500	1,500	3,000	1,000	4,000
	Fully Redeemed			Outstanding	

Listed on Lahore Stock Exchange

Market Symbols / IDs at LSE

Rating by PACRA

Market Price as at December 31, 2014 (based on marketable lots of Rs. 5,000)

Applicable Interest Rate (p.a.) as at December 31, 2014

Listed AKBLTFC

Listed AKBLTFC2

Listed AKBLTFC3

Unlisted -

Unlisted -

AA-

AA-

AA-

AA-

AA-

5,000

5,000

5,000

5,000

5,000

-

-

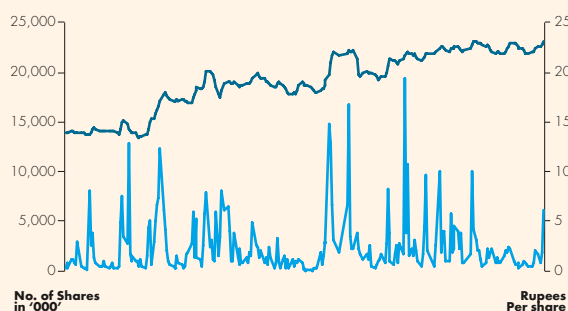
12.57%

11.40%

11.39%

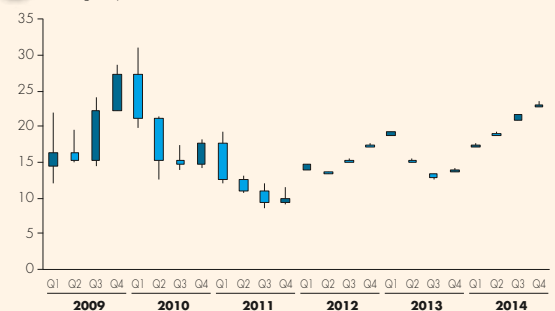
Price Volume

(During the year 2014)



Quarterly Price Volume

(During the year 2014)



HORIZONTAL AND VERTICAL ANALYSIS

Horizontal Analysis

	2014	2013	2012	2011	2010	2009	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009
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Rupees in million

Variance

BALANCE SHEET

Assets	2014	2013	2012	2011	2010	2009	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	
Cash and balances with treasury banks	19,130	26,105	24,435	26,168	22,565	19,386	-27%	7%	-7%	16%	16%	21%
Balances with other banks	7,068	9,058	8,864	6,235	3,785	8,364	-22%	2%	42%	65%	-55%	111%
Lendings to financial institutions	3,428	2,503	6,319	1,592	1,592	4,614	37%	-60%	297%	-83%	99%	3%
Investments	217,214	165,863	145,378	133,757	102,260	67,046	31%	14%	9%	31%	53%	88%
Advances	170,496	163,557	143,727	150,711	152,784	135,034	4%	14%	-5%	-1%	13%	5%
Operating fixed assets	8,299	8,567	8,841	9,349	9,988	9,262	-3%	-3%	-5%	-6%	8%	12%
Assets held for sale	54	-	-	-	-	-	0%	0%	0%	0%	0%	0%
Deferred tax assets	875	2,977	-	-	-	-	-71%	0%	0%	0%	0%	0%
Other assets	20,517	16,197	15,491	15,945	14,190	10,621	27%	5%	-3%	12%	34%	18%
	447,083	394,827	353,056	343,756	314,745	254,327	13%	12%	3%	9%	24%	23%

Liabilities

Bills payable	6,855	5,688	3,700	2,756	3,090	2,946	21%	54%	34%	-11%	5%	14%
Borrowings	13,742	24,546	8,373	17,273	25,555	19,300	-44%	193%	-52%	-32%	32%	27%
Deposits and other accounts	387,587	335,241	306,937	291,503	255,937	205,970	16%	9%	5%	14%	24%	23%
Sub-ordinated loans	7,993	3,994	6,987	6,990	5,993	5,995	100%	-43%	0%	17%	0%	100%
Liabilities against assets subject to finance lease	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%
Deferred tax liabilities	-	-	118	83	86	334	0%	-100%	42%	-3%	-74%	2471%
Other liabilities	7,199	6,630	7,252	7,374	8,081	4,833	9%	-9%	-2%	-9%	67%	2%
	423,375	376,099	333,367	325,980	298,740	239,378	13%	13%	2%	9%	25%	24%
Net Assets	23,707	18,729	19,688	17,776	16,004	14,949	27%	-5%	11%	11%	7%	15%

Represented by

Share capital	12,603	12,603	8,131	7,070	6,427	5,073	0%	55%	15%	10%	27%	25%
Reserves	4,824	5,613	8,542	8,136	7,691	7,236	-14%	-34%	5%	6%	6%	-6%
Unappropriated (loss) / profit	1,862	(1,583)	1,004	1,302	702	834	-218%	-258%	-23%	86%	-16%	170%
	19,289	16,633	17,677	16,509	14,821	13,143	16%	-6%	7%	11%	13%	9%
Surplus on revaluation of assets - net of tax	4,418	2,096	2,011	1,267	1,184	1,806	111%	4%	59%	7%	-34%	93%
	23,707	18,729	19,688	17,776	16,004	14,949	27%	-5%	11%	11%	7%	15%

PROFIT AND LOSS

Mark-up / return / interest earned	34,604	27,961	32,402	32,766	27,329	22,587	24%	-14%	-1%	20%	21%	23%
Mark-up / return / interest expensed	22,711	19,363	22,974	22,700	17,937	13,554	17%	-16%	1%	27%	32%	27%
Net mark-up / interest income	11,893	8,597	9,428	10,066	9,392	9,033	38%	-9%	-6%	7%	4%	17%
(Reversal of) / Provision against non-performing loans and advances - net	(83)	9,854	2,342	1,630	2,319	2,324	-101%	321%	44%	-30%	0%	-39%
Impairment loss on available for sale investment	208	151	143	122	383	431	37%	6%	17%	-68%	-11%	0%
Provision for diminution in the value of investments	198	933	201	44	297	77	-79%	364%	362%	-85%	286%	15015%
Provision against reverse repo	-	-	-	35	66	83	0%	0%	-100%	-47%	-20%	0%
Reversal of provision against purchase under resale agreement	-	(35)	-	-	-	-	0%	0%	0%	0%	0%	0%
Impairment loss on immovable assets	-	200	-	-	-	-	0%	0%	0%	0%	0%	0%
Bad debts written off directly	-	-	1	-	-	-	0%	-100%	0%	0%	0%	-100%
	322	11,103	2,688	1,831	3,064	2,915	-97%	313%	47%	-40%	5%	-28%
Net mark-up / interest income after provisions	11,571	(2,506)	6,741	8,236	6,328	6,118	-562%	-137%	-18%	30%	3%	67%

Non mark-up/interest income

Fee, commission and brokerage income	1,435	1,169	1,153	1,194	1,271	1,308	23%	1%	-3%	-6%	-3%	4%
Dividend income	349	509	1,036	289	210	163	-31%	-51%	258%	38%	29%	-6%
Income from dealing in foreign currencies	985	559	885	772	731	538	76%	-37%	15%	6%	36%	-38%
Gain on sale of investments - net	1,804	820	682	307	213	144	120%	20%	122%	45%	48%	291%
Unrealised gain on revaluation of investments classified as held for trading - net	0%	0%	0%	0%	0%	0%	-	-	-	0	-	-
Other income	744	540	361	340	376	404	38%	50%	6%	-10%	-7%	18%
Total non-mark-up / interest income	5,317	3,598	4,117	2,903	2,800	2,554	48%	-13%	42%	4%	10%	-6%
	16,889	1,092	10,858	11,139	9,128	8,672	1446%	-90%	-3%	22%	5%	36%

Non mark-up/interest expenses

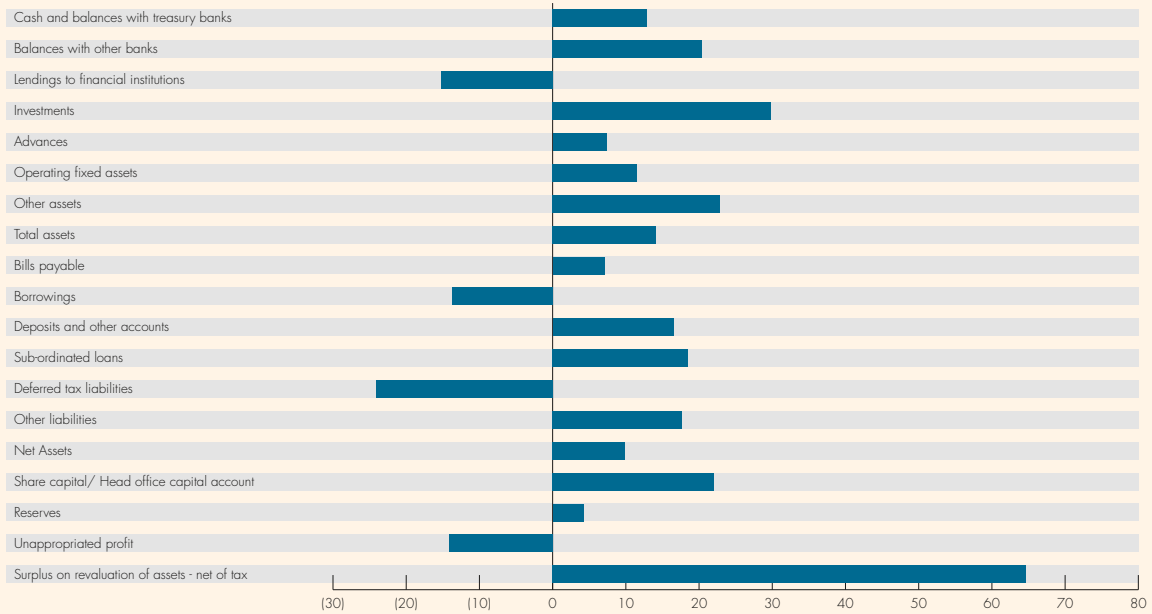
Administrative expenses	10,934	9,397	9,039	8,639	7,813	6,996	16%	4%	5%	11%	12%	18%
Administrative expenses	47	114	9	-	-	-	-59%	1215%	0%	0%	0%	-100%
Other charges	126	23	80	87	42	34	457%	-72%	-7%	104%	24%	213%
Total non-mark-up / interest expenses	11,107	9,533	9,128	8,726	7,855	7,030	17%	4%	5%	11%	12%	19%
Extra ordinary / unusual items	5,781	(8,441)	1,730	2,413	1,273	1,642	-168%	-588%	-28%	90%	-22%	256%
Profit before taxation	5,781	(8,441)	1,730	2,413	1,273	1,642	-168%	-588%	-28%	90%	-22%	256%
Taxation - current	(1,014)	(94)	(839)	(833)	(330)	(562)	981%	-89%	1%	153%	-41%	-3338%
Taxation - prior years	-	-	-	-	-	(120)	0%	0%	0%	0%	-100%	140%
Taxation - deferred	(753)	3,054	364	48	0	147	-125%	739%	664%	0%	-100%	37%
	(1,766)	2,961	(475)	(785)	(329)	(534)	-160%	-723%	-39%	138%	-38%	-811%
Profit after taxation	4,015	(5,480)	1,255	1,628	944	1,108	-173%	-537%	-23%	72%	-15%	187%
Unappropriated profit brought forward	(1,583)	886	1,302	702	834	309	-279%	-32%	86%	-16%	170%	-86%
Profit available for appropriation	2,432	(4,594)	2,557	2,330	1,777	1,417	-153%	-280%	10%	31%	25%	-44%
Basic / diluted earnings per share - Rupees	3.19	(5.90)	1.54	2.00	1.34	1.79						

Vertical Analysis

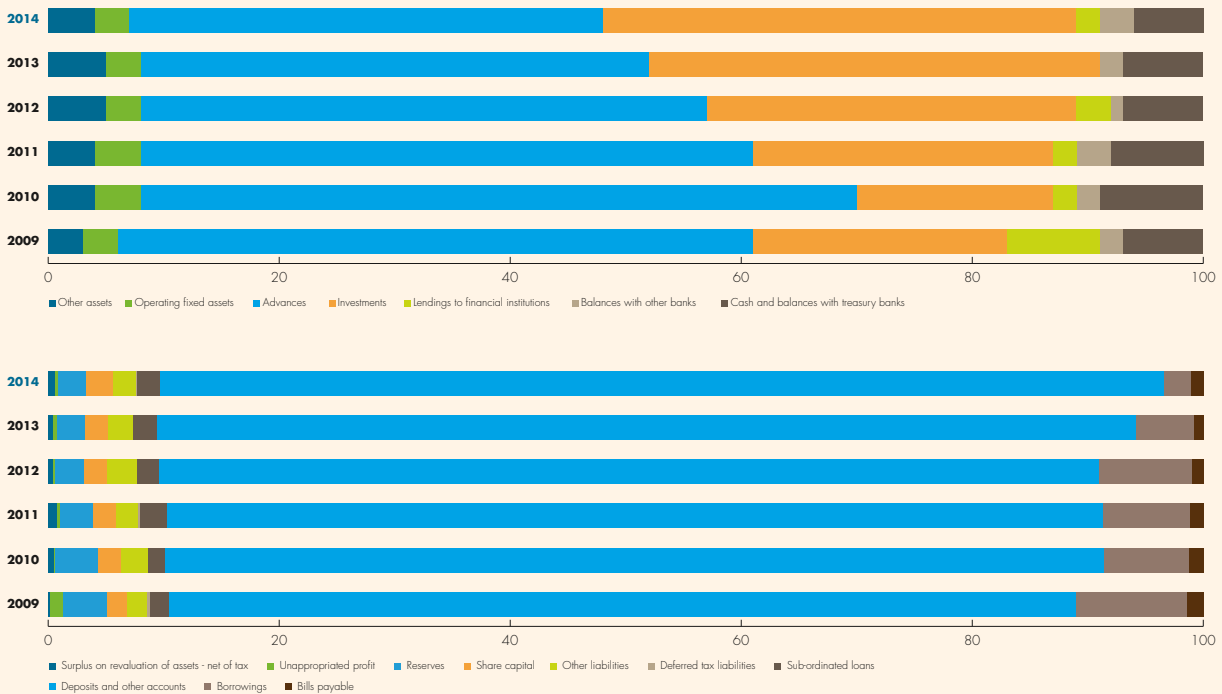
	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009
	Rupees in '000						Composition					
BALANCE SHEET												
Assets												
Cash and balances with treasury banks	19,130	26,105	24,435	26,168	22,565	19,386	4%	7%	7%	8%	7%	8%
Balances with other banks	7,068	9,058	8,864	6,235	3,785	8,364	2%	2%	3%	2%	1%	3%
Lendings to financial institutions	3,428	2,503	6,319	1,592	9,172	4,614	1%	1%	2%	0%	3%	2%
Investments	217,214	165,863	145,378	133,757	102,260	67,046	49%	42%	41%	39%	32%	26%
Advances	170,496	163,557	143,727	150,711	152,784	135,034	38%	41%	41%	44%	49%	53%
Operating fixed assets	8,299	8,567	8,841	9,349	9,988	9,262	2%	2%	3%	3%	3%	4%
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	875	2,977	-	-	-	-	0%	1%	0%	0%	0%	0%
Other assets	20,517	16,197	15,491	15,945	14,190	10,621	5%	4%	4%	5%	5%	4%
	447,029	394,827	353,056	343,756	314,745	254,327	100%	100%	100%	100%	100%	100%
Liabilities												
Bills payable	6,855	5,688	3,700	2,756	3,090	2,946	2%	2%	1%	1%	1%	1%
Borrowings	13,742	24,546	8,373	17,273	25,555	19,300	3%	7%	3%	5%	9%	8%
Deposits and other accounts	387,587	335,241	306,937	291,503	255,937	205,970	92%	89%	92%	89%	86%	86%
Sub-ordinated loans	7,993	3,994	6,987	6,990	5,993	5,995	2%	1%	2%	2%	2%	3%
Liabilities against assets subject to finance lease	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%
Deferred tax liabilities	-	-	118	83	86	334	0%	0%	0%	0%	0%	0%
Other liabilities	7,199	6,630	7,252	7,374	8,081	4,833	2%	2%	2%	2%	3%	2%
	423,375	376,099	333,367	325,980	298,740	239,378	100%	100%	100%	100%	100%	100%
Net Assets	23,653	18,729	19,688	17,776	16,004	14,949	5%	5%	6%	5%	5%	6%
Represented by												
Share capital	12,603	12,603	8,131	7,070	6,427	5,073	53%	67%	40%	40%	32%	25%
Reserves	4,824	5,613	8,542	8,136	7,691	7,236	20%	30%	46%	48%	45%	48%
Unappropriated (loss) / profit	1,862	(1,583)	1,004	1,302	702	834	8%	-8%	7%	4%	5%	2%
	19,289	16,633	17,677	16,509	14,821	13,143	81%	89%	93%	93%	82%	75%
Surplus on revaluation of assets - net of tax	4,418	2,096	2,011	1,267	1,184	1,806	19%	11%	7%	7%	11%	6%
	23,707	18,729	19,688	17,776	16,004	14,949	100%	100%	100%	100%	100%	100%
PROFIT AND LOSS												
Mark-up / return / interest earned	34,604	27,961	32,402	32,766	27,329	22,587	100%	100%	100%	100%	100%	100%
Mark-up / return / interest expensed	22,711	19,363	22,974	22,700	17,937	13,554	66%	69%	71%	69%	66%	60%
Net mark-up / interest income	11,893	8,597	9,428	10,067	9,392	9,033	34%	31%	29%	31%	34%	40%
(Reversal of) / Provision against non-performing loans and advances - net	(83)	9,854	2,342	1,630	2,319	2,324	0%	35%	7%	5%	8%	10%
Impairment loss on available for sale investment	208	151	143	122	383	431	1%	1%	0%	0%	1%	2%
Provision for diminution in the value of investments	198	933	201	44	297	77	1%	3%	1%	0%	1%	0%
Provision against reverse repo	-	-	-	35	66	83	0%	0%	0%	0%	0%	0%
Reversal of provision against purchase under resale agreement	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss on immovable assets	-	-	-	-	-	-	-	-	-	-	-	-
Bad debts written off directly	-	-	1	-	-	-	0%	0%	0%	0%	0%	0%
	322	11,103	2,688	1,831	3,064	2,915	1%	40%	8%	6%	11%	13%
Net mark-up / interest income after provisions	11,571	(2,506)	6,741	8,236	6,328	6,118	33%	-9%	21%	25%	23%	27%
Non mark-up/interest income												
Fee, commission and brokerage income	1,435	1,169	1,153	1,194	1,271	1,308	4%	4%	4%	4%	5%	6%
Dividend income	349	509	1,036	289	210	163	1%	2%	3%	1%	1%	1%
Income from dealing in foreign currencies	985	559	885	772	731	538	3%	2%	3%	2%	3%	2%
Gain on sale of investments - net	1,804	820	682	307	213	144	5%	3%	2%	1%	1%	1%
Unrealised gain on revaluation of investments classified as held for trading - net	-	-	0	-	(0)	(2)	0%	0%	0%	0%	0%	0%
Other income	744	540	361	340	376	404	2%	2%	1%	1%	1%	2%
Total non-markup / interest income	5,317	3,598	4,117	2,903	2,800	2,554	15%	13%	13%	9%	10%	11%
	16,889	1,092	10,858	11,139	9,128	8,672	49%	4%	34%	34%	33%	38%
Non mark-up/interest expenses												
Administrative expenses	10,934	9,397	9,039	8,639	7,813	6,996	32%	34%	28%	26%	29%	31%
Administrative expenses	47	114	9	-	-	-	0%	0%	0%	0%	0%	0%
Other charges	126	23	80	87	42	34	0%	0%	0%	0%	0%	0%
Total non-markup / interest expenses	11,107	9,533	9,128	8,726	7,855	7,030	32%	34%	28%	27%	29%	31%
Extra ordinary / unusual items	5,781	(8,441)	1,730	2,413	1,273	1,642	17%	-30%	5%	7%	5%	7%
Profit before taxation	5,781	(8,441)	1,730	2,413	1,273	1,642	17%	-30%	5%	7%	5%	7%
Taxation - current	(1,014)	(94)	(839)	(833)	(330)	(562)	-3%	0%	-3%	-3%	-1%	-2%
Taxation - prior years	-	-	-	-	-	(120)	0%	0%	0%	0%	0%	-1%
Taxation - deferred	(753)	3,054	364	48	0	147	-2%	11%	1%	0%	0%	1%
	(1,766)	2,961	(475)	(785)	(329)	(534)	-5%	11%	-1%	-2%	-1%	-2%
Profit after taxation	4,015	(5,480)	1,255	1,628	944	1,108	12%	-20%	4%	5%	3%	5%
Unappropriated profit brought forward	(1,583)	886	1,302	702	834	309	-5%	3%	4%	2%	3%	1%
Profit available for appropriation	2,432	(4,594)	2,557	2,330	1,777	1,417	7%	-16%	8%	7%	7%	6%

HORIZONTAL AND VERTICAL ANALYSIS

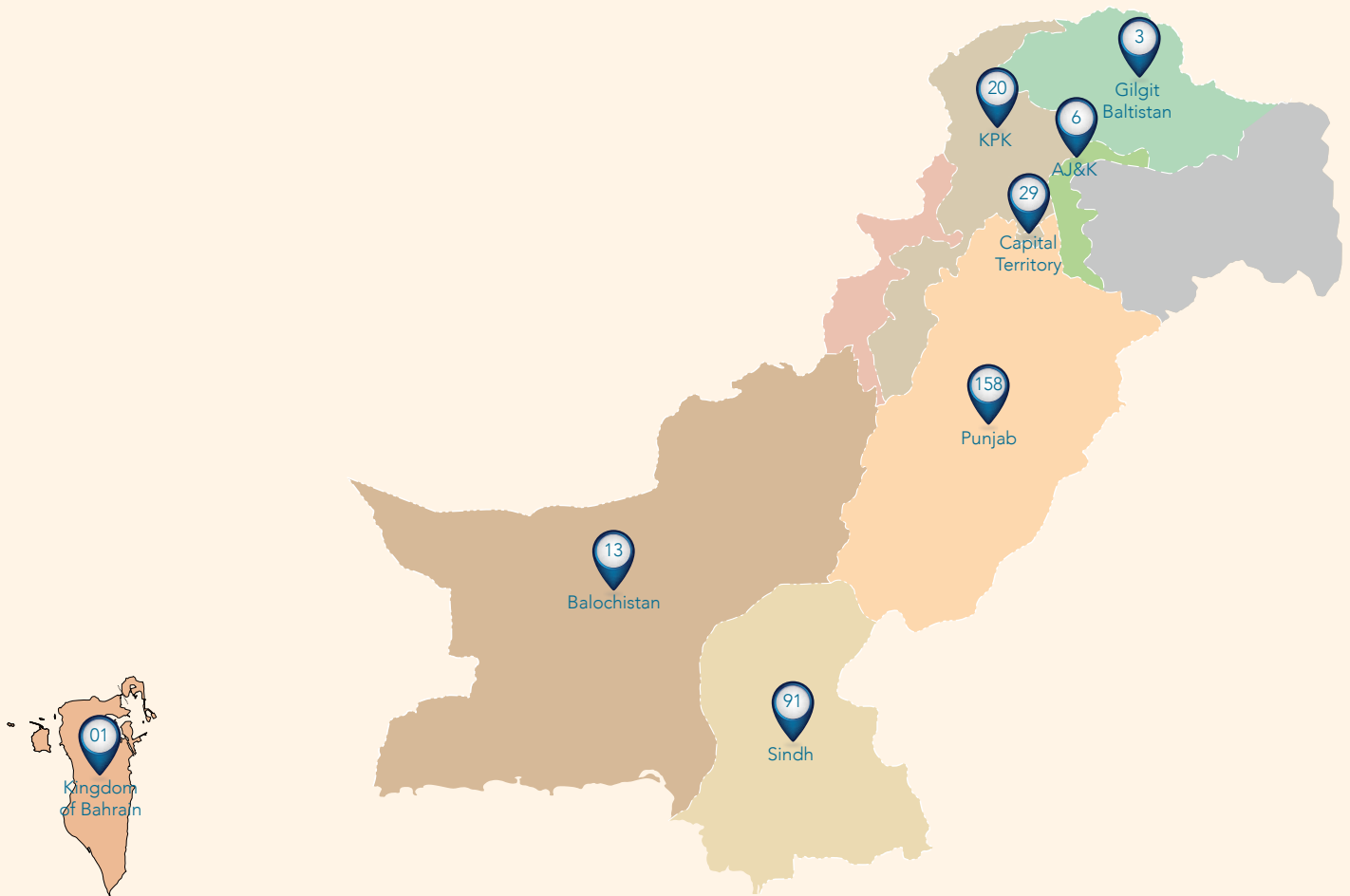
Balance Sheet Horizontal Analysis *(Cumulative average growth rate for the last six year - annualised)*



Balance Sheet Vertical Analysis *(Composition for the last six years)*



OUR NETWORK



Our presence, across Pakistan – a network of 320 branches / sub-branches, and a wholesale bank branch in Bahrain.

District wise list of our presence is given below:

Punjab	Mianwali	2	Nawabshah	2	Quetta	10	
Attock	4	Multan	6	Shikarpur	1	13	
Bahawalnagar	1	Okara	3	Sukkur	1	Islamabad Capital Territory	
Bahawalpur	3	Rahim Yar Khan	3	Tando Allahyar	1	29	
Bhawalpur	1	Rawalpindi	39		91		
Burewala	1	Sahiwal	1	Khyber Pakhtunkhwa		Azad Jammu & Kashmir	
Chakwal	2	Sargodha	4	Abbottabad	3	Mirpur	5
Chiniot	1	Sheikhupura	2	Battagram	1	Muzafarabad	1
Dera Ghazi Khan	2	Sialkot	7	D.I.Khan	1		6
Faisalabad	7	Toba Tek Singh	2	Haripur	2	Gilgit-Baltistan	
Gujranwala	6	Vehari	2	Kohat	1	Gilgit	2
Gujrat	5		158	Mansehra	1	Skardu	1
Hafizabad	1	Sindh		Mardan	1		3
Jhang	1	Ghotki	3	Nowshera	2	Wholesale Bank Branch (Bahrain)	1
Jhelum	1	Hyderabad	3	Peshawar	7		
Kasur	1	Jacobabad	1	Swat	1		
Khanewal	1	Jamshoro	1		20	Total Branches / Sub-Branches	321
Kharian	2	Karachi	73	Balochistan			
Khushab	1	Kashmore	1	Gwadar	1		
Lahore	44	Khairpur	2	Jaffarabad	1		
Layyah	1	Larkana	1	Qilla Abdullah	1		
Mandi Bahauddin	1	Mirpurkhas	1				

Contact details of branches and other relevant information can be accessed from the Bank's website: www.askaribank.com.pk

SIX YEARS' STATISTICS

Rupees in million

December 31	2009	2010	2011	2012	2013	2014
Assets						
Advances - net	135,034	152,784	150,711	143,727	163,557	170,496
Investments	67,406	102,260	133,757	145,378	165,863	217,214
Cash, short term funds and statutory deposits with SBP	32,364	35,522	33,995	39,618	37,666	29,626
Operating fixed assets	9,262	9,988	9,349	8,841	8,567	8,299
Other assets	10,621	14,190	15,945	15,491	19,174	21,448
Total Assets	254,327	314,744	343,757	353,056	394,827	447,083
Non-performing loans	17,725	21,599	23,646	26,518	33,120	31,376
Provisions for non-performing loans	12,594	15,652	16,669	19,128	28,614	28,169
Liabilities						
Deposits	205,970	255,937	291,503	306,937	335,241	387,587
Refinance borrowings	13,700	12,425	9,277	7,775	8,953	7,954
Sub-ordinated loans	5,995	5,993	6,990	6,987	3,994	7,993
Other liabilities	13,713	24,385	18,210	11,669	27,911	19,842
Total liabilities	239,378	298,740	325,980	333,368	376,099	423,376
Shareholders' funds						
Share capital	5,073	6,427	7,070	8,131	12,603	12,603
Reserves	8,070	8,393	9,439	9,456	4,030	6,686
Surplus on revaluation of assets	1,806	1,184	1,267	2,011	2,096	4,418
Total shareholders' funds	14,949	16,004	17,776	19,688	18,729	23,707
Profitability – for the year ended December 31						
Interest income	22,587	27,329	32,766	32,402	27,961	34,604
Interest expenditure	13,554	17,937	22,700	22,974	19,363	22,711
Net interest income	9,033	9,392	10,066	9,428	8,597	11,893
Provisions for non-performing assets	2,915	3,064	1,831	2,688	11,103	322
Fee, commission and exchange income	1,308	1,271	1,194	1,153	1,169	1,435
Other income	1,236	1,529	1,709	2,964	2,429	3,882
Operating expenses	7,030	7,855	8,726	9,128	9,533	11,107
Profit before taxation	1,632	1,273	2,413	1,729	(8,441)	5,781
Taxation	534	330	785	474	2,961	1,766
Profit after taxation	1,098	943	1,628	1,255	(5,480)	4,015
Operating profit	4,546	4,338	4,244	4,418	2,663	6,103
Total income	25,131	30,129	35,669	36,520	31,559	39,921
Total expenditure	23,499	28,856	33,257	34,779	39,999	34,140
Cash flows						
Operating activities	36,245	35,810	36,492	10,939	23,006	36,639
Investing activities	(32,052)	(37,308)	(31,456)	(10,047)	(21,638)	(47,928)
Financing activities	2,998	(3)	997	(4)	1,479	2,752
Changes in cash & cash equivalents	7,191	(1,501)	6,053	896	2,864	(8,537)
Cash & cash equivalents at beginning of the year	20,659	27,851	26,350	32,403	33,299	36,163
Cash & cash equivalents at end of the year	27,850	26,350	32,403	33,299	36,163	27,626
Business transacted						
Imports	140.16	177.32	166.51	143.30	195.79	176.58
Exports	105.41	105.11	112.71	98.03	111.12	140.82
Guarantees	58.55	67.55	59.63	69.92	82.45	64.07



	2009	2010	2011	2012	2013	Percentage 2014
Profitability Ratios						
Profit / (loss) before tax	7.23	4.66	7.36	5.34	(30.19)	16.71
Gross Yield on Earning Assets	11.48	11.42	11.55	10.74	8.67	10.15
Return on average assets (RoA)	0.48	0.33	0.49	0.36	-1.47	0.95
Gross Spread	39.99	34.37	30.72	29.10	30.75	34.37
Cost to income (CIR)	60.73	64.42	67.28	67.39	78.17	64.54
Return on average shareholders' funds (RoE)	7.94	6.09	9.64	6.70	-28.53	18.92
Return on Capital employed	1.43	1.00	1.06	0.59	-2.39	1.51
Liquidity Ratios						
Advance to deposits (CDR)	65.56	59.70	51.70	46.83	48.79	43.99
Current	1.22	0.97	1.84	1.99	1.91	1.77
Cash to Current Liabilities	0.17	0.13	0.24	0.26	0.23	0.17
Investment/ market Ratios						
Price Earning (PE)	12.52	11.95	4.35	11.18	-2.37	7.23
Price to Book	0.16	0.04	0.02	0.04	0.04	0.07
Dividend yield	-	-	-	-	-	0.09
Dividend payout	-	-	-	-	-	2.72
Interim cash dividend	-	-	-	-	-	10.00
Final cash dividend *	-	-	-	-	-	10.00
Stock dividend *	20.00	10.00	15.00	-	-	-
Earnings per share (EPS)** - Rupees	2.18	1.48	2.30	1.54	(5.90)	3.19
Market value per share - year end - Rupees	27.30	17.69	10.03	17.22	14.00	23.07
Market value per share - high - Rupees	28.69	31.14	19.25	17.75	19.69	23.14
Market value per share - low - Rupees	12.15	12.70	8.50	9.89	10.76	13.37
Capital Structure Ratios						
Income / Expense	1.07	1.04	1.07	1.05	0.79	1.17
Capital Adequacy (CAR)	11.75	10.30	11.35	11.81	10.03	13.03
Earning assets to total assets	85.71	86.34	86.05	86.90	84.07	90.32
Weighted average cost of deposits	6.19	6.51	6.87	6.77	5.62	5.90
Net assets per share	29.47	24.90	25.14	24.21	14.86	18.81
Operating fixed assets to average shareholders' funds	66.35	64.54	55.35	47.20	44.60	39.12
Other information						Numbers
Number of employees (Regular)	4,393	4,473	4,470	4,272	4,411	5,581
Number of branches	226	235	245	261	281	321

*post balance sheet event

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

DIRECTORS' REPORT



The Directors present the 23rd Annual Report of Askari Bank Limited along with the audited financial statements and Auditors' reports thereon, for the year ended December 31, 2014.

The Economy

Pakistan's economy is witnessing improvement on the back of improved foreign exchange reserve position, increased remittances, appreciation of Rupee, reduction in fiscal deficit, lower inflation and relatively contained deficit in current account.

During fiscal '14, the economic growth as reflected by GDP remained slightly short of the target mainly due to performance of agriculture, though it was largely compensated by a relatively better contribution by the industrial

sector, despite energy shortages. The improvement in foreign exchange reserves resulted from improved foreign inflows and comfortable import bill mainly due to the trends of oil and commodity prices. With the resumption of external inflows from international financial institutions, following the IMF program, the successful auction of telecom licenses, mobilization through Eurobonds, further strengthened the recurring flows of export proceeds and increased workers' remittances. The indications for a monetary tightening realized towards the end of 2014 with a policy rate reduction

of 50 bps after a cautious monetary instance during most of the year. The monetary management is targeting improvement in credit to private sector that has remained lower during the second half of 2014, compared to the same period last year and therefore, continues to be a concern as banking funds are locked away in PIBs.

Looking ahead, the declining trend of oil prices is expected to continue to favourably impact the trade balance and likely to cause inflation to recede further. In addition, successful completion of IMF facility reviews and issuance of Sukuk will contribute towards improvement in overall balance of payment. The demand for private sector credit and commodity financing is expected to increase in the wake of recent further reduction in policy rate and will strengthen business sentiment. Amidst these positives, the energy sector, which has been the main reason for fiscal deficits in recent years, continues to struggle and require urgent reforms and adequate planning and development of energy infrastructure and supply chain of power. The issue of structural reforms in public sector enterprises has achieved little progress and has to be fast-tracked to reduce their burden on the economy. The efforts to widen the tax base are yet to produce the desired results and also warrant modifications and improvements on priority, along with priority for policies and reforms to attract foreign direct investment. Whilst the prospects of economic growth have improved, the

challenges remain in the effective implementation of a comprehensive reform agenda for a long term sustainable economic growth.

Review of Askari Bank's Performance

2014 was the first full year for Askari Bank under the new Sponsors, the Fauji Group

(Fauji Group comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited collectively acquired 71.91 percent w.e.f. June 21, 2013)

Targeting 2014 as the year of transformation and growth for Askari Bank, the Bank embarked upon a strategy focused on building a robust and sustainable organisational infrastructure spanning across the key elements of banking i.e. people, products, services and technology. In looking back at the year, the performance of your Bank has well exceeded expectations amidst changes and challenges in the operating environment. It bears testament to the agility and dexterity displayed by the team in their focused approach in surmounting the challenges.

Askari Bank earned a highest-ever profit after tax amounting to Rs.4,015 million during the year ended December 31, 2014 comparing to a loss after tax of Rs.5,480 million in the previous year. The overall balance sheet size grew by 13 percent, from Rs.395 billion at end 2013 to 447 billion at the close of December 31, 2014.

Earnings per share for 2014 were recorded at Rs.3.19 per share compared to a loss per share of Rs. 5.90 per share for the full year 2013. The return on average assets and return on average core equity remained strong and comparable with industry averages at 1.0 percent and 22.4 percent, respectively for the year 2014.

Capital adequacy ratio under the Basel-III guidelines, implemented by the State Bank of Pakistan w.e.f. December 31, 2013, stood at 13.03 percent at the close of 2014 compared to 10.39 percent as at end 2013.

The Bank was able to grow customer deposits to Rs.388 billion at December 31, 2014 from 335 billion at the close of previous year, a healthy increase of 16 percent despite a targeted reduction in cost of deposits. The deposit growth was made possible by effective market communication and a series of regional activities penetrating in the savings space. These initiatives were reinforced by the ASKARI brand promise that is associated with trust and security. The Bank delivered an impressive mix of deposits with current accounts registering a notable growth of 26.36 percent improving the non-remunerative to deposits ratio by two percentage points during the year. The growth in current accounts was the primary reason for the positive trend in cost of deposits— noting that the benchmark rates remained above the levels recorded in 2013, and the full year impact of change in the basis of computation

DIRECTOR'S REPORT

for savings deposits. During the year under review, savings deposits grew by 13.6 percent followed by fixed deposits which increased by 10.6 percent. Deposits in foreign currencies declined by 9 percent compared to last year, reflecting the impact of strengthening of Pak Rupee during 2014.

Our loan book had reached Rs.199 billion by year end 2014, an increase of 3.38 percent from 192 billion as the close of last year as the Bank remained watchful of the growth of risk assets. Notwithstanding this, we were successful in containing our non-performing to gross advances ratio at 15.79 percent at December 31, 2014, an improvement from 17.23 percent at the close of last year. This was attributable to continuous and concerted efforts through aggressive recoveries, active monitoring and prudent lending resulting in cumulative provisions to decline by 1.56 percent during the year. The provision coverage against non-performing loans also improved to 89.78 percent at December 31, 2014 as against 86.40 percent last year.

The Bank made a strategic decision to grow our core revenues by leveraging on our existing and new relationships and investment opportunities arising in the money market as reflected by the trends of benchmark rates and liquidity management. Resultantly, the net core revenues earned during the year amounted to Rs.14.3 billion compared to Rs.10.3 billion last year, an impressive increase of 38.62 percent. Non-core revenues

also increased to Rs.2.9 billion, an increase of 54.9 percent, mainly contributed by unprecedented performance of bourses and, non-recurring gains realized on disposal of certain fixed assets, during the year under review.

We have contained the increase in the administrative expense base through strategic initiatives to drive a more cost conscious culture across the Bank. The aggregate administrative costs increased by 16.36 percent as we increased our footprint by adding 40 branches to the existing network. However, despite the increase in administrative expenses, the cost to income ratio is reported at 64.54 percent, a significant improvement from 78.17 percent last year. We have significant investment in technology focusing

on multi-channel distribution strategy delivering increased customer convenience and greater choice. During the year under review, investment was also made in customer awareness initiatives. The Bank continues to pursue with productivity enhancement measures over the medium term and incurring only such expense which is producing value for our customer.

The prudence in asset liability management is reflected in the performance of Banks' profitability. The management of your Bank is placing greater importance in remaining the 'safe and sound' systematic Bank, and in safeguarding the interest of our stakeholders by focussing on sustainable bottom line in the coming periods.

Appropriations

The Board of Directors recommends the following appropriations for the year ended December 31, 2014:

(Rs. in '000)	2014
Appropriations:	
Profit after taxation	4,014,932
Accumulated profit brought forward	-
Effect of recognition of actuarial loss	(89,464)
Profit available for appropriation	3,925,468
Interim cash dividend 2014 - 10 percent	(1,260,259)
Transfer to statutory reserve	(802,986)
Transfer to general reserve	-
Accumulated profit carried forward	1,862,223
Earnings per share - Rupees	3.19

Dividends

In addition to the above, the Board has recommended a final cash dividend of 10 percent for the year ended December 31, 2014.

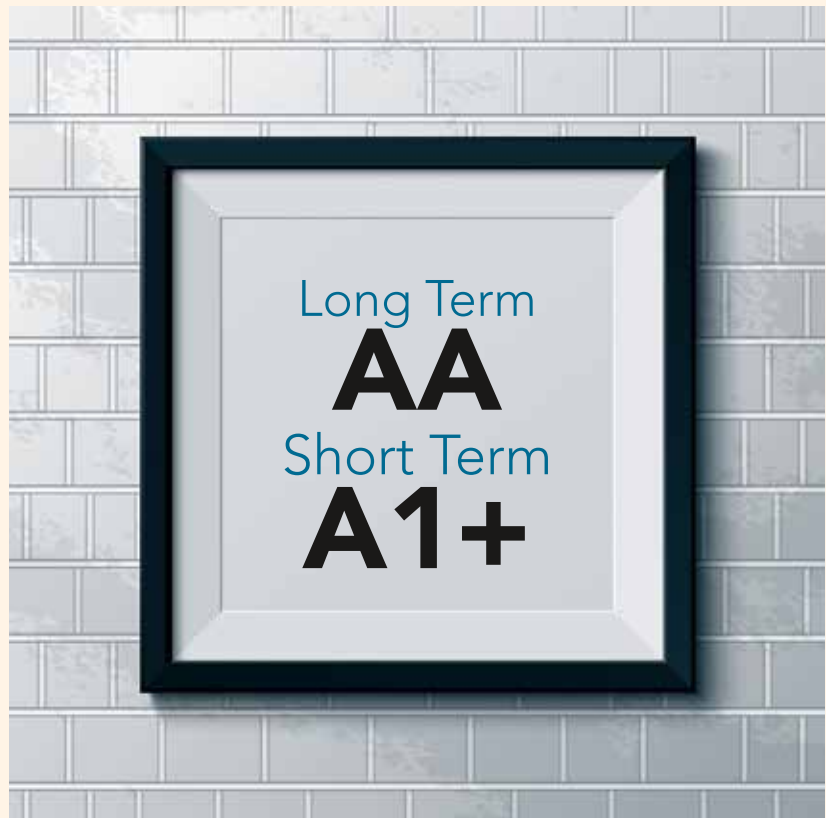
Capital base of the Bank

Strengthening the capital base and maintaining adequate liquidity in tandem with growth attracts managements' high priority. In the second half of 2014, the Bank issued Rs.4.0 billion worth of unsecured subordinated term finance certificates to strengthen the Bank's regulatory Tier II capital base. The issue was well received by investors and supports the risk management strategy aimed at striking an optimal balance between risk and return.

Entity and TFC Ratings

JCR-VIS Credit Rating Company Limited has maintained long-term rating of the Bank at 'AA' that reflected a very low expectation of credit risk and not being significantly vulnerable to foreseeable events. The short-term rating is at the highest level of 'A1+'.

The ratings takes into account implicit support available to the Bank from its principal shareholder, the Fauji Group, which is one of the largest business conglomerates in Pakistan with a well-diversified and strong presence in various sectors of the economy.



The ratings of Bank's TFC issues (issue dates: November 18, 2009, December 23, 2011 and September 30, 2014) have been maintained at 'AA-' by both JCR-VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited. These ratings denote high credit quality and very low expectation of credit risk.

Branch Network

As part of the 2014 branch expansion plan, the Bank opened 40 new branches including 13 Islamic banking branches. At December 31, 2014, our branch footprint stood at 321 including 53 Islamic branches and a Wholesale Bank branch in Bahrain. Building on the momentum achieved in 2014, the Bank has already embarked upon a very aggressive expansion

for 2015 aiming at enhanced customer access and convenience, backed by improved service quality.

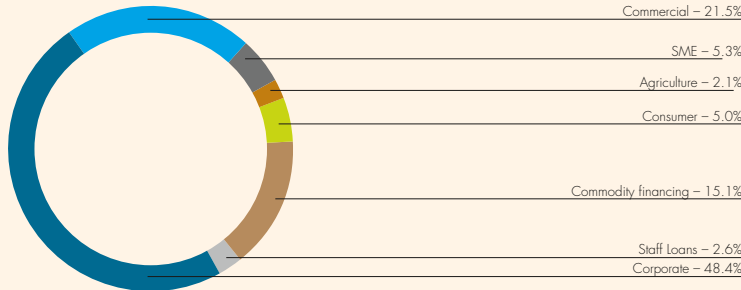
The expansion plan for 2015 also includes opening a representative office in China to facilitate the bilateral trade between the neighboring countries.

Risk Management Framework

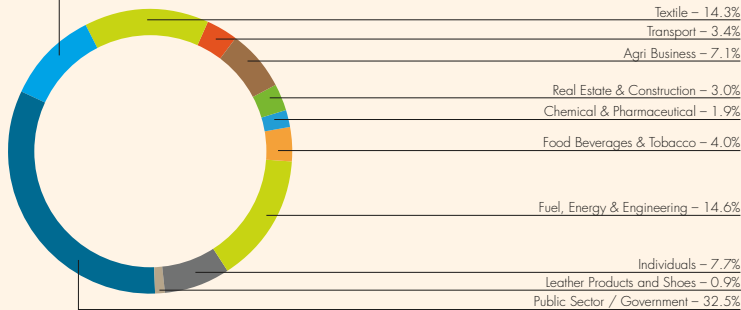
Askari Bank is now being more effectively poised and strengthened for a prudent approach towards the implementation of a sound risk management framework in all areas of banking activities as the risk management function is recognized as a fundamental to the business of banking and it is an essential element of our banking strategy.

DIRECTOR'S REPORT

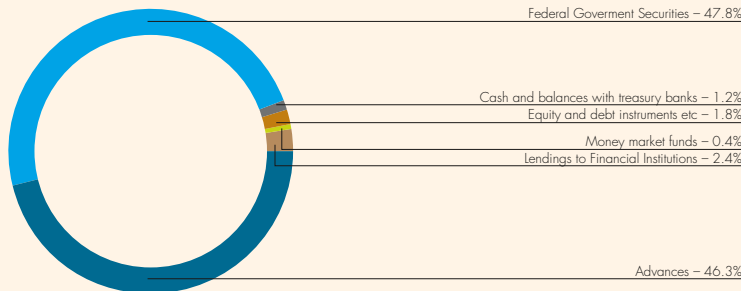
Advances by Sector (Percentage)



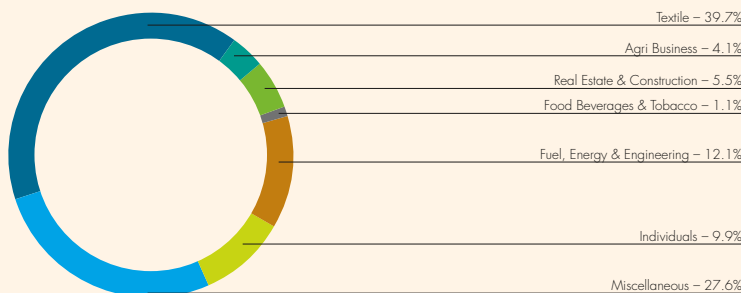
Advances by Segment (Percentage)



Assets Mix – Earning (Percentage)



NPL by Sector (Percentage)



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

With the phasing out of Basel II and introduction of Basel III guidelines in 2013, the Bank has taken all necessary steps to remain Basel III compliant during its transition phase up to its full implementation in 2018. With the purpose of managing financial contagion risk from interconnectedness in the financial system and emphasis on high quality Core Capital, Basel III has brought with itself stricter rules in the shape of additional deductions, additional requirements in the shape of Capital Conservation Buffer that shall eventually raise the CAR requirement to 12.5 percent in the year 2019 and introduction of third Capital Standard in the shape of Leverage Ratio. The steps taken by the Bank in the wake of stricter rules include focus on creation of high

quality Tier 1 Capital, realignment of investment strategies, higher targeted risk adjusted returns and even build-up of necessary capacity to adapt under the new regime. The entire Basel III compliance plan has been aided with capital adequacy projections and impact assessment tools.

Corporate Social Responsibility

Askari Bank remains committed towards supporting the communities where we live and operate through various social and community initiatives. In this direction, our key areas of focus include health care, education and sports. During the year, the Bank contributed for the relief and rehabilitation of the affectees of floods and food shortage in Sindh province. Also, contributions were made for the construction and provision of facilities in educational institutions, particularly in less developed areas of the country.

Subsidiary companies

The Bank's wholly owned subsidiary, Askari Investment Management Limited (AIML) manages mutual funds and is also engaged in advisory services for institutional clients. Askari Bank also holds controlling interest of 74 percent in Askari Securities Limited (ASL) which offers share brokerage, investment advisory and consultancy services. Consolidated financial statements of the Bank, AIML and ASL for the year ended December 31, 2014 are included in this report.



Human Resource

The Bank is laying the foundation for a workplace that challenges, stimulates creativity and pushes our workforce to innovate. The Bank recognises the importance of integrity, transparency, accountability and ethical work practices as imperatives to success and sustainability. An effective employee grievance handling mechanism has been introduced backed by an open communication channel giving access to all employees to have dialogue with the President & CE and express ideas and suggestions for improvements. The compensation and reward schemes assign priority to less earning employees and certain initiatives solely benefiting them were implemented during 2014. From a professional stand point, the Bank endeavours to provide an environment that is conducive to development in a

range of banking competencies with a focus on creating leaders in banking and finance. Our management trainee program has been contributing to the industry requirements by attracting, developing and nurturing skill set required by the industry.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Bank present fairly its state of affairs, the results of its operations, and changes in equity and cash flows.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial

DIRECTOR'S REPORT

statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting, Islamic and Shariah Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by the internal audit department as are other such procedures. Such review processes will continue with a view to removing any weakness and mitigating risk.
- The Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- There has been no material deviation from the best practices of corporate governance as detailed in the Listing Regulation No. 35 of the Karachi Stock Exchange Limited.
- Key operating data and financial data for the last six years, in a summarized form, is included in this report.
- 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 annexed financial statements.
- The following is the fair value of investments as at December 31, 2014:

- Provident Fund Rs.2,752 million, based on un-audited financial statements (December31, 2013: Rs. 2,336 million)
- Gratuity Fund Rs.1,389 million, based on

un-audited financial statements (December31, 2013: Rs. 892 million)

- During 2014, seven meetings of the Board of Directors were held. Attendance by each Director was as follows:

Lt Gen (R) Muhammad Mustafa Khan (Chairman - resigned on January 2, 2015)	7
Lt Gen (R) Naeem Khalid Lodhi	7
Lt Gen (R) Muhammad Zaki (retired)	1
Lt Gen (R) Muhammad Haroon Aslam	5
Mr. Qaiser Javed	6
Dr. Nadeem Inayat	7
Mr Asif Reza Sana	6
Mr Zaffar Ahmad Khan	7
Mr Tariq Hafeez Malik	6
Mr. Manzoor Ahmed	6
Syed M. Husaini (President & Chief Executive)	7

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2014 is included in this report.

Trading in shares of the Bank

No trades in the shares of the Bank were carried out by the CEO, CFO, Company Secretary their spouses and minor children during the year 2014.

Statement on Internal Controls

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

Board Committee		Dates of Meetings																					
		BACC								BRMC				BHRRC				BITC					
Committee Members	Attendance / total meetings	16-Feb-14	17-Apr-14	11-Jun-14	18-Jul-14	24-Oct-14	11-Nov-14	29-Nov-14	06-Dec-14	11-Mar-14	28-May-14	18-Jul-14	25-Dec-14	11-Apr-14	02-May-14	05-Aug-14	23-Dec-14	16-Jan-14	03-Apr-14	18-Jun-14	03-Jul-14	26-Aug-14	30-Oct-14
Mr. Asif Reza Sana *	8/8	✓	✓	✓	✓	✓	✓	✓	✓														
Mr. Qaiser Javed	7/8	✓	✓		✓	✓	✓	✓	✓														
Dr. Nadeem Inayat	8/8	✓	✓	✓	✓	✓	✓	✓	✓														
M. Manzoor Ahmed	2/8							✓	✓														
Mr. Tariq Hafeez Malik	3/8						✓	✓	✓														
Dr. Nadeem Inayat *	4/4								✓	✓	✓	✓											
Mr. Qaiser Javed	4/4								✓	✓	✓	✓											
Mr. Asif Reza Sana	4/4								✓	✓	✓	✓											
Syed M. Husaini	4/4								✓	✓	✓	✓											
Lt. Gen (R) Naeem Khalid Lodhi *	4/4													✓	✓	✓	✓						
Mr. Qaiser Javed	3/4													✓	✓	✓							
Mr. Zafar Ahmad Khan	4/4													✓	✓	✓	✓						
Syed M. Husaini	3/4													✓	✓	✓							
Mr. Tariq Hafeez Malik *	5/6																		✓	✓	✓	✓	✓
Lt Gen (R) Naeem Khalid Lodhi	4/6																		✓		✓	✓	✓
Syed M. Husaini	6/6																	✓	✓	✓	✓	✓	✓

* Chairman of respective committees

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2014 and shall retire at the conclusion of the 23rd Annual General Meeting after completing the term of five years in pursuance of the Code of Corporate Governance.

The Board of Directors, on the recommendation of the Audit Committee, has recommended Messrs A. F. Ferguson & Co., Chartered Accountants, who have consented for appointment as statutory auditor for the next term; in place of retiring auditors. Messrs A. F. Ferguson & Co., Chartered Accountants have confirmed that they have been given satisfactory

rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountant's (IFAC) Guideline on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under the applicable laws. The appointment is subject to approval in the 23rd Annual General Meeting.

Events after the balance sheet date

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements.

Looking forward

2014 has been the year of transformation for Askari Bank on the back of organizational restructuring, building and nurturing strong relationships and reinforcing robust risk architecture in order to achieve sustainable financial results. The Bank is in a promising shape and the team has the ability to respond to the volatility that is the current day dynamic of doing business. We will leverage on the investments made in 2014 towards making the operating platform best in class to drive growth and profitability. Our strategic focus will remain unchanged but take on more breadth and depth. We aim to make step changes in enhancing service quality, service delivery and operational efficiency in coming years to provide unparalleled

DIRECTOR'S REPORT



service to our customers, while we aspire to continue as the best bank. We remain optimistic and positive to the changes that will take place in the industry.

Outgoing Chairman

Lt Gen (R) Muhammad Mustafa Khan resigned as the Chairman of the Board w.e.f. January 2, 2015. On behalf of the Board of Directors, I wish to place on record my deepest appreciation for the contributions made by Lt Gen (R) Muhammad Mustafa Khan as Chairman of the Board of Askari bank Limited.

Appreciation

On behalf of the Board, I express my sincere appreciation to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, and other regulatory bodies for the guidance and support extended to Askari Bank during the year. I am also thankful to our investors for the trust that they have placed in the Bank. The excellent results for 2014 would not have been possible without the loyalty of our customers who have continued to build stronger relationships and patronize our products and service offerings. On behalf of the Bank, I express my

appreciation for all our customers and most importantly I would like to acknowledge our employees whose painstaking commitment, hard work and dedication has enabled successful delivery of our promise to all our stakeholders.

Lt Gen Khalid Nawaz Khan
HI (M) (Retd), Sitara-i-Esar
Chairman, Board of Directors,
Askari Bank Limited

February 13, 2015
Rawalpindi

Unconsolidated Financial Statements of

Askari Bank Limited

For the year ended December 31, 2014

Statement of Internal Controls

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

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

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

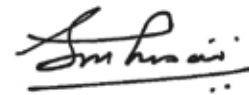
In compliance with the State Bank of Pakistan (SBP) directives, on September 30, 2012, the Bank had completed the implementation of Roadmap regarding Internal Controls over Financial Reporting. This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Whole documentation including the testing results has been reviewed by the external auditors and Long Form Report has been submitted to the SBP on June 30, 2014 in order to fulfill the regulatory requirement.

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

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



Saleem Anwar
Chief Financial Officer



Syed M. Husaini
President & Chief Executive

February 13, 2015

Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2014

This statement is being presented to comply with the Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange Limited, where the Bank's shares are listed for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited.
3. All Directors are resident and registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year 2 casual vacancies occurred on the Board which were filled by the Board within stipulated time.
5. The Bank has prepared a statement of "Code of Conduct", which has been signed by all the directors and employees of the Bank and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & Chief Executive, and certain other executives have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Bank did not organize training program for its directors during the year. However, majority of directors are certified under directors' certification programs of well recognized institutes.

Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2014

10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Bank were duly endorsed by the President & Chief Executive and the Chief Financial Officer before approval of the Board.
12. The Directors, President & Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed a Board Audit & Compliance Committee (BACC). It comprises of 5 members, 3 members are non-executive directors and 2 members are independent directors, including the Chairman of the Committee.
15. The meetings of the Board Audit & Compliance Committee (BACC) were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed Board Human Resource & Remuneration Committee (BHR&RC). It comprises of 4 members, 1 member is executive director, 1 member is independent director and 2 members are non-executive directors, including the Chairman of the Committee.
17. The Board has set-up an effective internal audit function. Personnel of internal audit function are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's Shares, was determined and intimated to directors, employees and stock exchanges.
21. Material / price sensitive information has been disseminated among all market participants through stock exchanges.
22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board



Lt Gen Khalid Nawaz Khan
HI(M), Sitara-i-Esar (Retd)
Chairman

Rawalpindi
February 13, 2015



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

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

Review Report to the Members

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

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

The responsibility for compliance with the Code of Corporate Governance ("the Code") is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2014.

Further, we highlight an instance of non-compliance with the requirements of the Code as disclosed in point 9 of the statement.

Islamabad
February 13, 2015

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner

Riaz Pesnani

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Islamabad, Pakistan

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Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of Askari Bank Limited ("the Bank") as at December 31, 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 20 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

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- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and its true balance of the profit, its changes in equity and cash flows for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad
February 13, 2015

KPMG Taseer Hadi & Co.

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

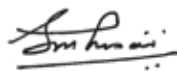
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Unconsolidated Statement of Financial Position

As at December 31, 2014

Rupees in '000	Note	2014	2013
Assets			
Cash and balances with treasury banks	6	19,130,113	26,104,822
Balances with other banks	7	7,068,111	9,057,747
Lendings to financial institutions	8	3,427,753	2,503,207
Investments	9	217,214,247	165,863,237
Advances	10	170,496,454	163,556,632
Operating fixed assets	11	8,299,488	8,567,401
Assets held for sale	9.12	53,703	–
Deferred tax assets	12	875,335	2,977,285
Other assets	13	20,517,341	16,197,164
		447,082,545	394,827,495
Liabilities			
Bills payable	14	6,855,020	5,687,542
Borrowings	15	13,742,030	24,545,879
Deposits and other accounts	16	387,586,620	335,241,027
Sub-ordinated loans	17	7,992,800	3,994,400
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities	18	7,199,014	6,629,759
		423,375,484	376,098,607
Net assets		23,707,061	18,728,888
Represented by			
Share capital	19	12,602,602	12,602,602
Reserves		4,823,738	5,613,061
Unappropriated profit / (loss)		1,862,223	(1,582,626)
		19,288,563	16,633,037
Surplus on revaluation of assets - net of tax	20	4,418,498	2,095,851
		23,707,061	18,728,888
Contingencies and commitments	21		

The annexed notes 1 to 45 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



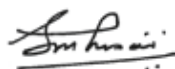
Lt Gen (R) Khalid Nawaz Khan
Chairman

Unconsolidated Profit and Loss Account

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Mark-up / return / interest earned	24	34,604,210	27,960,505
Mark-up / return / interest expensed	25	22,710,924	19,363,188
Net mark-up / interest income		11,893,286	8,597,317
(Reversal of) / provision against non-performing loans and advances - net	10.6	(83,198)	9,853,603
Impairment loss on available for sale investments		207,669	151,047
Provision for diminution in value of investments - net	9.2.1	197,507	933,406
Reversal of provision against purchase under resale arrangement	8.3	–	(34,578)
Impairment loss on immovable assets		–	199,898
Bad debts written off directly		–	–
		321,978	11,103,376
Net mark-up / interest income / (expense) after provisions		11,571,308	(2,506,059)
Non mark-up / interest income			
Fee, commission and brokerage income		1,435,180	1,169,442
Dividend income		348,726	508,748
Income from dealing in foreign currencies		985,323	559,463
Gain on sale of securities - net	26	1,803,844	820,401
Unrealised gain on revaluation of investments classified as held for trading - net		–	–
Other income	27	744,134	540,390
Total non-markup / interest income		5,317,207	3,598,444
		16,888,515	1,092,385
Non mark-up / interest expenses			
Administrative expenses	28	10,934,450	9,396,803
Other provisions / write offs		46,956	113,514
Other charges	29	125,696	22,571
Total non-markup / interest expenses		11,107,102	9,532,888
		5,781,413	(8,440,503)
Extra ordinary / unusual items		–	–
Profit / (loss) before taxation		5,781,413	(8,440,503)
Taxation – current	30	(1,013,637)	(93,765)
– prior years'		–	–
– deferred	30	(752,844)	3,054,373
		(1,766,481)	2,960,608
Profit / (loss) after taxation		4,014,932	(5,479,895)
Unappropriated (loss) / profit brought forward		(1,582,626)	886,336
Profit / (loss) available for appropriation		2,432,306	(4,593,559)
Basic earnings / (loss) per share - Rupees	31	3.19	(5.90)

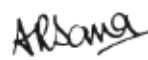
The annexed notes 1 to 45 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



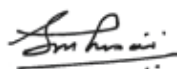
Lt Gen (R) Khalid Nawaz Khan
Chairman

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Profit / (loss) after taxation		4,014,932	(5,479,895)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss account			
Exchange difference on translation of net investment in Wholesale Bank Branch		(9,683)	16,350
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans		(137,637)	77,252
Related tax on remeasurement of defined benefit plans		48,173	(12,029)
Remeasurement of defined benefit plans - net of tax		(89,464)	65,223
		(99,147)	81,573
Comprehensive income - transferred to statement of changes in equity		3,915,785	(5,398,322)
Components of comprehensive income not reflected in equity			
Surplus on revaluation of available for sale securities - net of tax	20	2,853,867	258,920
Total comprehensive income		6,769,652	(5,139,402)

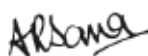
The annexed notes 1 to 45 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



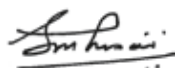
Lt Gen (R) Khalid Nawaz Khan
Chairman

Unconsolidated Cash Flow Statement

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Cash flow from operating activities			
Profit / (loss) before taxation		5,781,413	(8,440,503)
Less: dividend income		(348,726)	(508,748)
		5,432,687	(8,949,251)
Adjustments:			
Depreciation / amortization		712,794	771,620
(Reversal of) / provision against non-performing loans and advances - net		(83,198)	9,853,603
Impairment loss on available for sale investments		207,669	151,047
Provision for diminution in value of investments - net		197,507	933,406
Reversal of provision against purchase under resale arrangement		-	(34,578)
Impairment loss on immovable assets		-	199,898
Provision against operating fixed assets		45,677	-
Provision against other assets		1,279	108,502
Gain on sale of operating fixed assets		(305,374)	(46,797)
		776,354	11,936,701
		6,209,041	2,987,450
(Increase) / decrease in operating assets			
Lendings to financial institutions		(496,793)	4,850,845
Held for trading securities		-	151,845
Advances		(6,631,053)	(29,502,654)
Other assets (excluding advance taxation)		(4,395,891)	(154,670)
		(11,523,737)	(24,654,634)
Increase / (decrease) in operating liabilities			
Bills payable		1,167,478	1,987,386
Borrowings		(10,803,849)	16,173,262
Deposits		52,345,593	28,303,811
Other liabilities		417,870	(656,392)
		43,127,092	45,808,067
Cash flow before tax		37,812,396	24,140,883
Income tax paid		(1,173,619)	(1,134,841)
Net cash flow from operating activities	32.1	36,638,777	23,006,042
Cash flow from investing activities			
Net investments in available for sale securities		(47,893,770)	(23,729,947)
Net investments in held to maturity securities		76,107	2,074,962
Net investment in subsidiary		-	(150,000)
Dividend income		357,572	482,558
Investments in operating fixed assets - net of adjustment		(1,210,201)	(371,376)
Sale proceeds of operating fixed assets - disposed off		752,717	56,193
Net cash used in investing activities		(47,917,575)	(21,637,610)
Cash flow from financing activities			
Receipt / (payments) of sub-ordinated loans - net		3,998,400	(2,992,900)
Proceeds against issue of shares		-	4,471,891
Dividend paid		(1,246,511)	(170)
Net cash flow from financing activities		2,751,889	1,478,821
Exchange difference on translation of net investment in Wholesale Bank Branch		(9,683)	16,350
Increase in cash and cash equivalents		(8,536,592)	2,863,603
Cash and cash equivalents at beginning of the year		36,162,569	33,298,966
Cash and cash equivalents at end of the year	32	27,625,977	36,162,569

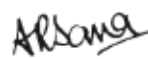
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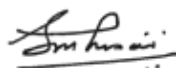
Lt Gen (R) Khalid Nawaz Khan
Chairman

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2014

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Total
					General reserve	Un-appropriated profit / (loss)	
Balance as at January 01, 2013	8,130,711	82,659	234,669	3,899,517	4,325,576	886,336	17,559,468
Total comprehensive income for the year ended December 31, 2013							
Net loss for the year ended December 31, 2013	-	-	-	-	-	(5,479,895)	(5,479,895)
Other comprehensive income related to equity	-	16,350	-	-	-	65,223	81,573
Transfer to:							
Statutory reserve	-	-	-	-	-	-	-
General reserve	-	-	-	-	-	-	-
- profit for the year ended December 31, 2012	-	-	-	-	1,004,291	(1,004,291)	-
- loss for the nine months ended September 30, 2013	-	-	-	-	(3,950,001)	3,950,001	-
	-	-	-	-	(2,945,710)	2,945,710	-
Transaction with owners							
Issue of shares against right issue	4,471,891	-	-	-	-	-	4,471,891
Balance as at January 01, 2014	12,602,602	99,009	234,669	3,899,517	1,379,866	(1,582,626)	16,633,037
Total comprehensive income for the year ended December 31, 2014							
Net profit for the year ended December 31, 2014	-	-	-	-	-	4,014,932	4,014,932
Other comprehensive income related to equity	-	(9,683)	-	-	-	(89,464)	(99,147)
Transfer to:							
Statutory reserve	-	-	-	802,986	-	(802,986)	-
General reserve	-	-	-	-	(1,582,626)	1,582,626	-
	-	-	-	802,986	(1,582,626)	779,640	-
Transaction with owners, recorded directly in equity							
Interim dividend 2014: Re. 1.00 per share	-	-	-	-	-	(1,260,259)	(1,260,259)
Balance as at December 31, 2014	12,602,602	89,326	234,669	4,702,503	(202,760)	1,862,223	19,288,563

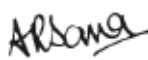
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Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

1.1 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2014. The ultimate parent of the Bank is Fauji Foundation. The Bank has 321 branches (2013: 281 branches); 320 in Pakistan and Azad Jammu and Kashmir, including 53 (2013: 40) Islamic Banking branches, 31 (2013: 27) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

3.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning after January 01, 2015:

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Bank's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on the Bank's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on the Bank's financial statements.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Bank's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not likely to have an impact on the Bank's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on the Bank's financial statements.

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

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. BASIS OF MEASUREMENT

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

Use of critical accounting estimates and judgments

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

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Assets Held for Sale

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

5.2 Cash and cash equivalents

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

5.3 Sale and repurchase agreements

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

5.4 Investments

Investments are classified as follows:

Held for trading

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

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD circular 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income" and is shown below the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

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

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

Held to maturity

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

Investment in subsidiaries and associate

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

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

5.5 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances as per details given in note 10.6.3.

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

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

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

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

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

Capital work-in-progress

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

Owned assets

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

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

Intangible assets

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

Depreciation / amortization

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

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

5.7 Impairment

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

5.8 Deposits

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

5.9 Taxation

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

Current

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

Deferred

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

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

5.10 Staff retirement benefits

Defined benefit plan

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

Defined contribution plan

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

Compensated absences

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

5.11 Revenue recognition

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

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

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

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

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Repossessed vehicles on account of loan default are recorded in memorandum account.

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

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

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

Salam means a kind of sale whereby the seller undertakes to supply specific goods to a buyer at a future date in consideration of a price fully paid in advance at the time the contract of sale is made. Bank recognizes revenue on Salam finance, by selling al-muslim fih (salam goods), delivered to bank by the customer.

5.12 Foreign currencies

Foreign currency transactions

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

Foreign operation

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

Translation gains and losses

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

Commitments

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

5.13 Provisions

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

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5.14 Off-setting

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

5.15 Financial assets and liabilities

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

5.16 Derivative financial instruments

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

5.17 Appropriations subsequent to date of unconsolidated statement of financial position

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

5.18 Segment reporting

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

5.18.1 Business segment

Corporate finance

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Payment and settlement

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

Agency services

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

Sub-ordinated loans

It represents Term Finance Certificates issued by the Bank.

5.18.2 Geographical segments

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

Rupees in '000	Note	2014	2013
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		4,967,914	4,632,574
Foreign currencies		1,276,862	1,444,687
		6,244,776	6,077,261
National Prize Bonds			
		11,498	22,402
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	4,509,714	10,547,151
Foreign currency current account	6.1	2,024,792	2,418,723
Foreign currency deposit account	6.2	5,264,327	6,072,321
		11,798,833	19,038,195
With National Bank of Pakistan in:			
Local currency current accounts		1,075,006	966,964
		19,130,113	26,104,822

6.1 These represents current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.00% (2013: 0.00%) per annum.

Rupees in '000	Note	2014	2013
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		137,257	200,266
On deposit accounts	7.1	5,116,172	3,877,270
		5,253,429	4,077,536
Outside Pakistan			
On current accounts		708,874	1,850,967
On deposit accounts	7.2	1,105,808	3,129,244
		1,814,682	4,980,211
		7,068,111	9,057,747

7.1 These represent placements with local banks, carrying interest rates ranging from 0.05% to 9.25% (2013: 0.20% to 9.00%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 0.16% (2013: upto 0.16%) per annum.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	1,427,753	1,000,000
Repurchase agreement lendings (reverse repo)	8.2	2,000,000	977,900
Purchase under resale arrangement of equity securities		148,606	148,606
		2,148,606	1,126,506
Funded trade finance		–	525,307
		3,576,359	2,651,813
Provision against purchase under resale arrangement of equity securities	8.3	(148,606)	(148,606)
		3,427,753	2,503,207

8.1 These carry mark-up of 8.65% to 9.35% (2013: 7.00% to 7.25%) having maturity upto 2 months (2013: upto 1 month).

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortized over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 9.90% (2013: 9.80%) per annum and maturities of upto 1 month (2013: upto 2 months).

Rupees in '000	2014	2013
8.3 Particulars of provision against purchase under resale arrangement of equity securities		
Opening balance	148,606	183,184
Reversal for the year	–	(34,578)
Closing balance	148,606	148,606
8.4 Particulars of lendings		
In local currency	3,576,359	2,126,506
In foreign currencies	–	525,307
	3,576,359	2,651,813

Rupees in '000	2014			2013		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.5 Securities held as collateral against lendings to financial institutions						
Market Treasury Bills	–	–	–	977,900	–	977,900
Pakistan Investment Bonds	2,000,000	–	2,000,000	–	–	–
	2,000,000	–	2,000,000	977,900	–	977,900

Market value of securities held as collateral is Rs. 2,050,823 thousand (2013: Rs. 978,566 thousand).

9. INVESTMENTS

Rupees in '000	Note	2014			2013		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types							
Available for sale securities							
Market Treasury Bills	9.15	95,363,586	2,840,522	98,204,108	98,719,040	15,196,508	113,915,548
Pakistan Investment Bonds	9.15	98,717,375	–	98,717,375	32,831,768	–	32,831,768
Fully paid ordinary shares / units		2,618,908	–	2,618,908	2,622,984	–	2,622,984
Units of open end mutual funds	9.4	1,733,068	–	1,733,068	1,863,714	–	1,863,714
Fully paid preference shares	9.6	264,890	–	264,890	333,324	–	333,324
Term Finance Certificates		3,631,709	–	3,631,709	4,459,988	–	4,459,988
National Investment Trust (NIT) Units		–	–	–	537,891	–	537,891
Sukuk Certificates	9.9	6,732,573	–	6,732,573	6,701,787	–	6,701,787
Government of Pakistan Euro Bonds	9.10	718,245	–	718,245	1,653,340	–	1,653,340
Foreign securities	9.11	23,382	–	23,382	37,813	–	37,813
		209,803,736	2,840,522	212,644,258	149,761,649	15,196,508	164,958,157
Held to maturity securities							
Government of Pakistan Euro Bonds	9.2.4	1,247,569	–	1,247,569	1,290,346	–	1,290,346
Sukuk Certificates	9.13	210,000	–	210,000	243,330	–	243,330
		1,457,569	–	1,457,569	1,533,676	–	1,533,676
Investment in associate							
Askari General Insurance Company Limited	9.12	–	–	–	53,703	–	53,703
Investment in subsidiaries							
Askari Investment Management Limited	9.5	335,000	–	335,000	335,000	–	335,000
Askari Securities Limited	9.5	114,789	–	114,789	114,789	–	114,789
Investments at cost		211,711,094	2,840,522	214,551,616	151,798,817	15,196,508	166,995,325
Provision for diminution in value of investments	9.2.1	(1,727,934)	–	(1,727,934)	(1,530,427)	–	(1,530,427)
Investments - net of provisions		209,983,160	2,840,522	212,823,682	150,268,390	15,196,508	165,464,898
Surplus / (deficit) on revaluation of available for sale securities - net		4,389,679	886	4,390,565	408,985	(10,646)	398,339
Total investments		214,372,839	2,841,408	217,214,247	150,677,375	15,185,862	165,863,237

Market value of held to maturity securities as at December 31, 2014 is Rs. 1,553,639 thousand (2013: Rs. 1,617,050 thousand).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
9.2 Investments by segments			
Federal Government Securities	9.2.3		
Market Treasury Bills		98,204,108	113,915,548
Pakistan Investment Bonds		98,717,375	32,831,768
Government of Pakistan Euro Bonds	9.2.4	1,965,814	2,943,686
Sukuk Certificates		6,246,034	6,145,042
		205,133,331	155,836,044
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,613,228	2,671,007
Unlisted companies	9.5	455,469	455,469
		3,068,697	3,126,476
Units of open end mutual funds	9.4	1,733,068	1,863,714
Fully paid preference shares	9.6		
Listed companies		139,890	208,324
Unlisted companies		125,000	125,000
		264,890	333,324
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,919,539	2,027,804
Unlisted Term Finance Certificates		1,712,170	2,432,184
		3,631,709	4,459,988
Foreign Securities			
Mena Transformation Fund	9.11	23,382	37,813
Other Investments			
Sukuk Certificates		696,539	800,075
National Investment Trust (NIT) - Units		–	537,891
		696,539	1,337,966
Total investment at cost		214,551,616	166,995,325
Provision for diminution in value of investments	9.2.1	(1,727,934)	(1,530,427)
Investments - net of provisions		212,823,682	165,464,898
Surplus on revaluation of available for sale securities - net		4,390,565	398,339
Total investments		217,214,247	165,863,237
9.2.1 Particulars of provision for diminution in value of investments			
Opening balance		1,530,427	597,021
Charge for the year		253,398	935,112
Reversal / transfer of provision during the year		(55,891)	(1,706)
		197,507	933,406
Closing balance		1,727,934	1,530,427
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		961,324	827,390
Sukuk certificates		547,903	484,330
Subsidiaries			
Fully paid ordinary shares - unlisted		188,027	188,027
		1,727,934	1,530,427

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2015 to November 2015	On maturity	9.46% to 10.07%	at maturity
Pakistan Investment Bonds	July 2015 to July 2024	On maturity	9.60% to 12.00%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to April 2019	On maturity	6.88% to 7.25%	semi-annually
Sukuk Certificates				
- Pakistan Domestic Sukuk Company Limited	September 2015 to June 2017	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
- Pakistan International Sukuk Company Limited	December 2019	On maturity	6.75%	semi-annually
- WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.25% and having maturities upto April 2019.

9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	Note	2014	2013
2014	2013	2014			Rupees in '000	
		Rupees				
1,150,000	-	50.05	Adamjee Insurance Company Limited		57,552	-
14,490,076	14,490,076	14.56	AgriTech Limited		211,012	337,474
865,000	512,500	110.00	Allied Bank Limited		95,150	32,868
-	10,555,142	-	Askari General Insurance Company Limited	9.12	-	53,703
-	149,160	-	Attock Petroleum Limited		-	54,576
2,347,500	4,200,000	31.14	Bank Alfalah Limited		73,102	87,181
-	3,000,000	-	Bank Al Habib Limited		-	87,896
400,000	-	53.64	Century Paper And Board Mills Limited		21,454	-
1,400,000	-	63.65	Cherat Cement Company Limited		89,114	-
600,000	-	45.49	Crescent Steel & Allied		27,296	-
1,000,000	2,490,000	71.99	Dawood Hercules Chemicals Limited		71,989	99,581
1,200,000	-	94.94	DG Khan Cement Company Limited		113,927	-
125,000	-	147.29	EFU General Insurance Limited		18,411	-
525,000	1,115,000	184.77	Engro Corporation Limited		97,002	100,000
-	1,000,000	-	Engro Fertilizer Limited		-	28,250
500,000	552,400	103.27	Engro Foods Limited		51,636	58,729
-	632,500	-	GlaxoSmithKline (Pak) Limited		-	88,655
600,000	2,669,000	48.17	Hub Power Company Limited		28,899	105,286
50,000	300,000	235.76	IGI Insurance Limited		11,788	42,477
1,959,000	-	24.91	International Steel Limited		48,806	-
23,000	-	333.57	JDW Sugar Mills Limited		7,672	-
1,950,000	-	6.98	JS Bank Limited		13,614	-
1,225,000	-	7.69	K - Electric Limited		9,422	-
800,000	-	27.65	Kohinoor Textile Mills Limited		22,118	-
-	625,500	-	Kohat Cement Limited		-	63,972
2,607,000	2,100,000	56.25	Kot Addu Power Company Limited		146,651	98,872
-	2,776,500	-	Lotte Chemical Limited		-	19,197
4,291,000	4,200,000	20.87	Lalpir Power Limited		89,573	87,750
1,000,000	-	31.42	Maple Leaf Cement Factory Limited		31,417	-
270,000	79,300	286.43	MCB Bank Limited		77,337	22,658
1,300,000	-	61.26	National Bank of Pakistan		79,642	-
-	2,600,000	-	Netsol Technologies		-	97,335
338,000	6,250,000	41.42	Nishat Chunian Power Limited		13,999	88,657
2,180,000	500,000	45.52	Nishat (Chunian) Limited		99,235	29,355
2,528,500	5,865,000	31.91	Nishat Power Limited		80,696	99,593
800,000	-	125.66	Nishat Mills Limited		100,525	-
250,000	375,000	205.58	Oil and Gas Development Company Limited		51,394	92,150
7,583,700	7,583,700	9.96	Pak Oman Advantage Fund		75,515	75,516
-	113,600	-	Pak Suzuki Motors Limited		-	16,400
4,500,000	2,000,000	22.06	Pakgen Power Limited		99,263	43,685
275,000	275,000	428.53	Pakistan Oilfields Limited		117,847	98,403
637,100	810,000	204.61	Pakistan Petroleum Limited		130,354	99,535
2,100,000	4,500,000	28.19	Pakistan Re-Insurance Company Limited		59,192	98,606
200,000	528,000	361.39	Pakistan State Oil Company Limited		72,278	99,262
3,010,000	4,475,000	25.07	Pakistan Telecommunication Company Limited		75,463	99,328
-	3,013,000	-	PICIC Growth Fund		-	49,633
5,438,000	6,200,000	12.06	PICIC Investment Fund		65,589	74,570
-	1,574,500	-	Sui Southern Gas Company Limited		-	39,854
1,342,500	-	21.62	Sui Northern Gas Company Limited		29,025	-
1,600,000	-	14.19	TRG Pakistan Limited		22,702	-
125,800	-	203.24	Tri-Pack Films Limited		25,567	-
					2,613,228	2,671,007

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

9.4 Units of open end mutual funds

No. of units		Paid-up value per unit		Name of mutual funds	Note	2014		2013
2014	2013	2014				Rupees in '000		
		Rupees						
2,500,000	2,500,000	40.34		Askari Asset Allocation Fund (a related party)	9.8	100,846		100,846
11,642,356	11,642,356	99.46		Askari High Yield Scheme (a related party)	9.8	1,157,968		1,157,968
583,266	1,095,837	91.26		Askari Islamic Asset Allocation Fund (a related party)	9.8	53,226		100,000
1,598,805	1,598,805	93.82		Askari Islamic Income Fund (a related party)	9.8	150,000		150,000
539,885	1,000,000	100.00		Askari Equity Fund - (a related party)	9.8	53,988		100,000
1,000,000	1,000,000	100.00		Askari Sovereign Yield Enhancer Fund (a related party)	9.8	100,000		100,000
1,156,198	-	100.85		Askari Sovereign Cash Fund (a related party)	9.8	116,607		-
-	435,596	-		JS Growth Fund		-		39,859
-	121,636	-		JS Value Fund Limited		-		14,299
-	8,994,473	-		Meezan Balanced Fund		-		89,517
72,000	-	6.01		NAMCO Balance Fund		433		-
-	938,496	-		PICIC Energy Fund		-		11,225
						1,733,068		1,863,714

9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding %	Number of shares	Cost / paid-up value per share Rupees	Total paid-up value Rupees in '000	Break-up value	Based on audited financial statements as at	Name of Chief Executive / status
Askari Investment Management Limited - subsidiary	9.5.1	100	33,500,000	10	335,000	309,808	31 Dec 2014	Mr. Saqib Mukhtar (Acting Chief Executive)
Askari Securities Limited - subsidiary	9.5.2	74	17,020,000	10	114,789	91,115	31 Dec 2014	Mr. Faheem Sardar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.5.3	5.26	568,044	10	5,680	-	-	Under liquidation
					455,469			

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

Six shares are held in the name of six nominee directors of the Bank in AIML.

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

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

9.5.3 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2013: Rs 5,680 thousand) is considered as diminution in value of this investment and has been fully provided for.

9.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share Rupees	Investee	Rate per annum	Book Value		Market Value	
2014	2013				2014	2013	2014	2013
				Rupees in '000		Rupees in '000		
Listed								
10,000,000	10,000,000	10.00	Chenab Limited	9.25%	100	100	18,500	20,900
18,322,418	18,322,418	10.00	Agritech Limited	11.00%	114,790	183,224	91,979	164,902
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2%	25,000	25,000	25,000	25,000
Un-listed								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited	4%	25,000	25,000	25,000	25,000
40,000,000	40,000,000	2.50	Silk Bank Limited		100,000	100,000	100,000	100,000
					264,890	333,324	260,479	335,802

9.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate		2013
2014	2013		2014	2013	
			Rupees		Rupees in '000
Listed					
–	13,669	Allied Bank Limited	–	–	34,090
91,453	134,853	Bank Alfalah Limited	5,012	458,333	675,691
37,230	37,230	Pace Pakistan Limited	4,994	185,927	182,364
47,200	–	NIB Bank Limited	4,999	235,953	–
1,000	1,000	Pakistan Mobile Communication Limited	55,000	55,000	80,000
140,000	140,000	Engro Fertilizer Limited	5,000	700,000	700,000
–	13,000	Standard Chartered Bank Limited	–	–	65,321
–	4,432	United Bank Limited	–	–	7,372
133,023	133,023	WorldCall Telecom Limited	2,137	284,326	282,966
Book value as on December 31				1,919,539	2,027,804
Unlisted					
140,000	140,000	Agritech Limited	4,996	699,389	699,389
–	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	–	–	55,845
86,000	86,000	Azgard Nine Limited	2,168	186,408	186,446
–	50,600	Bank Alfalah Limited	–	–	258,529
–	50,000	Bank Al Habib Limited	–	–	258,626
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	4,071	15,063	18,500
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	4,901	49,385	50,385
20,000	20,000	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Abid Aziz)	2,498	49,959	83,267
60,000	60,000	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	2,353	141,177	211,765
50,000	50,000	Pakistan International Airlines Corporation Limited	4,996	249,800	249,800
102,282	102,282	Pakistan National Shipping Corporation	2,500	255,705	319,632
–	10,000	Shakarganj Mills Limited	–	–	40,000
13,000	–	Standard Chartered Bank Limited	5,022	65,284	–
Book value as on December 31				1,712,170	2,432,184

9.7.1 These carry rate of return ranging from 9.96% to 12.19% (2013: 9.96% to 15.00%) per annum and having remaining maturity periods of upto 8 years (2013: upto 9 years).

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

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9.9 Sukuk Certificates - Available for sale

Name of Investee	Rate	Maturity	2014	2013
Rupees in '000				
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	–	7,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	–	10,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	–	22,222
K.S. Sulmanji & Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	–	34,031
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	June 19, 2014	–	16,947
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2016	10,714	10,714
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 18, 2015	1,000,712	1,001,712
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 07, 2014	–	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	1,000,040	–
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	2,000,000	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	500,403	–
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	June 25, 2017	1,150,000	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1% p.a.	February 19, 2020	125,862	148,698
Pakistan International Sukuk Company Limited	6.75% p.a.	December 03, 2019	494,879	–
			6,732,573	6,701,787

9.10 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.25% and having maturities upto April 2019.

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

9.12 Investment in associate

The Bank has 27.18% (2013: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed company.

The Bank has decided to disinvest from AGICO and the process has been initiated and expected to be completed in 2015 at a fair value of Rs. 269,157 thousand. Accordingly, the carrying amount of investment of Rs. 53,703 thousand has been reclassified as "Assets held for sale".

9.13 Sukuk certificates – held to maturity

Name of Investee	Rate	Maturity	2014	2013
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	100,000	133,330
			210,000	243,330

9.14 Quality of available for sale securities

Rupees in '000	Note	2014		2013	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	98,233,282	unrated	113,731,771	unrated
Pakistan Investment Bonds	9.14.1	102,828,035	unrated	32,408,223	unrated
Fully paid-up ordinary shares / units	9.14.3				
Adamjee Insurance Company Limited		56,879	AA	–	–
Agriotech Limited		112,298	D	183,589	D
Allied Bank Limited		98,247	AA+	46,125	AA+
Attock Petroleum Limited		–	–	74,534	unrated
Bank Alfalah Limited		81,881	AA	113,569	AA
Bank Al Habib Limited		–	–	124,650	AA+
Century Paper and Board Mills		21,684	A+	–	–
Cherat Cement Company Limited		96,152	unrated	–	–
Crescent Steel & Allied		30,396	unrated	–	–
DG Khan Cement Company		132,636	unrated	–	–
Dawood Hercules Chemicals Limited		84,510	unrated	139,739	unrated
EFU General Insurance Limited		19,111	AA+	–	–
Engro Corporation Limited		116,293	AA-	176,594	A
Engro Fertilizer Limited		–	–	28,250	A-
Engro Foods Limited		54,270	unrated	57,693	unrated
GlaxoSmithKline (Pak) Limited		–	–	86,153	unrated
Hub Power Company Limited		47,016	AA+	162,062	AA+
IGI Insurance Limited		13,529	AA	49,314	AA
International Steel Limited		49,857	unrated	–	–
JDW Sugar Mills Limited		6,913	A	–	–
JS Bank Limited		13,923	A+	–	–
K - Electric Limited		11,295	A+	–	–
Kohinoor Textile Mills Limited		28,040	A-	–	–
Kohat Cement Limited		–	–	63,795	unrated
Kot Addu Power Company Limited		205,798	AA+	129,675	AA+
Lotte Chemical Limited		–	–	20,380	unrated
Lalpir Power Limited		128,301	AA	83,580	AA
Maple Leaf Cement Factory Limited		44,250	A-	–	–
MCB Bank Limited		82,526	AAA	22,297	AAA
National Bank of Pakistan		90,298	AAA	–	–
Netsol Technologies		–	–	114,478	unrated
Nishat Chunian Power Limited		16,748	A+	217,376	A+
Nishat (Chunian) Limited		99,016	A-	30,100	A-
Nishat Power Limited		115,300	A+	176,301	A+

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Rupees in '000	Note	2014		2013	
		Market Value	Rating	Market Value	Rating
Nishat Mills Limited		96,792	AA	–	–
Oil and Gas Development Company Limited		51,468	AAA	103,635	AAA
Pak Oman Advantage Fund		75,079	A+	56,878	A+
Pak Suzuki Motors Limited		–	–	17,482	unrated
Pakgen Power Limited		121,636	AA	43,420	AA
Pakistan Export Finance Guarantee Agency		–	–	–	–
Pakistan Oilfields Limited		104,324	unrated	136,870	unrated
Pakistan Petroleum Limited		112,461	unrated	173,308	unrated
Pakistan Re-Insurance Company Limited		63,714	AA	128,025	AA
Pakistan State Oil Company Limited		71,582	AA+	175,412	AA+
Pakistan Telecommunication Company Limited		69,320	unrated	127,269	unrated
PICIC Growth Fund		–	–	75,566	unrated
PICIC Investment Fund		66,344	unrated	70,494	unrated
Sui Northern Gas Company Limited		38,543	AA-	–	–
Sui Southern Gas Company Limited		–	–	37,882	unrated
TRG Pakistan Limited		23,296	unrated	–	–
Tri-Pack Films Limited		32,800	unrated	–	–
Fully paid preference shares					
Agritech Limited		91,978	unrated	164,902	unrated
Chenab Limited		18,500	unrated	20,900	unrated
Masood Textile Mills Limited		25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited		–	–	–	–
Silk Bank Limited		100,000	unrated	100,000	unrated
Units of open end mutual funds					
Askari High Yield Scheme		1,242,807	A	1,203,744	A (f)
Askari Asset Allocation Fund		140,114	3-Star	126,253	4-Star
Askari Islamic Asset Allocation Fund		66,935	2-Star	120,217	unrated
Askari Islamic Income Fund		166,336	AA-	160,883	AA- (f)
Askari Sovereign Yield Enhancer Fund		106,387	AA-	100,340	AA- (f)
Askari Equity Fund		65,199	unrated	114,344	unrated
Askari Sovereign Cash Fund		121,215	AAA	–	–
JS Growth Fund		–	–	54,990	unrated
JS Value Fund		–	–	17,205	unrated
NAMCO Balance Fund		705	unrated	–	–
Meezan Balanced Fund		–	–	127,722	unrated
PICIC Energy Fund		–	–	12,649	unrated
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Allied Bank Limited		–	–	34,247	AA
Avari Hotels Limited		–	–	55,796	A-
Azgard Nine Limited		186,408	D	186,446	D
Bank Alfalah Limited		453,749	AA-	957,239	AA-
Bank Al Habib Limited		–	–	268,961	AA
Bunny's Limited		15,063	unrated	18,500	unrated
Engro Fertilizer Limited		672,280	AA-	652,585	A
NIB Bank Limited		232,610	A+	–	–
Pace Pakistan Limited		185,927	D	182,364	D
Pak Hy Oils Limited		49,385	unrated	50,385	unrated
Pak Libya Holding Company (Private) Limited		50,063	AA	83,089	AA

Rupees in '000	Note	2014		2013	
		Market Value	Rating	Market Value	Rating
Pakistan International Airlines Corporation Limited	9.14.1	249,800	unrated	249,800	unrated
Pakistan Mobile Communication Limited		198,484	AA-	292,482	AA-
Pakistan National Shipping Corporation		255,705	unrated	319,633	unrated
Standard Chartered Bank		65,041	AAA	65,244	AAA
Shakarganj Mills Limited		–	–	40,000	unrated
United Bank Limited		–	–	7,372	AA
World Call Telecom Limited		227,903	D	199,416	D
		3,541,807	–	4,362,948	–
National Investment Trust (NIT) Units		–	–	706,805	AM2-
Sukuk Certificates	9.14.2	6,716,464	unrated	6,730,131	unrated
Foreign securities					
Mena Transformation Fund		23,382	unrated	37,813	unrated
Government of Pakistan Euro Bonds	9.14.1	731,471	unrated	1,752,481	unrated
		217,004,143		165,325,816	

9.14.1 These are Government of Pakistan guaranteed securities.

9.14.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs 6,130,791 thousand (2013: Rs. 6,011,712 thousand).

9.14.3 Ratings for these equity securities / units represent 'Entity Ratings'.

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

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

9.16 Investments include Rs. 2,096,896 thousand (2013: Rs. 2,160,358 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 1,534,227 thousand (2013: Rs. 1,336,720 thousand) against non-performing investments.

9.17 The Bank has availed the relaxation of Rs. 249,838 thousand (2013: Rs. 499,676 thousand) and Rs. 121,525 thousand (2013: Rs. 169,679 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations for debt securities and impairment for equity securities respectively.

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Rupees in '000	Note	2014	2013
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		176,508,166	165,349,378
Outside Pakistan		5,269,273	3,633,699
		181,777,439	168,983,077
Net investment in lease finance - In Pakistan	10.2	2,961,795	3,832,019
Ijarah financing - In Pakistan	10.3	96,640	138,622
Net book value of assets / investments in Ijarah under IFAS 2 - In Pakistan	10.4	1,729,948	1,024,822
Bills discounted and purchased			
Payable in Pakistan		5,938,714	10,882,706
Payable outside Pakistan		6,160,983	7,309,627
		12,099,697	18,192,333
Advances - gross		198,665,519	192,170,873
Provision against non-performing advances	10.6		
Specific provision		(27,801,250)	(28,279,285)
General provision		(177,555)	(150,970)
General provision against consumer financing		(190,260)	(183,986)
		(28,169,065)	(28,614,241)
Advances - net of provision		170,496,454	163,556,632
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		183,466,419	181,462,148
In foreign currencies		15,199,100	10,708,725
		198,665,519	192,170,873
10.1.2 Short term (for upto one year)		137,089,076	146,858,765
Long term (for over one year)		61,576,443	45,312,108
		198,665,519	192,170,873

10.2 Net investment in lease finance – In Pakistan

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	1,479,118	587,226	4,350	2,070,694	1,676,002	551,356	2,446	2,229,804
Residual value	622,544	440,959	5,968	1,069,471	1,302,144	478,142	11,799	1,792,085
Minimum lease payments	2,101,662	1,028,185	10,318	3,140,165	2,978,146	1,029,498	14,245	4,021,889
Finance charges for future periods	(92,577)	(85,463)	(330)	(178,370)	(109,576)	(80,130)	(164)	(189,870)
Present value of minimum lease payments	2,009,085	942,722	9,988	2,961,795	2,868,570	949,368	14,081	3,832,019

10.3 Ijarah financing – In Pakistan

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Ijarah rentals receivable	97,113	–	–	97,113	139,223	–	–	139,223
Residual value	4,816	–	–	4,816	6,273	–	–	6,273
Minimum Ijarah payments	101,929	–	–	101,929	145,496	–	–	145,496
Profit for future periods	(5,289)	–	–	(5,289)	(6,874)	–	–	(6,874)
Present value of minimum Ijarah payments	96,640	–	–	96,640	138,622	–	–	138,622

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

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Assets acquired under Ijarah	184,172	1,280,378	609,710	2,074,260	133,242	1,034,779	–	1,168,021
Accumulated depreciation on Ijarah	(52,377)	(130,986)	(160,949)	(344,312)	(34,613)	(108,586)	–	(143,199)
Net assets / investments in Ijarah	131,795	1,149,392	448,761	1,729,948	98,629	926,193	–	1,024,822

10.5 Advances include Rs. 31,375,729 thousand (2013: Rs. 33,119,829 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.5.1	306,125	–	306,125	40	–	40	40	–	40
Substandard	753,536	–	753,536	51,637	–	51,637	51,637	–	51,637
Doubtful	623,341	–	623,341	178,938	–	178,938	178,938	–	178,938
Loss	29,692,727	–	29,692,727	27,570,635	–	27,570,635	27,570,635	–	27,570,635
	31,375,729	–	31,375,729	27,801,250	–	27,801,250	27,801,250	–	27,801,250

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

10.5.1 This represents classification made for Agricultural, Mortgage and Small Entities finances.

10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2014				2013			
		Specific	General - note 10.6.3	Consumer financing - General	Total	Specific	General - note 10.6.3	Consumer financing - General	Total
Opening balance		28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748
Charge for the year		1,827,110	32,988	18,808	1,878,906	10,606,839	34,440	2,928	10,644,207
Reversal for the year		(1,943,167)	(6,403)	(12,534)	(1,962,104)	(756,604)	(11,168)	(22,832)	(790,604)
Net (reversal) / charge for the year		(116,057)	26,585	6,274	(83,198)	9,850,235	23,272	(19,904)	9,853,603
Amounts written off	10.8	(86,238)	-	-	(86,238)	(427)	-	-	(427)
Amounts charged off- agri loans		(275,740)	-	-	(275,740)	(366,683)	-	-	(366,683)
Closing balance		27,801,250	177,555	190,260	28,169,065	28,279,285	150,970	183,986	28,614,241

10.6.1 The net Forced Sold Value (FSV) benefit already availed has been reduced by Rs. 605,196 thousand, which has resulted in increased charge for specific provision for the year ended by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year ended would have been higher by Rs. 605,196 thousand (2013: Rs. 1,729,661 thousand) and Rs. 393,377 thousand (2013: Rs. 1,124,280 thousand) respectively. Further, at December 31, 2014, cumulative net of tax benefit of FSV is Rs. 1,452,253 thousand (December 31, 2013: Rs. 1,845,630 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. The additional impact on profitability arising from availing the benefit of FSV is not available for payment of cash or stock dividend / bonus to employees.

10.6.2 The Bank has availed the relaxation of Rs. 142,530 thousand (2013: Rs. 191,714 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

10.6.3 This includes provision of Rs. 20,100 thousand (2013: Nil) maintained against secured Small Entities Finances. Further, the general provision is maintained at the rate of 0.1% on advances other than non-performing advances, consumer and small entities.

10.7 Particulars of provision against non-performing advances

Rupees in '000	2014				2013			
	Specific	General	Consumer financing - General	Total	Specific	General	Consumer financing - General	Total
In local currency	27,285,763	177,555	190,260	27,653,578	27,695,664	150,970	183,986	28,030,620
In foreign currencies	515,487	-	-	515,487	583,621	-	-	583,621
	27,801,250	177,555	190,260	28,169,065	28,279,285	150,970	183,986	28,614,241

Rupees in '000	2014	2013
10.8 Particulars of write-offs:		
10.8.1 Against provisions	86,238	427
Directly charged to profit and loss account	–	–
	86,238	427
10.8.2 Write offs of Rs. 500,000 and above	85,606	–
Write offs of below Rs. 500,000	632	427
	86,238	427
10.8.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2014 is given at Annexure - 1.		

Rupees in '000	Note	2014	2013
10.9 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,953,249	1,425,510
Loans granted / added during the year		1,102,150	1,150,183
Repayments		(628,438)	(622,444)
Balance at end of year		2,426,961	1,953,249
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		2,937,451	145
Loans granted / added during the year		11,572,582	3,893,348
Repayments		(11,417,388)	(956,042)
Balance at end of year		3,092,645	2,937,451
		5,519,606	4,890,700
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	453,944	35,444
Property and equipment	11.2	6,785,951	7,358,237
Intangibles	11.2	1,105,270	1,173,720
		8,345,165	8,567,401
Provision against operating fixed assets		(45,677)	–
		8,299,488	8,567,401
11.1 Capital work-in-progress			
Advances to suppliers and contractors		453,944	35,444
		453,944	35,444

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11.2 Property and equipment

Rupees in '000	2014										
	COST / REVALUED AMOUNT				DEPRECIATION					Book value	Annual
	as at January 01, 2014	Additions	Adjustment	Deletions	as at December 31, 2014	as at January 01, 2014	Charge for the year	On (deletion) / adjustment	as at December 31, 2014	as at December 31, 2014	rate of depreciation (%)
Land - freehold - note 11.3	2,445,595	-	-	-	2,445,595	-	-	-	-	2,445,595	-
Land - leasehold - note 11.3	1,472,193	-	(272,300)	(123,600)	1,076,293	-	-	-	-	1,076,293	-
Buildings on freehold land	870,064	-	-	-	870,064	288,190	28,527	-	316,717	553,347	5
Buildings on leasehold land	1,426,468	-	-	(525,358)	901,110	502,325	37,948	(233,752)	306,521	594,589	5
Renovation of premises	1,966,161	163,610	(624)	(134,746)	1,994,401	1,649,743	161,590	(109,670)	1,701,476	292,925	20
Furniture, fixtures and office equipment	577,315	135,307	(12)	(7,361)	705,249	275,407	36,332	(3,814)	307,919	397,330	10
Carpets	28,963	12,572	-	(2,151)	39,384	18,073	4,721	(1,655)	21,139	18,245	20
Machine and equipments	1,457,674	301,509	(1,775)	(13,264)	1,744,144	975,834	119,264	(10,523)	1,084,540	659,604	20
Computer equipments	2,212,879	103,644	(188,471)	(1,987)	2,126,065	1,399,350	159,915	(1,721)	1,412,399	713,666	20
Vehicles	158,271	31,367	-	(39,716)	149,922	148,489	6,781	(39,705)	115,565	34,357	20
Other assets	45,100	-	-	-	45,100	45,035	65	-	45,100	-	20
	12,660,683	748,009	(463,182)	(848,183)	12,099,327	5,302,446	555,143	(400,840)	5,311,376	6,785,951	
Operating lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
	12,662,517	748,009	(463,182)	(848,183)	12,099,161	5,304,280	555,143	(546,213)	5,313,210	6,785,951	
Intangible											
Software	1,540,999	45,897	188,259	-	1,775,155	367,279	157,651	-	669,885	1,105,270	10
								144,955			

Rupees in '000	2013										
	COST / REVALUED AMOUNT				DEPRECIATION					Book value	Annual
	as at January 01, 2013	Additions / revaluation	Adjustment	Deletions	as at December 31, 2013	as at January 01, 2013	Charge for the year	On (deletion) / adjustment	as at December 31, 2013	as at December 31, 2013	rate of depreciation (%)
Land - freehold	1,639,802	-	-	-	2,445,595	-	-	-	-	2,445,595	-
Land - leasehold	2,151,818	805,793	(10,468)	-	1,472,193	-	-	-	-	1,472,193	-
Buildings on freehold land	855,882	(669,157)	14,182	-	870,064	253,308	29,844	5,038	288,190	581,874	5
Buildings on leasehold land	1,427,212	-	(744)	-	1,426,468	468,308	39,055	(5,038)	502,325	924,143	5
Renovation of premises	1,897,278	80,769	(6,609)	(5,277)	1,966,161	1,410,790	245,054	(6,188)	1,649,743	316,418	20
Furniture, fixtures and office equipment	537,347	50,724	101	(10,857)	577,315	250,524	29,600	(4,915)	275,407	301,908	10
Carpets	24,435	8,167	-	(3,639)	28,963	18,497	2,617	(3,041)	18,073	10,890	20
Machine and equipments	1,376,637	90,351	125	(9,439)	1,457,674	886,617	95,455	(6,254)	975,834	481,840	20
Computer equipments	2,158,132	55,123	387	(763)	2,212,879	1,221,844	177,681	(515)	1,399,350	813,529	20
Vehicles	212,129	5,923	-	(59,781)	158,271	202,909	5,038	(59,447)	148,489	9,782	20
Other assets	45,100	-	-	-	45,100	44,207	828	(11)	45,035	65	20
	12,325,772	291,057	(3,026)	(89,756)	12,660,683	4,757,004	625,172	(80,360)	5,302,446	7,358,237	
Operating lease - Vehicles	1,834	136,636	-	-	1,834	1,834	-	630	1,834	-	20
	12,327,606	427,693	(3,026)	(89,756)	12,662,517	4,758,838	625,172	(79,730)	5,304,280	7,358,237	
Intangible											
Software	1,449,630	91,369	-	-	1,540,999	220,831	146,448	-	367,279	1,173,720	10

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 1,485,031 thousand (2013: Rs. 1,163,687 thousand).

11.3 The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2013 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation on land is Rs. 1,564,631 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	831,154	Sadrudin Associates, Harvestor Services and Sipra & Co.
Lahore	1,331,615	Gulf Consultants and SMASCO
Islamabad	191,332	SMASCO
Rawalpindi	720,000	SMASCO
Peshawar	10,807	SMASCO
Quetta	436,980	Sadrudin Associates
	3,521,888	

Had the land not been revalued, the carrying amount of land as at December 31, 2014 would have been Rs. 1,957,257 thousand.

11.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees in '000					
Leasehold Land	123,600	-	123,600	332,704	Negotiation	Army Welfare Trust
Building on leasehold Land	525,358	233,752	291,606	363,427	- do -	Army Welfare Trust
Vehicles						
Mobile ATM VAN	3,031	3,031	-	1,425	Tender	Mr. Ali Haider
Mobile ATM VAN	3,031	3,031	-	1,550	- do -	Mr. Muhammad Akhtar
Mobile ATM VAN	3,031	3,031	-	1,289	- do -	Mr. Nusrat Iqbal
Toyota Hilux	2,536	2,536	-	1,811	- do -	Mr. Faisal Hameed
Suzuki Liana	1,366	1,366	-	605	- do -	Mr. Danish Saleem
Renovation						
Renovations	1,456	1,043	413	376	Insurance Claim	Askari General Insurance Company Limited
Renovations	91,449	70,542	20,907	23,869	Negotiation	Army Welfare Trust
Renovations	3,333	1,778	1,555	170	Negotiation	National Traders
Renovations	2,060	1,511	549	275	Tender	Khyber Grace (Private) Limited
Renovations	4,018	4,018	-	-	Write off	-
Renovations	18,681	18,681	-	-	- do -	-
Renovations	924	462	462	-	- do -	-
Renovations	4,049	4,049	-	-	- do -	-
Renovations	3,307	3,307	-	-	- do -	-
Renovations	618	319	299	-	- do -	-
	791,848	352,457	439,391	727,501		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related parties	56,335	48,383	7,952	25,216		
2014	848,183	400,840	447,343	752,717		
2013	89,756	80,360	9,396	56,193		

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
12. DEFERRED TAX ASSETS			
Deferred debits / (credits) arising due to:			
Accelerated tax depreciation and amortization		(481,648)	(518,980)
Unused tax loss		–	120,200
Provision against non-performing advances			
- excess of 1% of total advances		2,774,230	3,432,177
- classified in sub-standard category		71,278	71,278
		2,363,860	3,104,675
Surplus on revaluation of available for sale securities		(1,536,698)	(139,419)
Remeasurement of defined benefit plans		48,173	12,029
		875,335	2,977,285
13. OTHER ASSETS			
Income / mark-up accrued in local currency	13.1	10,625,232	6,197,476
Income / mark-up accrued in foreign currencies		273,815	275,287
Advances, deposits, advance rent and other prepayments		914,316	961,754
Advance taxation (payments less provisions)		4,621,041	4,461,059
Non banking assets acquired in satisfaction of claims	13.2	3,683,797	3,909,368
Suspense account		86,289	150,338
Stationary and stamps in hand		28,465	33,910
Dividend receivable		71,096	79,942
Others		412,911	329,030
		20,716,962	16,398,164
Less: provision against other assets	13.3	(199,621)	(201,000)
Other assets - net of provision		20,517,341	16,197,164

13.1 This balance has been arrived at after adjusting interest in suspense of Rs. 11,131,862 thousand (2013: Rs. 10,636,791 thousand).

13.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 4,882,286 thousand (2013: Rs. 4,893,844 thousand).

Rupees in '000	2014	2013
13.3 Provision against other assets		
Opening balance	201,000	92,498
Provision recognized during the year	1,279	108,502
Recovery / written off during the year	(2,658)	–
Closing balance	199,621	201,000
14. BILLS PAYABLE		
In Pakistan	6,855,020	5,687,542
15. BORROWINGS		
In Pakistan	13,164,408	24,521,253
Outside Pakistan	577,622	24,626
	13,742,030	24,545,879
15.1 Particulars of borrowings with respect to currencies		
In local currency	13,164,408	24,521,253
In foreign currencies	577,622	24,626
	13,742,030	24,545,879

Rupees in '000	Note	2014	2013
15.2 Details of borrowings - secured / unsecured			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	7,432,761	8,617,564
Long term financing of export oriented projects	15.2.2	41,892	176,991
Long term financing facility	15.2.3	479,199	149,538
Refinance scheme for revival of agricultural activities in flood affected areas		–	1,205
Refinance scheme for revival of SME activities in flood affected areas		–	7,500
		7,953,852	8,952,798
Repo borrowings			
State Bank of Pakistan	15.2.4	894,753	5,563,785
Financial institutions	15.2.5	1,938,070	9,610,845
		2,832,823	15,174,630
Unsecured			
Call borrowings	15.2.6	1,998,235	–
Overdrawn balance with other banks		379,498	393,825
		2,377,733	393,825
		13,164,408	24,521,253
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		577,622	24,626
		13,742,030	24,545,879

15.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 7.5% (2013: 8.4%) per annum payable on a quarterly basis.

15.2.2 These carry mark-up of 5% to 8.2% (2013: 5%) per annum payable on a quarterly basis.

15.2.3 These carry mark-up ranging from 6.0% to 7.5% (2013: 7.5% to 10.10%) per annum payable on a quarterly basis.

15.2.4 These are secured against pledge of Government Securities and carry mark-up of 9.50% (2013: 10.0%) per annum and have maturities upto 1 month.

15.2.5 These are secured against pledge of Government Securities and carry mark-up of 9.40% (2013: 9.50% to 10.05%) per annum and have maturities upto 1 month.

15.2.6 These carry mark-up of 9.40% (2013: Nil) per annum and have maturity upto 1 month.

Rupees in '000	2014	2013
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	91,328,822	82,583,524
Savings deposits	203,230,490	172,338,878
Current accounts - remunerative	566,193	402,137
Current accounts - non-remunerative	88,522,366	70,214,296
Special exporters' account	17,008	79,243
Margin accounts	2,452,708	1,667,411
Others	572,252	449,356
Financial institutions		
Remunerative deposits	603,878	7,174,571
Non-remunerative deposits	292,903	331,611
	387,586,620	335,241,027

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	2014	2013
16.1 Particulars of deposits		
In local currency	351,806,050	295,920,785
In foreign currencies	35,780,570	39,320,242
	387,586,620	335,241,027

Deposits include Rs. 12,913,601 thousand (2013: Rs. 13,510,155 thousand) due to related parties.

Rupees in '000	2014	2013
17. SUB-ORDINATED LOANS		
Term Finance Certificates - III	2,994,000	2,995,200
Term Finance Certificates - IV	998,800	999,200
Term Finance Certificates - V	4,000,000	–
	7,992,800	3,994,400

The Bank has raised unsecured sub-ordinated loans in three separate Term Finance Certificates issued to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance Certificates - III	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in thousand	2,994,000	998,800	4,000,000
Issue date	November 18, 2009	December 23, 2011	September 30, 2014
Total issue	Rupees 3,000 million	Rupees 1,000 million	Rupees 4,000 million
Rating	AA-	AA-	AA-
Listing	Lahore Stock Exchange Limited	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 2.5% (after 5 years: 2.95%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	2014	2013
18. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,546,173	2,038,062
Mark-up / return / interest payable in foreign currencies	10,560	25,349
Unearned income / commission	245,069	192,445
Accrued expenses	1,160,759	693,602
Advance payments	99,546	70,704
Security deposit against lease / Ijarah financing	1,372,845	1,906,859
Unclaimed dividends	51,949	38,201
Branch adjustment account	531,034	451,350
Payable against purchase of listed shares	84,097	126,750
Un-realised loss on forward foreign exchange contracts - net	153,586	144,168
Withholding taxes payable	69,922	136,133
Federal excise duty payable	33,558	27,560
Workers' Welfare Fund	164,227	44,227
Switch fee payable	25,579	69,425
Others	650,110	664,924
	7,199,014	6,629,759

19. SHARE CAPITAL**19.1 Authorized capital**

2014		2013	2014		2013
Number of shares			Rupees in '000		
1,600,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	16,000,000	13,000,000	

19.2 Issued, subscribed and paid up capital

2014		2013		
Number of shares			Ordinary shares of Rs. 10 each:	
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733
1,260,260,180	1,260,260,180		12,602,602	12,602,602

19.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2014.

Rupees in '000		2014	2013
20. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus on revaluation of land		1,564,631	1,836,931
Surplus / (deficit) on revaluation of available for sale securities			
i) Federal Government securities		4,137,811	(474,583)
ii) Listed shares		166,885	631,670
iii) Units of open end mutual funds		176,629	174,631
iv) Other securities		(90,760)	66,621
		4,390,565	398,339
Less: related deferred tax		(1,536,698)	(139,419)
		2,853,867	258,920
		4,418,498	2,095,851

21. CONTINGENCIES AND COMMITMENTS**21.1 Direct credit substitutes**

Others	6,623,269	8,024,235
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21.2 Transaction-related contingent liabilities

Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	973,315	992,331
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	62,583,779	67,564,698
ii) Banks and other financial institutions	2,723,312	3,232,089
iii) Others	7,820,249	6,823,472
	73,127,340	77,620,259
	74,100,655	78,612,590

These include guarantees amounting to Rs. 1,109,716 thousand (2013: Rs. 993,595 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	2014	2013
21.3 Trade-related contingent liabilities	63,896,465	79,193,455
21.4 Other contingencies		
21.4.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	687,056	809,026

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

21.5 Tax Contingencies

For the Tax Years 2005 to 2008, there is a contingent liability of Rs. 681 million on account of amendment to assessments carried out by the Tax Department in the matters of taxation of commission & brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank's appeals are pending decision by the ATIR with respect to matters not decided in its favour. Refer note 30.2 for tax status.

Rupees in '000	2014	2013
21.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	2,020,072	994,312
Sale and repurchase agreements	2,851,757	15,211,984
21.7 Commitments in respect of forward exchange contracts		
Purchase	37,365,321	58,454,369
Sale	29,097,183	49,320,257
The above commitments have maturities falling within one year.		
21.8 Commitments for the acquisition of operating fixed assets	299,779	145,174
21.9 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	11,788,818	9,756,031
21.10 Other commitments		
This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000

Rupees in '000	2014	2013
21.11 Bills for collection		
Payable in Pakistan	898,052	3,364,728
Payable outside Pakistan	13,233,935	14,814,641
	14,131,987	18,179,369

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

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

23. DERIVATIVE INSTRUMENTS

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

- Forward Exchange Contracts
- Equity Futures

23.1 Forward Exchange Contracts

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

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

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

23.2 Equity Futures

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

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

The accounting policies used to recognize and disclose derivatives are given in note 5.16.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	24.1	17,653,400	14,364,178
ii) Financial institutions		106,704	99,862
On investments:			
i) Available for sale securities		15,777,191	12,852,256
ii) Held to maturity securities		120,918	281,762
On deposits with financial institutions		627,988	167,523
On securities purchased under resale agreements		318,009	194,924
		34,604,210	27,960,505

24.1 This includes an amount of Rs. 359,938 thousand (2013: Rs. 190,637 thousand) on account of income received from related parties.

Rupees in '000	Note	2014	2013
25. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits	25.1	20,149,820	16,967,302
On securities sold under repurchase agreements		1,161,119	1,097,646
On sub-ordinated loans		604,079	645,473
On call money borrowings		292,493	23,143
On refinance borrowings from SBP		478,168	562,829
On long term finance for export oriented projects from SBP		25,060	31,080
On other short term borrowings		185	35,715
		22,710,924	19,363,188

25.1 This includes an amount of Rs. 899,989 thousand (2013: Rs. 1,162,734 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	Note	2014	2013
26. GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
Market Treasury Bills		11,748	119,950
Pakistan Investment Bonds		304,923	208,819
Shares / units - listed		1,087,651	224,101
Others		399,522	267,531
		1,803,844	820,401
27. OTHER INCOME			
Rent on property	27.1	37,640	39,670
Gain on sale of operating fixed assets	27.2	305,374	46,797
Rent of lockers		20,757	19,356
Gain on sale of non-banking assets		7,913	1,832
Recovery of write/charge off assets		51,713	37,794
Recovery of expenses from customers		320,737	394,941
		744,134	540,390

27.1 This includes an amount of Rs. 15,492 thousand (2013: Rs. 32,169 thousand) on account of rent received from related parties.

27.2 This includes an amount of Rs. 272,300 thousand (2013: Nil) on account of surplus on revaluation of fixed assets realized on disposal.

Rupees in '000	Note	2014	2013
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		5,161,727	4,106,522
Charge for defined benefit plan	34.3	127,975	157,742
Contribution to defined contribution plan	35	163,727	137,370
Non-executive directors' fees, allowances and other expenses		4,625	5,000
Rent, taxes, insurance, electricity, etc.		1,514,195	1,307,488
Legal and professional charges		135,997	117,826
Brokerage and commission		108,693	117,934
Communications		396,917	362,047
Repairs and maintenance		969,668	938,697
Stationery and printing		120,481	108,584
Advertisement and publicity		177,054	88,873
Donations	28.1	6,140	2,500
Auditors' remuneration	28.2	16,652	14,711
Depreciation	11.2	555,143	625,172
Amortization	11.2	157,651	146,448
Travelling and entertainment		115,979	92,820
Fuel and vehicle running expenses		714,051	586,027
Security service charges		356,863	307,920
Staff training expenses		14,994	17,573
Other expenditure		115,918	155,549
		10,934,450	9,396,803

28.1 This includes donations given to Army Public School (APS), Malir Cantt, Karachi and Army Public School, Jutial, Gilgit of Rs. 640 thousand and Rs. 5,000 thousand respectively, for installation of Water Filtration Plant in APS Malir Cantt and construction of Askari Block in APS Jutial respectively. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	2014	2013
28.2 Auditors' remuneration		
Audit fee	2,800	2,800
Fee for the audit of Wholesale Bank Branch	1,918	2,590
Fee for the audit of provident and gratuity funds	200	168
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services	5,853	1,728
Tax services	5,000	6,600
Out of pocket expenses	881	825
	16,652	14,711

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	2014	2013
29. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	5,696	22,571
Workers' Welfare Fund	120,000	–
	125,696	22,571
30. TAXATION		
For the year		
Current	1,013,637	93,765
Deferred	752,844	(3,054,373)
	1,766,481	(2,960,608)
30.1 Relationship between tax expense and accounting profit / (loss)		
Profit / (loss) before taxation	5,781,413	(8,440,503)
Tax at applicable tax rate of 35 percent (2013: 35 percent)	2,023,495	(2,954,176)
Effect of:		
- Income chargeable to tax at lower rates	(269,720)	(84,296)
- Permanent differences	658	7,900
- Others	12,048	69,964
	1,766,481	(2,960,608)

30.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2014 (year ended 31 December 2013). The assessments for and up to Tax Year 2009 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

	2014	2013 Restated
31. BASIC EARNINGS PER SHARE		
Profit / (loss) for the year - Rupees in '000	4,014,932	(5,479,895)
Weighted average number of Ordinary Shares - numbers	1,260,260,180	929,143,333
Basic earnings / (loss) per share - Rupees	3.19	(5.90)

There is no dilutive effect on the basic earnings per share of the Bank. Previous year weighted average shares include the effect of right shares.

Rupees in '000	2014	2013
32. CASH AND CASH EQUIVALENTS		
Call money lendings	1,427,753	1,000,000
Cash and balances with treasury banks	19,130,113	26,104,822
Balances with other banks	7,068,111	9,057,747
	27,625,977	36,162,569
32.1 Cash flow from operating activities (direct method)		
Mark-up / return / interest and commission receipts	34,454,897	30,383,885
Mark-up / return / interest payments	(22,217,602)	(19,154,165)
Cash payments to employees, suppliers and others	(9,245,155)	(8,591,066)
	2,992,140	2,638,654
(Increase) / decrease in operating assets		
Lendings to financial institutions	(496,793)	4,850,845
Held for trading securities	-	151,845
Advances	(6,631,053)	(29,302,756)
Other assets (excluding advance taxation)	(17,045)	(264,352)
	(7,144,891)	(24,564,418)
Increase / (decrease) in operating liabilities		
Bills payable	1,167,478	1,987,386
Borrowings	(10,803,849)	16,173,262
Deposits	52,345,593	28,303,811
Other liabilities	(744,075)	(397,812)
	41,965,147	46,066,647
Cash flow before tax	37,812,396	24,140,883
Income tax paid	(1,173,619)	(1,134,841)
Net cash flow from operating activities	36,638,777	23,006,042

33. STAFF STRENGTH	Number of employees	
Permanent	5,581	4,411
Temporary / on contractual basis	313	1,091
Commission based	-	29
Total staff strength at end of the year	5,894	5,531

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34. DEFINED BENEFIT PLAN

34.1 General description

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

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

Rupees in '000	2014	2013
34.2 The amounts recognized in the unconsolidated statement of financial position are as follows:		
Present value of defined benefit obligation	1,492,354	1,173,711
Fair value of plan assets	(1,492,354)	(1,173,711)
Net liability	–	–
34.3 The amounts recognized in unconsolidated profit and loss account are as follows:		
Current service cost	152,604	142,251
Interest on obligation	145,143	127,423
Expected return on plan assets	(169,772)	(111,932)
	127,975	157,742
34.4 Actual return on plan assets	167,478	107,769
34.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	1,173,711	1,207,535
Current service cost	152,604	142,251
Interest cost	145,143	127,423
Actuarial loss / (gain)	135,344	(104,489)
Benefits paid	(114,448)	(199,009)
Closing defined benefit obligation	1,492,354	1,173,711
34.6 Changes in fair value of plan assets		
Opening fair value of plan assets	1,173,711	1,072,829
Expected return	169,772	111,932
Actuarial loss	(2,296)	(4,163)
Contributions by employer	265,615	192,122
Benefits paid	(114,448)	(199,009)
Closing fair value of plan assets	1,492,354	1,173,711

The Bank expects to contribute Rs. 172,203 thousand to its defined benefit gratuity plan in 2015.

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

	2014		2013	
	Rupees '000	Percentage	Rupees '000	Percentage
34.7 Break-up of category of assets				
Pakistan Investment Bonds	1,156,427	77	891,759	76
Term Finance Certificates	218,387	15	–	–
Bank deposit account	117,540	8	281,952	24
	1,492,354	100	1,173,711	100

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

At each reporting date the board of trustees review the funds investments and decides for strategic investments. The strategic investment policy of the gratuity fund can be summarized as follows:

- strategic asset mix comprising of 5%-25% bank deposits, 70% to 90% Government bonds and 5%-25% others.
- interest risk is managed by investing 90% of funds through Government bonds.

34.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2014 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate - per annum	12.3%	13.0%
Expected rate of increase in salaries - per annum	11.8%	12.5%
Expected rate of return on plan assets - per annum	12%	13%
Average expected remaining life of employees - years	5	5
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2014	2013	2012	2011	2010
As at December 31,					
Defined benefit obligation	1,492,354	1,173,711	1,207,535	997,952	855,806
Plan assets	(1,492,354)	(1,173,711)	(1,072,829)	(865,358)	(676,422)
Deficit	–	–	134,706	132,594	179,384
Experience adjustments					
Actuarial (loss) / gain on obligation	(135,344)	104,489	14,805	28,141	30,757
Actuarial (loss) / gain on plan assets	(2,296)	(4,163)	(1,413)	3,015	(12,421)

34.10 Sensitivity analysis

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of discount rate, salary increase rate and mortality rate is given below:

Assumptions	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in '000		
Discount rate	1.00%	(158,014)	186,622
Salary increase	1.00%	185,722	(159,983)
Mortality rate change	1 year	(895)	895

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35. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2013 were Rs. 2,412,694 thousand (December 31, 2012: Rs. 2,215,267 thousand) as per latest available audited financial statements of the fund.

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

Rupees in '000	2014	2013
	(Un-audited)	(Audited)
Size of the Fund	2,761,401	2,412,694
Cost of investments made	2,643,650	2,299,202
Fair value of investments	2,751,622	2,335,712
Percentage of investments made	95.74%	95.30%

35.2 Breakup of provident fund investments

	2014		2013	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Government Investment Bonds	2,455,000	92.86	2,198,249	91.11
Government Sukuks	99,275	3.76	150,000	6.22
Term Finance Certificates	1,296	0.05	2,594	0.11
Mutual Funds	88,079	3.33	61,851	2.56

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

36. COMPENSATED ABSENCES

36.1 General description

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

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

36.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2014 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2014 was Rs. 194,496 thousand against related liability of Rs. 187,740 thousand carried at December 31, 2013. Expense for the year of Rs. 41,503 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate - per annum	12.3%	13.0%
Expected rate of increase in salaries - per annum	11.8%	12.5%
Leave accumulation factor - days	5	5

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
Fees	–	–	4,625	5,000	–	–
Managerial remuneration	20,280	16,004	–	–	1,126,158	969,223
Allowances	2,408	999	–	–	162,107	136,731
Charge for defined benefit plan	1,680	1,239	–	–	65,828	54,648
Contribution to defined contribution plan	1,219	1,144	–	–	61,290	53,136
Rent and house maintenance	6,240	5,740	–	–	357,277	308,238
Utilities	2,028	1,610	–	–	87,264	75,703
Medical	1,872	1,491	–	–	79,059	68,497
Adhoc relief / bonus	8,400	1,045	–	–	131,462	123,250
Leave encashment for ex-employees	–	4,197	–	–	9,601	28,238
Compensation for ex-President & CE upon leaving the Bank	–	14,976	–	–	–	–
	44,127	48,445	4,625	5,000	2,080,046	1,817,664
Number of persons	1	2	10	20	645	570

Executives mean all executive employees, other than the President & Chief Executive, whose annual basic salary exceeds rupees five hundred thousand. President & Chief Executive and certain other executives are provided with the Bank maintained vehicles.

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Bank's accounting policy as stated in note 5.5. The effective rates and maturity profile are stated in note 43.2.5 and 43.3.1 respectively.

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39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2014										Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans		
Total income	177,481	352,883	1,331,581	37,987,242	51,473	20,757	-	-	-	-	39,921,417
Total expenses	49,171	97,765	300,704	33,177,846	14,260	5,751	-	-	494,507	-	34,140,004
Net income / (loss)	128,310	255,118	1,030,877	4,809,396	37,213	15,006	-	-	(494,507)	-	5,781,413
Segment Assets (Gross)	84,445	167,900	17,480,805	459,560,255	24,490	9,876	-	-	-	-	477,327,771
Segment Non Performing Loans	-	-	2,524,600	28,851,129	-	-	-	-	-	-	31,375,729
Segment Provision Required	-	-	2,387,400	27,857,826	-	-	-	-	-	-	30,245,226
Segment Liabilities	822	1,634	27,678,028	387,655,314	238	96	-	-	8,039,352	-	423,375,484
Segment Return on net Assets (ROA) (%)	0.04	0.08	0.32	9.02	0.01	-	-	-	-	-	-
Segment Cost of funds (%)	0.01	0.02	0.07	7.88	-	-	-	-	-	0.12	-

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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.98% (2013: 4.19%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.10% (2013: 1.72%) of the total liabilities have been allocated to segments based on their respective assets.

40. TRUST ACTIVITIES

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

41. RELATED PARTY TRANSACTIONS

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

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

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

Rupees in '000	December 31, 2014						December 31, 2013					
	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employees funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employees funds
Balances outstanding as at												
- Advances	572,699	174,807	673	-	2,519,946	-	79,506	95,926	128	-	2,857,945	-
- Deposits	6,904,596	37,646	100,879	468,531	5,262,016	139,933	5,180,555	40,472	123,537	598,369	7,257,651	309,571
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	5,495,137	-	-	-	894,301	-	640,987	-	-	-	985,168	-
- Investment in shares / units - at cost	-	-	-	1,738,315	449,789	-	-	-	-	1,714,494	503,492	-
- Security deposits against lease	-	-	-	-	1,823	-	-	-	-	-	-	-
- Assets held for sale	-	-	-	-	53,703	-	-	-	-	-	-	-
Transactions during the year ended												
- Net mark-up / interest earned	13,835	7,143	7	-	338,953	-	5,436	4,644	79	-	180,478	-
- Net mark-up / interest expensed	327,254	3,060	5,877	40,606	511,223	11,969	956,708	1,146	4,258	26,366	157,761	16,495
- Contribution to employees' funds	-	-	-	-	-	429,342	-	-	-	-	-	137,370
- Investment made in subsidiary	-	-	-	-	-	-	-	-	-	-	150,000	-
- Investment in units of AIML funds - purchase	-	-	-	-	116,607	-	-	-	-	-	-	-
- Investment in units of AIML funds - sale	-	-	-	-	92,786	-	-	-	-	-	-	-
- Redemption of TFC of bank	-	-	-	-	-	-	-	-	-	-	3,660	-
- Rent of property / service charges received	-	-	-	-	15,492	-	19,510	-	-	-	12,659	-
- Rent of property / service charges paid	-	-	-	-	-	-	7,362	-	-	34,350	-	-
- Dividend Income	-	-	-	166,050	-	-	-	-	-	118,104	-	-
- Remuneration and allowances paid	-	225,460	-	-	-	-	-	167,024	-	-	-	-
- Post employment benefits	-	15,643	-	-	-	-	-	12,045	-	-	-	-
- Insurance premium paid	-	-	-	-	15,998	-	-	-	-	-	82,469	-
- Insurance claim received	-	-	-	-	2,803	-	-	-	-	-	3,155	-
- Security services costs	-	-	-	-	-	-	-	-	-	104,727	-	-
- Fee, commission and brokerage income	1,063	-	-	-	3,855	-	18	-	-	504	2,831	-
- Fee, commission and brokerage paid	-	-	-	-	1,000	-	-	-	-	-	115	-
- Proceeds received against right issue	-	-	-	-	-	-	3,215,839	-	15	-	-	-
- Dividend paid	906,282	14	104	-	-	-	-	-	-	-	-	-
- Fees paid	-	-	4,625	-	-	-	-	-	5,000	-	-	-

42. CAPITAL ADEQUACY

42.1 Scope of application

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

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

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42.2 Capital management

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

Goals of managing capital

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

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

Bank's regulatory capital analysed into three tiers

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits and 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules have already started December 31, 2014 onwards.

Tier II capital under Basel III is subject to a maximum of 3% of total Risk Weighted Assets as of December 31, 2014. It includes subordinated debt issued prior to January 01, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Starting Dec 2014 Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2014 the Bank must meet a Tier 1 to RWA ratio and CAR of 7% and 10% respectively.

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

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

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

Rupees in '000	Note	2014	2013
42.3 Capital adequacy ratio (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		4,499,743	5,279,383
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profit		1,862,223	(1,582,626)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		19,199,237	16,534,028
Total regulatory adjustments applied to CET1	42.3.1	1,837,434	1,579,347
Common Equity Tier 1		17,361,803	14,954,681
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital	42.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		17,361,803	14,954,681
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,995,200	–
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules		2,473,280	3,456,180
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group Tier 2)			
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses upto maximum of 1.25% of Credit Risk Weighted Assets		367,815	334,956
Revaluation Reserves			
of which: Revaluation reserves on Property		876,193	826,619
of which: Unrealized Gains/Losses on AFS		1,598,166	116,514
Foreign Exchange Translation Reserves		2,474,359	943,133
Undisclosed/Other Reserves (if any)		89,326	99,009
		–	–
T2 before regulatory adjustments		9,399,980	4,833,278
Total regulatory adjustment applied to T2 capital	42.3.3	724,448	807,030
Tier 2 capital (T2) after regulatory adjustments		8,675,532	4,026,248
Tier 2 capital recognized for capital adequacy		8,675,532	4,026,248
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy		8,675,532	4,026,248
TOTAL CAPITAL (T1 + admissible T2)		26,037,335	18,980,929
Total Risk Weighted Assets (RWA)	42.6	199,884,146	182,740,950

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Percentage	2014	2013
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	8.69%	8.18%
Tier-1 capital to total RWA	8.69%	8.18%
Total capital to RWA	13.03%	10.39%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	5.50%	5.00%
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.19%	3.18%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%
<hr/>		
Rupees in '000	2014	2013
42.3.1 Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	1,119,757	1,185,147
Reciprocal cross holdings in CET1 capital instruments	370,632	68,536
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	214,925	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions - note 42.3.2	132,120	325,664
Total regulatory adjustments applied to CET1	1,837,434	1,579,347
<hr/>		
42.3.2 Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	27,415	167,932
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	104,705	157,732
	132,120	325,664
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	–	–

Rupees in '000	2014	2013
42.3.3 Tier 2 Capital: regulatory adjustments		
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	104,705	157,732
Reciprocal cross holdings in Tier 2 instruments	619,743	649,298
Total regulatory adjustment applied to T2 capital	724,448	807,030
42.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	859,618	–
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	611,230	1,711,231
	1,470,848	1,711,231
42.3.5 Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	453,685	1,315,104
Significant investments in the common stock of financial entities	52,352	–
Deferred tax assets arising from temporary differences (net of related tax liability)	1,770,985	3,503,455
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	367,815	334,956
Cap on inclusion of provisions in Tier 2 under standardized approach	1,891,315	1,791,792
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
Total Credit Risk Weighted Assets	151,305,932	143,343,399
Total Market Risk Weighted Assets	23,750,371	16,256,853
Total Operational Risk Weighted Assets	24,827,843	23,140,698

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42.4 Capital structure reconciliation

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2014	
Assets		
Cash and balances with treasury banks	19,130,113	19,130,113
Balances with other banks	7,068,111	7,068,111
Lending to financial institutions	3,427,753	3,427,753
Investments	217,214,247	217,214,247
Advances	170,496,454	170,496,454
Operating fixed assets	8,299,488	8,299,488
Deferred tax assets	875,335	875,335
Other assets	20,571,044	20,571,044
Total assets	447,082,545	447,082,545
Liabilities & Equity		
Bills payable	6,855,020	6,855,020
Borrowings	13,742,030	13,742,030
Deposits and other accounts	387,586,620	387,586,620
Sub-ordinated loans	7,992,800	7,992,800
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	7,199,014	7,199,014
Total liabilities	423,375,484	423,375,484
Share capital / Head office capital account	12,602,602	12,602,602
Reserves	4,823,738	4,823,738
Unappropriated / unremitted profit	1,862,223	1,862,223
Minority Interest	–	–
Surplus on revaluation of assets	4,418,498	4,418,498
Total liabilities & equity	447,082,545	447,082,545
Assets		
Cash and balances with treasury banks	19,130,113	19,130,113
Balances with other banks	7,068,111	7,068,111
Lending to financial institutions	3,427,753	3,427,753
Investments	217,214,247	217,214,247
of which: Mutual Funds exceeding regulatory threshold	27,416	27,416
of which: reciprocal crossholding of capital instrument CET 1	370,632	370,632
of which: reciprocal crossholding of capital instrument AT 1	–	–
of which: reciprocal crossholding of capital instrument Tier II	619,743	619,743
of which: others	216,196,456	216,196,456
Advances	170,496,454	170,496,454
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–
general provisions reflected in Tier 2 capital	367,815	367,815
Fixed Assets	8,299,488	8,299,488
of which: Intangibles	1,119,757	1,119,757
Deferred Tax Assets	875,335	875,335
of which: DTAs excluding those pertaining to temporary differences	–	–
of which: DTAs arising from temporary differences below the threshold	1,770,985	1,770,985
of which: DTAs arising from temporary differences exceeding regulatory threshold	1,074,523	1,074,523
Other assets	20,571,044	20,571,044
of which: Goodwill	–	–
of which: Intangibles	–	–
of which: Defined-benefit pension fund net assets	–	–
Total assets	447,082,545	447,082,545

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2014	
Liabilities & Equity		
Bills payable	6,855,020	6,855,020
Borrowings	13,742,030	13,742,030
Deposits and other accounts	387,586,620	387,586,620
Sub-ordinated loans	7,992,800	7,992,800
of which: eligible for inclusion in AT1	–	–
of which: eligible for inclusion in Tier 2	6,468,480	6,468,480
Liabilities against assets subject to finance lease	–	–
Other liabilities	7,199,014	7,199,014
Total liabilities	423,375,484	423,375,484
Share capital	12,602,602	12,602,602
of which: amount eligible for CET1	12,602,602	12,602,602
of which: amount eligible for AT1	–	–
Reserves	4,823,738	4,823,738
of which: portion eligible for inclusion in CET1-Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET1-General/ Statutory Reserves	4,499,743	4,499,743
of which: portion eligible for inclusion in Tier 2	89,326	89,326
Unappropriated profit	1,862,223	1,862,223
Surplus on revaluation of assets	4,418,498	4,418,498
of which: Revaluation reserves on Property	1,564,631	1,564,631
of which: Unrealized Gains / losses on AFS	2,853,867	2,853,867
	23,707,061	23,707,061
Total liabilities & Equity	447,082,545	447,082,545

42.5 Basel III Disclosure

	Balance sheet as in published financial statements
Rupees in '000	As at December 31, 2014
Common Equity Tier 1 capital (CET1): Instruments and reserves	
Fully Paid-up Capital / Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General / Statutory Reserves	4,499,743
Unappropriated / unremitted profit	1,862,223
CET 1 before Regulatory Adjustments	19,199,237
Common Equity Tier 1 capital: Regulatory adjustments	
All other intangibles (net of any associated deferred tax liability)	1,119,757
Reciprocal cross holdings in CET1 capital instruments	370,632
Deferred Tax Assets (DTA) arising from temporary differences (amount above 10% threshold, net of related tax liability)	214,925
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	132,120
Total regulatory adjustments applied to CET1	1,837,434
Common Equity Tier 1	17,361,803

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Rupees in '000	Balance sheet as in published financial statements
Additional Tier 1 (AT 1) Capital	
Qualifying Additional Tier-1 instruments plus any related share premium	–
of which: Classified as equity	–
of which: Classified as liabilities	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–
of which: instrument issued by subsidiaries subject to phase out	–
AT1 before regulatory adjustments	–
Additional Tier 1 Capital: regulatory adjustments	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	27,415
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	104,705
Total of Regulatory adjustment applied to AT1 capital	132,120
Additional Tier 1 capital	–
Additional Tier 1 capital recognized for capital adequacy	–
Tier 1 Capital (CET1 + admissible AT1)	17,361,803
Tier 2 Capital	
Qualifying Tier 2 capital instruments under Basel III	3,995,200
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	2,473,280
General Provisions or general reserves for loan losses upto maximum of 1.25% of Credit Risk Weighted Assets	367,815
Revaluation Reserves eligible for Tier 2	2,474,359
of which: portion pertaining to Property	876,193
of which: portion pertaining to AFS securities	1,598,166
Foreign Exchange Translation Reserves	89,326
Undisclosed / Other Reserves	–
T2 before regulatory adjustments	9,399,980
Tier 2 Capital: regulatory adjustments	
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	104,705
Reciprocal cross holdings in Tier 2 instruments	619,743
Amount of Regulatory Adjustment applied to T2 capital	724,448
Tier 2 capital (T2)	8,675,532
Tier 2 capital recognized for capital adequacy	8,675,532
Excess Additional Tier 1 capital recognized in Tier 2 capital	–
Total Tier 2 capital admissible for capital adequacy	8,675,532
TOTAL CAPITAL (T1 + admissible T2)	26,037,335

42.6 Capital adequacy ratio as at December 31, 2014

The capital to risk weighted assets ratio, calculated in accordance with the SBP's Basel III guidelines on capital adequacy, using standardized approaches for credit and market risks and basic indicator approach for operational risk is presented below:

Risk-weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2014	2013	2014	2013
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	413,819	500,847	4,138,191	5,008,470
Public Sector Entities (PSEs)	435,935	128,544	4,359,355	1,285,443
Banks	611,720	821,021	6,117,198	8,210,208
Corporates	6,359,442	5,063,396	63,594,420	50,633,960
Retail portfolio	993,225	1,032,841	9,932,245	10,328,406
Residential mortgage finance	301,929	302,732	3,019,291	3,027,321
Listed equities and regulatory capital instruments issued by others banks	15,180	71,302	151,798	713,016
Unlisted equity investments	18,507	20,672	185,074	206,719
Significant investment and DTAs	455,809	875,864	4,558,093	8,758,637
Fixed Assets	717,973	738,225	7,179,731	7,382,253
Other Assets	433,799	490,904	4,337,994	4,909,040
Past Due Exposures	393,684	510,662	3,936,840	5,106,617
Off-Balance Sheet				
Non-market related	3,890,875	3,626,099	38,908,752	36,260,989
Market Related	88,695	151,232	886,950	1,512,320
Market risk				
Portfolios subject to standardized approach				
Interest rate risk	1,729,540	481,708	17,295,400	4,817,080
Equity position risk	606,059	1,027,539	6,060,592	10,275,388
Foreign exchange risk	39,438	116,439	394,379	1,164,385
Operational risk	2,482,784	2,314,070	24,827,843	23,140,698
TOTAL	19,988,413	18,274,097	199,884,146	182,740,950

	Required		Actual	
	2014	2013	2014	2013
Total eligible regulatory capital held	5.50%	5.00%	8.69%	8.18%
Total risk weighted assets	7.00%	6.50%	8.69%	8.18%
Capital adequacy ratio	10.00%	10.00%	13.03%	10.39%

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42.7 Main features of regulatory capital instruments

Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC TFC IV)	Instrument- 4 (PPTFC TFC V)
Issuer	Askari Bank - Public Limited Company			
Unique identifier	AKBL	AKBL TFC3	NA	NA
Governing law(s) of the instrument	The Companies Ordinance 1984 & Stock Exchanges Regulations	The Companies Ordinance, 1984	The Companies Ordinance, 1984	The Companies Ordinance, 1984
Regulatory treatment				
Transitional Basel III rules	NA	Tier 2	Tier 2	NA
Post-transitional Basel III rules	NA	Ineligible	Ineligible	NA
Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	2,994,000	998,800	4,000,000
Par value of instrument	Rs. 10 per Share	Rs. 5,000 per Instrument	Rs. 1,000,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	November 18, 2009	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated	Dated
Original maturity date	NA	November 18, 2019	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	November 18, 2014	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and less than 30 days.
Subsequent call dates, if applicable	NA	Yes	Yes	Yes
Coupons / dividends				
Fixed or floating dividend/ coupon rate and any related index/ benchmark	NA	Floating Average Ask 6 month KIBOR plus 2.50 % (1 to 5 Years) & Average Ask 6 month KIBOR plus 2.95 % (6 to 10 Years)	Floating Average Ask 6 month KIBOR plus 1.75 % (1 to 5 Years) & Average Ask 6 month KIBOR plus 2.20 % (6 to 10 Years)	Floating Average Ask 6 month KIBOR plus 1.20 %
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No
Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Nonconvertible	Nonconvertible	Convertible
If convertible, conversion trigger (s)	NA	NA	NA	As deemed to be triggered by SBP
If convertible, fully or partially	NA	NA	NA	Fully or as deemed appropriate by SBP
If convertible, conversion rate	NA	NA	NA	Dependent on target market value of equity per share on or before the date of conversion
If convertible, mandatory or optional conversion	NA	NA	NA	Mandatory
If convertible, specify instrument type convertible into	NA	NA	NA	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	NA	NA	NA	Askari Bank Limited
Write-down feature	NA	NA	NA	Yes
If write-down, write-down trigger(s)	NA	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
If write-down, full or partial	NA	NA	NA	
If write-down, permanent or temporary	NA	NA	NA	
If temporary write-down, description of write-up mechanism	NA	NA	NA	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	Yes	No
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	Does not meet loss absorbency requirements including conversion	NA

43. RISK MANAGEMENT

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

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

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

43.1 Credit Risk:

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

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

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

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Bank's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Bank. Scope of Pre-Assessment Risk Review has been enhanced, covering the entire Corporate, Commercial and SME portfolios (only excluding cash collateralised loans) alongwith consumer and Agri Finance with in discretionary powers of HOCC. Audit and inspection division is reviewing the advances portfolio on a post approval basis.

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43.1.1 SEGMENT INFORMATION

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

43.1.1.1 Segment by class of business

	2014						2013					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	4,206,470	2.12	4,029,187	1.04	319,130	0.14	4,519,591	2.35	4,047,537	1.21	2,194,092	0.73
Automobiles and Allied	1,297,051	0.65	1,027,479	0.27	248,655	0.11	856,781	0.45	979,511	0.29	483,647	0.16
Cables / Electronics	2,799,096	1.41	3,867,038	1.00	905,038	0.39	2,081,031	1.08	2,292,874	0.68	1,759,920	0.58
Carpets	72,598	0.04	152,749	0.04	16,618	0.01	524,416	0.27	48,005	0.01	-	-
Cement	1,012,589	0.51	425,160	0.11	3,947,273	1.72	1,010,634	0.53	757,607	0.23	2,119,871	0.70
Chemicals / Pharmaceuticals	3,663,370	1.84	734,638	0.19	3,230,888	1.41	4,238,337	2.21	1,816,256	0.54	1,658,134	0.55
Engineering	34,746	0.02	268,798	0.07	2,684,144	1.17	278,611	0.14	56,412	0.02	10,041,236	3.34
Fertilizers	2,420,656	1.22	5,124,581	1.32	6,749,389	2.95	3,301,642	1.72	3,156,369	0.94	1,004,663	0.33
Food and Allied	3,355,055	1.69	1,073,450	0.28	1,462,539	0.64	1,864,274	0.97	691,236	0.21	2,644,130	0.88
Fuel / Energy	14,764,275	7.43	1,698,401	0.44	10,928,820	4.77	18,636,887	9.70	3,385,515	1.01	23,837,632	7.92
Ghee and Edible Oil	2,654,001	1.34	293,867	0.08	1,341,207	0.59	2,528,603	1.32	171,400	0.05	758,566	0.25
Glass and Ceramics	2,427,470	1.22	61,261	0.02	128,175	0.06	1,533,770	0.80	39,940	0.01	2,725	0.00
Hotels and Restaurants	1,870,646	0.94	1,097,837	0.28	615,881	0.27	359,534	0.19	727,796	0.22	200	0.00
Individuals	15,174,946	7.64	139,348,074	35.95	463,927	0.20	15,346,746	7.99	112,599,789	33.59	524,799	0.17
Insurance	-	-	634,141	0.16	-	-	-	-	443,755	0.13	-	-
Financial institutions / Investment companies	479,999	0.24	5,853	0.00	56,233,823	24.54	693,333	0.36	513,702	0.15	87,236,542	28.99
Leasing	375,000	0.19	4,671	0.00	-	-	500,286	0.26	4,898	0.00	-	-
Leather Products and Shoes	1,827,909	0.92	1,012,054	0.26	99,333	0.04	854,327	0.44	449,977	0.13	35,115	0.01
Modarabas	-	-	12	0.00	-	-	-	-	12	0.00	-	-
Paper and Board	347,798	0.18	233,683	0.06	136,047	0.06	505,039	0.26	27,922	0.01	217,883	0.07
Plastic products	426,188	0.21	157,635	0.04	356,902	0.16	546,025	0.28	70,753	0.02	589,076	0.20
Ready- Made garments	1,314,096	0.66	639,791	0.17	126,011	0.05	447,871	0.23	466,377	0.14	174,700	0.06
Real Estate / Construction	2,481,223	1.25	17,742,599	4.58	15,517,935	6.77	3,880,058	2.02	13,349,821	3.98	18,290,278	6.08
Rice Processing and trading	4,023,219	2.03	904,125	0.23	1,459,934	0.64	5,027,149	2.62	998,562	0.30	860,422	0.29
Rubber Products	418,772	0.21	142,662	0.04	184,644	0.08	329,654	0.17	127,168	0.04	189,181	0.06
Services (Other than Financial, Hotelling and Travelling)	2,382,610	1.20	6,156,434	1.59	554,554	0.24	1,942,340	1.01	9,622,889	2.87	2,996,778	1.00
Sports goods	434,099	0.22	123,011	0.03	156,523	0.07	505,673	0.26	60,460	0.02	2,059	0.00
Sugar	3,422,727	1.72	83,216	0.02	47,365	0.02	1,334,248	0.69	151,746	0.05	183,751	0.06
Surgical equipment / Metal Products	8,283,419	4.17	2,290,876	0.59	440,084	0.19	6,137,227	3.19	1,246,067	0.37	304,969	0.10
Synthetic and Rayon	1,390,170	0.70	111,441	0.03	76,671	0.03	345,370	0.18	100,398	0.03	10,158	0.00
Textile	25,461,406	12.82	4,427,090	1.14	5,385,097	2.35	25,990,236	13.52	1,954,727	0.58	6,264,909	2.08
Tobacco / Cigarette manufacturing	4,462	0.00	5	0.00	-	-	4,462	0.00	5	0.00	70,198	0.02
Transport and communication	6,614,748	3.33	4,722,241	1.22	3,631,892	1.59	6,577,979	3.42	13,413,353	4.00	3,177,036	1.06
Travel Agencies	3,230	0.00	260,615	0.07	410,418	0.18	54,151	0.03	48,703	0.01	708,584	0.24
Woolen	168,941	0.09	630,879	0.16	109,068	0.05	17,251	0.01	54,312	0.02	400	0.00
Public sector / Government	64,254,311	32.33	154,034,596	39.73	58,478,775	25.52	62,789,979	32.69	116,453,905	34.74	121,091,307	40.24
Others	18,798,223	9.46	34,066,470	8.79	52,683,615	22.99	16,607,358	8.64	44,911,268	13.40	11,488,472	3.83
	198,665,519	100.00	387,586,620	100.00	229,130,375	100.00	192,170,873	100.00	335,241,027	100.00	300,921,433	100.00

43.1.1.2 Segment by sector

	2014						2013					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	64,254,311	32.33	154,034,596	39.73	58,478,775	25.52	62,789,979	32.69	116,453,905	34.74	121,091,307	40.24
Private	134,411,208	67.67	233,552,024	60.27	170,651,600	74.48	129,380,894	67.31	218,787,122	65.26	179,830,126	59.76
	198,665,519	100.00	387,586,620	100.00	229,130,375	100.00	192,170,873	100.00	335,241,027	100.00	300,921,433	100.00

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

Rupees in '000	2014		2013	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	1,281,900	763,923	1,984,540	963,065
Automobiles and Allied	461,508	346,178	477,034	303,087
Cables / Electronics	1,103,277	1,095,778	1,139,472	1,131,323
Chemicals / Pharmaceuticals	218,357	161,267	212,369	113,338
Food and Allied	351,777	264,838	379,945	259,160
Fuel / Energy	3,341,152	3,331,299	3,336,212	3,317,339
Glass Manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	3,113,787	2,781,609	3,218,974	2,906,212
Leather Products and Shoes	91,172	30,128	111,199	30,959
Paper Industries	103,007	101,747	373,801	359,219
Real Estate / Construction	1,713,208	1,336,769	1,934,962	1,431,497
Services (Other than Financial, Hotelling and Travelling)	483,513	265,004	457,878	276,960
Sports Goods	289,378	263,117	352,036	318,563
Textile	12,448,380	11,583,518	12,508,587	11,591,252
Transport and communication	303,094	303,094	311,681	311,681
Public sector / Government	–	–	166,666	–
Others	4,961,877	4,062,639	5,044,131	3,855,288
	31,375,729	27,801,250	33,119,829	28,279,285

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

Public sector / Government	–	–	166,666	–
Private	31,375,729	27,801,250	32,953,163	28,279,285
	31,375,729	27,801,250	33,119,829	28,279,285

43.1.1.5 Geographical segment analysis

Rupees in '000	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	5,445,169	446,398,657	23,436,089	229,130,375
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East - note 43.1.1.5.1	336,244	683,888	270,972	–
Others	–	–	–	–
	5,781,413	447,082,545	23,707,061	229,130,375

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Rupees in '000	2013			
	(Loss) / profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	(8,651,517)	394,077,605	18,378,061	300,921,433
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East - note 43.1.1.5.1	211,014	749,890	350,827	–
Others	–	–	–	–
	(8,440,503)	394,827,495	18,728,888	300,921,433

43.1.1.5.1 These do not include intra group items of Rs. 7,512,609 thousand (2013: Rs. 6,995,167 thousand) eliminated upon consolidation of foreign branch.

43.1.1.5.2 Contingencies and commitments include amounts given in note 21 except bills for collection.

Following is the list of main types of collateral taken by the Bank.

- Government and Trustee Securities
- Defence Saving Certificates
- Fixed Deposits (TDR)
- Lien on Deposits
- Cash Margin
- Shares Listed on Main Index
- Shares Listed on Non Main Index
- Government Guarantees

43.2 Market Risk:

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

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

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

43.2.1 Market risk - General disclosures Basel III specific

Basel III Standardized Approach is used for calculating the Capital Adequacy for Market Risk.

43.2.2 Foreign Exchange Risk

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

2014				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	418,058,845	388,086,095	(8,268,138)	21,704,612
U.S. Dollars	27,283,225	30,214,510	4,102,680	1,171,395
Pound Sterling	451,812	3,564,348	3,110,137	(2,399)
Japanese Yen	3,473	38	–	3,435
Euro	758,707	1,503,263	1,055,321	310,765
Other European Currencies	93,121	–	–	93,121
Other Currencies	433,362	7,230	–	426,132
	447,082,545	423,375,484	–	23,707,061

2013				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	365,304,496	337,025,230	(9,134,112)	19,145,154
U.S. Dollars	27,464,486	33,870,752	5,510,524	(895,742)
Pound Sterling	816,381	3,474,669	2,483,477	(174,811)
Japanese Yen	4,645	51	–	4,594
Euro	535,996	1,721,044	1,159,428	(25,620)
Other European Currencies	40,874	(318)	11,751	52,943
Other Currencies	660,617	7,179	(31,068)	622,370
	394,827,495	376,098,607	–	18,728,888

43.2.3 Equity position risk

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

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

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43.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel III Specific

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

43.2.5 Mismatch of interest rate sensitive assets and liabilities

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

		2014										
		Effective Yield / Interest rate	Total	Exposed to yield / interest risk							Non-interest bearing financial instruments	
Rupees in '000				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
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	19,130,113	5,264,327	-	-	-	-	-	-	-	-	13,865,786
Balances with other banks	6.05%	7,068,111	6,221,980	-	-	-	-	-	-	-	-	846,131
Lendings to financial institutions	8.95%	3,427,753	2,000,000	-	1,427,753	-	-	-	-	-	-	-
Investments	9.79%	217,214,247	14,776,455	27,836,711	47,503,832	32,651,261	43,297,230	15,212,122	16,907,770	13,879,179	-	5,149,687
Advances	9.14%	170,496,454	55,462,698	89,958,810	15,146,153	4,676,145	946,435	334,045	628,187	932,305	2,411,676	-
Assets held for sale		53,703	-	-	-	-	-	-	-	-	-	53,703
Other assets		10,970,143	-	-	-	-	-	-	-	-	-	10,970,143
		428,360,524	83,725,460	117,795,521	64,077,738	37,327,406	44,243,665	15,546,167	17,535,957	14,811,484	2,411,676	30,885,450
Liabilities												
Bills payable		6,855,020	-	-	-	-	-	-	-	-	-	6,855,020
Borrowings	9.09%	13,742,030	10,587,264	2,164,473	964,379	5,710	5,054	5,054	5,054	5,042	-	-
Deposits and other accounts	5.90%	387,586,620	117,153,982	74,968,616	74,753,865	22,344,023	5,663,154	163,213	231,882	8,043	-	92,299,842
Sub-ordinated loans	12.05%	7,992,800	-	4,000,000	3,992,800	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		6,099,856	-	-	-	-	-	-	-	-	-	6,099,856
		422,276,326	127,741,246	81,133,089	79,711,044	22,349,733	5,668,208	168,267	236,936	13,085	-	105,254,718
On-balance sheet gap		6,084,198	(44,015,786)	36,662,432	(15,633,306)	14,977,673	38,575,457	15,377,900	17,299,021	14,798,399	2,411,676	(74,369,268)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.50%	2,020,072	2,020,072	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.00%	2,851,757	2,851,757	-	-	-	-	-	-	-	-	-
Commitments to extend credits		11,788,818	11,788,818	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(12,620,503)	(12,620,503)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(56,636,289)	36,662,432	(15,633,306)	14,977,673	38,575,457	15,377,900	17,299,021	14,798,399	2,411,676	(74,369,268)
Cumulative yield / interest risk sensitivity gap				(19,973,857)	(35,607,163)	(20,629,490)	17,945,967	33,323,867	50,622,888	65,421,287	67,832,963	

Rupees in '000	2013											
	Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
On - balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	26,104,822	6,072,321	-	-	-	-	-	-	-	-	20,032,501
Balances with other banks	2.58%	9,057,747	7,006,514	-	-	-	-	-	-	-	-	2,051,233
Lendings to financial institutions	7.10%	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-	-
Investments	8.81%	165,863,237	51,256,568	45,382,303	26,227,907	4,381,810	7,753,015	12,652,649	5,849,436	5,687,857	168,399	6,503,293
Advances	8.74%	163,556,632	53,468,470	84,427,655	14,324,726	6,131,607	877,874	323,571	603,414	928,056	2,471,259	-
Other assets		6,881,735	-	-	-	-	-	-	-	-	-	6,881,735
		373,967,380	118,803,873	130,787,859	40,552,633	11,038,723	8,630,889	12,976,220	6,452,850	6,615,913	2,639,658	35,468,762
Liabilities												
Bills payable		5,687,542	-	-	-	-	-	-	-	-	-	5,687,542
Borrowings	8.75%	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	591	-	-
Deposits and other accounts	5.62%	335,241,027	108,495,374	71,891,127	61,937,597	16,493,187	2,128,945	663,324	475,849	11,570	-	73,144,054
Sub-ordinated loans	11.90%	3,994,400	-	-	3,994,400	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		5,563,172	-	-	-	-	-	-	-	-	-	5,563,172
		375,032,020	129,778,220	72,099,577	68,959,774	16,493,856	2,137,460	671,839	484,364	12,161	-	84,394,768
On-balance sheet gap		(1,064,640)	(10,974,347)	58,688,282	(28,407,141)	(5,455,133)	6,493,429	12,304,381	5,968,486	6,603,752	2,639,658	(48,926,006)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.88%	994,312	994,312	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.95%	15,211,984	15,211,984	-	-	-	-	-	-	-	-	-
Commitments to extend credits		9,756,031	9,756,031	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(23,973,703)	(23,973,703)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(34,948,050)	58,688,282	(28,407,141)	(5,455,133)	6,493,429	12,304,381	5,968,486	6,603,752	2,639,658	(48,926,006)
Cumulative yield / interest risk sensitivity gap				23,740,232	(4,666,909)	(10,122,042)	(3,628,613)	8,675,768	14,644,254	21,248,006	23,887,664	

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

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

43.2.5.3 Assets do not include operating fixed assets of Rs. 8,299,488 (2013: Rs. 8,567,401) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 9,547,198 (2013: 9,315,429) thousand.

43.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts - net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,099,158 (2013: Rs. 1,066,587) thousand.

43.3 Liquidity Risk

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

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43.3.1 Maturities of Assets and Liabilities

2014										
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	19,130,113	19,130,113	-	-	-	-	-	-	-	-
Balances with other banks	7,068,111	6,568,111	500,000	-	-	-	-	-	-	-
Lendings to financial institutions	3,427,753	2,000,000	-	1,427,753	-	-	-	-	-	-
Investments	217,214,247	14,929,390	23,064,688	44,376,334	37,776,093	44,161,859	17,854,112	18,288,548	15,701,261	1,061,962
Advances	170,496,454	33,409,233	40,090,215	19,265,847	22,588,652	11,077,502	9,730,261	16,689,834	9,598,951	8,045,959
Operating fixed assets	8,299,488	94,015	117,862	171,172	322,240	584,912	521,541	903,571	1,075,232	4,508,943
Assets held for sale	53,703	-	-	53,703	-	-	-	-	-	-
Deferred tax assets	875,335	(1,536,698)	-	-	118,012	5,867	719,253	1,082,826	486,075	-
Other assets	20,517,341	4,801,764	-	-	-	3,201,176	3,201,176	3,104,408	3,104,408	3,104,409
	447,082,545	79,395,928	63,772,765	65,294,809	60,804,997	59,031,316	32,026,343	40,069,187	29,965,927	16,721,273
Liabilities										
Bills payable	6,855,020	2,256,110	-	415,732	4,183,178	-	-	-	-	-
Borrowings	13,742,030	10,587,264	2,164,473	964,379	5,710	5,054	5,054	5,054	5,042	-
Deposits and other accounts	387,586,620	51,462,402	28,115,379	23,795,273	22,344,023	66,159,592	60,659,651	64,651,442	35,203,452	35,195,406
Sub-ordinated loans	7,992,800	-	800	800	1,600	3,200	3,200	2,994,400	4,988,800	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,199,014	3,820,597	-	-	-	1,689,209	844,604	422,302	211,151	211,151
	423,375,484	68,126,373	30,280,652	25,176,184	26,534,511	67,857,055	61,512,509	68,073,198	40,408,445	35,406,557
Net assets	23,707,061	11,269,555	33,492,113	40,118,625	34,270,486	(8,825,739)	(29,486,166)	(28,004,011)	(10,442,518)	(18,685,284)
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-
Reserves	4,823,738	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,862,223	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,418,498	-	-	-	-	-	-	-	-	-
	23,707,061	-	-	-	-	-	-	-	-	-

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

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

43.4 OPERATIONAL RISK

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

Operational risk governance structure adopted by Bank is embedded within three lines of defense: Strategic, Macro and Micro. The Bank has recently updated its Operational Risk Management framework to align it with global/local best market practices.

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

43.4.1 OPERATIONAL RISK DISCLOSURES BASEL III

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

44. GENERAL

44.1 Non-adjusting events after the balance sheet date

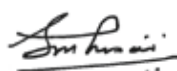
The Board of Directors in its meeting held on February 13, 2015 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2014 do not include the effect of the appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2015 as follows:

Rupees in '000	2014	2013
Transfer from unappropriated profit to:		
General reserve	1,862,223	(1,582,626)
Transfer from general reserve:		
Payment of final cash dividend of Re. 1.00 per share (2013: Nil)	1,260,260	-

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

45. DATE OF AUTHORIZATION

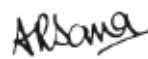
These unconsolidated financial statements were authorized for issue on February 13, 2015 by the Board of Directors of the Bank.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

Annexure-1

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

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a person(s) during the year ended December 31, 2014.

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1	New Allied Electronics 7th Floor, Lakson Square Building No.1 Sarwar Shaheed Road, Karachi	Mian Pervez Akhtar 42301-7176596-3 Abdul Rauf 42201-3539213-1	Mian M. Rafiq Anwar Abdul Ghafoor	8,249	45,844	-	54,093	-	45,844	-	45,844
2	Flying Board & Paper Products Ltd. 103-Fazal Road, St. Johns Park, Lahore Cantt.	Muhammad Nazir Bhutta 35202-1038665-7 Samina Kamran 35201-5658600-2 Yousaf Kamran Khan 35201-2109195-7	Ch. Muhammad Boota Kamran Khan Kamran Khan	150,000	19,115	-	169,115	-	13,890	-	13,890
3	Flying Kraft Paper Mills (Pvt) Ltd. 103-Fazal Road, St. Johns Park, Lahore Cantt.	Momin Qamar 35201-8255512-7 Fayaz Ali 17301-8995138-3 Zubair Ali 17301-1675963-3 Qasim Khan 35201-1848796-5	Qamar ur Zaman Haji Ghulam Ali Haji Ghulam Ali Kamran Khan	39,897	4,676	-	44,573	-	5,461	-	5,461
4	Flying Paper Industries Ltd. 103-Fazal Road, St. Johns Park, Lahore Cantt.	Muhammad Shabbir Shah 34602-2070434-1 Muhammad Saleem 35202-8016117-5 Qasim Khan 35201-1848796-5	Bashir Ahmed Shah Abdul Ghani Kamran Khan	160,000	23,112	-	183,112	-	16,451	-	16,451
5	Simla Plastic Works Plot No.WSA-1, Block No.14, F.B. Area Karachi	Ebrahim 42101-7901413-5 Muhammad Tahir 42101-5140537-7 Asif Latif 42101-1514465-7	Ali Muhammad Muhammad Ebrahim Haji Abdul Latif	1,703	2,060	-	3,763	-	1,763	-	1,763
6	Shujah Abbas & Co. 213 A-I PIA Housing Society Near Haqam Chowk, Lahore	Ameer Abbas Mirza 35202-2324832-1	Haider Ali Mirza	3,000	2,259	-	5,259	-	1,694	-	1,694
7	International Trading Company A-7, 1st Floor, Al-Hayat Chamber Sultan Ahmed Shah Road off Sahaheed-e-Millat Road, K.C.H.S.U. Karachi	Khalid Naeem 42101-8240798-1	Muhammad Abu Naeem	5,349	1,944	-	7,293	-	1,944	-	1,944
8	Zia ul Haq Room No.01, 1st Floor, Bashah Centre Circular Road, Faisalabad	Zia ul Haq	Amjad Ali 33100-9701873-3	-	3,515	-	3,515	-	2,515	-	2,515
9	Rashid Construction Company (Pvt) Ltd. Court Road, Gujrat	Karamat 34201-0367146-1 Imran Rashid 34201-0367800-5 Muhammad Abdullah 34201-0367146-5	Muhammad Abdullah Rashid Ahmad M. Karamat	5,000	1,225	-	6,225	-	992	-	992

(Rupees in '000)

Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
10	Nayyer Jamil Plot No.42-A, St. 1-A, (Iqbal Avenue) Phase-1, Jinnah Gardens, FECHS Zone-V Islamabad	Nayyer Jamil 61101-9878475-7	Muhammad Jamil	2,239	856	-	3,095	-	856	-	856
11	Ghulab Khan Rind Ameer Manzil, Dangar Mohallah, Jacobabad, Teh. & Dist. Jacobabad	Ghulab Khan Rind 43102-4956863-3	Muhammad Anwar Khan Rind	1	-	-	1	-	671	-	671
12	Rai Waqar Ahmed Kot Fazal Tehsil & Distt Nankana	Rai Waqar Ahmed 35202-3998870-9	Falak Sher	-	1,220	-	1,220	-	916	-	916
13	Sikandar Khan Tareen Sheheryar Khan House, Pandak, P.O Haripur, Tehsil & Dist. Haripur	Sikandar Khan Tareen 13302-0524739-3	Babar Khan Tareen	1,626	407	-	2,033	-	533	-	533
14	Ameer Khan Noor Pur Tehsil Jand Dist Attock	Ameer Khan 37104-3780236-7	Lal Khan	2,900	1,914	-	4,814	-	1,532	-	1,532
15	Khan Shabbir RO Village Herdave PO Khas Tehsil & Dist. Sheikhpura	Khan Shabbir 35404-9705476-1	Shoukat Ali	1	-	-	-	-	559	-	559
16	Ghareeb Alam Lakho Der PO Bata Pur Tehsil & Dist Lahore	Ghareeb Alam 35201-1871538-9	Ghulam Muhammad	2,000	843	-	2,843	-	843	-	843
17	Muhammad Irshad Dogar/Basharat Ali H # 128-B G Block Sabza Zar Scheme Lahore	Muhammad Irshad Dogar/Basharat Ali 35202-2828026-9	Hassan Muhammad Bahadur Ali	389	55	-	444	-	819	-	819
18	Mushtaq Abbas Jinjiana Chargah Chambers The Mall Lahore.	Mushtaq Abbas Jinjiana 33203-1361359-9	Mian Muhammad Zafar	3,000	1,045	-	4,045	-	1,048	-	1,048
19	Nazir Ahmed Malhi Chak no 165 RB Jand Wali Chak Jhumra Faisalabad	Nazir Ahmed Malhi 33101-9125914-9	Muhammad Munshi	-	390	-	390	-	581	-	581
20	Syed Ali Raza Bukhari Moza Doulu Wala Tehsil Dist Chiniot	Syed Ali Raza Bukhari 33201-0999600-5	Syed Ghulam Abbas	2,800	2,118	-	4,918	-	1,100	-	1,100
21	Munsab Khan Moza Kali Dhali PO Khas Tehsil Pinid Gheb Distt. Attock	Munsab Khan 37107-013013-5	Abdul Khaliq	899	706	-	1,605	-	559	-	559
22	Sakina Bibi Bullah House Mohala Gulshan Tahir Town Old Narang Rd Muridkay Distt Sheikhpura	Sakina Bibi 35401-9919658-4	Ch. Said Ahmed	1,700	742	-	2,442	-	633	-	633
23	Inayat Ullah Khan Chak Rasul Pur Tehsil Distt Jhang	Inayat Ullah Khan	Khan Bahdur Khan 33202-1372444-5	1	-	-	1	-	700	-	700
24	Rana Muhammad Yasin Moza Ratanpur, Teh Feroz Wala Distt. Sheikhpura	Rana Muhammad Yasin 35401-4392092-5	Ch Riasat Ali	3,000	328	-	3,328	-	843	-	843
25	Zia Ur Rehman Chak # 242/RB, Tehsil Distt Faisalabad	Zia Ur Rehman 33100-5135801-3	Mahar Allah Ditta	-	-	-	-	-	723	-	723

Annexure-1

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

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
26	Mohsin Amin Lashoari House # CA-357, Mohala Faiz Colony Tehsil and Distt. Bahawalpur	Mohsin Amin Lashoari 31202-5330202-1	Muhammad Amin Khan	-	-	-	-	-	688	-	688
27	Irfan ur Rehman Hous No 9-D Model Town Lahore	Irfan ur Rehman 61101-6011296-7	Raja Khushbakht ur Rehman	-	-	-	-	-	545	-	545
28	Makhdoom Faiz Rasool Moua mubarik tehsil distt Rahim Yar Khan	Makhdoom Faiz Rasool 31303-0493402-7	Makhdoom Din Muhammad Shah	-	-	-	-	-	596	-	596
29	Irshad Hussain Shahidwala Town, Gujrat	Irshad Hussain 34502-1551443-7	Muhammad Hussain	2,738	1,015	-	3,753	-	1,015	-	1,015
30	Raaj International Super Apartments, Mezzanine Floor, Plot No.CL.8/9, Civil Lines Road, Karachi	Ali Asghar Valika 42301-1948327-5 S. Raza Hussain Naqvi 42301-1079531-1 Jameel Ahmed Sakrani 515-86-001809 Alamgir A. Shaikh 502-86-433732	Saif ud Din Valika Nadir Hussain Naqvi Abdul Shakoor Muhammad Anwar	30,051	9,911	-	39,962	-	9,622	-	9,622
31	Towellens Limited WSA-30-31, Block-I, F.B. Area, Karachi	Surriya Junaid 42302-6284653-6 Mehreen Obaid 42301-6191762-2 Sana Obaid 42301-6253826-4 Mahjabeen Obaid 42301-1984041-4 Javed Ashfaq 42301-1111412-5 Zeeshan Sattar 42301-3689215-3 Abdul Jalil Sharif 42101-1870065-9	Sheikh M. Junaid S.M. Obaid S.M. Obaid S.M. Obaid Akhter Ashfaq Khurshid Abdul Sattar Abdul Hakim Sharif	325,662	87,709	-	413,371	81,416	87,709	-	169,125
32	Sufi Traders Mohallah Chaudhry House, Sharaqpur Road Sheikhpura	Manzoor Ahmed 35404-7876797-7 Farkhanda Jabeen 35404-6340231-4	Abdul Rasheed Manzoor Ahmed	8,993	1,848	-	10,841	-	924	-	924
33	Mohsin Ehsan Supreme Rice (Pvt) Ltd. House # F-18 Satellite Town, Jhang Saddar	Muhammad Gulsher 33202-7066370-1	Falak Sher	30,000	10,168	-	40,168	-	8,308	-	8,308
34	Riasar Ali 1 Begum Pura Stop GT Road Baghbanpur Lahore	Riasar Ali 34103-0531834-5	Shah Noor	126	-	-	126	-	-	562	562
35	Rahmat Ali Mohalla Islamabad Masjid Maqbool ul Haq Kamoke Gujranawala	Rahmat Ali 34103-6225798-1	Asghar Ali	-	-	-	-	-	-	681	681
36	Nasir Iqbal Shah Jahangir Road Moh Bagh Bawa Gujrat	Nasir Iqbal 34201-7648927-7	Nazar Muhammad	-	-	-	-	-	-	783	783

(Rupees in '000)

Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
37	Muhammad Ashraf House # 1-A, New Civil Lines Sargodha	Muhammad Ashraf 38403-8088962-5	Sheikh Atta Muhammad	223	41	-	264	-	-	1,297	1,297
38	Shaukat Ali Station Road Tando Adam Dist Sanghar	Shaukat Ali 42206-7908962-3	Sikandar Ali	555	169	-	724	-	-	1,431	1,431
39	Pir Qasim Ali Karachi	Pir Qasim Ali 42301-2816865-9	Pir Aftab Hussain	516	75	-	591	-	-	1,468	1,468
40	Malik Akram Mehmood H no NE-416-1 Awanabad Hafiz Road Rawalpindi	Malik Akram Mehmood 37405-0656804-9	Haji Malik Ashraf	-	-	-	-	-	-	2,084	2,084
41	Qadir Buksh Mirwani Baidi Dakhana Tehsil Awaraan Baluchistan	Qadir Buksh Mirwani 51101-8917695-7	Mola Buksh	542	19	-	561	-	-	742	742
42	Al-Hadi Rice Mills Chak Nizam, 14.Km Pasrur Road Gujranwala	Malik Azmat Ullah 34101-8307542-7 Malik Asmat Ullah 24101-2994699-5	Abdul Hadi Abdul Hadi	-	-	-	-	-	-	1,061	1,061
43	Awaran Goods Transport Company Plot # 155 A Molvi Muhammad Usma ATH Chowk Karachi	Badal 51101-7430395-3	Jamadar Jangian	524	32	-	556	-	-	1,078	1,078
44	B.R. Enterprises 55/H/Canal Berg Multan Road Lahore	M Babar Ishaq 35202-9335054-5 M. Rafiq 35404-8964465-7	M Ishaq Bhatti M Younis	32	-	-	32	-	-	1,426	1,426
45	Iqra Filling Station Judicial Housing Society Opp Wapda Town Gujranwala	Khalid Mehmood 34101-2203300-1	Abdul Hameed	1,710	223	-	1,933	-	-	1,694	1,694
46	Khakhi Bros Goods Transport Services, Chowk Aluday Wali Muzaffargarh	Munir Ahmed 32304-9562500-3	Bashir Ahmed	-	-	-	-	-	-	1,776	1,776
47	Mohammadi Dyeing Plot # F-461-464 B Sector 35-A, Korangi Karachi	M. Inayat 42101-3951093-9	Sulaman Wahro	-	110	-	110	-	-	1,830	1,830
48	Mohd Muvawar Iqbal Basti Shehnewala P.O Jhok Venies Petroleum Services Multan	Mohd Muvawar Iqbal 36303-1298671-7	Malik Sardar Muhammad	-	59	-	59	-	-	2,035	2,035
49	B.R. Enterprises 55/H/Canal Berg Multan Road Lahore	M Babar Ishaq 35202-9335054-5 M. Rafiq 35404-8964465-7	M Ishaq Bhatti M Younis	561	28	-	589	-	-	2,080	2,080
50	Maajid Enterprises Regd House # 233, St 45, Sector F-11/3, Islamabad	Majid Qureshi 61101-8895642-5	Hafiz Ather Rasheed	2,824	413	-	3,237	-	-	6,870	6,870
51	Masood Ul Zafar Flying Coach Service Multan	Masood Ul Zaffer 34691-00592-2 Wadara Zafar Ali Khan 31204-779651-4	Wadara Ali Bux Ch Abdul Hameed	987	813	-	1,800	-	-	8,406	8,406
52	Khuuzaima Nauman Flat No. 406-Panorama Center Building No.2 Raja Ghazanfar Ali Road Saddar Karachi	Khuuzaima Nauman 42301-8563204-1	Nauman Bhai	3,261	1,614	-	4,875	-	1,682	-	1,682

Annexure-1

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

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
53	Ch Tariq Ahmad H.No. 25, Rehman Housing Society, 36302-0798813-3 Johar Town, Lahore	Ch Tariq Ahmad 36302-0798813-3	Ch Rasheed Ahmad	479	660	-	1,139	-	660	-	660
54	Suleman Junaid H. No. 357, St No. 37, F-11/3, Islamabad	Suleman Junaid 61101-1789237-9	Junaid Sadiq	320	189	-	509	-	944	-	944
55	Dewan Salman Fibers Dewan Centre, 3-A, Lalazar Beach Luxury Hotel, Karachi	Dewan M. Yousuf Farooqui 42301-6948978-9 Dewan Abdul Rehman Farooqui 42301-0862043-3 Harooq Iqbal 42301-9916370-5 Mansur ul Haque 35202-9928995-7 Ishtiaq Ahmed 42201-0301293-3 Syed Muhammad Anwar 42101-5101100-1 Aziz ul Haque 42301-8514003-5	Dewan M. Umer Farooqui Dewan M. Salman Farooqui Mian Muhammad Sharif Abdul Haque Abdul Rasheed Syed Muhammad Aijaz Noor ul Haque	13,967	3,852	21,651	39,470	4,190	3,852	21,651	29,693
56	Abdul Sajjad Hinjala House, Malik Gulgasht Colony, Multan	Abdul Sajjad 36302-2418591-7	Sher Muhammad	-	-	-	-	-	-	552	552
57	Muhammad Tariq Riaz Chq # 45/3R, P.O Shadipur, Tehsil and Dist Okara	Muhammad Tariq Riaz 340-91-313753	Riaz Ahmed	-	-	-	-	-	-	570	570
58	Syed Manzoor Hussain Shah Shirazi House # 109/2 Block -4 Gulshan E Iqbal Karachi	Syed Manzoor Hussain Shah Shirazi 41409-5608112-5	Syed Muzaffar Shah	-	-	-	-	-	-	632	632
59	Fayyaz Ahmed House # NE-766/8-A, Dhoke Farman Ali Rawalpindi	Fayyaz Ahmed 37405-6213302-7	Iniyat Khan	-	-	-	-	-	-	856	856
60	Mahmood Ali House # 257, Faisal Colony Kot Adu	Mahmood Ali 32303-0797491-9	Muhammad Ali	876	388	-	1,263	-	-	1,121	1,121
61	Bilal Textiles Ltd. P-834, 3rd Floor Bilal Plaza Liaqat Road Faisalabad	Naeem Umer 33100-0571105-5 Bilal Umer 33100-5120610-3 Mian Habib Ullah 37405-6085591-5 M Saleem Umer 33100-0902344-5	Mian Muhammad Umer Mian Muhammad Umer Mian Muhammad Umer Mian Muhammad Umer	232	6	-	238	-	-	766	766
62	Punjab Group of Services Mangrotha, Taunsa Sharif D.G Khan	Saqib Ali Khan 32103-9501410-1	Altaf Hussain Khan	229	3	-	232	-	-	1,111	1,111
63	Master Advertising Agency P-461, Model Town Block A Municipal Corporation Faisalabad	M. Azam 33100-3887957-9	M Khalid	1,317	674	-	1,991	-	-	3,136	3,136

(Rupees in '000)

Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
64	Baloach Transport Company (Regd.) 134-A, Industrial Area Kot Lakhpat, Lahore	Nadir Ali 35202-3098653-5 Liaqat Ali Khan 35200-9070702-9 Abdul Rehman Khan 32203-6505791-9 Dilawar Khan 32203-4346402-7	Liaqat Ali Khan Sardar Ahmed Nawaz M Asad Khan Sadat Ali Khan	1,056	37	-	1,092	-	-	15,304	15,304
65	Muhammad Fahim Sheikh House No. 155/1/I, Main Commercial Avenue, Phase-VII, DHA Karachi	Muhammad Fahim Sheikh 42201-6733637-9	Muhammad Shamim Sheikh	13,179	5,780	-	18,959	-	2,864	-	2,864
66	Maj Ijaz Ahmed/Fouzia Ijaz House # SD-171 Lane no 6, Askari 13 Adyala Road Rwp	Maj Ijaz Ahmed/Fouzia Ijaz 37405-0588960-5	Taj Muhammad	-	-	-	-	-	828	171	998
67	S.M. Muneer Corporation Behind MCB, Chowk Shah Abbas Multan Near Masjid Bilal, House No.103, Gilgist Colony, Multan	Muhammad Muneer Sheikh 36302-8190785-9	Abdul Rahim	2,974	565	-	3,539	-	509	-	509
68	Rana Zahid Iqbal Chak No.57 JB, Faisalabad	Rana Zahid Iqbal 33100-3991973-7	Aziz Ahmed Khan	2,493	1,090	-	3,583	-	1,090	-	1,090
69	Al-Rahat Bakers & Sweets H No.82, St. 3, Valley Road, Race Course Scheme, Rawalpindi	Mrs. Nasreen Iftikhar 37405-0468881-0	Maj (R) Iftikhar Ahmad	2,907	772	-	3,679	-	557	-	557
70	Elegant Textile Industries C-1 52, Sector 16-B North Karachi Ind. Area Karachi	Abdul Samad 42201-0371566-3	Muhammad Siddiq	4,215	1,598	-	5,813	-	1,048	-	1,048
71	Khalil Ahmed & Brothers Shop No.01, M.R 1/8, Jodia Bazar, Murad Khan Road, Karachi	Sh. Khalil Ahmed 42101-6926507-9	Abdul Razzaq	5,999	1,150	-	7,149	-	1,506	-	1,506
72	Mirza Muhammad Kaleem Akhter 211/1-B, Punjab Cooperative Housing Society, Lahore	Mirza Muhammad Kaleem Akhter 35201-5815098-7	Mirza Muhammad Ramzan	6,827	1,090	-	7,917	-	978	-	978
73	Mushtaq Ahmed House No.25-A, Block-L, Model Town Extension, Lahore	Mushtaq Ahmed 35202-8937239-9	Muhammad Ibrahim	660	1,202	-	1,862	-	676	-	676
74	Taj Timber Mart LR 6/10, Pilgrim Road, Old Haji Camp, Khi	Muhammad Saleem 42101-9230342-1	Taj Muhammad	3,997	1,441	-	5,438	-	721	-	721
75	AD Mark National Model School, Sharif Colony, Lahore Sargodha Road, Sheikhpura	Anjum Ghafoor 35404-1038774-9	Abdul Ghafoor	1,500	861	-	2,361	-	689	-	689
76	Daud Latif & Sons Shop No.92, Grain Market, Sargodha	Muhammad Daud Latif 33100-0952566-7	Muhammad Latif	500	769	-	1,269	-	569	-	569
77	Malik Hadi Hussain H # 152-F Model Town Lahore.	Malik Hadi Hussain 35202-2087176-9	Malik Fazal Din	503	875	-	1,379	-	-	875	875

Annexure-1

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

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
78	Mumtaz Ahmed Village Ali Muhammad Soomro Near Gujjo Taluka Thatta	Mumtaz Ahmed 41409-1151027-7	M Saddique	269	305	1,028	1,602	-	-	927	927
79	Ali & Latif Tanneries Pvt Ltd Wazirabad Road, 14.K.M Sambrial, Sialkot	Aftab Butt 34603-9240084-5 Nabila Aftab 34603-5808884-0	M Ishaque Aftab Butt	5,887	1,391	8,840	16,118	-	1,391	8,840	10,231
80	Saima Shahid Banglow No.3, Civil Line Police Line, Rwp	Saima Shahid 33100-5048086-4	Rana Shahid Pervaiz	243	67	743	1,053	-	67	736	803
81	Munir Hussain Bus Stand Kot Bunglow House Munir Hussain Dist Khairpur	Munir Hussain 45205-0880280-1	Lal Buxh	327	60	1,151	1,538	-	37	1,151	1,188
82	Arslan Pervaiz House # A-14, Block 1, KDA Scheme # 24, Gulshan-e-Iqbal Karachi	Arslan Pervaiz 42201-8179948-9	Pervaiz Akhter Siddique	3,535	1,430	223	5,189	-	1,430	223	1,654
83	Saif Ali House # 351-CC, ST # 7, Phase 4, Defence Housing Society Lahore	Saif Ali 35201-6748906-3	Abdul Razzaq	5,954	3,826	551	10,331	-	2,480	311	2,791
84	Safdar Abbas Malik House, Abu Hurera Street, Near Madina Hospital, Multan	Safdar Abbas 36302-0314989-7	Haji Malik Sardar Muhammad	282	37	689	1,008	-	-	621	621
85	Siddiqui Heart & General Hospital Mohalla Habib Colony Sheikhupura	Nouman Shahbaz Siddiqui 35404-5981584-1	Shahbaz ul Haq Siddiqui	614	102	139	855	-	32	1,360	1,392
86	Al Sultan CNG Mohalla Habib Colony Sheikhupura	Amir Shahbaz Siddiqui 35404-1040349-1	Shahbaz ul Haq Siddiqui	2,825	473	6,589	9,887	-	151	6,320	6,471
87	Zahid Mehmood House # 15, St #3, Bastami Road Lahore	Zahid Mehmood 35202-7902552-7	Ch M Ismail	2,459	2,784	205	5,449	-	2,784	111	2,895
88	Shaheen Umrani Goods Transport Co Denso Road Opp Al Yousaf Coach Aath Chowk Lyari Karachi	Dost Muhammad 51101-0979644-1	Haji M Ishaq	2,050	576	6,210	8,836	-	576	5,149	5,725
89	Ch. Muhammad Javaid Mouza Burj Kalan PO Khas Tehsil & Distt Kasur	Ch. Muhammad Javaid 35102-0604091-3	Mushtaq Ahmed	-	-	-	-	-	519	-	519
90	Muhammad Mukhtar Hala PO Khas Teshil Patooki Distt Kasur	Muhammad Mukhtar 35103-7544491-9	Muhammad Suleman	-	-	-	-	-	525	-	525
91	Mumtaz Ahmed Smangli Road PAF Base Education Scordan Quetta	Mumtaz Ahmed 38302-7311131-1	Muhammad Suleman Ch	-	-	-	-	-	554	-	554
92	Muhammad Imran Khan Moza Lothar Post Office Riaz Abad Tehsil and Distt Multan	Muhammad Imran Khan 36303-4699346-1	Dost Muhammad Khan	-	-	-	-	-	716	-	716
Total				891,736	262,672	48,019	1,202,427	85,606	243,313	109,798	438,718

Annexure-2

Islamic Banking Business - Balance Sheet

As at December 31, 2014

The Bank is operating 53 Islamic banking branches including 1 sub-branch at the end of 2014 as compared to 40 Islamic banking branches including 2 sub-branches at the end of 2013.

Rupees in '000	Note	2014	2013
ASSETS			
Cash and balances with treasury banks		1,362,316	967,333
Balances with other banks		5,718,849	4,220,069
Due from financial institutions		1,427,753	1,000,000
Investments		5,873,828	6,479,280
Islamic financing and related assets	A-2.1	10,052,972	5,315,393
Operating fixed assets		306,939	203,193
Deferred tax assets		–	–
Other assets		855,022	568,500
Total Assets		25,597,679	18,753,768
LIABILITIES			
Bills payable		286,036	209,457
Due to financial institutions		–	–
Deposits and other accounts			
- Current accounts		6,686,585	5,117,573
- Savings accounts	A-3	8,670,358	5,900,029
- Term deposits		5,686,258	5,495,838
- Others		158,892	112,887
- Deposit from financial institutions - remunerative		17,073	840,949
- Deposits from financial institutions - non remunerative		1,553	490
Due to head office		1,875,000	299,593
Other liabilities		880,386	311,705
		24,262,141	18,288,521
NET ASSETS		1,335,538	465,247
REPRESENTED BY			
Islamic Banking Fund		1,850,000	1,000,000
Reserves		–	–
Unappropriated / unremitted loss		(499,213)	(563,957)
		1,350,787	436,043
Surplus / (deficit) on revaluation of assets		(15,249)	29,204
		1,335,538	465,247
Remuneration to Shariah Advisor / Board		1,598	1,378
CHARITY FUND			
Opening Balance		677	38
Additions during the year		4,399	639
Payments / utilization during the year		(2,980)	–
Closing Balance		2,096	677
A-2.1 Islamic Financing and Related Assets			
Islamic modes of financing	A-2.1.1	9,872,132	5,056,235
Advance against Islamic financing		180,840	259,158
Inventories		–	–
		10,052,972	5,315,393
A-2.1.1 Islamic modes of Financing			
Murabaha		2,094,546	2,201,192
Ijarah		1,700,298	1,003,028
Musharaka		450,000	–
Diminishing Musharaka		3,257,300	1,034,065
Salam		2,333,674	788,810
Other Islamic Modes		36,314	29,140
		9,872,132	5,056,235

A-3 These include remunerative current accounts of Rs. 566,193 thousand (December 31, 2013: Rs. 402,137 thousand)

Annexure-2

Islamic Banking Business - Profit and Loss Account

For the year ended December 31, 2014

Rupees in '000	2014	2013
Profit / return earned on financings, investments and placements	1,692,690	1,260,964
Return on deposits and other dues expensed	905,986	732,837
Net spread earned	786,704	528,127
(Reversal) / provision against non-performing financings	(61,538)	201,559
Provision of diminution in the value of investments	63,572	242,041
Bad debts written off directly	–	–
	2,034	443,600
Income after provisions	784,670	84,527
Other Income		
Fee, commission and brokerage income	40,753	22,457
Dividend income	–	–
Income from dealing in foreign currencies	2,614	2,587
Capital gain on sale of securities	50	–
Unrealised gain / (loss) on revaluation of investments classified as held for trading	–	–
Other income	27,984	29,390
Total other income	71,401	54,434
	856,071	138,961
Other expenses		
Administrative expenses	791,277	573,349
Other provisions / write offs	–	–
Other charges	50	245
Total other expenses	791,327	573,594
	64,744	(434,633)
Extra ordinary / unusual items	–	–
Profit / (loss) before taxation	64,744	(434,633)

Annexure-2

Islamic Banking Business - Statement of Sources and Uses of Charity Fund

For the year ended December 31, 2014

Rupees in '000	2014	2013
Opening Balance	677	38
Additions during the period		
- Received from customers on delayed payments	3,861	485
- Non Shariah Compliant Income	536	140
- Profit on charity account	2	14
	4,399	639
Payments / utilization during the period		
- Health	(500)	-
- Relief and disaster recovery	(2,480)	-
	(2,980)	-
Closing Balance	2,096	677

Annexure-2

Islamic Banking Business - Notes to the Accounts

For the year ended December 31, 2014

1.1 Disclosure for profit and loss distribution and pool management

The Bank generates deposit on the basis of following two modes:

1. Qard
2. Mudaraba

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

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

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

a. General Pool

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

b. Foreign Currency Pool

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

c. Financial Institutions (FI) Pool

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

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

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

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

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

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

During the year profit rate earned is 8.84% and profit rate distributed to the depositors is 4.78% (2013: 8.57% and 5.10% respectively)

1.2 Types of Pools

The Bank managed following General and Specific Pools:

2014										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
General Pool	PKR	Monthly	50%	0.90	1.85	608,958,405	40%	7%	242,659,342	43,520,963
Financial Institution Pool	PKR	Monthly	50%	0.50	1.20	26,489,689	-	-	-	-
Foreign Currency Pool	USD	Monthly	50%	1.00	1.00	6,638	-	-	-	-

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

2014										
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through Hiba	Percentage of mudarib share transferred through special Hiba	Amount of mudarib share transferred through Hiba	Amount of mudarib share transferred through special Hiba
						Rs. / USD			Rs. / USD	Rs. / USD
Interbank borrowing pool	PKR	As required	100%	-	-	-	-	-	-	-

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

Annexure-2

Islamic Banking Business - Notes to the Accounts

For the year ended December 31, 2014

1.3 Maturity profile of funds

Maturity profile of funds mobilised under various modes:

Rs in '000													2014
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 years	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total	
Fixed deposit account	PKR	Mudaraba	1,775,415	620,321	863,754	2,127,766	153,731	64,665	80,606	-	-	5,686,258	
Savings account	PKR	Mudaraba	936,656	169,763	-	-	1,659,625	1,659,626	1,991,548	1,014,353	1,014,353	8,445,924	
Savings account	USD	Mudaraba	26,779	4,854	-	-	47,457	47,458	56,948	29,006	29,005	241,507	
Mudaraba funds from HO	PKR	Mudaraba	1,875,000	-	-	-	-	-	-	-	-	1,875,000	
Interbank borrowing	PKR	Musharka	-	-	-	-	-	-	-	-	-	-	
			4,613,850	794,938	863,754	2,127,766	1,860,813	1,771,749	2,129,102	1,043,359	1,043,358	16,248,689	

Rs in '000													2013
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 month upto 6 months	Over 6 month upto 1 years	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total	
Fixed deposit account	PKR	Mudaraba	2,202,681	739,637	712,721	1,907,079	100,595	176,310	156,815	-	-	5,995,838	
Savings account	PKR	Mudaraba	668,567	121,174	-	-	1,184,606	1,184,606	1,421,527	724,026	724,026	6,028,532	
Savings account	USD	Mudaraba	23,559	4,270	-	-	41,746	41,746	50,095	25,515	25,515	212,446	
Mudaraba funds from HO	PKR	Mudaraba	128,000	-	-	-	-	-	-	-	-	128,000	
Interbank borrowing	PKR	Musharka	-	-	-	-	-	-	-	-	-	-	
			3,022,807	865,081	712,721	1,907,079	1,326,947	1,402,662	1,628,437	749,541	749,541	12,364,816	

1.4 Class of assets by sources of financing

Rupees in '000	2014	2013
Jointly financed by the Bank and PLS deposit account holders:		
Murabaha	2,178,866	2,310,783
Ijarah	1,826,588	1,163,344
Diminishing Musharaka	3,107,996	862,777
Salam	2,333,674	788,810
Musharaka	450,000	–
Balances with other and treasury Banks	7,374,884	5,365,308
Sukuk	6,011,155	6,000,745
	23,283,163	16,491,767
Exclusively financed by the Bank		
Sukuk	425,825	933,660
	425,825	933,660

1.5 Sectors of Economy for Mudarba Based PKR Deposits

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

	2014		2013	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	664,481	2.90	726,557	4.51
Automobiles and Allied	21,476	0.09	5,950	0.04
Cables / Electronics	20,381	0.09	33,655	0.21
Cements	29,151	0.13	83,437	0.52
Chemicals / Pharmaceuticals	16,467	0.07	2,600	0.02
Engineering	32,645	0.14	39,527	0.24
Fertilizers	–	–	1,000,000	6.21
Food and Allied	536,903	2.34	219,952	1.37
Fuel / Energy	2,031,292	8.86	38,299	0.24
Ghee and Edible Oil	125,378	0.55	5,263	0.03
GOP Ijarah Sukuk (Airport and Highway Land)	5,651,155	24.66	5,516,712	34.27
Hotels and Restaurants	–	–	9,337	0.06
Individuals	936,697	4.09	585,911	3.64
Investment Banks / Scheduled Banks	6,224,443	27.16	4,509,407	28.01
Plastic products	101,994	0.45	35,900	0.22
Ready - Made garments	66,750	0.29	74,740	0.46
Real Estate / Construction	9,713	0.04	16,564	0.10
Rice Processing and trading	266,500	1.16	255,500	1.59
Services (Other than Financial, Hotelling and Traveling)	270,231	1.18	250,609	1.56
Sugar	1,564,804	6.83	655,355	4.07
Textile	1,552,074	6.77	454,716	2.82
Transport and communication	12,544	0.05	1,540	0.01
Public sector / Government	2,012,502	8.78	1,490,789	9.26
Others	767,779	3.37	87,027	0.54
	22,915,360	100.00	16,099,347	100.00

1.6 Entire USD Savings deposits of USD 2,403 thousand (2013: USD 2,010 thousand) were deployed with Islamic Banks.

Annexure-2

Shariah Advisor's Report 2014

Alhamdulillah! The year 2014 has been a successful year for Askari Bank's Islamic Banking Services. Islamic Banking has expanded its foot print by increasing the branch network to 52 full fledged Islamic Banking Branches and 01 Islamic sub-branch, covering the Capital and all provinces of the Country. Insha'Allah, the increased outreach, will further strengthen our ability to offer products and services conforming to Shariah principles.

Compliance with the principles of the Glorious Islamic Shariah is the cornerstone of our Islamic banking operations. During the year under review, comprehensive Shariah Audit of Islamic Banking Branches was carried out. As part of the continuous improvement, customer specific transaction process flows and text of guarantee were approved to ensure Shariah Compliance, while offering various financing facilities to the customers.

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

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

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

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

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

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

May Allah Almighty bless our efforts!



Dr. Muhammad Tahir Mansoori
Shariah Advisor

Consolidated Financial Statements of

Askari Bank Limited

For the year ended December 31, 2014

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

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

Auditors' Report to the Member of Askari Bank Limited

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited and its subsidiary companies as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Askari Bank Limited in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad, and its subsidiary companies namely Askari Investment Management Limited and Askari Securities Limited.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of Askari Bank Limited and its subsidiary companies as at 31 December 2014 and the results of their operations for the year then ended.

Islamabad
February 13, 2015

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Engagement Partner

Riaz Pesnani

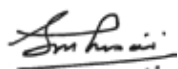
KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated Statement of Financial Position

As at December 31, 2014

Rupees in '000	Note	2014	2013
Assets			
Cash and balances with treasury banks	6	19,130,113	26,104,835
Balances with other banks	7	7,121,128	9,124,531
Lendings to financial institutions	8	3,427,753	2,503,206
Investments	9	217,213,560	165,897,833
Advances	10	170,501,323	163,560,629
Operating fixed assets	11	8,350,849	8,623,409
Assets held for sale	9.12	201,582	–
Deferred tax assets	12	897,746	2,999,526
Other assets	13	20,767,647	16,282,792
		447,611,701	395,096,761
Liabilities			
Bills payable	14	6,855,020	5,687,542
Borrowings	15	13,742,030	24,545,879
Deposits and other accounts	16	387,534,873	335,173,378
Sub-ordinated loans	17	7,992,800	3,994,400
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities	18	7,460,863	6,724,053
		423,585,586	376,125,252
Net assets		24,026,115	18,971,509
Represented by			
Share capital	19	12,602,602	12,602,602
Reserves		4,823,093	5,612,416
Unappropriated profit / (loss)		2,150,715	(1,370,719)
		19,576,410	16,844,299
Non-controlling interest		32,134	31,359
		19,608,544	16,875,658
Surplus on revaluation of assets - net of tax	20	4,417,571	2,095,851
		24,026,115	18,971,509
Contingencies and commitments	21		

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



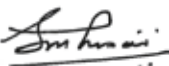
Lt Gen (R) Khalid Nawaz Khan
Chairman

Consolidated Profit and Loss Account

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Mark-up / return / interest earned	24	34,621,111	27,961,790
Mark-up / return / interest expensed	25	22,712,353	19,363,025
Net mark-up / interest income		11,908,758	8,598,765
(Reversal of) / provision against non-performing loans and advances - net	10.6	(83,198)	9,853,603
Impairment loss on available for sale investments		207,669	158,541
Provision for diminution in value of investments	9.2.1	197,507	833,406
Reversal of provision against purchase under resale arrangement	8.3	–	(34,578)
Impairment loss on immovable assets		–	199,898
Bad debts written off directly		–	–
		321,978	11,010,870
Net mark-up / interest income / (expense) after provisions		11,586,780	(2,412,105)
Non mark-up / interest income			
Fee, commission and brokerage income		1,476,535	1,198,513
Dividend income		350,810	508,748
Income from dealing in foreign currencies		985,323	559,463
Gain on sale of securities - net	26	1,812,023	825,043
Unrealised gain on revaluation of investments classified as held for trading - net	9.15	19,123	7,150
Other income	27	883,089	674,723
Total non-markup / interest income		5,526,903	3,773,640
		17,113,683	1,361,535
Non mark-up / interest expenses			
Administrative expenses	28	11,117,035	9,566,692
Other provisions / write offs		46,956	119,609
Other charges	29	125,696	22,571
Total non-markup / interest expenses		11,289,687	9,708,872
		5,823,996	(8,347,337)
Share of profit of associate		45,095	24,006
Extra ordinary / unusual items		–	–
Profit / (Loss) Before Taxation		5,869,091	(8,323,331)
Taxation – current	30	(1,022,549)	(95,286)
– prior years'		–	–
– deferred	30	(752,818)	3,041,377
		(1,775,367)	2,946,091
Profit / (Loss) After Taxation		4,093,724	(5,377,240)
Attributable to:			
Equity holders of the Bank		4,093,015	(5,379,401)
Non-controlling interest		709	2,161
		4,093,724	(5,377,240)

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.


 Syed M. Husaini
 President & Chief Executive


 Qaiser Javed
 Director


 Asif Reza Sana
 Director

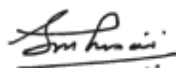

 Lt Gen (R) Khalid Nawaz Khan
 Chairman

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Profit / (loss) after taxation		4,093,724	(5,377,240)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss account			
Exchange difference on translation of net investment in Wholesale Bank Branch		(9,683)	16,350
Items that will never be reclassified to profit and loss account			
Remeasurement of defined benefit plans		(139,069)	76,320
Related tax on remeasurement of defined benefit plans		48,173	(12,029)
Remeasurement of defined benefit plans - net of tax		(90,896)	64,291
		(100,579)	80,641
Comprehensive income - transferred to statement of changes in equity		3,993,145	(5,296,599)
Components of comprehensive income not reflected in equity			
Surplus on revaluation of available for sale securities - net of tax	20	2,852,941	258,920
Total comprehensive income		6,846,086	(5,037,679)
Comprehensive income related to equity attributable to:			
Equity holders of the Bank		3,992,370	(5,298,517)
Non-controlling interest		775	1,918
		3,993,145	(5,296,599)

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



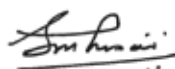
Lt Gen (R) Khalid Nawaz Khan
Chairman

Consolidated Cash Flow Statement

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
Cash flow from operating activities			
Profit / (loss) before taxation		5,869,091	(8,323,331)
Less: Dividend income		(350,810)	(508,748)
		5,518,281	(8,832,079)
Adjustments:			
Depreciation / amortization		723,884	784,159
(Reversal of) / provision against non-performing loans and advances - net		(83,198)	9,853,603
Impairment loss on available for sale investments		207,669	158,541
Provision for diminution in value of investments		197,507	833,406
Reversal of provision against purchase under resale arrangement		-	(34,578)
Provision against other assets		1,279	108,502
Provision against operating fixed assets		45,677	-
Unrealised gain on revaluation of investments classified as held for trading - net		(19,123)	(7,150)
Impairment loss on immovable assets		-	199,898
Gain on sale of operating fixed assets		(305,781)	(47,256)
Share of profit of associate		(45,095)	(24,006)
		722,819	11,825,119
		6,241,100	2,993,040
(Increase) / decrease in operating assets			
Lendings to financial institutions		(496,794)	4,850,845
Held for trading securities		(72,459)	104,323
Advances		(6,631,925)	(29,306,307)
Other assets (excluding advance taxation)		(4,561,230)	(562,603)
		(11,762,408)	(24,913,742)
Increase / (decrease) in operating liabilities			
Bills payable		1,167,478	1,987,386
Borrowings		(10,803,849)	16,169,139
Deposits		52,361,495	28,243,649
Other liabilities		583,851	(393,650)
		43,308,975	46,006,524
Cash flow before tax		37,787,667	24,085,822
Income tax paid		(1,179,212)	(1,137,530)
Net cash flow from operating activities	31.1	36,608,455	22,948,292
Cash flow from investing activities			
Net investments in available for sale securities		(47,871,071)	(23,767,254)
Net investments in held to maturity securities		76,107	2,074,962
Dividend income		359,656	482,558
Investments in operating fixed assets - net of adjustment		(1,219,626)	(386,708)
Sale proceeds of operating fixed assets - disposed off		753,901	60,638
Net cash used in investing activities		(47,901,033)	(21,535,804)
Cash flow from financing activities			
Receipt / (payments) of sub-ordinated loans		3,998,400	(2,992,900)
Proceeds against issue of shares		-	4,471,891
Lease obligations - net		-	(1,018)
Dividend paid		(1,246,511)	(170)
Net cash flow from financing activities		2,751,889	1,477,803
Exchange difference on translation of net investment in Wholesale Bank Branch		(9,683)	16,350
Increase in cash and cash equivalents		(8,550,372)	2,906,641
Cash and cash equivalents at beginning of the year		36,229,366	33,322,725
Cash and cash equivalents at end of the year	31	27,678,994	36,229,366

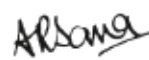
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Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



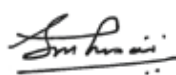
Lt Gen (R) Khalid Nawaz Khan
Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Capital reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
					General reserve	Un-appropriated profit / (loss)			
Balance as at January 01, 2013	8,130,711	82,659	234,669	3,899,517	4,324,931	998,438	17,670,925	29,441	17,700,366
Total comprehensive income for the year ended December 31, 2013									
Net (loss) / profit for the year ended December 31, 2013	-	-	-	-	-	(5,379,401)	(5,379,401)	2,161	(5,377,240)
Other comprehensive income related to equity	-	16,350	-	-	-	64,534	80,884	(243)	80,641
Transfer to:									
Statutory reserve	-	-	-	-	-	-	-	-	-
General reserve	-	-	-	-	1,004,291	(1,004,291)	-	-	-
- profit for the year ended December 31, 2012	-	-	-	-	(3,950,001)	3,950,001	-	-	-
- loss for the nine months ended September 30, 2013	-	-	-	-	(2,945,710)	2,945,710	-	-	-
Transaction with owners									
Issue of shares against right issue	4,471,891	-	-	-	-	-	4,471,891	-	4,471,891
Balance as at January 01, 2014	12,602,602	99,009	234,669	3,899,517	1,379,221	(1,370,719)	16,844,299	31,359	16,875,658
Total comprehensive income for the year ended December 31, 2014									
Net profit for the year ended December 31, 2014	-	-	-	-	-	4,093,015	4,093,015	709	4,093,724
Other comprehensive income related to equity	-	(9,683)	-	-	-	(90,962)	(100,645)	66	(100,579)
Transfer to:									
Statutory reserve	-	-	-	802,986	-	(802,986)	-	-	-
General reserve	-	-	-	-	(1,582,626)	1,582,626	-	-	-
	-	-	-	802,986	(1,582,626)	779,640	-	-	-
Transaction with owners, recorded directly in equity									
Interim dividend 2014: Re. 1.00 per share	-	-	-	-	-	(1,260,259)	(1,260,259)	-	(1,260,259)
Balance as at December 31, 2014	12,602,602	89,326	234,669	4,702,503	(203,405)	2,150,715	19,576,410	32,134	19,608,544

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.



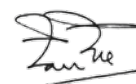
Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

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

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2014. The ultimate parent of the Bank is Fauji Foundation. The Bank has 321 branches (2013: 281 branches); 320 in Pakistan and Azad Jammu and Kashmir, including 53 (2013: 40) Islamic Banking branches, 31 (2013: 27) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

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

Askari Securities Limited (ASL) was incorporated in Pakistan on October 01, 1999 under the Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the year ended December 31, 2014.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

3.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is in appropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Group's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not like to have an impact on Group's financial statements.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on the Group's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4. BASIS OF MEASUREMENT

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

Use of critical accounting estimates and judgments

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Assets held for sale

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

5.2 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2013: 100%) and ASL with 74% holding (2013: 74%) collectively referred to as "the Group".

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

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

Material intra-group balances and transactions have been eliminated.

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

Associate

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

5.3 Cash and cash equivalents

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

5.4 Sale and repurchase agreements

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

5.5 Investments

Investments are classified as follows:

Held for trading

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

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD circular 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income" and is shown below the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

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

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

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

Held to maturity

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

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

5.6 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances as per details given in note 10.6.3.

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

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

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

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

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

Capital work-in-progress

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

Owned assets

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

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

Intangible assets

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

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

Depreciation / amortization

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

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

Assets subject to finance lease

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

5.8 Impairment

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

5.9 Deposits

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

5.10 Taxation

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

Current

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

Deferred

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

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

5.11 Staff retirement benefits

Defined benefit plan

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

Defined contribution plan

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

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

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

Compensated absences

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

AIML was providing provide compensated absences to all its regular employees. During the year as per the Board resolution dated 26 November 2012 the compensated absences will not be encashable after 31 December 2012. All employees will have to avail leaves within a period of two years from the date of entitlement of leaves.

5.12 Revenue recognition

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

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

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

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

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Repossessed vehicles on account of loan default are recorded in memorandum account.

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

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

Profits on Diminishing Musharaka financings are recognized on accrual basis.

Profit required to be suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis.

Salam means a kind of sale whereby the seller undertakes to supply specific goods to a buyer at a future date in consideration of a price fully paid in advance at the time the contract of sale is made. Bank recognizes revenue on Salam finance, by selling al-muslim fih (salam goods), delivered to bank by the customer.

5.13 Foreign currencies

Foreign currency transactions

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

Foreign operation

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

Translation gains and losses

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

Commitments

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

5.14 Provisions

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

5.15 Off-setting

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

5.16 Financial assets and liabilities

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

5.17 Derivative financial instruments

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

5.18 Appropriations subsequent to date of consolidated statement of financial position

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

5.19 Segment reporting

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

5.19.1 Business segment

Corporate finance

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

Trading and Sales

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

Retail Banking

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

Commercial Banking

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

Payment and settlement

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

Agency services

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

Retails brokerage

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

Asset management

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

Sub-ordinated loans

It represents Term Finance Certificates issued by the Group.

5.19.2 Geographical segments

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

Rupees in '000	Note	2014	2013
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		4,967,914	4,632,587
Foreign currencies		1,276,862	1,444,687
		6,244,776	6,077,274
National Prize Bonds			
		11,498	22,402
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	4,509,714	10,547,151
Foreign currency current account	6.1	2,024,792	2,418,723
Foreign currency deposit account	6.2	5,264,327	6,072,321
		11,798,833	19,038,195
With National Bank of Pakistan in:			
Local currency current accounts		1,075,006	966,964
		19,130,113	26,104,835

6.1 These represents current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.00% (2013: 0.00%) per annum.

Rupees in '000	Note	2014	2013
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		189,385	266,079
On deposit accounts	7.1	5,117,061	3,878,241
		5,306,446	4,144,320
Outside Pakistan			
On current accounts		708,874	1,850,967
On deposit accounts	7.2	1,105,808	3,129,244
		1,814,682	4,980,211
		7,121,128	9,124,531

7.1 These represent placements with local banks, carrying interest rates ranging from 0.05% to 9.25% (2013: 0.20% to 9.00%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 0.16% (2013: upto 0.16%) per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	1,427,753	1,000,000
Repurchase agreement lendings	8.2	2,000,000	977,900
Purchase under resale arrangement of equity securities		148,606	148,606
		2,148,606	1,126,506
Funded Trade Finance		–	525,306
		3,576,359	2,651,812
Provision against purchase under resale arrangement of equity securities	8.3	(148,606)	(148,606)
		3,427,753	2,503,206

8.1 These carry mark-up of 8.65% to 9.35% (2013: 7.00% to 7.25%) having maturities upto 2 months (2013: upto 1 month).

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rate of 9.90% (2013: 9.80%) per annum and maturities of upto 1 month (2013: upto 2 months).

Rupees in '000	2014	2013
8.3 Particulars of provision against purchase under resale arrangement of equity securities		
Opening balance	148,606	183,184
Charge for the year	–	(34,578)
Closing balance	148,606	148,606
8.4 Particulars of lendings		
In local currency	3,576,359	2,126,506
In foreign currencies	–	525,306
	3,576,359	2,651,812

Rupees in '000	2014			2013		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.5 Securities held as collateral against lendings to financial institutions						
Market Treasury Bills	–	–	–	977,900	–	977,900
Pakistan Investment Bonds	2,000,000	–	2,000,000	–	–	–
	2,000,000	–	2,000,000	977,900	–	977,900

Market value of securities held as collateral is Rs. 2,050,823 thousand (2013: Rs. 978,566 thousand).

9. INVESTMENTS

Rupees in '000	Note	2014			2013		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types							
Held for trading securities							
		38	–	38	41	–	41
		21,972	–	21,972	–	–	–
	9.16	162,137	–	162,137	104,497	–	104,497
	9.4						
		184,147	–	184,147	104,538	–	104,538
Available for sale securities							
		95,363,586	2,840,522	98,204,108	98,719,040	15,196,508	113,915,548
	9.16	98,717,375	–	98,717,375	32,831,768	–	32,831,768
	9.16	2,663,487	–	2,663,487	2,667,563	–	2,667,563
		1,733,068	–	1,733,068	1,863,714	–	1,863,714
	9.4	1,733,068	–	1,733,068	1,863,714	–	1,863,714
	9.4	264,890	–	264,890	333,324	–	333,324
	9.6	264,890	–	264,890	333,324	–	333,324
		3,631,709	–	3,631,709	4,459,988	–	4,459,988
		–	–	–	537,891	–	537,891
		6,747,181	–	6,747,181	6,739,094	–	6,739,094
	9.9	6,747,181	–	6,747,181	6,739,094	–	6,739,094
		718,245	–	718,245	1,653,340	–	1,653,340
	9.10	718,245	–	718,245	1,653,340	–	1,653,340
		23,382	–	23,382	37,813	–	37,813
	9.11	23,382	–	23,382	37,813	–	37,813
		209,862,923	2,840,522	212,703,445	149,843,535	15,196,508	165,040,043
Held to maturity securities							
		1,247,569	–	1,247,569	1,290,346	–	1,290,346
	9.2.4	1,247,569	–	1,247,569	1,290,346	–	1,290,346
		210,000	–	210,000	243,330	–	243,330
	9.13	210,000	–	210,000	243,330	–	243,330
		1,457,569	–	1,457,569	1,533,676	–	1,533,676
Investment in associate							
		–	–	–	156,487	–	156,487
	9.12	–	–	–	156,487	–	156,487
		211,504,639	2,840,522	214,345,161	151,638,236	15,196,508	166,834,744
		(1,539,907)	–	(1,539,907)	(1,342,400)	–	(1,342,400)
	9.2.1	(1,539,907)	–	(1,539,907)	(1,342,400)	–	(1,342,400)
		209,964,732	2,840,522	212,805,254	150,295,836	15,196,508	165,492,344
Investments - net of provisions							
		19,123	–	19,123	7,150	–	7,150
	9.15	19,123	–	19,123	7,150	–	7,150
		4,388,297	886	4,389,183	408,985	(10,646)	398,339
		4,388,297	886	4,389,183	408,985	(10,646)	398,339
		214,372,152	2,841,408	217,213,560	150,711,971	15,185,862	165,897,833
		214,372,152	2,841,408	217,213,560	150,711,971	15,185,862	165,897,833

Market value of held to maturity securities as at December 31, 2014 is Rs. 1,553,639 thousand (2013: Rs. 1,617,050 thousand).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Note	2014	2013
9.2 Investments by segments			
Federal Government Securities	9.2.3		
Market Treasury Bills		98,204,108	113,915,548
Pakistan Investment Bonds		98,739,347	32,831,768
Government of Pakistan Euro Bonds	9.2.4	1,965,814	2,943,686
Sukuk Certificates		6,246,034	6,145,042
		205,155,303	155,836,044
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,657,845	2,818,411
Unlisted companies	9.5	5,680	5,680
		2,663,525	2,824,091
Units of open end mutual funds	9.4	1,895,205	1,968,211
Fully paid preference shares			
Listed companies	9.6	139,890	208,324
Unlisted companies	9.6	125,000	125,000
		264,890	333,324
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,919,539	2,027,804
Unlisted Term Finance Certificates		1,712,170	2,432,184
		3,631,709	4,459,988
Foreign Securities			
Mena Transformation Fund	9.11	23,382	37,813
Other Investments			
Sukuk Certificates		711,147	837,382
National Investment Trust (NIT) - Units		–	537,891
		711,147	1,375,273
Total investment at cost		214,345,161	166,834,744
Provision for diminution in value of investments	9.2.1	(1,539,907)	(1,342,400)
Investments - net of provisions		212,805,254	165,492,344
Unrealised gain on revaluation of held for trading securities - net	9.15	19,123	7,150
Surplus on revaluation of available for sale securities - net		4,389,183	398,339
Total investments		217,213,560	165,897,833
9.2.1 Particulars of provision for diminution in value of investments			
Opening balance		1,342,400	508,994
Charge for the year		253,398	835,112
Reversal / transfer of provision during the year		(55,891)	(1,706)
		197,507	833,406
Closing balance		1,539,907	1,342,400
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		961,324	827,390
Sukuk certificates		547,903	484,330
		1,539,907	1,342,400

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2015 to November 2015	On maturity	9.46% to 10.07%	at maturity
Pakistan Investment Bonds	July 2015 to July 2024	On maturity	9.60% to 12.00%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to April 2019	On maturity	6.88% to 7.25%	semi-annually
Sukuk Certificates				
- Pakistan Domestic Sukuk Company Limited	September 2015 to June 2017	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
- Pakistan International Sukuk Company Limited	December 2019	On maturity	6.75%	semi-annually
- WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.25% and having maturities upto April 2019.

9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share / unit	Name of company / mutual fund	Note	2014	2013
2014	2013	2014			Rupees in '000	
		Rupees				
1,150,000	–	50.05	Adamjee Insurance Company Limited		57,552	–
14,490,076	14,490,076	14.56	Agritech Limited		211,012	337,474
865,000	512,500	110.00	Allied Bank Limited		95,150	32,868
–	10,555,142	–	Askari General Insurance Company Limited	9.12	–	156,487
–	149,160	–	Attock Petroleum Limited		–	54,576
200	200	190.00	Attock Refinery Limited		38	42
2,347,500	4,200,000	31.14	Bank Alfalah Limited		73,102	87,181
–	3,000,000	–	Bank Al Habib Limited		–	87,896
400,000	–	53.64	Century Paper and Board Mills Ltd.		21,454	–
1,400,000	–	63.65	Cherat Cement Company Limited		89,114	–
600,000	–	45.49	Crescent Steel & Allied		27,296	–
1,000,000	2,490,000	71.99	Dawood Hercules Chemicals Limited		71,989	99,581
1,200,000	–	94.94	DG Khan Cement Company Limited		113,927	–
125,000	–	147.29	EFU General Insurance Ltd		18,411	–
525,000	1,115,000	184.77	Engro Corporation Limited		97,002	100,000
–	1,000,000	–	Engro Fertilizer Limited		–	28,250
500,000	552,400	103.27	Engro Foods Limited		51,636	58,729
–	632,500	–	GlaxoSmithKline (Pak) Limited		–	88,655
600,000	2,669,000	48.17	Hub Power Company Limited		28,899	105,286
50,000	300,000	235.76	IGI Insurance Limited		11,788	42,477
1,959,000	–	24.91	International Steel Limited		48,806	–
3,034,603	3,034,603	1.48	Islamabad Stock Exchange (ISE)	11.2.2	4,505	4,505
4,007,383	4,007,383	10.00	Karachi Stock Exchange (KSE)	11.2.2	40,074	40,074
23,000	–	333.57	JDW Sugar Mills Ltd.		7,672	–
1,950,000	–	6.98	JS Bank Ltd.		13,614	–
1,225,000	–	7.69	K- Electric Limited.		9,422	–
800,000	–	27.65	Kohinoor Textile Mills Ltd.		22,118	–
–	652,500	–	Kohat Cement Limited		–	63,972
2,607,000	2,100,000	56.25	Kot Addu Power Company Limited		146,651	98,872
–	2,776,500	–	Lotte Chemical Limited		–	19,197
4,291,000	4,200,000	20.87	Lalpir Power Limited		89,573	87,750
1,000,000	–	31.42	Maple Leaf Cement Factory Limited		31,417	–
270,000	79,300	286.43	MCB Bank Limited		77,337	22,658
1,300,000	–	61.26	National Bank of Pakistan		79,642	–
–	2,600,000	–	Netsol Technologies		–	97,335
338,000	6,250,000	41.42	Nishat Chunian Power Limited		13,999	88,657
2,180,000	500,000	45.52	Nishat (Chunian) Limited		99,235	29,355
2,528,500	5,865,000	31.91	Nishat Power Limited		80,696	99,593

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No. of ordinary shares / units		Average cost per share / unit	Name of company / mutual fund	2014	2013
2014	2013	2014 Rupees		Rupees in '000	
800,000	–	125.66	Nishat Mills Limited	100,525	–
250,000	375,000	205.58	Oil and Gas Development Company Limited	51,394	92,150
7,583,700	7,583,700	9.96	Pak Oman Advantage Fund	75,515	75,516
–	113,600	–	Pak Suzuki Motors Limited	–	16,400
4,500,000	2,000,000	22.06	Pakgen Power Limited	99,263	43,685
275,000	275,000	428.53	Pakistan Oilfields Limited	117,847	98,403
637,100	810,000	204.61	Pakistan Petroleum Limited	130,354	99,535
2,100,000	4,500,000	28.19	Pakistan Re-Insurance Company Limited	59,192	98,606
200,000	528,000	361.39	Pakistan State Oil Company Limited	72,278	99,262
3,010,000	4,475,000	25.07	Pakistan Telecommunication Company Limited	75,463	99,328
–	3,013,000	–	PICIC Growth Fund	–	49,633
5,438,000	6,200,000	12.06	PICIC Investment Fund	65,589	74,570
–	1,574,500	–	Sui Southern Gas Company Limited	–	39,853
1,342,500	–	21.62	Sui Northern Gas Company Limited	29,025	–
1,600,000	–	14.19	TRG Pakistan Limited	22,702	–
125,800	–	203.24	Tri-Pack Films Limited	25,567	–
				2,657,845	2,818,411

9.4 Units of open end mutual funds

No. of units		Average cost per unit	Name of mutual fund	Note	2014	2013
2014	2013	2014 Rupees			Rupees in '000	
2,500,000	2,503,962	40.34	Askari Asset Allocation Fund (a related party)	9.8	100,846	101,013
12,908,674	12,661,431	99.07	Askari High Yield Scheme (a related party)	9.8	1,278,908	1,256,433
675,519	1,095,837	93.60	Askari Islamic Asset Allocation Fund (a related party)	9.8	63,226	100,000
1,598,805	1,598,805	93.82	Askari Islamic Income Fund (a related party)	9.8	150,000	150,000
688,448	1,000,757	103.11	Askari Equity Fund (a related party)	9.8	70,988	100,062
1,095,382	1,001,455	100.42	Askari Sovereign Yield Enhancer Fund (a related party)	9.8	110,000	100,143
1,156,198	16,424	100.85	Askari Sovereign Cash Fund (a related party)		116,607	1,647
–	435,596	–	JS Growth Fund		–	39,859
42,827	40,977	98.00	JS Cash Fund		4,197	4,013
–	121,636	–	JS Value Fund Limited		–	14,299
–	8,994,473	–	Meezan Balanced Fund		–	89,517
72,000	–	6.01	NAMCO Balance Fund		433	–
–	938,496	–	PICIC Energy Fund		–	11,225
					1,895,205	1,968,211

9.5 Particulars of investments held in unlisted companies

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

9.5.1 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2013: Rs. 5,680 thousand) is considered as diminution in value of this investment and has been fully provided for.

9.6 Particulars of investments held in preference shares

No. of preference shares	Paid-up value	Investee	Rate per annum	Book Value		Market Value		
				2014	2013	2014	2013	
2014	2013	per share		Rupees in '000		Rupees in '000		
Listed								
10,000,000	10,000,000	10	Chenab Limited	9.25%	100	100	18,500	10,500
18,322,418	18,322,418	10	Agritech Limited	11.00%	114,790	183,224	91,979	164,902
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2%	25,000	25,000	25,000	25,000
Un-listed								
2,500,000	2,500,000	10	First Dawood Investment Bank Limited	4%	25,000	25,000	25,000	25,000
40,000,000	40,000,000	2.50	Silk Bank Limited		100,000	100,000	100,000	100,000
					264,890	333,324	260,479	325,402

9.7 Investment in Term Finance Certificates

No. of certificates	Company's Name	Redeemed value per certificate	2014		2013
			2014	2013	Rupees in '000
2014	2013	Rupees	Rupees in '000		
Listed					
-	13,669	-	-	-	34,090
91,453	134,853	5,012	458,333	-	675,691
37,230	37,230	4,994	185,927	-	182,364
47,200	-	-	235,953	-	-
1,000	1,000	55,000	55,000	-	80,000
140,000	140,000	5,000	700,000	-	700,000
-	13,000	-	-	-	65,321
-	4,432	-	-	-	7,372
133,023	133,023	2,137	284,326	-	282,966
Book value as on December 31			1,919,539	-	2,027,804
Unlisted					
140,000	140,000	4,996	699,389	-	699,389
-	30,000	-	-	-	55,845
86,000	86,000	2,168	186,408	-	186,446
-	50,600	-	-	-	258,529
-	50,000	-	-	-	258,626
3,700	3,700	4,071	15,063	-	18,500
10,077	10,077	4,901	49,385	-	50,385
20,000	20,000	2,498	49,959	-	83,267
60,000	60,000	2,353	141,177	-	211,765
50,000	50,000	4,996	249,800	-	249,800
102,282	102,282	2,500	255,705	-	319,632
-	10,000	-	-	-	40,000
13,000	-	5,022	65,284	-	-
Book value as on December 31			1,712,170	-	2,432,184

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9.7.1 These carry rate of return ranging from 9.96% to 12.19% (2013: 9.96% to 15.00%) per annum and having remaining maturity periods of upto 8 years (2013: upto 9 years).

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

9.9 Sukuk Certificates - available for sale

Name of Investee	Rate	Maturity	2014	2013
Rupees in '000				
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	–	7,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	–	10,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	–	22,222
K.S. Sulmanji & Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	–	34,031
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	June 19, 2014	–	16,947
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2016	10,714	10,714
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 18, 2015	1,000,712	1,001,712
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	–	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	1,000,040	–
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	2,000,000	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 21, 2015	500,403	–
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	June 25, 2017	1,150,000	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1% p.a.	February 19, 2020	125,862	148,698
Pakistan International Sukuk Company Limited	6.75% p.a.	December 03, 2019	494,879	–
Maple Leaf Cement	Average of offer side of 3 month KIBOR plus 1% p.a.	December 03, 2018	14,608	37,307
			6,747,181	6,739,094

9.10 These represent investments by Wholesale Bank Branch carrying mark-up at 6.88% and 7.25% and having maturities upto April 2019.

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

9.12 Investment in associate

The Group has 27.18% (2013: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed company.

The Group has decided to disinvest from AGICO and the process has been initiated and expected to be completed in 2015 at a fair value of Rs. 269,157 thousand. Accordingly, the carrying amount of investment of Rs. 53,703 thousand has been reclassified as "Assets held for sale".

9.13 Sukuk certificates – held to maturity

Name of Investee	Rate	Maturity	2014	2013
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	100,000	133,330
			210,000	243,330

9.14 Quality of available for sale securities

Rupees in '000	Note	2014		2013	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	98,233,282	unrated	113,731,771	unrated
Pakistan Investment Bonds	9.14.1	102,828,035	unrated	32,408,223	unrated
Fully paid up ordinary shares	9.14.3				
Adamjee Insurance Company Limited		56,879	AA	–	–
Agritech Limited		112,298	D	183,589	D
Allied Bank Limited		98,247	AA+	46,125	AA+
Attock Petroleum Limited		–	–	74,534	unrated
Bank Alfalah Limited		81,881	AA	113,569	AA
Bank Al Habib Limited		–	–	124,650	AA+
Century Paper and Board Mills		21,684	A+	–	–
Cherat Cement Company Limited		96,152	unrated	–	–
Crescent Steel & Allied		30,396	unrated	–	–
DG Khan Cement Co.		132,636	unrated	–	–
Dawood Hercules Chemicals Limited		84,510	unrated	139,739	unrated
EFU General Insurance Limited		19,111	AA+	–	–
Engro Corporation Limited		116,293	AA-	176,594	A
Engro Fertilizer Limited		–	–	28,250	A-
Engro Foods Limited		54,270	unrated	57,693	unrated
GlaxoSmithKline (Pak) Limited		–	–	86,153	unrated
Hub Power Company Limited		47,016	AA+	162,062	AA+
Islamabad Stock Exchange (ISE)		4,505	–	4,505	–
IGI Insurance Limited		13,529	AA	49,314	AA
International Steel Limited		49,857	unrated	–	–
JDW Sugar Mills Limited		6,913	A	–	–
JS Bank Limited		13,923	A+	–	–
K - Electric Limited		11,295	A+	–	–
Kohinoor Textile Mills Limited		28,040	A-	–	–
Karachi Stock Exchange (KSE)		40,074	–	40,074	–

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Rupees in '000	2014		2013	
	Market Value	Rating	Market Value	Rating
Kohat Cement Limited	–	–	63,795	unrated
Kot Addu Power Company Limited	205,798	AA+	129,675	AA+
Lotte Chemical Limited	–	–	20,380	unrated
Lalpir Power Limited	128,301	AA	83,580	AA
Maple Leaf Cement Factory Limited	44,250	A-	–	–
MCB Bank Limited	82,526	AAA	22,297	AAA
National Bank of Pakistan	90,298	AAA	–	–
Netsol Technologies	–	–	114,478	unrated
Nishat Chunian Power Limited	16,748	A+	217,376	A+
Nishat (Chunian) Limited	99,016	A-	30,100	A-
Nishat Power Limited	115,300	A+	176,301	A+
Nishat Mills Limited	96,792	AA	–	–
Oil and Gas Development Company Limited	51,468	AAA	103,635	AAA
Pak Oman Advantage Fund	75,079	A+	56,878	A+
Pak Suzuki Motor Company Limited	–	–	17,482	unrated
Pakgen Power Limited	121,636	AA	43,420	AA
Pakistan Export Finance Guarantee Agency Ltd.	–	–	–	–
Pakistan Oilfields Limited	104,324	unrated	136,870	unrated
Pakistan Petroleum Limited	112,461	unrated	173,308	unrated
Pakistan Re-Insurance Company Limited	63,714	AA	128,025	AA
Pakistan State Oil Company Limited	71,582	AA+	175,412	AA+
Pakistan Telecommunication Company Limited	69,320	unrated	127,269	unrated
PICIC Growth Fund	–	–	75,566	unrated
PICIC Investment Fund	66,344	unrated	70,494	unrated
Sui Northern Gas Company Limited	38,543	AA-	–	–
Sui Southern Gas Company Limited	–	–	37,882	unrated
TRG Pakistan Limited	23,296	unrated	–	–
Tri-Pack Films Limited	32,800	unrated	–	–
Fully paid preference shares				
Agriotech Limited	91,978	unrated	164,902	unrated
Chenab Limited	18,500	unrated	20,900	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	–	–	–	–
Silk Bank Limited	100,000	unrated	100,000	unrated
Units of open end mutual funds				
Askari High Yield Scheme	1,242,807	A	1,203,744	A (f)
Askari Asset Allocation Fund	140,114	3-Star	126,253	4-Star
Askari Islamic Asset Allocation Fund	66,935	2-Star	120,217	unrated
Askari Islamic Income Fund	166,336	AA-	160,883	AA- (f)
Askari Sovereign Yield Enhancer Fund	106,387	AA-	100,340	AA- (f)
Askari Equity Fund	65,199	unrated	114,344	unrated
Askari Sovereign Cash Fund	121,215	AAA	–	–
JS Growth Fund	–	–	54,990	unrated
JS Value Fund	–	–	17,205	unrated
NAMCO Balance Fund	705	unrated	–	–
Meezan Balanced Fund	–	–	127,722	unrated
PICIC Energy Fund	–	–	12,649	unrated

Rupees in '000	Note	2014		2013	
		Market Value	Rating	Market Value	Rating
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Allied Bank Limited		–	–	34,247	AA
Avari Hotels Limited		–	–	55,796	A-
Azgard Nine Limited		186,408	D	186,446	D
Bank Alfalah Limited		453,749	AA-	957,239	AA-
Bank Al-Habib Limited		–	–	268,961	AA
Bunny's Limited		15,063	unrated	18,500	unrated
Engro Fertilizer Limited		672,280	AA-	652,585	A
NIB Bank Limited		232,610	A+	–	–
Pace Pakistan Limited		185,927	D	182,364	D
Pak Hy Oils Limited		49,385	unrated	50,385	unrated
Pak Libya Holding Company (Private) Limited		50,063	AA	83,089	AA
Pakistan International Airlines Corporation Limited	9.14.1	249,800	unrated	249,800	unrated
Pakistan Mobile Communication Limited		198,484	AA-	292,482	AA-
Pakistan National Shipping Corporation		255,705	unrated	319,633	unrated
Standard Chartered Bank		65,041	AAA	65,244	AAA
Shakarganj Mills Limited		–	–	40,000	unrated
United Bank Limited		–	–	7,372	AA
WorldCall Telecom Limited		227,903	D	199,416	D
		3,541,807		4,362,948	
National Investment Trust (NIT) Units		–	–	706,805	AM2-
Sukuk Certificates - note 9.14.2		6,729,690	unrated	6,767,438	unrated
Foreign securities					
Mena Transformation Fund		23,382	unrated	37,813	unrated
Government of Pakistan Euro Bonds	9.14.1	731,471	unrated	1,752,481	unrated
		217,061,948		165,407,702	

9.14.1 These are Government of Pakistan guaranteed securities.

9.14.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 6,130,791 thousand (2013: Rs. 6,011,712 thousand).

9.14.3 Ratings for these equity securities / units represent 'Entity Ratings'.

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

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

Rupees in '000	2014	2013
Fully paid ordinary shares / units	19,123	7,150

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- 9.16** Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.
- 9.17** Investments include Rs. 2,096,896 thousand (2013: Rs. 2,160,358 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 1,534,227 thousand (2013: Rs. 1,336,720 thousand) against non performing investments.
- 9.18** The Group has availed the relaxation of Rs. 249,838 thousand (2013: Rs. 499,676 thousand) and Rs. 121,525 thousand (2013: Rs. 169,679 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations for debt securities and impairment for equity securities respectively.

Rupees in '000	Note	2014	2013
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		176,513,035	165,353,375
Outside Pakistan		5,269,273	3,633,699
		181,782,308	168,987,074
Net investment in lease finance - In Pakistan	10.2	2,961,795	3,832,019
Ijarah financing - In Pakistan	10.3	96,640	138,622
Net book value of assets / investments in Ijarah under IFAS 2 in Pakistan	10.4	1,729,948	1,024,822
Bills discounted and purchased			
Payable in Pakistan		5,938,714	10,882,706
Payable outside Pakistan		6,160,983	7,309,627
		12,099,697	18,192,333
Advances - gross		198,670,388	192,174,870
Provision against non performing advances	10.6		
Specific provision		(27,801,250)	(28,279,285)
General provision		(177,555)	(150,970)
General provision against consumer financing		(190,260)	(183,986)
		(28,169,065)	(28,614,241)
Advances - net of provision		170,501,323	163,560,629
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		183,471,288	181,466,145
In foreign currencies		15,199,100	10,708,725
		198,670,388	192,174,870
10.1.2 Short term (for upto one year)			
Long term (for over one year)		137,089,076	146,860,763
		61,581,312	45,314,107
		198,670,388	192,174,870

10.2 Net investment in lease finance – In Pakistan

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	1,479,118	587,226	4,350	2,070,694	1,676,002	551,356	2,446	2,229,804
Residual value	622,544	440,959	5,968	1,069,471	1,302,144	478,142	11,799	1,792,085
Minimum lease payments	2,101,662	1,028,185	10,318	3,140,165	2,978,146	1,029,498	14,245	4,021,889
Finance charges for future periods	(92,577)	(85,463)	(330)	(178,370)	(109,576)	(80,130)	(164)	(189,870)
Present value of minimum lease payments	2,009,085	942,722	9,988	2,961,795	2,868,570	949,368	14,081	3,832,019

10.3 Ijarah financing – In Pakistan

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Ijarah rentals receivable	97,113	–	–	97,113	139,223	–	–	139,223
Residual value	4,816	–	–	4,816	6,273	–	–	6,273
Minimum Ijarah payments	101,929	–	–	101,929	145,496	–	–	145,496
Profit for future periods	(5,289)	–	–	(5,289)	(6,874)	–	–	(6,874)
Present value of minimum Ijarah payments	96,640	–	–	96,640	138,622	–	–	138,622

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

Rupees in '000	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Assets acquired under Ijarah	184,172	1,280,378	609,710	2,074,260	133,242	1,034,779	–	1,168,021
Accumulated depreciation on Ijarah	(52,377)	(130,986)	(160,949)	(344,312)	(34,613)	(108,586)	–	(143,199)
Net assets / investments in Ijarah	131,795	1,149,392	448,761	1,729,948	98,629	926,193	–	1,024,822

10.5 Advances include Rs. 31,375,729 thousand (2013: Rs. 33,119,829 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned - note 10.5.1	306,125	–	306,125	40	–	40	40	–	40
Substandard	753,536	–	753,536	51,637	–	51,637	51,637	–	51,637
Doubtful	623,341	–	623,341	178,938	–	178,938	178,938	–	178,938
Loss	29,692,727	–	29,692,727	27,570,635	–	27,570,635	27,570,635	–	27,570,635
	31,375,729	–	31,375,729	27,801,250	–	27,801,250	27,801,250	–	27,801,250

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

10.5.1 This represents classification made for Agricultural, Mortgage and Small Entities finances.

10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2014				2013			
		Specific	General - note 10.6.3	Consumer financing - General	Total	Specific	General	Consumer financing - General	Total
Opening balance		28,279,285	150,970	183,986	28,614,241	18,796,160	127,698	203,890	19,127,748
Charge for the year		1,827,110	32,988	18,808	1,878,906	10,606,839	34,440	2,928	10,644,207
Reversal for the year		(1,943,167)	(6,403)	(12,534)	(1,962,104)	(756,604)	(11,168)	(22,832)	(790,604)
Net (reversal) / charge for the year		(116,057)	26,585	6,274	(83,198)	9,850,235	23,272	(19,904)	9,853,603
Amounts written off	10.8	(86,238)	-	-	(86,238)	(427)	-	-	(427)
Amounts charged off- agri loans		(275,740)	-	-	(275,740)	(366,683)	-	-	(366,683)
Closing balance		27,801,250	177,555	190,260	28,169,065	28,279,285	150,970	183,986	28,614,241

10.6.1 The net FSV benefit already availed has been reduced by Rs. 605,169 thousand, which has resulted in increased charge for specific provision for the year ended by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year ended would have been higher by Rs. 605,196 thousand (2013: Rs. 1,729,661 thousand) and Rs. 393,377 thousand (2013: Rs. 1,124,280 thousand) respectively. Further, at December 31, 2014, cumulative net of tax benefit of Forced Saled Value (FSV) is Rs. 1,452,253 thousand (December 31, 2013: Rs. 1,845,630 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. The additional impact on profitability arising from availing the benefit of FSV is not available for payment of cash or stock dividend / bonus to employees.

10.6.2 The Group has availed the relaxation of Rs. 142,530 thousand (2013: Rs. 191,714 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

10.6.3 This includes provision of Rs. 20,100 thousand (2013: Nil) maintained against Secured Small Entities Finances. Further, the general provision is maintained at the rate of 0.1% on advances other than non-performing advances, consumer and small entities.

10.7 Particulars of provision against non-performing advances

Rupees in '000	2014				2013			
	Specific	General	Consumer financing - General	Total	Specific	General	Consumer financing - General	Total
In local currency	27,285,763	177,555	190,260	27,653,578	27,695,664	150,970	183,986	28,030,620
In foreign currencies	515,487	-	-	515,487	583,621	-	-	583,621
	27,801,250	177,555	190,260	28,169,065	28,279,285	150,970	183,986	28,614,241

Rupees in '000	2014	2013
10.8 Particulars of write-offs:		
10.8.1 Against provisions	86,238	427
10.8.2 Write offs of Rs. 500,000 and above	85,606	–
Write offs of below Rs. 500,000	632	427
	86,238	427

10.8.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2014 is given at Annexure - 1 to the unconsolidated financial statements.

Rupees in '000	Note	2014	2013
10.9 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,953,249	1,425,510
Loans granted / added during the year		1,102,150	1,150,183
Repayments		(628,438)	(622,444)
Balance at end of year		2,426,961	1,953,249
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		2,937,451	145
Loans granted / added during the year		11,572,582	3,893,348
Repayments		(11,417,388)	(956,042)
Balance at end of year		3,092,645	2,937,451
		5,519,606	4,890,700
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	453,944	35,444
Property and equipment	11.2	6,820,193	7,395,311
Intangibles	11.2	1,122,389	1,192,654
		8,396,526	8,623,409
Provision against operating fixed assets		(45,677)	–
		8,350,849	8,623,409
11.1 Capital work-in-progress			
Advances to suppliers and contractors		453,944	35,444
		453,944	35,444

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

11.2 Property and equipment

Rupees in '000	2014										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value	Annual
	as at January 01, 2014	Additions	Adjustment	Deletions	as at December 31, 2014	as at January 01, 2014	Charge for the year	On (deletion) / adjustment	as at December 31, 2014	as at December 31, 2014	rate of depreciation (%)
Land - freehold	2,445,595	-	-	-	2,445,595	-	-	-	-	2,445,595	-
Land - leasehold	1,472,193	-	(272,300)	(123,600)	1,076,293	-	-	-	-	1,076,293	-
Buildings on freehold land	870,064	-	-	-	870,064	288,190	28,527	-	316,717	553,347	5
Buildings on leasehold land	1,428,868	-	-	(525,358)	903,510	502,609	38,050	(233,752)	306,907	596,603	5
Renovation of premises	1,991,280	163,812	(624)	(134,746)	2,019,722	1,655,534	164,314	(109,670)	1,709,991	309,731	10 - 20
Furniture, fixtures and office equipment	594,443	138,778	(12)	(7,679)	725,530	283,595	39,408	(3,958)	319,039	406,491	10 - 33
Carpets	28,963	12,572	-	(2,151)	39,384	18,073	4,721	(1,655)	21,139	18,245	20
Machine and equipments	1,457,675	301,509	(1,775)	(13,264)	1,744,145	975,834	119,264	(10,523)	1,084,540	659,605	20
Computer equipments	2,230,535	107,191	(188,471)	(4,138)	2,145,117	1,412,740	162,303	(3,762)	1,426,136	718,981	20 - 33
Vehicles	159,077	31,367	-	(40,771)	149,673	146,872	7,766	(145,145)	114,371	35,302	20
Other assets	45,100	-	-	-	45,100	45,035	65	-	45,100	-	20
	12,723,793	755,229	(463,182)	(851,707)	12,164,133	5,328,482	564,418	(403,587)	5,343,940	6,820,193	
Operating Lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
Assets held under finance lease Vehicles	571	-	-	-	571	571	-	-	571	-	
	12,726,198	755,229	(463,182)	(851,707)	12,166,538	5,330,887	564,418	(548,960)	5,346,345	6,820,193	
Intangible											
Software	1,554,888	45,897	-	-	1,789,044	377,160	159,466	-	681,581	1,107,463	10
Trading Right Entitlement Certificates - note 11.2.2	12,426	-	-	188,259	12,426	-	-	144,955	-	12,426	-
Exchanges membership cards - note 11.2.2	2,500	-	-	-	2,500	-	-	-	-	2,500	-
	1,569,814	45,897	-	188,259	1,803,970	377,160	159,466	144,955	681,581	1,122,389	

Rupees in '000	2013										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value	Annual
	as at January 01, 2013	Additions / revaluations	Adjustment	Deletions	as at December 31, 2013	as at January 01, 2013	Charge for the year	On (deletion) / adjustment	as at December 31, 2013	as at December 31, 2013	rate of depreciation (%)
Land - freehold	1,639,802	-	-	-	2,445,595	-	-	-	-	2,445,595	-
Land - leasehold	2,151,818	805,793	(10,468)	-	1,472,193	-	-	-	-	1,472,193	-
Buildings on freehold land	855,882	(669,157)	14,182	-	870,064	253,308	29,844	5,038	288,190	581,874	5
Buildings on leasehold land	1,429,612	-	(744)	-	1,428,868	468,481	39,166	(5,038)	502,609	926,259	5
Renovation of premises	1,929,970	84,078	(6,609)	(16,159)	1,991,280	1,424,744	247,380	(16,677)	1,655,534	335,746	10 - 20
Furniture, fixtures and office equipment	550,951	55,094	101	(11,703)	594,443	256,383	32,613	(5,599)	283,595	310,848	10 - 33
Carpets	24,435	8,167	-	(3,639)	28,963	18,497	2,617	(3,041)	18,073	10,890	20
Machine and equipment	1,376,638	90,351	125	(9,439)	1,457,675	886,617	95,455	(6,254)	975,834	481,841	20
Computer equipment	2,174,865	56,698	387	(1,415)	2,230,535	1,233,277	180,194	(1,071)	1,412,740	817,795	20 - 33
Vehicles	221,303	6,849	-	(69,075)	159,077	204,771	7,550	(65,438)	146,872	12,205	20
Other assets	45,100	-	-	-	45,100	44,206	829	(11)	45,035	65	20
	12,400,376	301,237	(3,026)	(111,430)	12,723,793	4,790,284	635,648	(98,080)	5,328,482	7,395,311	
Operating Lease - Vehicles	1,834	136,636	-	-	1,834	1,834	630	-	1,834	-	20
Assets held under finance lease Vehicles	3,293	-	(259)	(2,463)	571	2,753	249	(2,431)	571	-	
	12,405,503	437,873	(3,285)	(113,893)	12,726,198	4,794,871	636,527	(100,511)	5,330,887	7,395,311	
Intangible											
Software	1,463,087	91,801	-	-	1,554,888	228,897	148,263	-	377,160	1,177,728	10
Trading Right Entitlement Certificates	12,426	-	-	-	12,426	-	-	-	-	12,426	-
Stock Exchange membership cards	750	1,750	-	-	2,500	-	-	-	-	2,500	-
	1,476,263	93,551	-	-	1,569,814	228,897	148,263	-	377,160	1,192,654	

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 1,485,031 thousand (2013: Rs. 1,163,687 thousand).

11.2.2 This represents unquoted shares of Stock Exchanges received by the Group against surrender of membership cards in pursuance of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by the Group are 4,007,383 of Karachi Stock Exchange Limited (KSEL), and 3,034,603 shares of Islamabad Stock exchange Limited (ISEL), with a face value of Rs. 10 each. Out of the aforementioned, 1,602,953 ordinary shares in KSEL and 1,213,841 ordinary shares of ISEL (i.e. 40%) have been received in the Group's CDC accounts, whereas 2,404,430 ordinary shares of KSEL and 1,820,762 shares of ISEL (i.e. 60%) are held in separate CDC blocked account to restrict the sale of these shares by the members. The stock exchanges will dispose off these shares under the Demutualization Act, however the proceeds of these shares and right to dividend / bonus is vested with the Group whereas voting rights attached to these shares are suspended.

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

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

11.3 The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2013 on the basis of their professional assessment of present market value. The amount of revaluation surplus on land is Rs. 1,564,631 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	831,154	Sadruddin Associates, Harvestor Services, Sipra & Co.
Lahore	1,331,615	Gulf Consultants, SMASCO
Islamabad	191,332	SMASCO
Rawalpindi	720,000	SMASCO
Peshawar	10,807	SMASCO
Quetta	436,980	Sadruddin Associates
	3,521,888	

Had the land not been revalued, the carrying amount of land as at December 31, 2014 would have been Rs. 1,957,257 thousand.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

11.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
Leasehold Land	123,600	-	123,600	332,704	Negotiation	Army Welfare Trust
Building on leasehold Land	525,358	233,752	291,606	363,427	- do -	Army Welfare Trust
Vehicles						
Mobile ATM VAN	3,031	3,031	-	1,425	Tender	Mr. Ali Haider
Mobile ATM VAN	3,031	3,031	-	1,550	- do -	Mr. Muhammad Akhtar
Mobile ATM VAN	3,031	3,031	-	1,289	- do -	Mr. Nusrat Iqbal
Toyota Hilux	2,536	2,536	-	1,811	- do -	Mr. Faisal Hameed
Suzuki Liana	1,366	1,366	-	605	- do -	Mr. Danish Saleem
Suzuki Swift	1,055	562	493	800	Negotiation	Mr. Muhammad Furrugh - AIML Employee
Renovation						
Renovations	1,456	1,043	413	376	Insurance Claim	Askari General Insurance Company Limited
Renovations	91,449	70,542	20,907	23,869	Negotiation	Army Welfare Trust
Renovations	3,333	1,778	1,555	170	Negotiation	National Traders
Renovations	2,060	1,511	549	275	Tender	Khyber Grace (Private) Limited
Renovations	4,018	4,018	-	-	Write off	-
Renovations	18,681	18,681	-	-	- do -	-
Renovations	924	462	462	-	- do -	-
Renovations	4,049	4,049	-	-	- do -	-
Renovations	3,307	3,307	-	-	- do -	-
Renovations	618	319	299	-	- do -	-
Computer Equipment						
Desktop computers	1,464	1,464	-	25	Tender	Primax
	794,367	354,483	439,884	728,326		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related parties	57,340	49,104	8,236	25,575		
2014	851,707	403,587	448,120	753,901		
2013	113,893	100,511	13,382	60,638		

Rupees in '000	2014	2013
12. DEFERRED TAX ASSETS		
Deferred debits / (credits) arising due to:		
Accelerated tax depreciation	(483,813)	(521,691)
Provision for staff benefits	1,153	646
Provision against non-performing advances		
- excess of 1% of total advances	2,774,230	3,432,177
- classified in sub-standard category	71,278	71,278
Unused tax losses	20,422	144,506
	2,383,270	3,126,916
Surplus on revaluation of available for sale securities	(1,536,241)	(139,419)
Remeasurement of defined benefit plans	50,717	12,029
	897,746	2,999,526

Rupees in '000	Note	2014	2013
13. OTHER ASSETS			
Income / mark-up accrued in local currency	13.1	10,627,468	6,197,977
Income / mark-up accrued in foreign currencies		273,815	275,287
Advances, deposits, advance rent and other prepayments		1,075,832	1,003,312
Advance taxation (payments less provisions)		4,639,957	4,483,294
Non banking assets acquired in satisfaction of claims	13.2	3,683,797	3,909,368
Suspense account		86,289	150,338
Stationary and stamps in hand		28,466	33,911
Dividend receivable		71,096	79,942
Others	13.3	546,763	416,578
		21,033,483	16,550,007
Less: provision against other assets	13.4	(265,836)	(267,215)
Other assets - net of provision		20,767,647	16,282,792

13.1 This balance has been arrived at after adjusting interest in suspense of Rs. 11,131,862 thousand (2013: Rs. 10,636,791 thousand).

13.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 4,882,286 thousand (2013: Rs. 4,893,844 thousand).

13.3 This includes an amount related to recovery of Rs 57,297 thousand from a customer of ASL, on which arbitration committee of Islamabad Stock Exchange had decided the arbitration proceedings in favor of ASL in 2003. The customer had filed a suit against ASL challenging the decision of arbitration committee. ASL had filed a case in the District Court Islamabad against the customer for the recovery of amount receivable. In January 2009, the District Court Islamabad transferred the case to the High Court Islamabad on the grounds that the amount of the case is beyond the pecuniary jurisdiction of the District Court. The case is currently pending with the District Court Islamabad.

Rupees in '000	2014	2013
13.4 Provision against other assets		
Opening balance	267,215	158,713
Provision recognized during the year	1,279	108,502
Recovery / written off during the year	(2,658)	-
	(1,379)	108,502
Closing balance	265,836	267,215
14. BILLS PAYABLE		
In Pakistan	6,855,020	5,687,542
15. BORROWINGS		
In Pakistan	13,164,408	24,521,253
Outside Pakistan	577,622	24,626
	13,742,030	24,545,879
15.1 Particulars of borrowings with respect to currencies		
In local currency	13,164,408	24,521,253
In foreign currencies	577,622	24,626
	13,742,030	24,545,879

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Rupees in '000	Note	2014	2013
15.2 Details of borrowings - secured / unsecured			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	7,432,761	8,617,564
Long term financing of export oriented projects	15.2.2	41,892	176,991
Long term financing facility	15.2.3	479,199	149,538
Refinance scheme for revival of agricultural activities in flood affected areas		–	1,205
Refinance scheme for revival of SME activities in flood affected areas		–	7,500
		7,953,852	8,952,798
Repo borrowings			
State Bank of Pakistan	15.2.4	894,753	5,563,785
Financial Institution	15.2.5	1,938,070	9,610,845
		2,832,823	15,174,630
Unsecured			
Call borrowings	15.2.6	1,998,235	–
Overdrawn balance with other banks		379,498	393,825
		2,377,733	393,825
		13,164,408	24,521,253
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		577,622	24,626
		13,742,030	24,545,879

15.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 7.5% (2013: 8.4%) per annum payable on a quarterly basis.

15.2.2 These carry mark-up of 5% to 8.2% (2013: 5%) per annum payable on a quarterly basis.

15.2.3 These carry mark-up ranging from 6.0% to 7.5% (2013: 7.5% to 10.10%) per annum payable on a quarterly basis.

15.2.4 These are secured against pledge of Government Securities and carry mark-up of 9.50% (2013: 10.0%) per annum and have maturities upto 1 month.

15.2.5 These are secured against pledge of Government Securities and carry mark-up of 9.40% (2013: 9.50% to 10.05%) per annum and have maturities upto 1 month.

15.2.6 These carry mark-up of 9.40% (2013: Nil) per annum and have maturity upto 1 month.

Rupees in '000	2014	2013
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	91,328,822	82,583,524
Savings deposits	203,230,490	172,338,878
Current accounts - remunerative	566,193	–
Current accounts - non-remunerative	88,516,497	70,612,313
Special exporters' account	17,008	79,243
Margin accounts	2,452,708	1,667,411
Others	526,374	385,827
	386,638,092	327,667,196
Financial institutions		
Remunerative deposits	603,878	7,174,571
Non-remunerative deposits	292,903	331,611
	896,781	7,506,182
	387,534,873	335,173,378

Rupees in '000	2014	2013
16.1 Particulars of deposits		
In local currency	299,012,507	295,853,136
In foreign currencies	88,522,366	39,320,242
	387,534,873	335,173,378

Deposits include Rs. 12,861,854 thousand (2013: Rs. 13,442,494 thousand) due to related parties.

Rupees in '000	2014	2013
17. SUB-ORDINATED LOANS		
Term Finance Certificates - III	2,994,000	2,995,200
Term Finance Certificates - IV	998,800	999,200
Term Finance Certificates - V	4,000,000	–
	7,992,800	3,994,400

The Group has raised unsecured sub-ordinated loans in three separate Term Finance Certificates, issued to improve the Group's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Group including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance Certificates - III	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in thousand	2,994,000	998,800	4,000,000
Issue date	November 18, 2009	December 23, 2011	September 30, 2014
Total issue	Rupees 3,000 million	Rupees 1,000 million	Rupees 4,000 million
Rating	AA-	AA-	AA-
Listing	Lahore Stock Exchange Limited	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 2.5% (after 5 years: 2.95%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	Note	2014	2013
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,546,173	2,038,062
Mark-up / return / interest payable in foreign currencies		10,560	25,349
Unearned income / commission		250,363	192,445
Accrued expenses		1,172,455	700,527
Advance payments		99,546	70,704
Security deposit against lease / Ijarah financing		1,372,845	1,906,859
Unclaimed dividends		51,949	38,201
Branch adjustment account		531,034	451,350
Payable to defined benefit plan	33	9,681	6,223
Payable to defined contribution plan		–	126,773
Payable against purchase of listed shares		269,267	57,911
Un-realized gain on forward foreign exchange contracts - net		153,586	144,168
Withholding taxes payable		69,951	136,162
Federal excise duty payable		74,294	42,847
Workers' Welfare Fund		164,227	44,311
Switch fee payable		25,579	69,425
Others		659,353	672,736
		7,460,863	6,724,053

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19. SHARE CAPITAL

19.1 Authorized capital

2014		2013	2014		2013
Number of shares			Rupees in '000		
1,600,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	16,000,000		13,000,000

19.2 Issued, subscribed and paid up capital

2014		2013	2014		2013
Number of shares			Rupees in '000		
		Ordinary shares of Rs. 10 each:			
514,689,096	514,689,096	Fully paid in cash	5,146,891		5,146,891
717,297,769	717,297,769	Issued as bonus shares	7,172,978		7,172,978
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733		282,733
1,260,260,180	1,260,260,180		12,602,602		12,602,602

19.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2014.

Rupees in '000		2014	2013
20. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus on revaluation of land		1,564,631	1,836,931
Surplus / (deficit) on revaluation of available for sale securities			
i) Federal Government securities		4,137,811	(474,583)
ii) Listed shares		165,502	631,670
iii) Units of open end mutual funds		176,629	174,631
iv) Other securities		(90,760)	66,621
		4,389,182	398,339
Less: related deferred tax		(1,536,241)	(139,419)
		2,852,941	258,920
		4,417,571	2,095,851

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

i) Others	6,623,269	8,024,235
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21.2 Transaction-related contingent liabilities

Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	973,315	992,331
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	62,583,779	67,564,698
ii) Banks and other financial institutions	2,723,312	3,232,089
iii) Others	7,820,249	6,823,472
	73,127,340	77,620,259
	74,100,655	78,612,590

These include guarantees amounting to Rs. 1,109,716 thousand (2013: Rs. 993,595 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

Rupees in '000	2014	2013
21.3 Trade-related contingent liabilities	63,896,465	79,193,455
21.4 Other contingencies		
21.4.1 These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.	687,056	809,026
21.4.2 The Bank is contesting a case filed against it and some of its employees in the Sindh High Court for declaration and damages. Based on outside legal advice, the case of declaration is likely to be decided in Bank's favor. However, in case of award of damages, the potential liability of the Bank is estimated at less than Rs. 100 million.		
21.5 Tax Contingencies		
i) For the Tax Years 2005 to 2008, there is a contingent liability of Rs. 681 million on account of amendment to assessments carried out by the Tax Department in the matters of taxation of commission & brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank's appeals are pending decision by the ATIR with respect to matters not decided in its favour. Refer note 30.2 for tax status.		
ii) ASL appealed before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue (Appeals) [CIR(A)] related to tax year 2006 assessing net income at Rs. 27,486,803 against the declared loss of Rs. 9,306,446 due to disallowing provision for doubtful debts and commission expense resulting in income tax demand of Rs. 9,565,724. The ATIR has directed the CIR(A) to re-examine the case and issue a fresh appellate order. The matter is pending adjudication by the CIR(A).		
iii) Group's share of income tax demand of Rs. 1,794 thousand, not acknowledged as debt, has been challenged by AGICO and is currently in appeal; AGICO expects favourable outcome of appeal.		
Rupees in '000	2014	2013
21.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	2,020,072	994,312
Sale and repurchase agreements	2,851,757	15,211,984
21.7 Commitments in respect of forward exchange contracts		
Purchase	37,365,321	58,454,369
Sale	29,097,183	49,320,257
The above commitments have maturities falling within one year.		
21.8 Commitments in respect of forward sale of listed equity securities		
Sale	96,058	45,570

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Rupees in '000	2014	2013
21.9 Commitments for the acquisition of operating fixed assets	299,779	145,174
21.10 Commitments to extend credit		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	11,788,818	9,756,031
21.11 Other commitments		
This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000
21.12 Bills for collection		
Payable in Pakistan	898,052	3,364,728
Payable outside Pakistan	13,233,935	14,814,641
	14,131,987	18,179,369

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

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

23. DERIVATIVE INSTRUMENTS

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

- Forward Exchange Contracts
- Equity Futures

23.1 Forward Exchange Contracts

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

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

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

23.2 Equity Futures

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

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

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

Rupees in '000	Note	2014	2013
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	24.1	17,653,430	14,365,463
ii) Financial institutions		108,201	99,862
On investments			
i) Available for sale securities		15,792,565	12,852,256
ii) Held to maturity securities		120,918	281,762
On deposits with financial institutions		627,988	167,523
On securities purchased under resale agreements		318,009	194,924
		34,621,111	27,961,790

24.1 This includes an amount of Rs. 359,938 thousand (2013: Rs. 190,637 thousand) on account of income received from related parties.

Rupees in '000	Note	2014	2013
25. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits	25.1	20,151,249	16,966,881
On securities sold under repurchase agreements		1,161,119	1,097,646
On sub-ordinated loans		604,079	645,473
On call money borrowings		292,493	23,143
On refinance borrowings from SBP		478,168	562,829
On long term finance for export oriented projects from SBP		25,060	31,080
On other short term borrowings		185	35,973
		22,712,353	19,363,025

25.1 This includes an amount of Rs. 899,959 thousand (2013: Rs. 1,162,314 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2014	2013
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	11,748	119,950
Pakistan Investment Bonds	304,923	208,819
Shares - Listed	1,087,651	224,101
Others	407,701	272,173
	1,812,023	825,043

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Rupees in '000	Note	2014	2013
27. OTHER INCOME			
Rent of property	27.1	37,640	39,155
Gain on sale of operating fixed assets	27.2	305,781	47,256
Rent of lockers		20,757	19,356
Gain on sale of non-banking assets		7,913	1,832
Recovery against write/charge off assets		51,713	37,794
Recovery of expenses from customers		320,737	399,715
Others		138,548	129,615
		883,089	674,723

27.1 This includes an amount of Rs. 15,492 thousand (2013: Rs. 32,169 thousand) on account of rent received from related parties.

27.2 This includes an amount of Rs. 272,300 thousand (2013: Nil) on account of surplus on revaluation of fixed assets realized on disposal.

Rupees in '000	Note	2014	2013
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		5,271,571	4,196,545
Charge for defined benefit plan	33.3	133,894	158,586
Contribution to defined contribution plan	34	164,625	138,129
Directors' fees, allowances and other expenses		6,427	7,642
Rent, taxes, insurance, electricity, etc.		1,534,010	1,328,063
Legal and professional charges		145,321	131,079
Brokerage and commission		119,580	128,294
Communications		399,104	363,887
Repairs and maintenance		974,125	943,078
Stationery and printing		122,282	112,946
Advertisement and publicity		177,270	91,639
Donations	28.1	6,140	2,500
Auditors' remuneration	28.2	17,741	15,765
Depreciation	11.2	564,418	636,527
Amortization	11.2	159,466	148,263
Travelling and entertainment		118,215	94,353
Fuel and vehicle running expenses		714,051	586,027
Security service charges		356,863	307,920
Staff training expenses		14,994	17,573
Other expenditure		116,932	157,876
		11,117,035	9,566,692

28.1 This includes donations given to Army Public School (APS), Malir Cantt, Karachi and Army Public School, Jutial, Gilgit of Rs. 640 thousand and Rs. 5,000 thousand respectively, for installation of Water Filtration Plant in APS Malir Cantt and construction of Askari Block in APS Jutial respectively. Donation was not made to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	2014	2013
28.2 Auditors' remuneration		
Audit fee - Parent	2,800	2,800
- Subsidiaries	760	725
Fee for the audit of Wholesale Bank Branch	1,918	2,590
Fee for the audit of provident and gratuity funds	200	168
Special certifications, half year review and the audit of consolidated financial statements	6,073	1,948
Tax services	5,000	6,600
Out of pocket expenses	990	934
	17,741	15,765
29. OTHER CHARGES		
Workers' Welfare Fund	120,000	-
Penalties imposed by the State Bank of Pakistan	5,696	22,571
	125,696	22,571
30. TAXATION		
For the year		
Current	1,022,549	95,286
Deferred	752,818	(3,041,377)
	1,775,367	(2,946,091)
30.1 Relationship between tax expense and accounting profit		
Profit / (loss) before taxation	5,869,091	(8,323,331)
Tax at applicable tax rate of 35 percent (2013: 35 percent)	2,054,182	(2,913,166)
Effect of:		
- Income chargeable to tax at lower rates	(270,374)	(84,950)
- Permanent differences	-	7,900
- Minimum tax	950	950
- Deferred tax asset of prior years' losses of AIML	(25,865)	(9,875)
- Others	16,474	53,050
	1,775,367	(2,946,091)

30.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2014 (year ended 31 December 2013). The assessments for and up to Tax Year 2009 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

Rupees in '000	2014	2013
31. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	19,130,113	26,104,835
Balances with other banks	7,121,128	9,124,531
Call money lendings	1,427,753	1,000,000
	27,678,994	36,229,366
31.1 Cash flow from operating activities (direct method)		
Mark-up / return / interest and commission receipts	34,524,891	30,419,356
Mark-up / return / interest payments	(22,219,031)	(19,154,235)
Cash payments to employees, suppliers and others	(9,643,461)	(8,621,496)
	2,662,399	2,643,625
(Increase) / decrease in operating assets		
Lendings to financial institutions	(496,794)	4,850,845
Held for trading securities	(72,459)	104,323
Advances	(6,631,925)	(29,306,307)
Other assets (excluding advance taxation)	(60,691)	99,459
	(7,261,869)	(24,251,680)
Increase / (decrease) in operating liabilities		
Bills payable	1,167,478	1,987,386
Borrowings	(10,803,849)	16,169,139
Deposits	52,361,495	28,243,649
Other liabilities (excluding current taxation)	(337,987)	(706,297)
	42,387,137	45,693,877
Cash flow before tax	37,787,667	24,085,822
Income tax paid	(1,179,212)	(1,137,530)
Net cash flow from operating activities	36,608,455	22,948,292
32. STAFF STRENGTH	Number of employees	
Permanent	5,600	4,511
Temporary / on contractual basis	313	1,091
Commission based	-	29
Total staff strength at end of the year	5,913	5,631

33. DEFINED BENEFIT PLAN

33.1 General description

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

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

Rupees in '000	2014	2013
33.2 The amounts recognized in the unconsolidated statement of financial position are as follows:		
Present value of defined benefit obligation	1,508,450	1,184,202
Fair value of plan assets	(1,498,769)	(1,177,979)
Net liability	9,681	6,223
33.3 The amounts recognized in consolidated profit and loss account are as follows:		
Current service cost	155,793	142,932
Interest on obligation	146,377	127,866
Expected return on plan assets	(170,417)	(112,212)
Past service cost	2,141	–
	133,894	158,586
33.4 Actual return on plan assets	167,579	107,991
33.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	1,184,202	1,219,603
Current service cost	155,793	142,932
Interest cost	146,377	127,866
Past service cost	2,141	–
Actuarial loss / (gain)	135,517	(103,640)
Benefits paid	(115,580)	(202,559)
Closing defined benefit obligation	1,508,450	1,184,202
33.6 Changes in fair value of plan assets		
Opening fair value of plan assets	1,177,979	1,075,423
Expected return	170,417	112,212
Actuarial loss	(2,571)	(4,247)
Contributions by employer	268,524	197,150
Benefits paid	(115,580)	(202,559)
Closing fair value of plan assets	1,498,769	1,177,979

The Group expects to contribute Rs. 177,784 thousand to its defined benefit gratuity plan in 2015.

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

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	2014		2013	
	Rupees '000	Percentage	Rupees '000	Percentage
33.7 Break-up of category of assets				
Pakistan Investment Bonds	1,156,427	77	891,759	76
Term Finance Certificates	218,387	15	-	-
Bank deposit account	123,955	8	286,169	24
	1,498,769	100	1,177,928	100

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

At each reporting date the board of trustees review the funds investments and decides for strategic investments. The strategic investment policy of the gratuity fund can be summarized as follows:

- strategic asset mix comprising of 5%-25% bank deposits, 70% to 90% Government bonds and 5%-25% others.
- interest risk is managed by investing 90% of funds through Government bonds.

33.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2014 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate - per annum	11.25% - 12.3%	11% - 13.0%
Expected rate of increase in salaries - per annum	10.25% - 11.8%	11.5% - 12.5%
Expected rate of return on plan assets - per annum	12%	13%
Average expected remaining life of employees - years	5	5
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2014	2013	2012	2011	2010
As at December 31,					
Defined benefit obligation	1,508,450	1,184,202	1,219,552	1,001,255	857,959
Plan assets	(1,498,769)	(1,177,979)	(1,075,372)	(866,311)	(678,450)
Deficit	9,681	6,223	144,180	134,944	179,509
Experience adjustments					
Actuarial (loss) / gain on obligation	(135,517)	103,640	15,101	28,281	30,792
Actuarial (loss) / gain on plan assets	(2,571)	(4,247)	(3,144)	2,998	(12,305)

33.10 Sensitivity analysis

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

Assumptions	Impact on Defined Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	1.00%	(158,768)	87,943
Salary increase	1.00%	186,623	(65,765)
Mortality rate change	1 year	(895)	895

34. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2013 were Rs. 2,412,694 thousand (December 31, 2012: Rs. 2,215,267 thousand) as per latest available audited financial statements of the fund.

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

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

Rupees in '000	2014	2013
	(Un-audited)	(Audited)
Size of the Fund	2,761,401	2,412,694
Cost of investments made	2,643,650	2,299,202
Fair value of investments	2,751,622	2,335,712
Percentage of investments made	95.74%	95.30%

34.2 Breakup of provident fund investments

	2014		2013	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Government Investment Bonds	2,455,000	92.86	2,198,249	91.11
Government Sukuks	99,275	3.76	150,000	6.22
Term Finance Certificates	1,296	0.05	2,594	0.11
Mutual Funds	88,079	3.33	61,851	2.56

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

35. COMPENSATED ABSENCES

35.1 General description

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

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

Under this unfunded scheme, regular employees of AIML are entitled to 4 weeks privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 8 weeks which are encashable at the time of separation from service on the basis of last drawn gross salary.

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

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35.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2014 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2014 was Rs. 198,567 thousand against related liability of Rs. 189,100 thousand carried at December 31, 2013. Expense for the year of Rs. 47,189 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate - per annum	11.25% - 12.3%	11% - 13%
Expected rate of increase in salaries - per annum	10.25% - 11.8%	10% - 12.5%
Leave accumulation factor - days	5 - 11	5 - 11

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
Fees	-	-	6,374	7,144	-	200
Managerial remuneration	20,280	16,004	-	-	1,140,376	1,010,775
Allowances	2,408	999	-	-	165,274	151,442
Charge for defined benefit plan	1,680	1,239	-	-	65,828	54,648
Contribution to defined contribution plan	1,219	1,144	-	-	62,606	56,991
Rent and house maintenance	6,240	5,740	-	-	358,503	309,324
Utilities	2,028	1,610	-	-	87,536	76,296
Medical	1,872	1,491	-	-	78,364	68,497
Adhoc relief / bonus	8,400	1,045	-	-	131,462	128,138
Leave encashment for ex-employees	-	4,197	-	-	9,601	28,238
Compensation for ex-President & CE upon leaving the Bank	-	14,976	-	-	-	-
	44,127	48,445	6,374	7,144	2,099,550	1,884,549
Number of persons	1	2	10	20	685	609

Executives mean all executive employees, other than the President & Chief Executive, whose annual basic salary exceeds rupees five hundred thousand. President & Chief Executive and certain other executives are provided with the Bank maintained vehicles.

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Group's accounting policy as stated in note 5.6. The effective rates and maturity profile are stated in note 42.2.5 and 42.3.1 respectively.

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2014									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	177,481	352,883	1,331,581	38,031,071	51,473	20,757	185,998	41,865	-	40,229,109
Total expenses	49,171	97,765	300,704	33,166,320	14,260	5,751	156,401	39,139	494,507	34,324,018
Net income / (loss)	128,310	255,118	1,030,877	4,864,751	37,213	15,006	29,597	2,726	(494,507)	5,869,091
Segment Assets (Gross)	84,445	167,900	17,480,805	459,196,420	24,490	9,876	493,240	277,939	-	477,735,115
Segment Non Performing Loans	-	-	2,524,600	28,851,129	-	-	-	-	-	31,375,729
Segment Provision Required	-	-	2,387,400	27,669,799	-	-	-	66,215	-	30,123,414
Segment Liabilities	822	1,634	27,678,028	387,602,268	238	96	183,434	79,714	8,039,352	423,585,586
Segment Return on net Assets (ROA) (%)	0.04	0.08	0.32	9.02	0.01	-	0.04	0.01	-	-
Segment Cost of funds (%)	0.01	0.02	0.08	8.29	-	-	0.04	0.01	0.12	-

Rupees in '000	2013									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	124,172	(270,044)	1,467,691	30,174,786	68,170	17,218	139,374	38,069	-	31,759,436
Total expenses	37,062	80,600	376,919	38,719,986	20,347	5,139	167,485	29,758	645,471	40,082,767
Net income / (loss)	87,110	(350,644)	1,090,772	(8,569,206)	47,823	12,079	(28,111)	8,311	(645,471)	(8,323,331)
Segment Assets (Gross)	70,214	152,699	11,994,130	412,641,186	38,548	9,736	313,173	249,537	-	425,469,223
Segment Non Performing Loans	-	-	2,679,642	30,440,187	-	-	-	-	-	33,119,829
Segment Provision Required	-	-	2,439,282	27,866,965	-	-	-	66,215	-	30,372,462
Segment Liabilities	1,067	2,321	24,336,897	347,591,695	586	148	82,163	62,733	4,047,642	376,125,252
Segment Return on net Assets (ROA) (%)	0.03	(0.07)	0.37	7.63	0.02	-	0.04	0.01	-	-
Segment Cost of funds (%)	0.01	0.02	0.10	10.29	-	-	0.04	0.01	0.17	-

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.98% (2013: 4.19%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.10% (2013: 1.72%) of the total liabilities have been allocated to segments based on their respective assets.

39. TRUST ACTIVITIES

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

40. RELATED PARTY TRANSACTIONS

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

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

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

Rupees in '000	December 31, 2014						December 31, 2013					
	Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%	Associated company	Employees funds	Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%	Associated company	Employees funds
Balances outstanding as at												
- Advances	572,699	174,807	673	-	2,519,946	-	79,506	95,926	128	-	2,857,945	-
- Deposits	6,904,596	37,646	100,879	468,531	5,210,269	139,933	5,180,555	40,472	123,537	598,369	7,189,990	309,571
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	5,495,137	-	-	-	894,301	-	640,987	-	-	-	985,168	-
- Investment in shares / units - at cost	-	-	-	1,738,315	-	-	-	-	-	1,714,494	503,492	-
- Security deposits against lease	-	-	-	-	1,823	-	-	-	-	-	-	-
- Assets held for sale	-	-	-	-	201,582	-	-	-	-	-	-	-
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	14,812	-	-	-	-	-	3,892	-	-
- Management fee and commission receivable from Askari High Yield Scheme	-	-	-	428	-	-	-	-	-	92	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	1,627	-	-	-	-	-	540	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	334	-	-	-	-	-	14	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	1,683	-	-	-	-	-	655	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	31	-	-	-	-	-	14	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	1,081	-	-	-	-	-	480	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	16	-	-	-	-	-	12	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	15,121	-	-	-	-	-	5,987	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	200	-	-	-	-	-	159	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	20	-	-	-	-	-	374	-	-
- Management fee and commission receivable Askari Equity Fund	-	-	-	1,051	-	-	-	-	-	10	-	-
- Management fee and commission receivable Askari Sovereign Yield Enhancer	-	-	-	39	-	-	-	-	-	29	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	3,882	-	-	-	-	-	1,892	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	1,155	-	-	-	-	-	808	-
- Payable to employee funds by AIML	-	-	-	-	-	7,895	-	-	-	-	-	4,445
Transactions during the year												
- Net mark-up / interest earned	13,835	7,143	7	-	338,953	-	5,436	4,644	79	-	180,478	-
- Net mark-up / interest expensed	327,254	3,060	5,877	40,606	511,193	11,969	956,708	1,146	4,258	26,366	157,341	16,495
- Contribution to employees' funds	-	-	-	-	-	437,080	-	-	-	-	-	335,743
- Investment in units of AIML funds - purchase	-	-	-	-	116,607	-	-	-	-	-	-	-
- Investment in units of AIML funds - sale	-	-	-	-	92,786	-	-	-	-	-	-	-
- Redemption of TFC of bank	-	-	-	-	-	-	-	-	-	-	3,660	-
- Rent of property / service charges received	-	-	-	-	15,492	-	19,510	-	-	-	12,144	-
- Rent of property / service charges paid	-	-	-	-	-	-	7,362	-	-	34,350	-	-
- Remuneration paid	-	225,460	-	-	-	-	-	167,024	-	-	-	-
- Post employment benefits	-	15,643	-	-	-	-	-	12,045	-	-	-	-
- Insurance claim received	-	-	-	-	1,507	-	-	-	-	-	3,155	-
- Insurance premium paid	-	-	-	-	17,966	-	-	-	-	-	84,443	-
- Dividend Income	-	-	-	166,050	-	-	-	-	-	118,104	-	-
- Security services costs	-	-	-	772	-	-	-	-	-	105,573	-	-
- Fee, commission and brokerage income	1,063	-	-	128,933	4,216	-	18	-	-	123,024	2,903	-
- Receivable written off of Askari Asset Allocation Fund by AIML	-	-	-	-	-	-	-	-	-	116	-	-
- Receivable written off of Askari High Yield Scheme by AIML	-	-	-	-	-	-	-	-	-	543	-	-
- Proceeds received against right issue	-	-	-	-	-	-	3,215,839	-	15	-	-	-
- Dividend paid	906,282	14	104	-	-	-	-	-	-	-	-	-
- Fees paid	-	-	6,374	-	-	-	-	-	7,144	-	-	-

41. CAPITAL ADEQUACY

41.1 Scope of application

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

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

41.2 Capital management

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

Goals of managing capital

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

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

Bank's regulatory capital analyzed into three tiers

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits and 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules have already started December 31, 2014 onwards.

Tier II capital under Basel III is subject to a maximum of 3% of total Risk Weighted Assets as of December 31, 2014. It includes subordinated debt issued prior to January 01, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Starting December 31, 2014 Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2014 the Group must meet a Tier 1 to RWA ratio and CAR of 7% and 10% respectively.

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

On and off-balance sheet assets in the Grouping book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

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

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Rupees in '000	Note	2014	2013
41.3 Capital adequacy ratio (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital / Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		4,499,098	5,278,738
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profit		2,150,715	(1,370,719)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		27,422	31,359
CET 1 before Regulatory Adjustments		19,514,506	16,776,649
Total regulatory adjustments applied to CET1	41.3.1	1,794,960	1,569,553
Common Equity Tier 1		17,719,546	15,207,096
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		303	–
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		303	–
Total regulatory adjustment applied to AT1 capital	41.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		17,719,546	15,207,096
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,995,200	
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules		2,473,280	3,456,180
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group Tier 2)		504	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses up to maximum of 1.25% of Credit Risk Weighted Assets		367,815	334,956
Revaluation Reserves			
of which: Revaluation reserves on Property		876,193	826,619
of which: Unrealized Gains/Losses on AFS		1,597,646	116,514
		2,473,839	943,133
Foreign Exchange Translation Reserves		89,326	99,009
Undisclosed/Other Reserves (if any)		–	–
T2 before regulatory adjustments		9,399,964	4,833,278
Total regulatory adjustment applied to T2 capital	41.3.3	619,743	727,542
Tier 2 capital (T2) after regulatory adjustments		8,780,221	4,105,736
Tier 2 capital recognized for capital adequacy		8,780,221	4,105,736
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy		8,780,221	4,105,736
TOTAL CAPITAL (T1 + admissible T2)		26,499,767	19,312,832
Total Risk Weighted Assets (RWA) {for details refer	41.6	201,123,049	183,475,325

Percentage	2014	2013
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	8.81%	8.29%
Tier-1 capital to total RWA	8.81%	8.29%
Total capital to RWA	13.18%	10.53%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	5.00%	5.00%
of which: countercyclical buffer requirement	0.00%	0.00%
of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.81%	3.29%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%
Rupees in '000	2014	2013
41.3.1 Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	1,136,876	1,204,080
Reciprocal cross holdings in CET1 capital instruments	370,632	68,536
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	209,339	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	78,113	296,937
Total regulatory adjustments applied to CET1	1,794,960	1,569,553
41.3.2 Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	78,416	218,693
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	78,244
	78,416	296,937
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	–	–

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Rupees in '000	2014	2013
41.3.3 Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	–	78,244
Reciprocal cross holdings in Tier 2 instruments	619,743	649,298
Total regulatory adjustment applied to T2 capital	619,743	727,542
41.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	837,354	–
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	611,230	1,711,231
	1,448,584	1,711,231
41.3.5 Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	453,685	1,315,104
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	1,798,815	3,503,455
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	367,815	334,956
Cap on inclusion of provisions in Tier 2 under standardized approach	1,896,620	1,791,792
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
Total Credit Risk Weighted Assets	151,729,567	143,564,565
Total Market Risk Weighted Assets	24,191,799	16,462,969
Total Operational Risk Weighted Assets	25,201,683	23,447,791

41.4 Capital Structure Reconciliation

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2014	
Assets		
Cash and balances with treasury banks	19,130,113	19,130,113
Balanced with other banks	7,121,128	7,121,128
Lending to financial institutions	3,427,753	3,427,753
Investments	217,213,560	217,213,560
Advances	170,501,323	170,501,323
Operating fixed assets	8,350,849	8,350,849
Deferred tax assets	897,746	897,746
Other assets	20,969,229	20,969,229
Total assets	447,611,701	447,611,701
Liabilities & Equity		
Bills payable	6,855,020	6,855,020
Borrowings	13,742,030	13,742,030
Deposits and other accounts	387,534,873	387,534,873
Sub-ordinated loans	7,992,800	7,992,800
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	7,460,863	7,460,863
Total liabilities	423,585,586	423,585,586
Share capital / Head office capital account	12,602,602	12,602,602
Reserves	4,823,093	4,823,093
Unappropriated / unremitted profit	2,150,715	2,150,715
Minority Interest	32,134	32,134
Surplus on revaluation of assets	4,417,571	4,417,571
Total liabilities & equity	447,611,701	447,611,701
Assets		
Cash and balances with treasury banks	19,130,113	19,130,113
Balanced with other banks	7,121,128	7,121,128
Lending to financial institutions	3,427,753	3,427,753
Investments	217,213,560	217,213,560
of which: Mutual Funds exceeding regulatory threshold	78,416	78,416
of which: reciprocal crossholding of capital instrument CET 1	370,632	370,632
of which: reciprocal crossholding of capital instrument AT 1	–	–
of which: reciprocal crossholding of capital instrument Tier II	619,743	619,743
of which: others	216,144,769	216,144,769
Advances	170,501,323	170,501,323
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	–	–
general provisions reflected in Tier 2 capital	367,815	367,815
Fixed Assets	8,350,849	8,350,849
of which: Intangibles	1,136,876	1,136,876
Deferred Tax Assets	897,746	897,746
of which: DTAs excluding those pertaining to temporary differences	–	–
of which: DTAs arising from temporary differences below the threshold	1,798,815	1,798,815
of which: DTAs arising from temporary differences exceeding regulatory threshold	1,046,693	1,046,693
Other assets	20,969,229	20,969,229
of which: Goodwill	–	–
of which: Intangibles	–	–
of which: Defined-benefit pension fund net assets	–	–
Total assets	447,611,701	447,611,701

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2014	
Liabilities & Equity		
Bills payable	6,855,020	6,855,020
Borrowings	13,742,030	13,742,030
Deposits and other accounts	387,534,873	387,534,873
Sub-ordinated loans	7,992,800	7,992,800
of which: eligible for inclusion in AT1	–	–
of which: eligible for inclusion in Tier 2	6,468,480	3,456,180
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	7,460,863	7,460,863
Total liabilities	423,585,586	423,585,586
Share capital	12,602,602	12,602,602
of which: amount eligible for CET1	12,602,602	12,602,602
of which: amount eligible for AT1	–	–
Reserves	4,823,093	4,823,093
of which: portion eligible for inclusion in CET1-Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET1-General/ Statutory Reserves (as disclosed on Balance Sheet)	4,499,099	5,279,378
of which: portion eligible for inclusion in Tier 2	89,326	99,009
Unappropriated profit	2,150,715	2,150,715
Minority Interest	32,134	32,134
of which: portion eligible for inclusion in CET1	27,422	27,422
of which: portion eligible for inclusion in AT1	303	303
of which: portion eligible for inclusion in Tier 2	504	504
Surplus on revaluation of assets	4,417,571	4,417,571
of which: Revaluation reserves on Property	1,564,631	2,171,922
of which: Unrealized Gains/Losses on AFS	2,852,940	258,921
	24,026,115	24,026,115
Total liabilities & Equity	447,611,701	447,611,701

41.5 Basel III Disclosure

	Balance sheet as in published financial statements
Rupees in '000	As at December 31, 2014
Common Equity Tier 1 capital (CET1): Instruments and reserves	
Fully Paid-up Capital / Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General / Statutory Reserves	4,499,099
Unappropriated / unremitted profits	2,150,715
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	27,422
CET 1 before Regulatory Adjustments	19,514,507
Common Equity Tier 1 capital: Regulatory adjustments	
All other intangibles (net of any associated deferred tax liability)	1,136,876
Reciprocal cross holdings in CET1 capital instruments	370,632
Deferred Tax Assets (DTA) arising from temporary differences (amount above 10% threshold, net of related tax liability)	209,339
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	78,113
Total regulatory adjustments applied to CET1	1,794,960
Common Equity Tier 1	17,719,547

Rupees in '000	Balance sheet as in published financial statements
Additional Tier 1 (AT 1) Capital	
Qualifying Additional Tier-1 instruments plus any related share premium	–
of which: Classified as equity	–
of which: Classified as liabilities	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	303
of which: instrument issued by subsidiaries subject to phase out	–
AT1 before regulatory adjustments	303
Additional Tier 1 Capital: regulatory adjustments	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	78,416
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	–
Total of regulatory adjustment applied to AT1 capital	78,416
Additional Tier 1 capital	–
Additional Tier 1 capital recognized for capital adequacy	–
Tier 1 Capital (CET1 + admissible AT1)	17,719,547
Tier 2 Capital	
Qualifying Tier 2 capital instruments under Basel III	3,995,200
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	2,473,280
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group Tier 2)	504
of which: instruments issued by subsidiaries subject to phase out	–
General Provisions or general reserves for loan losses upto maximum of 1.25% of Credit Risk Weighted Assets	367,815
Revaluation Reserves eligible for Tier 2	2,473,839
of which: portion pertaining to Property	876,193
of which: portion pertaining to AFS securities	1,597,646
Foreign Exchange Translation Reserves	89,326
Undisclosed /Other Reserves	–
T2 before regulatory adjustments	9,399,964
Tier 2 Capital: regulatory adjustments	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	–
Reciprocal cross holdings in Tier 2 instruments	619,743
Amount of Regulatory Adjustment applied to T2 capital	619,743
Tier 2 capital (T2)	8,780,221
Tier 2 capital recognized for capital adequacy	8,780,221
Excess Additional Tier 1 capital recognized in Tier 2 capital	–
Total Tier 2 capital admissible for capital adequacy	8,780,221
TOTAL CAPITAL (T1 + admissible T2)	26,499,768

41.7 Main features of regulatory capital instruments

Main Features	Common Shares	Instrument - 2 (TFC III)	Instrument- 3 (PPTFC TFC IV)	Instrument- 4 (PPTFC TFC V)
Issuer	Askari Bank - Public Limited Company			
Unique identifier	AKBL	AKBL TFC3	NA	NA
Governing law(s) of the instrument	The Companies Ordinance 1984 & Stock Exchanges Regulations		The Companies Ordinance, 1984	The Companies Ordinance, 1984
Regulatory treatment				
Transitional Basel III rules	NA	Tier 2	Tier 2	NA
Post-transitional Basel III rules	NA	Ineligible	Ineligible	NA
Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	2,994,000	998,800	4,000,000
Par value of instrument	Rs. 10 per Share	Rs. 5,000 per Instrument	Rs. 1,000,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	November 18, 2009	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated	Dated
Original maturity date	NA	November 18, 2019	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	November 18, 2014	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and less than 30 days.
Subsequent call dates, if applicable	NA	Yes	Yes	Yes
Coupons / dividends				
Fixed or floating dividend/ coupon rate and any related index/ benchmark	NA	Floating	Floating	Floating
	NA	Average Ask 6 month KIBOR plus 2.50 % (1 to 5 Years) & Average Ask 6 month KIBOR plus 2.95 % (6 to 10 Years)	Average Ask 6 month KIBOR plus 1.75 % (1 to 5 Years) & Average Ask 6 month KIBOR plus 2.20 % (6 to 10 Years)	Average Ask 6 month KIBOR plus 1.20 %
Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No
Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Nonconvertible	Nonconvertible	Convertible
If convertible, conversion trigger (s)	NA	NA	NA	As deemed to be triggered by SBP
If convertible, fully or partially	NA	NA	NA	Fully or as deemed appropriate by SBP
If convertible, conversion rate	NA	NA	NA	Dependent on target market value of equity per share on or before the date of conversion
If convertible, mandatory or optional conversion	NA	NA	NA	Mandatory
If convertible, specify instrument type convertible into	NA	NA	NA	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	NA	NA	NA	Askari Bank Limited
Write-down feature	NA	NA	NA	Yes
If write-down, write-down trigger(s)	NA	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
If write-down, full or partial	NA	NA	NA	
If write-down, permanent or temporary	NA	NA	NA	
If temporary write-down, description of write-up mechanism	NA	NA	NA	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	Yes	No
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	Does not meet loss absorbency requirements including conversion	NA

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42. RISK MANAGEMENT

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

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

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

42.1 Credit Risk:

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

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

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

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Group's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Group. Scope of Pre-Assessment Risk Review has been enhanced, covering the entire Corporate, Commercial and SME portfolios (only excluding cash collateralised loans) alongwith consumer and Agri Finance with in discretionary powers of HOCC. Audit and inspection division is reviewing the advances portfolio on a post approval basis.

42.1.1 SEGMENT INFORMATION

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

42.1.1.1 Segment by class of business

	2014						2013					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	4,206,470	2.12	4,029,187	1.04	319,130	0.14	4,519,591	2.35	4,047,537	1.21	2,194,092	0.73
Automobiles and Allied	1,297,051	0.65	1,027,479	0.27	248,655	0.11	856,781	0.45	979,511	0.29	483,647	0.16
Cables / Electronics	2,799,096	1.41	3,867,038	1.00	905,038	0.39	2,081,031	1.08	2,292,874	0.68	1,759,920	0.58
Carpets	72,598	0.04	152,749	0.04	16,618	0.01	524,416	0.27	48,005	0.01	-	-
Cement	1,012,589	0.51	425,160	0.11	3,947,273	1.72	1,010,634	0.53	757,607	0.23	2,119,871	0.70
Chemicals / Pharmaceuticals	3,663,370	1.84	734,638	0.19	3,230,888	1.41	4,238,337	2.21	1,816,256	0.54	1,658,134	0.55
Engineering	34,746	0.02	268,798	0.07	2,684,144	1.17	278,611	0.14	56,412	0.02	10,041,236	3.34
Fertilizers	2,420,656	1.22	5,124,581	1.32	6,749,389	2.95	3,301,642	1.72	439,107	0.13	1,004,663	0.33
Food and Allied	3,355,055	1.69	1,073,450	0.28	1,462,539	0.64	1,864,274	0.97	691,236	0.21	2,644,130	0.88
Fuel / Energy	14,764,275	7.43	1,698,401	0.44	10,928,820	4.77	18,636,887	9.70	3,385,515	1.01	23,837,632	7.92
Ghee and Edible Oil	2,654,001	1.34	293,867	0.08	1,341,207	0.59	2,528,603	1.32	171,400	0.05	758,566	0.25
Glass and Ceramics	2,427,470	1.22	61,261	0.02	128,175	0.06	1,533,770	0.80	39,940	0.01	2,725	0.00
Hotels and Restaurants	1,870,646	0.94	1,097,837	0.28	615,881	0.27	359,534	0.19	727,796	0.22	200	0.00
Individuals	15,174,946	7.64	139,348,074	35.96	463,927	0.20	15,346,746	7.99	112,599,789	33.59	524,799	0.17
Insurance	-	-	634,141	0.16	-	-	-	-	443,755	0.13	-	-
Financial institutions / Investment companies	479,999	0.24	5,853	0.00	56,233,823	24.54	693,333	0.36	513,702	0.15	87,236,542	28.98
Leasing	375,000	0.19	4,671	0.00	-	-	500,286	0.26	4,898	0.00	-	-
Leather Products and Shoes	1,827,909	0.92	1,012,054	0.26	99,333	0.04	854,327	0.44	449,977	0.13	35,115	0.01
Modarabas	-	-	12	0.00	-	-	-	-	12	0.00	-	-
Paper and Board	347,798	0.18	233,683	0.06	136,047	0.06	505,039	0.26	27,922	0.01	217,883	0.07
Plastic products	426,188	0.21	157,635	0.04	356,902	0.16	546,025	0.28	70,753	0.02	589,076	0.20
Ready- Made garments	1,314,096	0.66	639,791	0.17	126,011	0.05	447,871	0.23	466,377	0.14	174,700	0.06
Real Estate / Construction	2,481,223	1.25	17,742,599	4.58	15,517,935	6.77	3,880,058	2.02	13,349,821	3.98	18,290,278	6.08
Rice Processing and trading	4,023,219	2.03	904,125	0.23	1,459,934	0.64	5,027,149	2.62	998,562	0.30	860,422	0.29
Rubber Products	418,772	0.21	142,662	0.04	184,644	0.08	329,654	0.17	127,168	0.04	189,181	0.06
Services (Other than Financial, Hotelling and Travelling)	2,382,610	1.20	6,156,434	1.59	554,554	0.24	1,942,340	1.01	9,622,889	2.87	2,996,778	1.00
Sports goods	434,099	0.22	123,011	0.03	156,523	0.07	505,673	0.26	60,460	0.02	2,059	0.00
Sugar	3,422,727	1.72	83,216	0.02	47,365	0.02	1,334,248	0.69	151,746	0.05	183,751	0.06
Surgical equipment / Metal Products	8,283,419	4.17	2,290,876	0.59	440,084	0.19	6,137,227	3.19	1,246,067	0.37	304,969	0.10
Synthetic and Rayon	1,390,170	0.70	111,441	0.03	76,671	0.03	345,370	0.18	100,398	0.03	10,158	0.00
Textile	25,461,406	12.82	4,427,090	1.14	5,385,097	2.35	25,990,236	13.52	1,954,727	0.58	6,264,909	2.08
Tobacco / Cigarette manufacturing	4,462	0.00	5	0.00	-	-	4,462	0.00	5	0.00	70,198	0.02
Transport and communication	6,614,748	3.33	4,722,241	1.22	3,631,892	1.59	6,577,979	3.42	13,413,353	4.00	3,177,036	1.06
Travel Agencies	3,230	0.00	260,615	0.07	410,418	0.18	54,151	0.03	48,703	0.01	708,584	0.24
Woolen	168,941	0.09	630,879	0.16	109,068	0.05	17,251	0.01	54,312	0.02	400	0.00
Public sector / Government	64,254,311	32.34	154,034,596	39.75	58,478,775	25.52	62,789,979	32.67	116,453,905	34.74	121,091,307	40.23
Others	18,803,092	9.46	34,014,723	8.78	52,679,673	22.99	16,611,355	8.64	47,560,880	14.19	11,584,043	3.85
	198,670,388	100.00	387,534,873	100.00	229,126,433	100.00	192,174,870	100.00	335,173,378	100.00	301,017,003	100.00

44.2.1.2 Segment by sector

	2014						2013					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	64,254,311	32.34	154,034,596	39.75	58,478,775	25.52	62,789,979	32.67	116,453,905	34.74	121,091,307	40.23
Private	134,416,077	67.66	233,500,277	60.25	170,647,658	74.48	129,384,891	67.33	218,719,473	65.26	179,925,696	59.77
	198,670,388	100.00	387,534,873	100.00	229,126,433	100.00	192,174,870	100.00	335,173,378	100.00	301,017,003	100.00

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

Rupees in '000	2014		2013	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	1,281,900	763,923	1,984,540	963,065
Automobiles and Allied	461,508	346,178	477,034	303,087
Cables / Electronics	1,103,277	1,095,778	1,139,472	1,131,323
Chemicals / Pharmaceuticals	218,357	161,267	212,369	113,338
Food and Allied	351,777	264,838	379,945	259,160
Fuel / Energy	3,341,152	3,331,299	3,336,212	3,317,339
Glass Manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	3,113,787	2,781,609	3,218,974	2,906,212
Leather Products and Shoes	91,172	30,128	111,199	30,959
Paper Industries	103,007	101,747	373,801	359,219
Real Estate / Construction	1,713,208	1,336,769	1,934,962	1,431,497
Services (Other than Financial, Hotelling and Travelling)	483,513	265,004	457,878	276,960
Sports Goods	289,378	263,117	352,036	318,563
Textile	12,448,380	11,583,518	12,508,587	11,591,252
Transport and communication	303,094	303,094	311,681	311,681
Public sector / Government	–	–	166,666	–
Others	4,961,877	4,062,639	5,044,131	3,855,288
	31,375,729	27,801,250	33,119,829	28,279,285

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

Public sector / Government	–	–	166,666	–
Private	31,375,729	27,801,250	32,953,163	28,279,285
	31,375,729	27,801,250	33,119,829	28,279,285

42.1.1.5 Geographical segment analysis

Rupees in '000	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	5,532,847	446,927,813	23,755,143	229,126,433
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East - Note 42.1.1.5.1	336,244	683,888	270,972	–
Others	–	–	–	–
	5,869,091	447,611,701	24,026,115	229,126,433

Rupees in '000	2013			
	(Loss) / profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	(8,534,345)	394,346,871	18,620,682	301,017,003
Asia Pacific (including South Asia)	—	—	—	—
Europe	—	—	—	—
United States of America and Canada	—	—	—	—
Middle East - Note 42.1.1.5.1	211,014	749,890	350,827	—
Others	—	—	—	—
	(8,323,331)	395,096,761	18,971,509	301,017,003

42.1.1.5.1 These do not include intra group items of Rs. 7,512,609 thousand (2013: Rs. 6,995,167 thousand) eliminated upon consolidation of foreign branch.

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

Following is the list of main types of collateral taken by the Group.

- Government and Trustee Securities
- Defence Saving Certificates
- Fixed Deposits (TDR)
- Lien on Deposits
- Cash Margin
- Shares Listed on Main Index
- Shares Listed on Non Main Index
- Government Guarantees

42.2 Market Risk:

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

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

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

42.2.1 Market risk - General disclosures Basel III specific

Basel III Standardized Approach is used for calculating the Capital Adequacy for Market Risk.

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42.2.2 Foreign Exchange Risk

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

2014				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	418,088,702	384,512,209	(9,134,112)	24,442,381
U.S. Dollars	27,464,486	33,870,752	5,510,524	(895,742)
Pound Sterling	816,381	3,474,669	2,483,477	(174,811)
Japanese Yen	4,645	51	–	4,594
Euro	535,996	1,721,044	1,159,428	(25,620)
Other European Currencies	40,874	(318)	11,751	52,943
Other Currencies	660,617	7,179	(31,068)	622,370
	447,611,701	423,585,586	–	24,026,115

2013				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	368,113,757	343,684,330	(4,570,980)	19,858,447
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	–	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	395,096,761	376,125,252	–	18,971,509

42.2.3 Equity position risk

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

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

42.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel III Specific

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

42.2.5 Mismatch of interest rate sensitive assets and liabilities

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

		2014											
		Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments	
Rupees in '000				Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
On - balance sheet financial instruments													
Assets													
	Cash and balances with treasury banks	0.00%	19,130,113	5,264,327	-	-	-	-	-	-	-	-	13,865,786
	Balances with other banks	6.05%	7,121,128	6,222,869	-	-	-	-	-	-	-	-	898,259
	Lendings to financial institutions	8.95%	3,427,753	2,000,000	-	1,427,753	-	-	-	-	-	-	-
	Investments	9.79%	217,213,560	14,776,455	27,836,711	47,503,832	32,651,261	43,297,230	15,212,122	16,907,770	13,879,179	-	5,149,000
	Advances	9.14%	170,501,323	55,462,698	89,958,810	15,146,153	4,676,145	946,435	334,045	628,187	932,305	2,416,545	-
	Assets held for sale		201,582	-	-	-	-	-	-	-	-	-	201,582
	Other assets		10,970,143	-	-	-	-	-	-	-	-	-	10,970,143
			428,565,602	83,726,349	117,795,521	64,077,738	37,327,406	44,243,665	15,546,167	17,535,957	14,811,484	2,416,545	31,084,770
Liabilities													
	Bills payable		6,855,020	-	-	-	-	-	-	-	-	-	6,855,020
	Borrowings	9.09%	13,742,030	10,587,264	2,164,473	964,379	5,710	5,054	5,054	5,054	5,042	-	-
	Deposits and other accounts	5.90%	387,534,873	117,153,982	74,968,616	74,753,865	22,344,023	5,663,154	163,213	231,882	8,044	-	92,248,094
	Sub-ordinated loans	12.05%	7,992,800	-	4,000,000	3,992,800	-	-	-	-	-	-	-
	Other liabilities		6,099,856	-	-	-	-	-	-	-	-	-	6,099,856
			422,224,579	127,741,246	81,133,089	79,711,044	22,349,733	5,668,208	168,267	236,936	13,086	-	105,202,970
	On-balance sheet gap		6,341,023	(44,014,897)	36,662,432	(15,633,306)	14,977,673	38,575,457	15,377,900	17,299,021	14,798,398	2,416,545	(74,118,200)
Off-balance sheet financial instruments													
	Purchase and resale agreements	9.50%	2,020,072	2,020,072	-	-	-	-	-	-	-	-	-
	Sale and repurchase agreements	9.00%	2,851,757	2,851,757	-	-	-	-	-	-	-	-	-
	Commitments to extend credits		11,788,818	11,788,818	-	-	-	-	-	-	-	-	-
	Off-balance sheet gap		(12,620,503)	(12,620,503)	-	-	-	-	-	-	-	-	-
	Total yield / interest risk sensitivity gap			(56,635,400)	36,662,432	(15,633,306)	14,977,673	38,575,457	15,377,900	17,299,021	14,798,398	2,416,545	(74,118,200)
	Cumulative yield / interest risk sensitivity gap				(19,972,968)	(35,606,274)	(20,628,601)	70,946,856	33,324,756	50,623,777	65,422,175	67,838,720	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	Effective Yield / Interest rate	2013										Non-interest bearing financial instruments	
		Total	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		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.00%	26,104,835	6,072,321	-	-	-	-	-	-	-	-	-	20,032,514
Balances with other banks	2.58%	9,124,531	7,007,485	-	-	-	-	-	-	-	-	-	2,117,046
Lendings to financial institutions	7.10%	2,503,206	1,000,000	977,901	-	525,305	-	-	-	-	-	-	-
Investments	8.81%	165,897,833	51,356,550	45,444,979	26,290,583	4,381,810	7,753,015	12,652,649	5,849,436	5,687,857	168,399	6,312,555	
Advances	8.74%	163,560,629	53,468,637	84,427,988	14,325,226	6,132,607	879,872	323,571	603,414	928,056	2,471,258	-	
Other assets		6,969,784	-	-	-	-	-	-	-	-	-	-	6,969,784
		374,160,818	118,904,993	130,850,868	40,615,809	11,039,722	8,632,887	12,976,220	6,452,850	6,615,913	2,639,657	35,431,899	
Liabilities													
Bills payable		5,687,542	-	-	-	-	-	-	-	-	-	-	5,687,542
Borrowings	8.75%	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	591	-	-	-
Deposits and other accounts	5.62%	335,173,378	108,495,374	71,891,127	61,937,597	16,493,187	2,128,945	663,324	475,849	11,570	-	-	73,076,405
Sub-ordinated loans	11.90%	3,994,400	-	-	3,994,400	-	-	-	-	-	-	-	-
Other liabilities		5,509,072	-	-	-	-	-	-	-	-	-	-	5,509,072
		374,910,271	129,778,220	72,099,577	68,959,774	16,493,856	2,137,460	671,839	484,364	12,161	-	-	84,273,019
On-balance sheet gap		(749,453)	(10,873,227)	58,751,291	(28,343,965)	(5,454,134)	6,495,427	12,304,381	5,968,486	6,603,752	2,639,657	(48,841,120)	
Off-balance sheet financial instruments													
Purchase and resale agreements	9.88%	994,312	994,312	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.95%	15,211,984	15,211,984	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		9,756,031	9,756,031	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(23,973,703)	(23,973,703)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(34,846,930)	58,751,291	(28,343,965)	(5,454,134)	6,495,427	12,304,381	5,968,486	6,603,752	2,639,657	(48,841,120)	
Cumulative yield / interest risk sensitivity gap				23,904,360	(4,439,605)	(9,893,738)	(3,398,311)	8,906,060	14,874,556	21,478,308	24,117,964		

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

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

42.2.5.3 Assets do not include operating fixed assets of Rs. 8,350,849 (2013: Rs. 8,623,410) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 9,797,504 (2013: Rs. 9,313,008) thousand.

42.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,361,007 (2013: Rs. 1,214,983) thousand.

42.3 Liquidity Risk

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

42.3.1 Maturities of Assets and Liabilities

Rupees in '000	2014									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	19,130,113	19,130,113	-	-	-	-	-	-	-	-
Balances with other banks	7,121,128	6,621,128	500,000	-	-	-	-	-	-	-
Lendings to financial institutions	3,427,753	2,000,000	-	1,427,753	-	-	-	-	-	-
Investments	217,213,560	14,928,703	23,064,688	44,376,334	37,776,093	44,161,859	17,854,112	18,288,548	15,701,261	1,061,962
Advances	170,501,323	33,414,102	40,090,215	19,265,847	22,588,652	11,077,502	9,730,261	16,689,834	9,598,951	8,045,959
Operating fixed assets	8,350,849	145,375	117,862	171,172	322,240	584,912	521,541	903,571	1,075,232	4,508,944
Assets held for sale	201,582	-	-	201,582	-	-	-	-	-	-
Deferred tax assets	897,746	(1,514,287)	-	-	118,012	5,867	719,253	1,082,826	486,075	-
Other assets	20,767,647	4,801,764	-	-	-	3,201,176	3,451,482	3,104,408	3,104,408	3,104,409
	447,611,701	79,526,898	63,772,765	65,442,688	60,804,997	59,031,316	32,276,649	40,069,187	29,965,927	16,721,274
Liabilities										
Bills payable	6,855,020	2,256,110	-	415,732	4,183,178	-	-	-	-	-
Borrowings	13,742,030	10,587,264	2,164,473	964,379	5,710	5,054	5,054	5,054	5,042	-
Deposits and other accounts	387,534,873	51,462,402	28,115,379	23,743,526	22,344,023	66,159,592	60,659,651	64,651,442	35,203,452	35,195,406
Sub-ordinated loans	7,992,800	-	800	800	1,600	3,200	3,200	2,994,400	4,988,800	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,460,863	4,082,446	-	-	-	1,689,209	844,604	422,302	211,151	211,151
	423,585,586	68,388,222	30,280,652	25,124,437	26,534,511	67,857,055	61,512,509	68,073,198	40,408,445	35,406,557
Net assets	24,026,115	11,138,676	33,492,113	40,318,251	34,270,486	(8,825,739)	(29,235,860)	(28,004,011)	(10,442,518)	(18,685,283)
Share Capital	12,602,602									
Reserves	4,823,093									
Unappropriated profit	2,150,715									
Non-controlling interest	32,134									
Surplus on revaluation of assets	4,417,571									
	24,026,115									

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

Rupees in '000	2013									
	Total	Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above 10
		Month	to 3	to 6	Months to	to 2	to 3	to 5	to 10	
		Months	Months	1 Year	Years	Years	Years	Years	Years	
Assets										
Cash and balances with treasury banks	26,104,835	26,104,835	-	-	-	-	-	-	-	-
Balances with other banks	9,124,531	9,124,531	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,503,207	1,000,000	977,901	-	525,306	-	-	-	-	-
Investments	165,897,833	49,003,634	44,084,911	25,341,194	7,157,323	9,428,057	13,686,182	7,936,904	7,899,097	1,360,531
Advances	163,560,629	43,637,918	33,033,838	19,072,939	29,037,446	7,652,371	6,263,161	13,398,514	5,256,116	6,208,326
Operating fixed assets	8,623,410	58,061	115,205	162,463	301,938	543,299	447,970	745,771	1,186,035	5,062,667
Deferred tax assets	2,999,526	-	-	(139,419)	50,281	384,000	716,000	1,466,973	521,691	-
Other assets	16,282,792	3,810,734	2,540,489	2,540,489	-	2,463,693	-	2,463,693	-	2,463,694
	395,096,761	132,739,713	78,072,436	44,576,596	37,072,293	20,548,216	23,653,802	26,011,855	17,326,632	15,095,218
Liabilities										
Bills payable	5,687,542	1,871,872	-	344,928	3,470,742	-	-	-	-	-
Borrowings	24,545,879	21,282,846	208,450	3,027,777	669	8,515	8,515	8,515	592	-
Deposits and other accounts	335,173,378	51,951,547	32,117,905	18,679,382	16,493,187	52,315,340	50,849,719	54,226,221	29,275,824	29,264,253
Sub-ordinated loans	3,994,400	-	-	800	800	1,600	1,600	1,497,200	2,492,400	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,724,055	3,568,531	-	-	-	1,577,762	788,881	394,441	197,220	197,218
	376,125,254	78,674,796	32,326,355	22,052,887	19,965,398	53,903,217	51,648,715	56,126,377	31,966,036	29,461,471
Net assets	18,971,509	54,064,917	45,746,081	22,523,709	17,106,895	(33,355,001)	(27,994,913)	(30,114,522)	(14,639,404)	(14,366,253)
Share Capital	12,602,602									
Reserves	5,612,416									
Unappropriated loss	(1,370,719)									
Non-controlling interest	31,359									
Surplus on revaluation of assets	2,095,851									
	18,971,509									

42.4 Operational risk

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

Operational risk governance structure adopted by the Group is embedded within three lines of defense: Strategic, Macro and Micro. The Group has recently updated its Operational Risk Management framework to align it with global/local best market practices.

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

42.4.1 Operational risk disclosures Basel III

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

43. GENERAL

43.1 Non-adjusting events after the balance sheet date

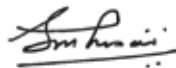
The Board of Directors in its meeting held on February 13, 2015 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2014 do not include the effect of the appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2015 as follows:

Rupees in '000	2014	2013
Transfer from unappropriated profit to:		
General reserve	1,862,223	(1,582,626)
Transfer from general reserve:		
Payment of final cash dividend of Re. 1.00 per share (2013: Nil)	1,260,260	-

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

44. DATE OF AUTHORIZATION

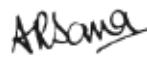
These consolidated financial statements were authorized for issue on February 13, 2015 by the Board of Directors of the Group.



Syed M. Husaini
President & Chief Executive



Qaiser Javed
Director



Asif Reza Sana
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

Pattern of Shareholding

As at December 31, 2014

Number of shareholders	Shareholding		Total shares held
	From	To	
2,059	1	100	82,383
3,216	101	500	923,966
2,366	501	1000	1,822,793
5,302	1001	5000	13,573,275
2,258	5001	10000	16,740,435
1,067	10001	15000	13,442,720
1,044	15001	50000	27,385,829
453	50001	525000	60,709,108
30	525001	1000000	23,393,256
39	1020001	20000000	144,180,275
2	22925001	30200000	53,125,754
1	90425001	90430000	90,429,653
1	271880001	271885000	271,884,009
1	542565001	542570000	542,566,724
17,839			1,260,260,180

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Directors, CEO, Children - Note 1	8	103,775	0.01
Associated Companies	3	906,281,917	71.91
NIT/ICP	2	30,217,899	2.40
Banks, DFI & NBFIs	37	38,410,661	3.05
Insurance companies	13	24,114,399	1.91
Modaraba and Mutual Funds	30	13,828,666	1.10
General Public (Local)	17,382	200,366,431	15.90
General Public (Foreign)	182	5,271,195	0.42
Foreign investors (Foreign Companies)	14	17,918,582	1.42
Others	168	23,746,655	1.88
Total	17,839	1,260,260,180	100.00

Held by

Particulars	Number of shareholders	Shares held	Percentage
Associated company - Fauji Consortium	3	906,281,917	71.91
Fauji Foundation	1	90,629,884	7.19
Fauji Fertilizer Company Limited	1	543,768,024	43.15
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.57
NIT / ICP			
National Investment (Unit) Trust	1	30,208,328	2.40
Investment Corporation of Pakistan	1	9,571	0.00
Board of Directors Shareholding - Note 1			
Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)	1	500	0.00
Lt Gen Naeem Khalid Lodhi, HI (M) (Retd)	1	775	0.00
Lt Gen Muhammad Haroon Aslam, HI (M) (Retd)	1	500	0.00
Mr. Qaiser Javed	1	500	0.00
Dr. Nadeem Inayat	1	500	0.00
Mr. Asif Reza Sana	1	500	0.00
Mr. Zaffar Ahmad Khan	1	100,000	0.01
Mr. Tariq Hafeez Malik	1	500	0.00
	8	103,775	0.01
Executives of the Bank	16	102,145	0.01
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	80	76,353,726	6.06
General Public (Local) - Individuals	17,366	200,264,286	15.89
General Public (Foreign) - Individuals	182	5,271,195	0.42
Foreign Companies	14	17,918,582	1.42
Others	168	23,746,655	1.88
Total	17,839	1,260,260,180	100.00

Note 1: Board of Directors include 8 directors holding 103,775 shares, 5 directors are sponsors / nominees directors of Fauji Consortium and others 3 are independent directors.

Note 2: Mr. Zaffar Ahmad Khan, Independent Director purchased 95,000 shares. Except this, there have been no trades in the shares of the Bank, carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

Correspondent Network

<p>1. Algeria</p> <p>Banque de l' Agriculture et du Development Rural</p>	<p>14. Chile</p> <p>Banco Bilbao Vizcaya Argentaria Chile Banco Security</p>	<p>23. Ethiopia</p> <p>Dashen Bank Debub Global Bank S.C</p>
<p>2. Argentina</p> <p>Banco Credicoop Cooperativo Ltda Banco Macro SA Banco Patagonia SA</p>	<p>15. China</p> <p>Agricultural Bank of China Bank of Beijing Co. Ltd Bank of Changsha Bank of China Ltd Bank of Communications Co Ltd Bank of Jiangsu Co Ltd Bank of Nanjing Bank of Qingdao Co Ltd China Citic Banking Corporation China Construction Bank Corporation China Everbright Bank China Guangfa Bank Co Ltd China Merchants Bank Co Ltd China Minsheng Banking Corporation Ltd China Zheshang Bank Co Ltd Citibank (China) Co Ltd Deutsche Bank (China) Co Ltd Evergrowing Bank Co Ltd Export Import Bank of China (EXIM Bank) Hua Xia Bank Co Ltd Huishang Bank Corporation Ltd Industrial Bank Co Ltd Industrial and Commercial Bank of China Ltd Jiangsu Jianyin Rural Commercial Bank Co Ltd Mizuho Bank (China) Ltd Ningbo Cixi Rural Cooperative Bank Co Ltd Royal Bank of Scotland (China) Co Ltd Shinhan Bank (China) Ltd Shengjing Bank Co Ltd Standard Chartered Bank (China) Ltd Sumitomo Mitsui Banking Corporation (China) Limited The Agricultural Development of China The Bank of Tokyo Mitsubishi UFJ (China) Xiamen City Commercial Bank Yinzhou Bank</p>	<p>24. Finland</p> <p>Nordea Bank Finland plc Danske Bank Plc, Finland Pohjola Bank plc</p>
<p>3. Australia</p> <p>Citigroup Pty Limited Commonwealth Bank of Australia National Australia Bank Ltd WestPac Banking Corporation</p>	<p>16. Côte d'Ivoire</p> <p>Citibank Côte d'Ivoire SA</p>	<p>25. France</p> <p>Banque Fédérative du Crédit Mutuel Banque Palatine BNP Paribas SA CALYON Credit Lyonnais Credit Agricole SA Credir Agricole CIB Credit Du Nord Crédit Industriel et Commercial Crédit Mutuel Arkéa Societe Generale Union de Banques et de Francaises (UBAF)</p>
<p>4. Austria</p> <p>Erste Group Bank AG Oberbank AG Raiffeisen Bank International AG Raiffeisenlandesbank Oberösterreich Aktiengesellschaft Raiffeisen-Landesbank Steiermark AG Raiffeisen-Landesbank Steiermark AG Salzburger Sparkasse Bank AG UniCredit Bank Austria AG Vorarlberger Landes-und Hypothekenbank Aktiengesellschaft</p>	<p>17. Croatia</p> <p>Privredna banka Zagreb dd Societe Generale-Splitska banka dd Zagrebacka Banka dd</p>	<p>26. Germany</p> <p>Bayerische Landesbank BHF-BANK Aktiengesellschaft Commerzbank A.G Deutsche Bank AG Deutsche Bank Privat-und Geschäftskunden Aktiengesellschaft DZ Bank AG Deutsche Zentral-Genosschaftsbank HSH Nordbank AG Kreissparkasse Birkenfeld Kreissparkasse Esslingen-Nuertingen Kreissparkasse Heilbronn Kreissparkasse Köln Kreissparkasse Steinfurt Landesbank Baden-Württemberg Landesbank Hessen-Thüringen Girozentrale Norddeutsche Landesbank Girozentrale SEB AG Sparkasse Aachen Sparkasse Kraichgau Bruchsal-Bretten-Sinsheim Sparkasse Neuss-Zweckverbandssparkasse des Rhein-Kreises Neuss, der Stadt Neuss, Stadt Korschenbroich und der Stadt Kaarst Sparkasse Osnabrück Stadtsparkasse Düsseldorf Unicredit Bank AG WGZ-Bank AG Westdeutsche Genossenschafts</p>
<p>5. Azerbaijan</p> <p>The International Bank of Azerbaijan Republic</p>	<p>18. Cyprus</p> <p>Bank of Cyprus Public Company Limited Hellenic Bank Public Company Ltd.</p>	<p>27. Greece</p> <p>Alpha Bank AE Piraeus Bank SA</p>
<p>6. Bahrain</p> <p>Al Baraka Islamic Bank BSC BMI Bank BSC ©</p>	<p>19. Czech Republic</p> <p>Ceska Sporitelna as Ceskoslovenska Obchodni Banka as Raiffeisenbank as UniCredit Bank Czeck Republic and Slovakia A.S</p>	<p>28. Hong Kong</p> <p>CTBC Bank Co Ltd Dah Sing Bank Limited Habib Finance International Limited Standard Chartered Bank (Hong Kong) Limited UBAF (Hong Kong) Ltd</p>
<p>7. Bangladesh</p> <p>City Bank Ltd Export Import Bank of Bangladesh Prime Bank Ltd Rupali Bank Ltd Southeast Bank Ltd</p>	<p>20. Denmark</p> <p>Danske Andelskassers Bank A/S Danske Bank A/S Jyske Bank A/S Nordea Bank Denmark A/S</p>	<p>29. Hungary</p> <p>Bank of China (Hungária) Hitelintézet Zrt Budapest Credit & Development Bank Pvt Ltd. CIB Bank Zrt Commerzbank Zrt Erste Bank Hungary Zrt OTP Bank Nyrt Raiffeisen Bank Zrt UniCredit Bank Hungary Zrt</p>
<p>8. Belgium</p> <p>Belfius Bank SA/NV Beobank NV/SA BNP Paribas Fortis NV/S.A Byblos Bank Europe SA CBC Banque SA KBC Bank NV</p>	<p>21. Egypt</p> <p>Ahli United Bank Egypt Ltd Arab International Bank Bank of Alexandria The United Bank</p>	
<p>9. Brazil</p> <p>Banco Citibank SA Banco Do Brasil S.A. Banco do Estado do Rio Grande do Sul SA Banco Industrial e Comercial SA Deutsche Bank SA Banco Alemão</p>	<p>22. Estonia</p> <p>SEB Pank AS</p>	
<p>10. Brunei Darussalam</p> <p>Bank Islam Brunei Darussalam Berhad</p>		
<p>11. Bulgaria</p> <p>UniCredit Bulbank AD</p>		
<p>12. Cameroon</p> <p>Citybank Cameroon</p>		
<p>13. Canada</p> <p>Canadian Imperial Bank of Commerce Habib Candain Bank Korea Exchange Bank of Canada La Caisse centrale Desjardins du Quebec National Bank of Canada Royal Bank of Canada State Bank of India (Canda) Toronto-Dominion Bank</p>		

Correspondent Network

30. India

HDFC Bank
ICICI Bank Ltd
Karur Vysya Bank Ltd., The
Punjab National Bank
State Bank of India
Tamilnad Mercantile Bank Limited

31. Indonesia

PT Bank CIMB Niaga TBK
PT Bank CTBC Indonesia
PT Bank Danamon Indonesia, TBK
PT Bank Mandiri (Persero) Tbk
PT Bank SBI

32. Iraq

Trade Bank of Iraq

33. Ireland

Bank of Ireland

34. Italy

Banca del Piemonte SpA
Banca Dell'Adriatico SpA
Banca delle Marche SpA
Banca Etruria Soc Coop
Banca Monte Dei Paschi Di Siena SPA.
Banca Nazionale del Lavoro SpA
Intesa Sanpaolo SPA.
Banca Nuoa SpA
Banca Popolare dell'Emilia Romagna
Società Cooperativa
Banca Popolare di Sondrio Società
Cooperativa per Azioni
Banca Popolare di Vicenza Società
Cooperativa Per Azioni
Banca Popolare FriulAdria SpA
Banca UBAE SpA
Banca Versilia Lunigiana e
Garfagnana Credito Cooperativo
Società Cooperativa
Banco di Desio e della Brianza SpA
Banco di Napoli SpA
Banco Popolare Società Cooperativa
BIVERBANCA - Cassa di Risparmio di
Biella e Vercelli SpA
Cassa Centrale Banca Credito
Cooperativo del Nord Est SpA
Cassa dei Risparmi di Forlì e della
Romagna SpA
Cassa di Risparmio del Veneto SpA
Cassa di Risparmio di Ferrara SpA
Cassa di Risparmio di Parma e
Piacenza SpA
Cassa di Risparmio di Rieti SpA
Cassa di Risparmio in Bologna SpA
Casse di Risparmio dell'Umbria SpA
Credito Emiliano SpA
Credito Valtellinese Società Cooperativa
ICCREA Banca - Istituto Centrale del
Credito Cooperativo
UniCredit SPA
Unione di Banche Italiane ScpA
Veneto Banca Scpa

35. Japan

Bank of Tokyo - Mitsubishi UFJ Ltd (The)
Citibank Japan Ltd
Mizuho Bank Ltd
Resona Bank Limited
Saitama Resona Bank Ltd
Sumitomo Mitsui Banking Corp.
Tama Shinkin Bank

36. Jordan

The Housing Bank for Trade & Finance

37. Kazakhstan

Alliance Bank Joint Stock Company
Citibank Kazakhstan JSC

38. Kenya

Dubai Bank Kenya Ltd
Kenya Commercial Bank
Middle East Bank Kenya Ltd
CFC Stanbic Bank Kenya Ltd
Standard Chartered Bank Kenya Ltd

39. Korea (South)

Busan Bank SA
Citibank Korea Inc
Daegu Bank Ltd
Hana Bank
Industrial Bank of Korea
KB Kookmin Bank
Korea Development Bank
Korea Exchange Bank
National Federation of Fisheries
Cooperatives
Nonghyup Bank
Shinhan Bank
Standard Chartered Bank Korea Limited
The Export-Import Bank of Korea
Woori Bank

40. Kuwait

Al-Ahli Bank of Kuwait KSC
Burgan Bank
Commercial Bank of Kuwait
Gulf Bank KSC
National Bank of Kuwait

41. Latvia

Nordea Bank AB (publ)

42. Lebanon

Byblos Bank SAL
Fransabank SAL

43. Lithuania

AB SEB bankas

44. Luxembourg

BGL BNP Paribas
Danske Bank International SA

45. Malaysia

Bank of America Malaysia Berhad
Bank of Tokyo-Mitsubishi UFJ
(Malaysia) Berhad
CIMB Bank Berhad
Citibank Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Bhd

46. Maldives

Bank of Maldives

47. Malta

FIM Bank
IIG BANK (MALTA) LTD

48. Mauritius

Mauritius Post and Cooperative Bank
The Mauritius Commercial Bank Ltd

49. Mexico

Banco del Bajío SA
Banco Santander (Mexico) S.A.

50. Morocco

Attijariwafa Bank
Attijari International Bank s.a. -
Banque off shore Tanger
Citibank Maghreb
Credit Du Maroc

51. Nepal

Laxmi Bank Limited

52. Netherlands

ABN AMRO BANK N.V.
Banque Artesia Nederland NV
Credit Europe Bank N.V.
F Van Lanschot Bankiers NV
Garanti Bank International N.V.

53. New Zealand

Bank of New Zealand

54. Nigeria

Citibank Nigeria Ltd

55. Norway

DNB Bank ASA
Nordea Bank Norge ASA

56. Oman

Bank Muscat SAOG
Bank Dhofar (S.A.O.G.)
National Bank of Oman S.A.O.G.

57. Pakistan

Al - Baraka Bank (Pakistan) Limited
Allied Bank of Pakistan
Bank Al-Habib Limited
Bank Alfalah Limited
Bank Islami (Pakistan) Limited
Bank of Khyber, The
Bank of Punjab, The
Burj Bank Ltd
Dubai Islamic Bank Pakistan Ltd
Faysal Bank Limited
First Women Bank Ltd
Habib Bank Ltd.
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Ltd.
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
SAMBA Bank Ltd
Silk Bank Pakistan
Soneri Bank Limited
Standard Chartered Bank
(Pakistan) Ltd
SUMMIT Bank Limited
United Bank Limited

58. Poland

Bank BPH SA
Bank Handlowy Warszawa SA
Bank Polska Kasa Opieki SA
Bank Zachodni WBK SA
Deutsche Bank Polska SA
mBank SA
Powszechna Kasa Oszczednosci Bank
Polski Spolka Akcyjna
RBS Bank (Polska) SA

59. Portugal

Banco BPI S.A
Banco Comercial Português SA
Caixa Central de Credito Agricola Mutuo
Caixa Económica Montepio Geral

60. Qatar

Doha Bank Ltd.
International Bank of Qatar
Qatar National Bank

61. Romania

Banca Comerciala Romana SA
UniCredit Tiriac Bank SA

62. Russia

Bank of Moscow
Credit Bank of Moscow
Promsvyazbank Public Joint-Stock
Company
Zao Citibank

63. Saudi Arabia

Al Inma Bank
 Arab National Bank
 Al-Rajhi Banking and Investment Corporation
 Banque Saudi Fransi
 Bank Al-Jazira
 National Commercial Bank Ltd. (The)
 Riyad Bank
 Samba Financial Group
 Saudi Hollandi Bank

64. Serbia

Erste Bank ad Novi Sad
 UniCredit Bank Serbia ad Beograd

65. Singapore

Bank of America Singapore Ltd
 Standard Chartered Bank (Singapore) Limited

66. Slovakia

Ceskoslovenska Obchodna Banka AS

67. Slovenia

Banka Celje dd
 Nova Ljubljanska Banka D.D.
 UniCredit Banka Slovenija dd

68. South Africa

Firststrand Bank Limited
 HBZ Bank Limited
 Habib Overseas Bank Limited
 Standard Bank of South Africa

69. Spain

Banco Cooperativo Español SA
 Banco de Sabadell SA
 Banco Santander S.A.
 Banco Popular Espanol
 Bankinter SA
 Caja Laboral Popular Coop. de Crédito Catalunya Banc SA

70. Sri Lanka

Bank of Ceylon
 Hatton National Bank
 Sampath Bank PLC
 Union Bank of Colombo Limited

71. Sweden

Nordea Bank AB (Publ)
 Skandinaviska Enskilda Banken

72. Switzerland

Bank CIC (Schweiz) AG
 Banque Cantonale de Genève
 Banque Cantonale Vaudoise
 Banque de Comm. et de Placements SA
 BNP Paribas (Suisse) SA
 Banque Cantonale de Genève
 Citibank (Switzerland) AG
 Habib Bank AG Zurich
 Schwyzer Kantonalbank (SZKB)
 UBL (Switzerland) AG
 Zuercher Kantonal Bank

73. Taiwan

Citibank Taiwan Limited
 CTBC Bank Co Ltd
 Far Eastern International Bank
 Huanan Commercial Bank
 Mega International Commercial Bank Co Ltd
 Standard Chartered Bank (Taiwan) Limited
 Taiwan Cooperative Bank
 Taipei Fubon Commercial Bank Co Ltd
 Taiwan Shin Kong Commercial Bank Co Ltd
 Taichung Commercial Bank Ltd
 Union Bank of Taiwan

74. Tanzania

Citibank Tanzania Ltd

75. Thailand

Bangkok Bank Public Co.
 Export – Import Bank of Thailand
 Kasikornbank Public Company Ltd
 Standard Chartered Bank (Thai) Public Company Limited

76. Tunisia

Bank Franco Tunisienne
 Societe Tunisienne de Banque
 Tunis International Bank

77. Turkey

Albaraka Türk Katılım Bankasi AS
 Anadolubank AS
 Asya Katılım Bankasi AS
 Citibank AS
 Denizbank AS
 Türkiye Cumhuriyeti Ziraat Bankasi AS
 Türk Ekonomi Bankasi AS
 Türkiye Finans Katılım Bankasi AS
 Türkiye Garanti Bankasi AS
 Türkiye Halk Bankasi AS
 Kuveyt Turk Katılım Bankasi AS
 Türkiye is Bankasi AS
 Türkiye Vakıflar Bankasi TAO
 Turkland Bank AS
 Yapi ve Kredi Bankasi AS

78. Ukraine

Public Joint Stock Company "Citibank"
 PUBLIC JOINT STOCK COMPANY
 "BANK CREDIT DNEPR"
 Public Joint Stock Company
 "First Ukrainian International Bank"
 PUBLIC JOINT STOCK COMPANY
 UKRSOTSBANK
 Raiffeisen Bank Aval Public Joint
 Stock Company
 UKREXIMBANK

79. United Arab Emirates

Abu Dhabi Commercial Bank
 Commercial Bank of Dubai
 Credit Europe Bank (Dubai) Ltd
 Dubai Bank PJSC
 Dubai Islamic Bank
 Emirates Islamic Bank PJSC
 Emirates NBD PJSC
 First Gulf Bank
 MashreqBank Psc
 National Bank of Fujairah
 Union National Bank
 United Arab Bank

80. United Kingdom

Bank Mandiri (Europe) Ltd
 Bank of Ceylon (UK) Ltd
 Bank of Cyprus UK Limited
 Bank of Ireland (UK) Plc
 Clydesdale Bank PLC
 Habib Allied International Bank Plc
 Habibsons Bank Ltd.
 National Westminster Bank plc
 Northern Bank Limited
 Royal Bank of Scotland Plc
 Standard Chartered Bank
 United National Bank Ltd

81. Uruguay

Banco Bilbao Vizcaya Argentaria
 Uruguay SA

82. U S A

Associated Bank NA
 Bank of New York Mellon
 Bank of America NA
 BOKF NA
 Capital One NA
 Citibank NA
 Cathay Bank
 City National Bank
 Compass Bank
 Comerica Bank
 Deutsche Bank Trust Company Americas
 East West Bank
 First Tennessee Bank NA
 Habib American Bank
 Intrust Bank NA
 JP Morgan Chase Bank
 KeyBank National Association
 M and T Bank
 National Penn Bank
 New York Commercial Bank
 PNC Bank NA
 Regions Bank
 Santander Bank NA
 TD Bank NA
 The Bank of New York Mellon
 The Huntington National Bank
 UMB Bank NA
 US Bank NA
 Wells Fargo Bank NA
 Woori America Bank

83. Vietnam

AN BINH Bank
 Joint Stock Commercial Bank Foreign Trade of Vietnam

84. Yemen Arab Republic

International Bank of Yemen YSC
 Islamic Bank of Yemen for Finance & Investment
 National Bank of Yemen
 Saba Islamic Bank
 Tadhamon International Islamic Bank
 Yemen Gulf Bank
 Yemen Bank for Reconstruction and Development
 Yemen Commercial Bank

**(470 Banks of
 84 Countries
 of Origin, as on
 December 31, 2014)**

Unconsolidated Statement of Financial Position in US\$

As at December 31, 2014

2014		2013		2014		2013	
US \$ in '000				Rupees in '000			
Assets							
190,381	247,851	Cash and balances with treasury banks	19,130,113	26,104,822			
70,341	85,998	Balances with other banks	7,068,111	9,057,747			
34,113	23,767	Lendings to financial institutions	3,427,753	2,503,207			
2,161,699	1,574,782	Investments	217,214,247	165,863,237			
1,696,767	1,552,882	Advances	170,496,454	163,556,632			
82,596	81,343	Operating fixed assets	8,299,488	8,567,401			
534	–	Assets held for sale	53,703	–			
8,712	28,268	Deferred tax assets	875,335	2,977,285			
204,188	153,783	Other assets	20,517,341	16,197,164			
4,449,331	3,748,674		447,082,545	394,827,495			
Liabilities							
68,221	54,000	Bills payable	6,855,020	5,687,542			
136,760	233,050	Borrowings	13,742,030	24,545,879			
3,857,232	3,182,932	Deposits and other accounts	387,586,620	335,241,027			
79,544	37,925	Sub-ordinated loans	7,992,800	3,994,400			
–	–	Liabilities against assets subject to finance lease	–	–			
–	–	Deferred tax liabilities	–	–			
71,643	62,946	Other liabilities	7,199,014	6,629,759			
4,213,400	3,570,853		423,375,484	376,098,607			
235,931	177,821	Net assets	23,707,061	18,728,888			
Represented by							
125,420	119,655	Share capital	12,602,602	12,602,602			
48,005	53,293	Reserves	4,823,738	5,613,061			
18,533	(15,026)	Unappropriated profit / (loss)	1,862,223	(1,582,626)			
191,958	157,922		19,288,563	16,633,037			
43,973	19,899	Surplus on revaluation of assets - net of tax	4,418,498	2,095,851			
235,931	177,821		23,707,061	18,728,888			

Note:

The above is for information only and conversion have been made @ 1US\$=Pak Rs. 100.4831 as at December 31, 2014. (1US\$=Pak Rs. 105.3246 as at December 31, 2013)

Unconsolidated Profit and Loss Account in US\$

For the year ended December 31, 2014

2014		2013		2014		2013	
US \$ in '000				Rupees in '000			
344,378	265,470	Mark-up / return / interest earned		34,604,210		27,960,505	
226,017	183,843	Mark-up / return / interest expensed		22,710,924		19,363,188	
118,361	81,627	Net mark-up / interest income		11,893,286		8,597,317	
(828)	93,555	(Reversal of) / Provision against non-performing loans and advances - net		(83,198)		9,853,603	
2,067	1,434	Impairment loss on available for sale investments		207,669		151,047	
1,966	8,862	Provision for diminution in the value of investments		197,507		933,406	
-	(328)	Provision against repurchase agreement lendings		-		(34,578)	
-	1,898	Impairment loss on immovable assets		-		199,898	
-	-	Bad debts written off directly		-		-	
3,205	105,421			321,978		11,103,376	
115,156	(23,794)	Net mark-up / interest income after provisions		11,571,308		(2,506,059)	
		Non mark-up/interest income					
14,283	11,103	Fee, commission and brokerage income		1,435,180		1,169,442	
3,470	4,830	Dividend income		348,726		508,748	
9,806	5,312	Income from dealing in foreign currencies		985,323		559,463	
17,952	7,789	Gain on sale of investments - net		1,803,844		820,401	
-	-	Unrealised gain on revaluation of investments classified as held for trading - net		-		-	
7,406	5,131	Other income		744,134		540,390	
52,917	34,165	Total non-markup / interest income		5,317,207		3,598,444	
168,073	10,371			16,888,515		1,092,385	
		Non mark-up/interest expenses					
108,819	89,218	Administrative expenses		10,934,450		9,396,803	
467	1,078	Other provisions / write offs		46,956		113,514	
1,251	214	Other charges		125,696		22,571	
110,537	90,510	Total non-markup / interest expenses		11,107,102		9,532,888	
57,536	(80,139)			5,781,413		(8,440,503)	
-	-	Extra ordinary / unusual items		-		-	
57,536	(80,138)	Profit before taxation		5,781,413		(8,440,503)	
(10,088)	(890)	Taxation – current		(1,013,637)		(93,765)	
-	-	Taxation – prior years'		-		-	
(7,492)	29,000	Taxation – deferred		(752,844)		3,054,373	
(17,580)	28,110			(1,766,481)		2,960,608	
39,956	(52,029)	Profit after taxation		4,014,932		(5,479,895)	
(15,750)	8,415	Unappropriated profit brought forward		(1,582,626)		886,336	
24,206	(43,614)	Profit available for appropriation		2,432,306		(4,593,559)	
0.03	(0.06)	Basic / diluted earnings per share		3.19		(5.90)	

Note:

The above is for information only and conversion have been made @ 1US\$=Pak Rs. 100.4831 as at December 31, 2014. (1US\$=Pak Rs. 105.3246 as at December 31, 2013)

Notes

AGM

on Tuesday, March 31, 2015 at 10:00 am

at Pearl Continental Hotel, Rawalpindi

Form of Proxy

Askari Bank Limited

I / We _____ of _____ being member(s) of **Askari Bank Limited** ("the Bank"), holding _____ ordinary shares, do hereby appoint _____ of _____ or failing him / her _____ of _____, who is also member of the Bank, as my / our proxy to vote for me / us, and on my / our behalf at the Annual General Meeting of the Bank to be held on **Tuesday, March 31, 2015 at 10:00 a.m.** at Pearl Continental Hotel, Rawalpindi and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2015.



(Member's signature on Rs. 5/- Revenue Stamp)

Witnesses No. 1: _____

Witnesses No. 2: _____

Name: _____

Name: _____

C.N.I.C. No. / Passport No.: _____

C.N.I.C. No. / Passport No.: _____

Address: _____

Address: _____

NOTES:

A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

The Company Secretary:

ASKARI BANK LIMITED

AWT Plaza, The Mall, P.O. Box No. 1084,
Rawalpindi – Pakistan.

