



# Moving a click ahead



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At Askari, we believe there is no substitute to technology. Technology drives creativity, innovation, and the future.

With this belief we have embarked upon a major initiative by introducing state-of-the-art technology solutions for all key areas of banking i.e., core banking, client relationship, human resource, risk management, finance and vendor management, to make ourselves ready for the banking of the future, to operate in a hi-tech era and to enhance our capabilities to compete in the local and global marketplace. It isn't just about a year or two, we are set to turn intersecting ideas and our fledgling technologies into a bank that can continue to innovate in times to come.

We are excited about entering into a new era of technological advancements and that is the expression on this year's cover.

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With experience comes excellence

**askari**bank



LIMITED

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# Financial Highlights 2009



## Profit

After Tax up by **187%**  
Rs.1.108 billion (2008:Rs.386 million)

Before Tax up by **256%**  
Rs.1.642 billion (2008:Rs. 461 million)



## Deposit

Increased by **23%**  
Rs.206 billion (2008:Rs.168 billion)



## Advances

Increased by **6%**  
Rs.148 billion (2008:Rs.140 billion)

## Total Assets

Increased by **23%**  
Rs.254 billion (2008:Rs.206 billion)



## Equity

Increased by **15%**  
Rs.14.95 billion (2008:Rs.12.97 billion)



## EPS

Increased by **187%**  
Rs.2.18 (2008:Re.0.76)



## Market Value

of shares increased by **87%**  
Rs.27.30 (2008:Rs.14.57)

## Payout

Stock Dividend: **20%**  
(2008: 25%)



## Network

Increased to **226**  
from 200 of last year



# Pakistan's Economic Profile



## Country statistics

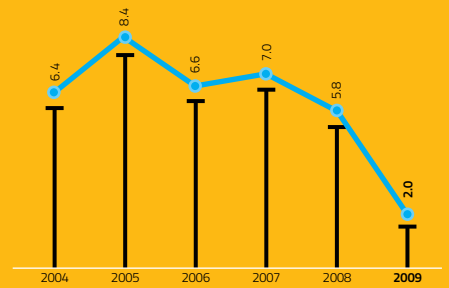
Land area (sq. km)	796,100
Population (million)	166
Population growth (%)	1.80
Population density (people/sq. km.)	206
Life expectancy (years)	64
Literacy (%)	56

At fiscal year end	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Economic indicators</b>						
GDP Growth (%)	6.4	8.4	6.6	7.02	5.8	2.0
GDP at current factor cost (Pak Rs. billion)	5,251	6,123	7,159	8,235	9,962	12,460
GDP -at market prices (Pak Rs. billion)	5,640	6,500	7,623	8,673	10,284	13,095
Inflation (%)	4.6	9.3	7.9	7.8	12.00	21.00
Trade balance (USD million)	(3,279)	(6,207)	(12,130)	(13,564)	(20,914)	(14,160)
Current account balance -						
ex. Official transfers (USD million)	1,811	(1,534)	(4,999)	(7,403)	(13,874)	(9,424)
Foreign currency reserves -year end (USD million)	12,389	12,598	13,122	15,647	11,369	12,425
Exchange rate (USD)	58.15	59.67	60.18	60.37	68.40	81.46
Exchange rate (Euro)	70.90	72.14	76.47	81.70	108.20	114.80
Networth of the banking system (Pak Rs. billion)	131	191	315	484	548	638
Total assets of the banking system (Pak Rs. billion)	3,003	3,624	3,884	4,785	5,074	5,595
KSE 100 index points	5,279	7,450	9,989	13,772	12,289	7,162
Stock market capitalization (Pak Rs. billion)	1,403	2,037	2,766	3,981	3,778	2,155
<b>At calendar year end</b>						
	2004	2005	2006	2007	2008	2009
<b>Banking system</b>						
Capital adequacy ratio - %	10.5	11.3	12.7	13.2	12.1	13.5
Advances/Deposits ratio -%	65.8	70.2	74.6	69.8	69.8	69.6
Return on Assets (after tax) -%	1.2	1.9	2.1	1.5	1.7	1.0

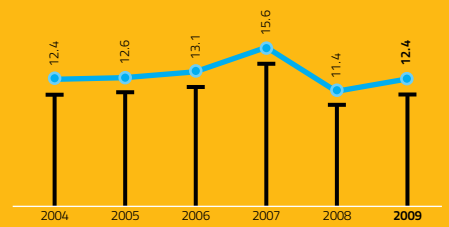
\* Pakistan's fiscal year starts on July 1 and ends on June 30.



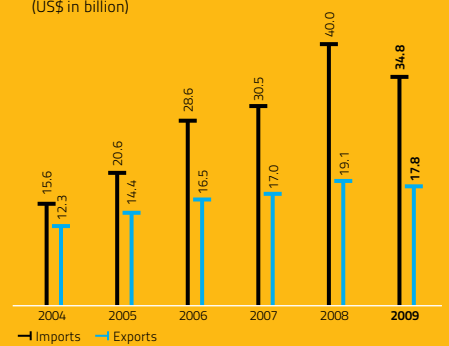
### GDP - Growth (Percent)



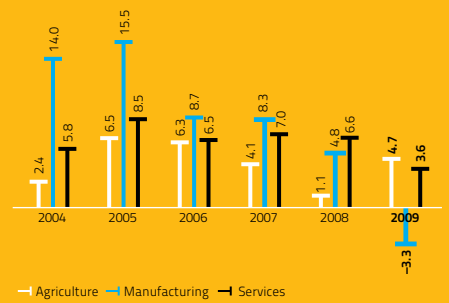
### Foreign Exchange Reserves (US\$ in billion)



### Foreign Trade (US\$ in billion)



### Sectoral Contribution GDP (Percent)





# 18 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 expanded into a network of 226 branches / sub-branches, including 31 dedicated Islamic banking branches, and a wholesale bank branch in Bahrain. A shared network of 4,173 online ATMs covering all major cities in

Pakistan supports the delivery channels for customer service. As at December 31, 2009, the Bank had equity of Rs. 14.95 billion and total assets of Rs. 254.33 billion, with 984,485 banking customers, serviced by our 6,159 employees.

Askari Investment Management Limited and Askari Securities Limited are subsidiaries of Askari Bank engaged in managing mutual funds and shares brokerage, respectively.





# What we stand for

Our **vision** To be the bank of first choice in the region

Our **thinking** Creating opportunities with innovation and technology

## Commitment



### Customers

Passionate about our customers' success, delighting them with the quality of our service

## Integrity



### Investors

A distinctive investment, delivering outstanding performance, return and value

## Fairness



### Regulators

Exemplary compliance, governance and business ethics

# Our Values

## Teamwork



### Employees

Caring for our people and helping them to grow

## Service



### Communities

Dedication towards social development and improvement in quality of life

Our vision to be the bank of first choice in the region demands continuous strive for creation of business opportunities with innovation while maintaining our core values to meet our commitment to all our stakeholders.

The range of our products aims to serve our diverse customer base that comprises of corporates, SMEs, individual savers, households and, farmers. At the same time, our people are constantly engaged in assessing customer needs and market dynamics to realign our products and our priorities to attain brand recognition and competitive edge. We are reshaping our portfolio of businesses by investing in higher growth areas, extending and developing our core competencies and moving out of weak and non-core segments.

Technology has played a pivotal role in meeting customer expectations, particularly with respect to speed and quality of service. We have fully automated transaction-processing systems for back-office support. Our branch network is connected on-line real-time and our customers have access to off-site as well as on-site ATMs, all over Pakistan. Our phone banking service, Askari TeleCare, and internet banking facility allows customers to enjoy routine banking service from anywhere, anytime in the world. We also pioneered an e-commerce venture in Pakistan. Our mobile ATMs are the first in Pakistan.

To further strengthen and enhance our technology platform, the Bank is in the process of replacing

the existing technology with a comprehensive state-of-the-art solutions. This initiative will greatly improve our product delivery and service abilities.

### Our values

Integrity is the most valued standard in whatever we do. We understand that our commitment to satisfy customers' needs must be fulfilled within a professional and ethical framework. We subscribe to a culture of high ethical standards, based on the development of right attitudes. The intrinsic values, which are the corner stones of our corporate behavior, are:

- Commitment
- Integrity
- Fairness
- Teamwork
- Service

### Our customers

Knowing our customers and their needs is the key to our business success. Our products and services are as diverse as our market segments. Our client relationship managers are well equipped and well trained to provide the most efficient and personalized service to the customers. Askari Bank is proud of its pioneering role in providing the most modern and technologically advanced services to its 984,485 relationships.

### Our investors

We believe that the bottom line of any business is creating shareholder value. To gain their trust and confidence, we believe in providing our investors timely, regular and

reliable information on our activities, structure, financial situation, and performance.

### Our regulators

We firmly believe in regulatory discipline and harmony of our corporate objectives with regulatory framework. Our business methodologies are designed to ensure compliance with the directives of all our regulators.

### Our employees

We strongly believe that the interests of the Bank and the employees are inseparable. At Askari we try to create a 'we' culture where there is mutual trust and respect for each other. We encourage ownership behavior so that everyone feels responsible for the performance and reputation of the Bank. We are committed to develop and enhance each employee's skills and capabilities through extensive in-house and external training programs and job rotations. In order to ensure meritocracy, our appraisal system is purely performance based.

### Our communities

We fully recognize our corporate social responsibility and our contributions to different areas of the social sector are aimed to help improve the quality of life in our Country.

# Vision & Mission

## Vision

To be the bank of first choice in the region

## Mission

To be the leading private sector 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.

## Corporate Objectives

- To achieve sustained growth and profitability in all areas of business.
- To build and sustain a high performance culture, with a continuous improvement focus.
- To develop a customer-service oriented culture with special emphasis on customer care and convenience.
- To build an enabling environment, where employees are motivated to contribute to their full potential.
- To effectively manage and mitigate all kinds of risks inherent in the banking business.
- To optimize use of technology to ensure cost-effective operations, strengthening of controls, efficient management information system, enhanced delivery capability, and high service standards.
- To manage the Bank's portfolio of businesses to achieve strong and sustainable shareholder returns and to continuously build shareholder value.
- To deliver timely solutions that best meet the customers' financial needs.
- To explore new avenues for growth and profitability.

## Strategic Planning

- To comprehensively plan for the future to ensure sustained growth and profitability.
- To facilitate alignment of the Vision, Mission, Corporate Objectives with the business goals and objectives.
- To provide strategic initiatives and solutions for projects, products, policies and procedures.
- To provide strategic solutions to strengthen weak areas and to counter threats to profits.





- To identify strategic initiatives and opportunities for profit.
- To create and leverage strategic assets and capabilities for competitive advantage.

### Code of Ethics and Conduct

Askari Bank seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Bank's code of ethics and conduct.

- Presence of a corporate culture that seeks to create an environment where all employees are treated equitably and with respect.
- Employees must carry out their responsibilities in a professional manner at all times. They must act in a prudent manner and must avoid situations that could reflect unfavorably on themselves, the Bank or its customers.
- Employees must commit to the continued development of the service culture in which the Bank consistently seeks to exceed customers' expectations. Fairness, Truthfulness and Transparency govern our customer relationships in determining the transactional terms, conditions, rights and obligations.
- Employees must safeguard confidential information which may come to their possession during the discharge of their responsibilities. Respect for customers' confidential matters, merits the same care as does the protection of the Bank's own affairs or other interests.
- Employees must ensure that 'know your customer' principles are adhered to by obtaining sufficient information about the customers to reasonably satisfy ourselves as to their reputation, standing and the nature of their business activities.
- Employees must avoid circumstances in which their personal interest conflicts, or may appear to conflict, with the interest of the Bank or its customers. Employees must never use their position in the Bank to obtain personal advantage or gain.
- Employees must not enter into an agreement, understanding or arrangement with any competitor with respect to pricing of services, profit rates and / or marketing policies, which may adversely affect the Bank's business.
- Employees must not accept gifts, business entertainment or other benefits from a customer or a supplier / vendor, which appear or may appear to compromise commercial or business relationship.
- Employees must remain alert and vigilant with respect to frauds, thefts or illegal activities committed within the Bank premises.

# Corporate Information



## Board of Directors

Lt. Gen. Javed Zia  
Chairman

Lt. Gen. (R) Imtiaz Hussain

Maj. Gen. (R) Saeed Ahmed Khan

Mr. Zafar Alam Khan Sumbal

Mr. Muhammad Riyazul Haque

Mr. Shahid Mahmud

Mr. Ali Noormahomed Rattansey, FCA

Dr. Bashir Ahmad Khan

Mr. Tariq Iqbal Khan, FCA

Mr. M. R. Mehkari  
President & Chief Executive

## Audit Committee

Dr. Bashir Ahmad Khan  
Chairman

Mr. Ali Noormahomed Rattansey, FCA

Mr. Tariq Iqbal Khan, FCA

## Company Secretary

Mr. M. A. Ghazali Marghoob, FCA

## Chief Financial Officer

Mr. Saleem Anwar, FCA

## Auditors

A. F. Ferguson & Co  
Chartered Accountants

## Legal Advisors

Rizvi, Isa, Afridi & Angell

## Shariah Advisor

Dr. Muhammad Tahir Mansoori

## Registered / Head Office

AWT Plaza, The Mall,

P.O. Box No. 1084

Rawalpindi - 46000,  
Pakistan.

Tel: (92 51) 9063000

Fax: (92 51) 9272455

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

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

## Registrar and Share Transfer Office

THK Associates (Pvt) Limited

Ground Floor, State Life Building No. 3,

Dr. Ziauddin Ahmad Road, Karachi - 75530

P.O. Box: 8533, Karachi.

Tel: (92 21) 5689021, 5686658, 5685681

Fax: (92 21) 111 000 322

## Entity Ratings

Long Term: AA

Short Term: A1 +  
by PACRA





# Directors' Profile



**Lt. Gen. Javed Zia HI (M)**  
Chairman

Lt. Gen. Javed Zia joined the Board of Directors on October 22, 2008.

He is currently serving as Adjutant General (AG) of the Pakistan Army. He is a graduate of Command & Staff College Quetta and National Defense University, Islamabad. Also, he qualified as MSc (War Studies) from Quaid-e-Azam University, Islamabad and M.A. Political Science from the University of Balochistan.

He was commissioned in Pakistan Army in April 1972 and had a distinguished career spanning over a period of more than 35 years. He has worked on various command, staff and instructional assignments in his illustrious career in the Pakistan Army. He has commanded an Infantry Division besides being the Director General Pakistan Rangers (Sindh). He has also served as the Deputy Chief of the General Staff.



**Lt. Gen. (R) Imtiaz Hussain HI (M)**  
Director

Lt. Gen. (R) Imtiaz Hussain joined the Board of Directors on January 1, 2009.

He is currently Managing Director of Army Welfare Trust. He is a graduate of Command & Staff College Quetta and National Defense University, Islamabad. Also, he qualified as MSc (War Studies) from Quaid-e-Azam University, Islamabad.

He was commissioned in the Pakistan Army in 1971 and had a distinguished career spanning over a period of more than 37 years. He has worked on various command, staff & instructional assignments in his illustrious career including Command of an Infantry Division and Corps. He has also served as Director General Doctrine and Evolution, Director General Weapons and Equipment, and Adjutant General of Pakistan Army before retiring in October 2008.



**Maj. Gen. (R) Saeed Ahmed Khan**  
Director

Maj. Gen. (R) Saeed Ahmed Khan joined the Board of Directors on June 12, 2009.

He is Executive Director Finance of Army Welfare Trust. He is a graduate from Punjab University & University of Balochistan. Also, he possesses a qualification of MSc (War Studies) from Quaid-e-Azam University, Islamabad.

He was commissioned in the Pakistan Army in December, 1971 and had a distinguished career spanning over a period of more than 35 years. He has worked on various command and staff assignments in his illustrious career in the Pakistan Army.



**Mr. Zafar Alam Khan Sumbal**  
Director

Mr. Zafar Alam Khan Sumbal is one of the founder directors of the Bank.

He is a post graduate in Economics and holds a vast experience in banking and finance spanning over 37 years both in Pakistan and abroad.

He has also worked as Company Secretary of the Bank till April 2005 before elevated to his current position of Director Corporate by the Board of Directors of the Bank. He also holds a position of Chief Executive Officer of one of the projects of Army Welfare Trust. He is on the Board of Directors of Askari Leasing Limited as well.



**Mr. Muhammad Riyazul Haque**  
Director

Mr. Muhammad Riyazul Haque joined the Board of Directors of the Bank on September 1, 2008.

He holds master's degrees in Development Economics [Williams College, USA]; Economic and Social Sciences [University of Manchester]; and English [GCU, Lahore]. He joined the Government of Pakistan in 1966. He has worked in all the provinces of Pakistan, and in districts, as Secretary to the Government of Baluchistan, as Joint Secretary in the President and the PM secretariat and in EAD, and as Additional Secretary [Banking and Foreign Exchange]. He has been a director on the boards of HBL, and of Pak-Kuwait and Saudi -Pak Investment companies.

Mr. Haque worked as international professional staff for the Asian Development Bank in several countries. He was Team Leader for project development, processing, implementation, and monitoring and evaluation, of development projects, and of institutions including banks. He led the production of policy documents and instruction manuals. He has led delegations of GOP with international financial institutions, and of the ADB with other countries. He has worked as a consultant with UNDP.

Mr. Haque has attended a large number of conferences and other moots in Pakistan and abroad, has been a member of professional societies, actively associated with think tanks and social groups and has travelled abroad extensively.



**Mr. Shahid Mahmud**  
Director

Mr. Shahid Mahmud joined the Board of Directors of the Bank on September 1, 2008.

He holds a Master Degree in Defense & Strategic Studies from National Defense University along with more than 25 years of professional experience in the field of IT & communications. He is presently working as Chairman & Chief Executive Officer of Interactive Communication (Pvt) Limited and Interactive Convergence (Pvt) Limited. He has been the founder director and shareholder of Paktel, Indus Vision, Pak Globalstar (Pvt) Limited, SHOA (Pvt) Limited, and Shaheen Pay TV (Pvt) Limited. Mr. Shahid is an Eisenhower fellow and its honorary life member. He is also a member & founder member of various organizations.

He has attended numerous training sessions and seminars for strategic management, marketing, market research and analysis, distribution and supply chain management, material management, change acceleration process, electric commerce, information technology, telecommunications, media and various other product systems in various countries including USA, UK, Hong Kong, Singapore, Canada & Pakistan.

# Directors' Profile



**Mr. Ali Noormahomed Rattansey**

Director

Mr. Ali Noormahomed Rattansey joined the Board of Directors on September 1, 2008.

He has 38 years of working experience. He is a fellow member of the Institute of Chartered Accountants in England & Wales and has been associated with A. F. Ferguson & Co. Chartered Accountants, Pakistan for 31 years (including 23 years as a partner). He has extensive experience in audit, accounting, tax and financial and corporate consultancy, with significant exposure to Pakistan corporate sector including subsidiaries of multinational companies operating in Pakistan. He is also a director of New Jubilee Insurance Company Limited and New Jubilee Life Insurance Company Limited, and chairman of Aga Khan Rural Support Programme.

He has participated in numerous trainings, workshops & seminars related to Audit, Finance & Management.

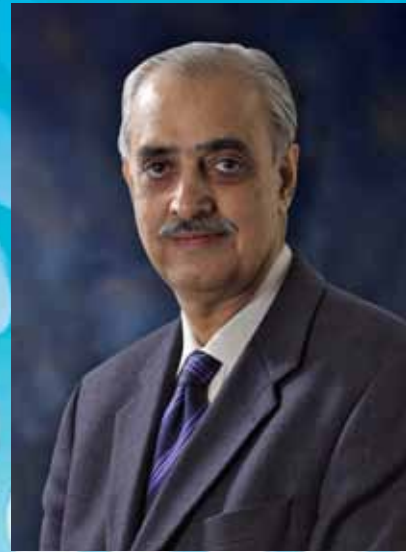


**Dr. Bashir Ahmad Khan**

Director

Dr. Bashir Ahmad Khan joined the Board of Directors on March 28, 2008.

He has more than 20 years of academic and professional experience and is presently working as professor of finance and head of department of business studies at Forman Christian (FC) College. He taught at the Suleman Dawood School of Business at Lahore University of Management Sciences (LUMS) for 18 years, where he was also associate dean of executive education. He has played a key role in the launch of both customer-specific and open enrolment executive education programs for various institutions & companies. His current responsibilities include strategic and financial planning, budgeting, human resource management, and business development. He has been a financial and management consultant for various commercial and non-commercial organizations. He has also been on the Policy Board of the Securities & Exchange Commission of Pakistan and a member of the board of Askari Investment Management Limited, a subsidiary of Askari Bank.



**Mr. Tariq Iqbal Khan**

Director

Mr. Tariq Iqbal Khan is on the Board of the Bank since October 2001.

He is Chairman/Managing Director of National Investment Trust (NIT).

He is a fellow member of the Institute of Chartered Accountants of Pakistan with over 40 years of experience in the corporate sector in the areas of finance & accounts, capital markets, company law, taxation etc. He is a founder director of Islamabad Stock Exchange and has also been its president during 1995-1998. He has also served as member Tax Policy and Co-ordination in Federal Board of Revenue before joining the Securities & Exchange Commission of Pakistan as a commissioner and officiated as acting chairman in 2000. He is also working as member on the board of directors of various companies in Pakistan.

He has also attended large number of conferences, seminars, and workshops in Pakistan and abroad.





**Mr. Muhammad Rafiquddin Mehkari**  
President & Chief Executive

Mr. M. R. Mehkari with 39 years of international and domestic banking experience and currently serving Askari Bank in the position of the President and Chief Executive. He is one of the pioneer members of Askari Bank.

In 1971, he started his career with UBL and in December 1974, joined the erstwhile BCCI and served at National Bank of Oman, a subsidiary of BCCI, till 1992. He carries extensive experience in all banking dimensions including operations, treasury, fund management and investment banking, in international and domestic banks.

He joined State Bank of Pakistan on secondment and performed as Director, Exchange Policy Department from April 2000 to April 2004, where he took several major initiatives like liberalizing Foreign Exchange Regime etc. He was also a member of Corporate Management Team and Monetary & Exchange Rate Policy Committee at State Bank of Pakistan.

Mr. Mehkari is also a member on the board of Khushali Bank and Askari Investment Management Limited, a subsidiary of Askari Bank.

He participated in various courses and seminars on foreign exchange exposure & treasury management, money market and other banking areas of operations in Pakistan and abroad.



**Mr. M. A. Ghazali Marghoob**  
Company Secretary

Mr. M. A. Ghazali Marghoob, Company Secretary of Askari Bank is a chartered accountant and holds membership of the Institute of Chartered Accountants of Pakistan, Institute of Corporate Secretaries of Pakistan, Institute of Public Finance Accountants and a diploma holder from the Institute of Bankers of Pakistan.

He holds diversified experience spanning over 25 years in the field of finance & corporate affairs in banking and service industry.

He started his professional career with Marriot Hotel and later on worked in Saudi Pak Industrial & Agricultural Investment Company and SME Bank as chief financial officer and company secretary for over 16 years.

He has attended various courses and seminars in Pakistan and abroad.



**Mr. Saleem Anwar**  
Chief Financial Officer

Mr. Anwar joined the Bank in June 2008 and is working as Chief Financial Officer.

He is a Fellow member of the Institute of Chartered Accountants of Pakistan and brings with him diversified work experience spanning over 24 years in the field of accounting, finance, planning, tax and corporate affairs, both in Pakistan and abroad. He started his professional career with A. F. Ferguson & Co. Chartered Accountants (affiliates of PriceWaterHouse Coopers International) and later on, joined the erstwhile Al Faysal Investment Bank, the largest investment bank in Pakistan. He moved to commercial banking in 2002 and worked in various capacities with banks in Pakistan and abroad. His last major assignment was with Mashreq Bank (Badr Al Islami), Dubai, UAE, as head of special projects.

Mr. Anwar also represents the interest of the Bank as a director on the board of Bank's majority owned subsidiary, Askari Securities Limited.

He has participated in various training workshops, seminars and courses on banking, accounting and finance and management.

# Notice of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Askari Bank Limited [the Bank] will be held on Tuesday, March 30, 2010 at 10:00 am at Blue Lagoon Complex Opposite outward gate of Pearl Continental Hotel, Rawalpindi to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the 5th Extra-Ordinary Annual General Meeting held on December 21, 2009.
2. To receive, consider and adopt the financial statements for the year ended December 31, 2009 together with the Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the Bank for the year ending December 31, 2010 and to fix their remuneration.

## Special Business:

4. To consider and if deemed fit, pass the following Resolutions with or without modification(s):

## Resolved that

- i. a sum of Rs. 1,071,240 thousand out of the general reserve as at December 31, 2009 (including reserves subsequent to the merger of Askari Leasing Limited) be capitalized and be applied to the issue of 107,123,990 ordinary shares of Rs. 10 each allotted as fully paid bonus shares to the members whose names appear in the register of members as at the close of business on March 23, 2010 in the proportion of 20 shares for every hundred shares held that is 20%.
  - ii. The shareholders of Askari Leasing Limited who will become the shareholders of Askari Bank Limited after merging of Askari Leasing Limited with and into Askari Bank Limited in terms of Scheme of Amalgamation already approved by State bank of Pakistan would also be entitled for bonus shares mentioned at (i) above.
  - iii. The bonus shares shall rank pari passu in all respects with the existing shares.
  - iv. The sale proceeds of fraction share entitled to members shall be donated to any recognized charitable institution, for which purpose the fractions shall be consolidated into whole shares and sold through stock market.
  - v. Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of Bonus Shares.
5. To consider any other business as may be placed before the meeting with the permission of the Chair.

By order of the Board



M. A. Ghazali Marghoob  
Company Secretary

Rawalpindi  
March 8, 2010

## 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 18th Annual General Meeting of the Bank scheduled for March 30, 2010.

### Item No. 4 of the notice – Issue of bonus shares

The Directors are of the view that the reserves / profits are adequate for the capitalization of a sum of Rs. 1,071,240 thousand for issue of the proposed 20% bonus shares and in this regard compliance has been made under Rule 6 of Companies (Issue of Capital) Rules, 1996. Auditors' certificate in respect of adequacy of reserves has also been obtained.

## Notes

### A. General

- 1 The Share Transfer books of the Bank will remain closed from March 24 to March 30, 2010 (both days inclusive). Transfers received at M/s THK Associates (Pvt) Ltd. 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 23, 2010 will be treated in time for purpose of the entitlement of bonus shares (B-14) to the transferees.
- 2 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.
- 3 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.
- 4 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.
- 5 If a member appoints more than one proxy, and more than one instrument of proxy are 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. Attested 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.





# Management



## Head Office

**M. R. Mehkari**  
President & Chief Executive

**Agha Ali Imam**  
Group Head, Marketing & Strategic Planning

**Ejaz Ahmed Khan**  
Group Head, Commercial Banking

**Tahir Aziz**  
Group Head, Corporate & Investment Banking

**S. Suhail Rizvi**  
Group Head, Operations

**Javed Iqbal**  
Chief Information Officer

**Rehan Mir**  
Global Treasurer

**Khalid Mohammad Khan**  
Country Head, Compliance & Data

**Khawaja Shaukat Iqbal**  
Country Head, Special Asset Management

**Hashim Khan Hoti**  
Country Head, Islamic Banking Services

**M. Farooq Abid Tung**  
Country Head, Agriculture & Rural Business

**Saleem Anwar**  
Chief Financial Officer

**Mohammad Munir Ahmed**  
Country Head, Electronic Technology

**Lubna Azam**  
Chief Credit Officer

**Mian Shaukat Ali Arif Sirhindi**  
Country Head, Consumer Banking Services

**Zahid Mahmood Chaudhry**  
Country Head, Human Resource

**Israr Ahmed**  
Executive Incharge, President Support Office

**Farrukh Iqbal Khan**  
Country Head, Audit & Inspection

**Adil Zaidi**  
Country Head, International Banking

**Zehra Khalikdina**  
Acting Country Head, Risk Management

**Masood Qadir**  
Country Head, Credit Administration

**Brig. (R) Muhammad Ifzal**  
Country Head, Establishment

**Hassan Aziz Rana**  
Head Legal Affairs

**M. Ahmed Ghazali Marghoob**  
Company Secretary

**Iftikhar Baloch**  
Chief Information Security Officer

## Regions/Areas/ W.B. Branch

### North Region

**Haseeb Saulat**  
Regional General Manager

**Tariq Mahmud Khan**  
Area Manager, Rawalpindi – I

**Inamullah Khan Niazi**  
Area Manager, Azad Kashmir

**Mohammad Tayyab Khan**  
Area Manager, Islamabad

**Tanveer Afzal Khan**  
Area Manager, Peshawar

**Syed Tauqir Haider Rizvi**  
Area Manager, Rawalpindi – II

### Central Region

**Tahir Yaqoob Bhatti**  
Regional General Manager

**Sajjad Ali Sheikh**  
Area Manager, Multan

**Saulat Hameed**  
Area Manager, Lahore – II

**Ejaz Musarrat Siddiqui**  
Area Manager, Lahore – I

**Mushtaq Ahmed**  
Area Manager, Gujranwala

**Tariq Waheed**  
Area Manager, Faisalabad

**Adnan Asghar**  
Area Manager, Sahiwal

### South Region

**Muhammad Jaffer Khanani**  
Regional General Manager

**Saif-ur-Rehman Khan**  
Area Manager, Karachi – III

**Niaz Mohammad**  
Area Manager, Hyderabad

**Qazi A.M. Khalid**  
Area Manager, Karachi – I

**Farrukh Bari**  
Area Manager, Karachi – IV

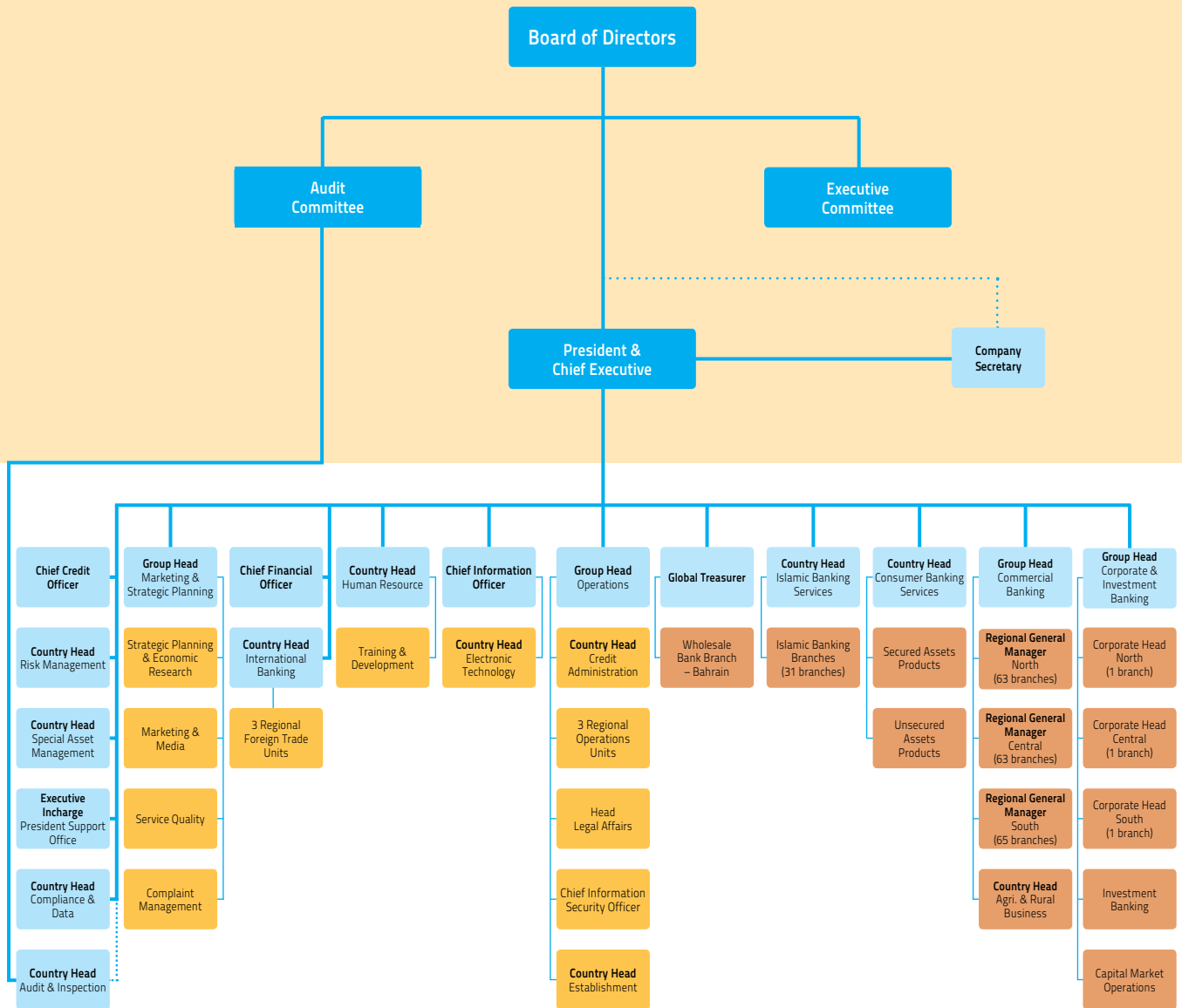
**Mirajuddin Aziz**  
Area Manager, Karachi – II

**Hafeez Ur Rahman Quraishy**  
Area Manager, Quetta

## Wholesale Bank Branch, Bahrain

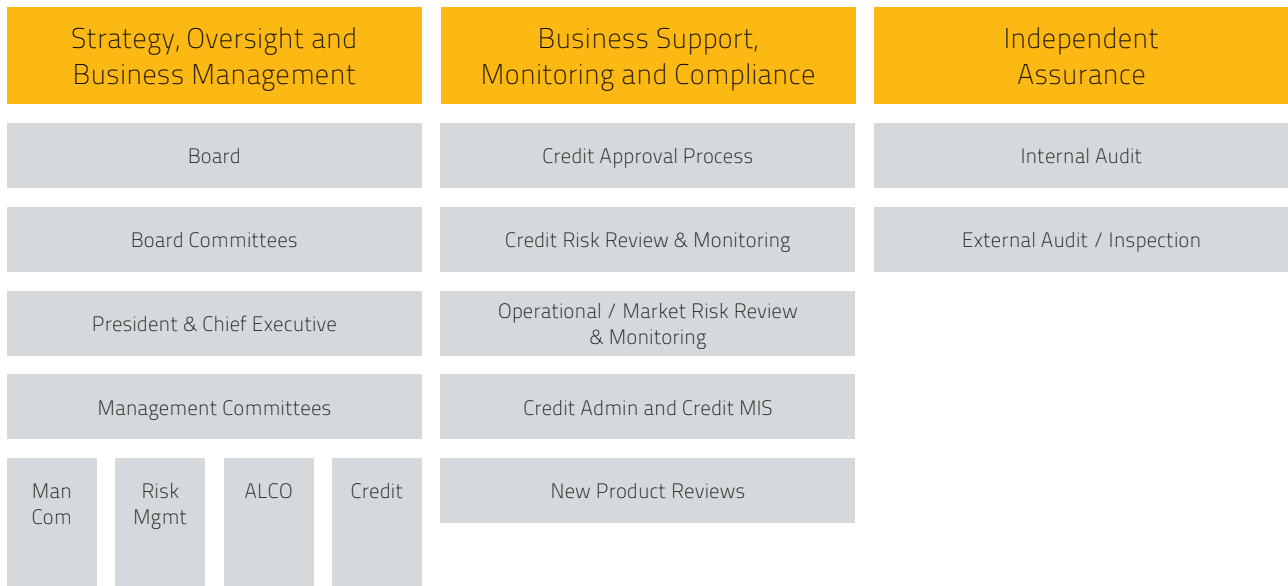
**Khurram Dar**  
Wholesale Bank Branch, Bahrain

# Organogram



- Board Members
- Direct Reports to the President
- Business Functions
- Support Functions

# Risk Management Framework





# Entity Ratings

**askari**bank  
LIMITED



Long term **AA**  
Short term **A1+**

Definitions by Pakistan Credit Rating Agency Limited (PACRA) :

## AA

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

## A1+

Obligations supported by the highest capacity for timely repayment.



Mr. M. R. Mehkari, President Askari Bank speaks to media at the occasion of CILT Pakistan's International Seminar



Askari Bank sponsored ASF Annual Exhibition / Meena Bazar

# Corporate Social Responsibility

“The only way to achieve true success is to express yourself completely in service to society”

(Aristotle)

At Askari Bank, Corporate Social Responsibility is an integral part of the way we do business, and is a vital element of our strategy. We believe that we make our greatest contribution to the society by being good at what we do, and doing it in an inspiring way – providing products and services that help customers meet their financial goals.

As a socially conscious organization, Askari Bank always endeavors to contribute to the society in which it operates. As a

responsible corporate citizen we believe in giving back to the society by taking initiatives with the intent to positively affect our stake holders, which include our customers, sponsors, partners, employees, as well as our communities.

In order to fulfill our CSR objectives, we attempt to promote public interest by encouraging community growth and development through sponsoring social service events, supporting education, sports, environment and also contribute in socio-cultural activities.

During the year, Askari Bank has contributed to various CSR initiatives which include educational, conferences/ conventions, sporting events like golf and squash as well as sponsoring international sports events like the Fina World Swimming Championship.

We have always tried to lend a helping hand to those who are less fortunate and in need of assistance. Askari Bank actively makes donations to various charities that work for the welfare of the society. In

order to ease the plight of the Internally Displaced Persons (IDPs) each employee of Askari Bank donated one day's salary supported by media campaign to raise public awareness on this issue.

Askari Bank believes in the cause of a better environment and continually sponsors tree plantations, flower festivals, spring galas as well as other beautification projects for a greener and cleaner Pakistan.

In order to enrich the lives of the public Askari Bank attempts to add a bit of color by sponsoring musical events, lifestyle exhibitions, film and art festivals as well as trade & industrial expos. We also regularly contribute to non-government organizations which work on social development and well being of the general public.

## Sponsorships

Askari Bank has sponsored various events and activities during 2009. Some of the key events were:



A group photo of participants of the 13th Fina Swimming Championship sponsored by Askari Bank



Askari Bank's stall at the Dawn Life Style Exhibition 2009



Executives of Askari Bank laying a floral wreath as tribute to the Martyrs of Pakistan Army



Mr. Agha Ali Imam, SEVP presenting a souvenir to Chief Guest of COAS Open Golf Championship



Players in action at the 7th COAS Squash Tournament sponsored by Askari Bank

## Sports

- Sponsorship of 13th, Fina World Swimming Championships
- Sponsorship of 2010 World Championship Qualification Tournament, held in 2009
- Sponsorship of 29th Punjab Open Golf Tournament
- Sponsorship of 7th Chief of the Army Staff (COAS) Squash Championship 2009
- Sponsorship of All Pakistan Garrison Open Golf Tournament
- Sponsorship of COAS 7th International Squash Championship
- Sponsorship of COAS Open Golf Championship 2009
- Sponsorship of ITF Pakistan Junior U-18 Tennis Championship 2009
- Sponsorship of Pakistan Veteran Tournament Rawalpindi
- Sponsorship of Allama Iqbal Open Golf Tournament 2009
- Sponsorship of Gujranwala Golf Championship 2009

## Education

- Sponsorship of Annual Function of the Old Hailians Association
- Sponsorship of branding for Islamic Educational Convention
- Sponsorship of Exhibition on International Conference on Medical Education
- Sponsorship of Lahore Grammar School's Annual Play 2009
- Sponsorship of Old Ravians Union event through publication
- Sponsorship of TNS Film Festival organized by BPS, School, Lahore
- Sponsorship of Zenith Leadership & Development Program, Karachi

## Environment

- Sponsorship of a Campaign under the title of "Telephone a Tree"
- Sponsorship of Children Park at Istaqlal Camp, Chakwal
- Sponsorship of F-10 Roundabout, Islamabad
- Sponsorship of Park at Commercial Area, DHA, Lahore Cantt
- Sponsorship of Spring Gala organized by M/s ECI (Pvt) Ltd

## Social

- Sponsorship for CILT Pakistan's International Seminar
- Sponsorship of ASF Annual Exhibition / Meena Bazaar
- Sponsorship of 19th, All Pakistan Multan Open Golf Championship
- Sponsorship of All Pakistan Memon Exhibition, Karachi
- Sponsorship at Dawn Life Style Exhibition 2009
- Sponsorship of Civil Aviation Authority special publication issue.
- Sponsorship of Conference on Scopes of Retail Banking & Finance Expo Pakistan 2009
- Sponsorship of Food, Agri & Livestock Asia 2009 for E-commerce Gateway Pakistan.
- Sponsorship of Islamic International Medical College (IIMCT)
- Sponsorship of print/media campaign for IDPs



# President's Message



In line with the expectations of a modest recovery in economic growth, the prospects of returning to macroeconomic stability improved in the initial months of fiscal 2010 with most key indicators continuing with the positive trends, which began in the closing months of fiscal 2009. Improvement in agriculture and the industrial sectors backed by reduction in inflation, contained government borrowings, contraction in external imbalances and, easing monetary stance, are all likely to support economic stability during the current year. Though, a drop in overall volume of trade, tax growth, risk of lower than expected aid receipts and, in particular, a rise in the fiscal deficit, highlights the fragility of the improvement and pose continuing risk to the economic recovery. In this environment, funding under the IMF Program has been a key for the recent improvement in Pakistan's foreign exchange reserves. Going forward, the major impetus for economic growth is expected to come from the services sector. The current account deficit is likely to improve further. However, given the current circumstances arising from the campaign against militants, the situation remains challenging and demands continuation of fiscal

discipline, sound macroeconomic policies and focused attention towards the betterment of infrastructure and social sector indicators to ensure that the economy maintains its long term growth trajectory.

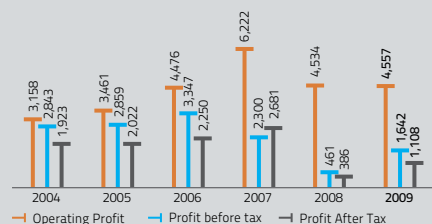
2009 witnessed gradual easing of the monetary policy stance that was aimed to counter inflationary and demand pressures, which were achieved to a greater extent. While the liquidity position greatly improved compared to last year, the risk averseness of financial system restricted credit growth to a large extent and instead preferred short term liquidity management avenues. Deposit mobilization by banks improved and showed signs of recovery towards the end of 2009 and it is anticipated that the position will improve further during 2010.

Alhamdulillah, Askari Bank achieved planned growth in business and operations during 2009. The total assets of the Bank amounted to Rs.254 billion as at December 31, 2009, registering an increase of 23 percent over December 31, 2008. The major increase in asset book was recorded in aggregate investment portfolio that grew by 88 percent during 2009,

while the gross advances increased by 6 percent, to Rs.148 billion from Rs.140 billion at end 2008. The Bank continued with the cautious and selective approach while taking credit exposures and remained focused on risk management and portfolio diversification. The efforts for effective loan portfolio diversification which started last year yielded further positives and during 2009, the Bank's exposure in textiles, which sector has largely remained under pressure owing to various internal and external developments, was reduced to 18 percent of the total portfolio, compared to 20 percent at the close of the previous year. Also, the Bank preferred financing against collaterals which improved our capital adequacy in compliance with Basel II requirements.

Customer deposits reached Rs.206 billion by December 31, 2009, an increase of 23 percent over December 31, 2008. The deposit type and currency mix remained almost consistent with last year except savings deposits that reached 54 percent of the total deposits compared to 48 percent at the close of 2009. During the year, the Bank's efforts remained focused on improving the core deposits. For this purpose a deposit mobilization plan

Profits  
(Rs. in million)



Advances and Deposits  
(Rs. in billion)



was launched for Bank employees that yielded excellent results and contributed to overall improvement in core deposits. Also, the deposit products launched towards the end of 2008 gained further strength and were also a reason for increase in core deposits during 2009.

The earnings of the Bank remained under pressure during 2009, mainly due to increased non-performing loans (NPLs) and related provisions, subdued economic conditions and carry-over of losses from stock market. The scope of the benefit of forced sale value (FSV) of collaterals, which was reinstated last year, was further expanded, subject to certain conditions, by the State Bank of Pakistan (SBP) in 2009 with the addition of certain types of collaterals and allowing the benefit of up to 40 percent of FSVs for computation of loan loss provisioning against NPLs. This relaxation was fully accounted for while computing loan loss provisions during 2009. Profit after taxation at Rs.1.11 billion, however registered marked improvement when compared with last year's Rs.386 million, an increase of 187 percent. The banking spread registered slight improvement over last year, despite absorbing the adverse impact on net mark-up income due to increased non-performing advances, thus reflecting effective asset liability management during 2009. The Bank's NPLs stood at Rs.17.73 billion as of December 31, 2009 compared to Rs.11.69 billion at the end of previous year, an increase of 52 percent. Aggregate provisions

as of December 31, 2009 increased to Rs.12.59 billion, thus providing coverage of 71 percent against non-performing loans as of December 31, 2009. To expedite recovery of non-performing and classified loans, a dedicated Special Asset Management (SAM) division has been set-up and is aggressively monitoring and following-up problem accounts. During 2009, the Bank's efforts resulted in substantial improvement in the recovery position. SAM will continue to actively pursue recovery from defaulting customers.

The valuations of our investment portfolio, which primarily comprise of SLR (statutory liquidity requirement) eligible securities and other equity and debt securities, improved with the adjustment of 250 basis points announced by the SBP in the policy rate at three intervals during 2009. These and other timely steps by the SBP, supported by moderation of demand pressures improved the market liquidity management. Under these circumstances, our treasury management remained prudent and operated competitively during 2009.

Our corporate and investment banking group gained further strength and increased its share in business volumes of the Bank. The group is well positioned to service large corporates and multinational companies through a range of multifaceted offerings which include syndicated finance, advisory services, and discretionary investor relations besides trading in equity and debt markets. During the year, the

Corporate and Investment Banking Group successfully raised Rs.3.0 billion as Tier II capital i.e. sub-ordinated debt in the form of Bank's third issue of Term Finance Certificate (TFCs).

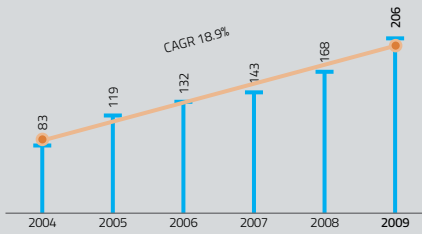
Our consumer banking offers products and services, mostly asset based, to the retail customer segment along with Askari credit card, using the MasterCard brand. During 2009, the consumer banking focused on consolidation of business and operations and repositioned itself under the changing business environment for this segment. As part of this process, product automation was assigned priority and a few products, which were previously offered under a distributed model, were centralized with the aim of improving customer service and operational controls along with process efficiencies. Our consumer banking plans to further diversify and expand the scope of its services through optimization of technology and targeting untapped opportunities of the retail banking market which still offers potential for growth.

The agriculture and rural banking services offered by the Bank gained momentum during 2009 on the back of innovative offerings, capacity and awareness building, and increased market penetration. Askari Zarai Credit Card launched in the previous year as the first ever credit card for agriculture purposes gained further strength and attracted more interest from this segment. Also, group-based lending methodology has been adopted to facilitate small farmers availing agriculture credit. During the year, our agri & rural business division (ARBD) won the first position in diversification of credit Products from MINFAL, Government of Pakistan, and also received certificate of appreciation from SBP regarding Development of SBP Crop Loan Insurance Framework.

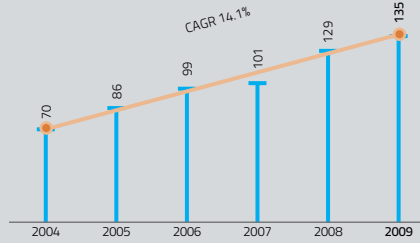
Askari Islamic banking further expanded its outreach during 2009 by adding eleven new branches to

## President's Message (cont.)

Deposits  
(Rs. in billion)



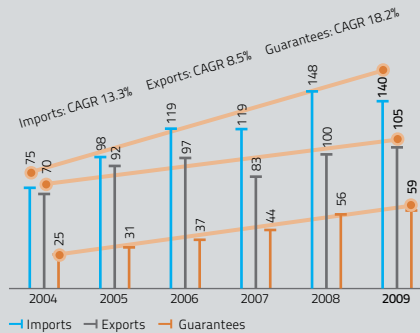
Advances  
(Rs. in billion)



Total Assets  
(Rs. in billion)



Foreign Trade and Guarantees  
(Rs. in billion)



Financial Services Software (OFSS) (previously flexcube) as the core banking software with the key objectives to (a) improve business management, (b) upgrade customer service, (c) strengthen the internal control environment, and (d) improve quality and timing of financial and non-financial information. In addition to OFSS, the Bank is also implementing Oracle Financial as MIS and Supply Chain Management software, PeopleSoft as human resource management software, Revevus as risk management software and Siebel as customer relationship management software. These softwares will be fully integrated with OFSS and collectively strengthen our product and service delivery capacity while improving the overall operational and internal control standards. We are fully aware of the huge challenges involved in this project and have

the network of our independent Islamic branches. During the year, Askari Islamic banking successfully achieved a milestone by initiating and successfully converting a conventional banking branch into an Islamic banking branch. Such conversion will be further extended to other towns and localities where the demand for Islamic products and services has gained strength and has outgrown the demand for conventional banking products and services. Askari Islamic's comprehensive range of Sharia'a compliant banking offerings are now available at thirty one branches. Despite the strain on earnings attributable to network expansion, Askari Islamic's contributions to operating profits increased during 2009.

During the year under review, the Bank remained focused on improving risk management which we consider to be one of the essentials for sustainable success in today's banking business. The risk management function was further strengthened in line with the

risk management guidelines issued by the SBP; a risk management strategy has been developed for identifying, assessing, controlling and monitoring risks. Our risk management processes comprise of detailed risk reviews, application of analytical tools and techniques along with traditional methods to quantify value at risk and monitor potential risks, independent risk assessments covering all types of risks including credit, market and liquidity risk performed by a well resourced risk management function.

The Bank has already commenced the most ambitious and challenging project in its history, of upgrading the entire technology platform. During the year under review, our dedicated teams involved in the implementation along with our implementation partners achieved planned progress and milestones. Keeping in view the size and significance of this project, relevant details have been separately documented in this annual report, titled under 'technology initiative'. Briefly, the Bank has acquired Oracle

assigned the highest priority to this program backed by the deployment of the required means and resources for a timely and successful implementation, which will be under close watch for further support.

During the year under review, the Bank achieved ISO 27001 certification. The certification audits of the bank were conducted during 2009 under the approved scope of this assignment and after completion of procedural changes in the relevant business processes, British Standards Institutions (BSI) awarded Askari Bank ISO/ IEC 27001:2005 Certification, thus making Askari Bank the first Bank in Pakistan to be awarded this prestigious certification.

Askari Bank recognizes its employees as the prime asset and the key contributors to the performance of the Bank and places great emphasis on the attraction, development, motivation and retention of its employees. Our organizational development program which mainly comprised of various



human resource initiatives, was completed during 2009, although work in certain areas will continue as improvement in employee satisfaction and motivation is an ongoing process. In the first phase, all human resource policies were reviewed and revised to attain alignment of compensation and benefits with the market. After announcing the first layer of revised organization structure which included restructuring of certain divisions / units for better business and operational efficiency, the process was cascaded to all groups / divisions / units during the year under review. An exercise to identify unique jobs has been completed and job description documents have been developed. On the one hand this will ensure effective placement of staff, standardization and rightsizing, and on the other, it will enable employee goal setting which is the primary requisite for an effective performance management system. A comprehensive performance management system based on well defined goals and responsibilities has been implemented across the Bank. Going forward, compensation and benefits will be based entirely on employee performance.

Also, employees' professional development remains one of the key elements of our human resource strategy. To keep abreast with technological development and other advancement, human capital enrichment through extensive in-house and external training is indispensable. During the year, various training programs were conducted for Bank employees through in-house training academies in Rawalpindi, Lahore and Karachi, and external training facilitates both local and international. We remain committed to provide ample opportunities for in-house and external trainings that will enable our employees to improve their skills and professional competence.

During the year, the Bank remained focused on consolidation than expansion and restricted additional branches to twenty six compared

to fifty branches opened last year, increasing our number of branches to 226 branches, including 31 Islamic banking branches and an wholesale bank branch in Bahrain. The strategic branch expansion will continue; however the process will be gradual and selective, as under the current economic and business conditions, our emphasis will be on consolidation of expansion achieved by the Bank in recent years.

The performance of Askari Investment Management Limited (AIML), which is a wholly owned subsidiary of the Bank, was subdued mainly due to adverse market conditions for mutual funds and asset management companies. Although the stock exchange index improved by almost 64 percent during the year under review, mutual funds continued to face huge withdrawals and consequently asset management companies came under severe stress. It is anticipated that the stability in stock exchange index will lead to gradual turnaround for mutual funds industry.

The Country's economy is showing important gains for overall macroeconomic stability but maintaining these gains and ensuring continuity of the nascent economic recovery remains challenging for the economic managers during 2010. Given the situation and challenges faced by the Bank, certain areas have been identified as key strategic priorities for 2010 and have been cascaded down the line. Also, a comprehensive review and monitoring mechanism has been put in place for timely identification of gaps and corrective measures. I am confident that Askari's management team will continue to work with dedication and hard work to accomplish our collective vision – to become the bank of first choice in the Region, and continue to strive for every possible opportunity to add value for our stakeholders.

I am pleased to inform that with the receipt of final approval by the SBP on February 18, 2010, Askari Leasing

Limited (ALL) is set to amalgamate with and into Askari Bank Limited with effect from March 3, 2010. Army Welfare Trust is the Sponsor shareholder of both companies and the amalgamation will synergize business and operations at the group level and will bring economies of scale. Customers of ALL will enjoy a comprehensive range of commercial banking products from the network of over 226 branches of the Bank while the customers of the Bank will be benefited by the addition of leasing to our product offerings.

My sincere appreciation to the Board of Directors for their unstinted co-operation over the year. They have taken keen interest in the affairs of the Bank and in formulation of policies and had been an immense source of support and guidance to me during the year. I thank them for the wise guidance and counsel extended to me in managing the affairs of the Bank. Also, I thank the State Bank of Pakistan for providing guidance on policy and operational matters which in fact enhanced the professional capabilities of the Bank.

The loyalty of our customers has been very encouraging despite intense competition. This situation has helped us maintain a competitive edge and market share over the years. I thank them for the confidence they continue to place in us.

I would like to thank all stakeholders for the trust and confidence they continue to place in Askari Bank.



M. R. Mehkari  
President & Chief Executive

February 23, 2010

# Technology Initiative



Askari Bank has embarked upon a major initiative of overhauling its technology infrastructure with the aim of upgrading business and operational capabilities while improving quality of customer service. For this purpose, five new software application products have been acquired and are currently in different stages of implementation. These include a Core Banking System, a Risk Management System, a Human Resource Management System, a Supply Chain Management / Enterprise GL System and a Customer Relationship Management System. These systems are well recognized and are considered to be the best of the breed in their respective areas.

Although implementation of all these applications has been undertaken almost simultaneously, the major focus of the Bank is to achieve a transformation of its core banking business. While the system currently in use has admirably served the Bank over the years, it is now considered obsolete. By implementing the new core banking system, the Bank plans to achieve a paradigm shift of its focus towards customers. The old system relied on 'accounts' as the focal point for customer relationships, whereas the new system is structured to give a single view by linking all accounts and services availed by a customer. In other words, customer would become a 'bank customer' as against a 'branch account holder', while all Bank branches and alternate delivery channels will be at par for delivering consistent service irrespective of their geographical location.

The new system offers many functionalities which are rich in coverage and processing capabilities. It is a centralized application which will run in a central data center and users will simply access it through a communication network. In recognition of the centralized nature and round-the-clock availability of the new system, the Bank has also undertaken an upgrade of its computer processing and data communication network capabilities. For this purpose, a state-of-the-art central data center is under preparation. Adequate computer hardware and redundant support services such as power supply, power continuity, air-conditioning, security, etc., are being arranged. Once completed, the data center is expected to become a reference site. To improve reliance on data communications, the existing network is also being upgraded not only by increasing bandwidth for users, but also introducing redundancy to prevent discontinuation of services because of network failures. Another aspect of the centralized processing would be a disaster recovery center which can take over centralized operations with minimal down time to attain business continuity.

While enhancing customer services, the new core banking system will facilitate our employees to be better equipped by providing them with effective planning, monitoring and controlling tools. It will also enable the Bank to launch new products and services quickly, and gain competitive

advantage. With the new systems, the workflows at our branches will undergo a transformation as users will have all relevant information on their screens as against reliance on paper. The new system will also replace many sub-systems implemented over the years.



Implementation of the new core banking system is planned in phases. In the first phase most products and services in our conventional branches are being addressed while in the second phase Treasury and Islamic Banking services will be covered. In view of the old system being decentralized and its reliance on branch based servers, roll-out of the new system will be gradual over the entire branch network with all branches of the Bank planned to be converted to the new system within two years of the first branch going 'live' during the first quarter of 2010.



Amongst the other applications, the Supply Chain Management System is expected to transform the procurement process using electronic workflow over the Bank's data communication network. This system will also provide an Enterprise GL for the Bank and will be able to integrate information from various sources to compile the overall position of the Bank for reporting to the regulators as well as for the management. This system will also be maintaining an up-to-date inventory of Bank's fixed assets in a central database.



The Human Resource Management System will enable the Bank to maintain an elaborate database of its workforce. It will enable the human resource function to manage its work in a highly efficient manner with functionalities such as employees recruitment, payroll management, performance appraisal, training, etc. This system will consolidate and upgrade many functions, currently carried out through the use of disparate systems and procedures. Line managers will also be able to view relevant information about their respective staff through the data communication network and thereby manage their staff more efficiently.



The Risk Management System will enable the Bank to achieve compliance with the central bank's directives in this area and will help the Bank's management to be able to manage risk in a scientific and organized way. It will help the Bank to achieve Basel-II compliance in line with the Bank's policy and regulatory directives.



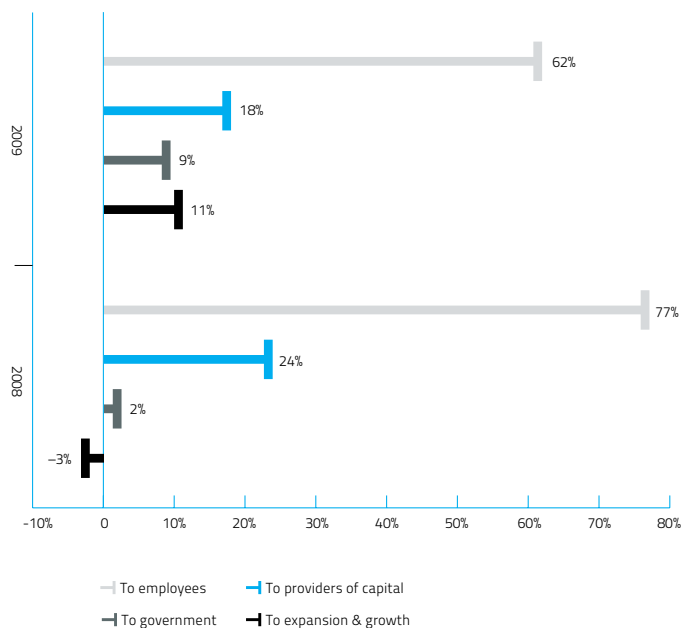
The Customer Relationship Management System acquired by the Bank has vast capabilities and will be absorbed into the Bank's working in phases. In the first phase it will be deployed to achieve workflow based credit approval in the consumer banking area and also provide single view of the customer to the call center agents as well as branch staff and relationship managers.

The use of technology in the business of banking has become very central and many services being offered by banks cannot be conceived if proper technology is not deployed to support the same. While Askari Bank has prided itself in the use of appropriate technology throughout its history and has achieved many "firsts" in the past in the use of IT, the Bank has, yet again, decided to leapfrog competition in many areas by undertaking the ambitious plan for technology enhancement and upgrade the benefits of which will become visible in the near future. The Bank recognizes that the technology upgrades is an ongoing process and plans to keep abreast of the latest developments to introduce the best products and services for its customers in the future.



# Value Added Statement

	2009		2008	
	Rs. in '000	Percent	Rs. in '000	Percent
<b>Value Added</b>				
Income from banking services	23,121,122		18,951,365	
Cost of services	14,188,630		10,763,100	
Value added by banking services	8,932,492		8,188,265	
Non-banking services income	35,797		26,548	
Provision against non-performing assets	(2,914,893)		(4,072,597)	
<b>Total value added</b>	<b>6,053,396</b>		<b>4,142,216</b>	
<b>Value Allocated</b>				
to employees				
Salaries, allowances and other benefits	3,765,197	62.2	3,169,771	76.5
to providers of capital				
Cash dividend	–	–	–	–
Bonus shares	1,071,240	17.7	1,014,693	24.5
	1,071,240	17.7	1,014,693	24.5
to government				
Income tax	534,448	8.8	75,157	1.8
to expansion and growth				
Depreciation	645,958	10.7	511,063	12.3
Retained in business	36,553	0.6	(628,468)	(15.1)
	682,511	11.3	(117,405)	(2.8)
<b>Total value allocated</b>	<b>6,053,396</b>	<b>100.0</b>	<b>4,142,216</b>	<b>100.0</b>



Our presence,  
in all corners  
of Pakistan,  
is more than  
just being  
there



### North Region

Islamabad	15
Rawalpindi I	16
Rawalpindi II	11
Peshawar	13
Azad Kashmir	8
Corporate	1
Islamic Banking	8
	<b>72</b>

### Central Region

Lahore I	12
Lahore II	11
Sahiwal	7
Faisalabad	11
Gujranwala	11
Multan	11
Corporate	1
Islamic Banking	12
	<b>76</b>

### South Region

Karachi I	10
Karachi II	10
Karachi III	11
Karachi IV	11
Hyderabad	14
Quetta	9
Corporate	1
Islamic Banking	11
	<b>77</b>

Wholesale	
Bank Branch (Bahrain)	1

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**Total branches /sub-branches 226**

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Branch contact details are given on page 194 to 201



# Business and Operations Review

The performance of Askari Bank during 2009 showed marked improvement over the previous year despite non-conducive business conditions prevalent during most of 2009. The Bank was able to prudently manage the risks and returns despite subdued credit demand and continued pressure on banking margins. Also, the growing non-performing loans demanded focused handling. In addition to the core commercial banking activities, the Bank was able to derive considerable gains through active management of money market, equity and debt management portfolios.

Consolidation of business and operations was the key element of our strategies during 2009 greater focus was placed on strengthening policies, processes, controls and workflows. The technology transformation initiative that the Bank has embarked upon is in an advanced stage of implementation; the benefits are expected to emerge in near future in the form of improvement in service quality, customer offerings, process efficiencies, internal controls that will further strengthen our capabilities and readiness for future challenges.



# Corporate and Investment Banking

CIBG offerings aim towards the Bank's large corporate and institutional customers, including public sector entities. Such offerings range from products for meeting operational funding requirements, as well as a suite of structured finance products and services related to strategic expansions, divestments, syndications, project finance, underwriting, cash management, and trade finance related services. The Group operates through the Corporate Banking Division (CBD) and an Investment Banking Division (IBD) based upon a client-centric and distribution-focused business model, supported by a culture that prioritizes client relationships and economic returns through a structure that enables an integrated, multi-product services.

The combination of CIBG's industry expertise, strong balance sheet and innovative product structuring allow us to meet the evolving needs of our ever-growing client base.

Year 2009 marked the first full year of CIBG operations through three focused Corporate Centers / Regions in Karachi, Lahore and Islamabad, thus concluding the bank's comprehensive transformation agenda in this business area.

The Corporate Banking Division (CBD) works under the customer relationship management model on a long-term relationship based business concept. It provides high quality services to its valued customers at a single point within the Bank for meeting all business requirements of its large size customers, with the primary objective of enhancing customer service, whilst also improving the underlying risk



of the portfolio. CBD strategically present in all major corporate hubs of the country.

The challenges to corporate business in the year 2009 were manifold including reduction in private sector credit off-take as a result of slowing down of economy. In line with the Bank's strategy of consolidation, Corporate Banking Division (CBD) strategy was focused towards maintaining and strengthening existing corporate relationships while meeting the business requirements of its large size customers, with the primary objective of enhancing customer service and also improving the underlying risk of the total portfolio through development and cultivation of relationships with externally rated entities / corporations thus enabling the Bank to maximize risk adjusted returns on capital deployed through CBD.

The Investment Banking Division (IBD) focuses on origination and execution of a full range of financial advisory and capital raising services to corporate and institutional clients as well as actively managing the Bank's proprietary investments in the local equity and debt capital markets.

During 2009, the IBD team remained actively involved in lead arranging and structuring a number of innovative

and high profile debt arrangement and project finance transactions for a client base ranging from large corporate, multinational companies and public sector entities.

CIBG teams work hand in hand to identify and deliver through a combination of basic and structured product offerings including but not limited to:

- Term Finance Facilities;
- Working Capital Financings;
- Structured Trade Finance Facilities;
- Guarantees;
- Letters of Credit;
- Fund Transfers / Remittances;
- Bill Discounting;
- Export Financing;
- Receivable Discounting;
- Corporate and strategic advisory services;
- Loan Syndications;
- Project Finance transactions;
- Equity financings;
- Debt swaps;
- Balance sheet restructuring services;
- Debt and equity financing options through Capital Markets.

## Business and Operations Review (cont.)

# Consumer Banking Services



Consumer Banking Services Division's products and services mostly comprise auto finance, personal finance, mortgage finance, Askari Credit Cards under the MasterCard brand, Askari Corporate Credit Cards and Zarai Credit Cards.

The consumer finance segment adversely affected by the recent phenomena of inflation and changes

in interest rates. The recent data suggests further decline to the already contracting market of this segment. In this situation, our consumer banking repositioned itself with focus on containing the growth of problem loans and improving recovery efforts and internal controls. Also, a very cautious and selective approach was adopted for fresh lending during the year. Such efforts

have started yielding results and the key performance indicators for this business have started to register notable improvement.

Going forward, with the improvement in economy, our consumer finance shall be focusing on expanding target market and enhancing our portfolio through new and improved initiatives and products. Special attention is being given to business opportunities involving strategic alliances that will earn sustainable returns. Also, greater emphasis will be placed on secured form of consumer lending. We believe that with these measures, CBSD is positioned to increase product offerings while improving and maintaining a quality of its risk asset portfolio. CBSD's current product offerings include:

- Credit Cards (Platinum, Gold, Silver, Zarai & Corporate)
- Askari Bank's Personal Finance.
- Smart Cash (Running Facility for customers)
- Askari Bank's Mortgage Finance (Home loans)
- Askari Bank's Business Finance (Business loans)
- Askar (Auto loans)
- Flexible Credit Plan.
- AskCard (Askari Debit Card)
- i-Net Banking (Internet Banking Services)
- Askari Touch 'N' Pay (Electronic Bill Payment Services)
- Cash Management Services.
- Rupee Traveler Cheques.
- Askari Value Plus (Deposits)



Our success is tied  
to our customers'  
success....  
we win together





## Business and Operations Review (cont.)



### Treasury and International Banking

2009 witnessed relative economic stability on the back of increase in foreign exchange reserves, moderation in inflation and improvement in fiscal imbalance and increase in workers' remittances. These developments led to the start of a monetary easing cycle. The cautious and gradual approach of monetary policy easing is an optimal response to the prevailing economic situation and appears to be focused on the long term stability of the financial system. This is also reflected by the number of policy announcements which increased to six during 2009. A new framework of interest rate corridor was introduced with objective of better transmitting the monetary policy signals. These measures resultantly increased liquidity and the rates moved to acceptable levels during the year under review.

Being cognizant of the developments on economic and regulatory front,

Treasury managed its operations prudently for maximizing return. During 2009, treasury operations increased transactional turnover on the back of increase in business volumes and better liquidity position; the size of treasury book also increased considerably compared to the last year.

The efficiency and effectiveness of treasury operation are being enhanced by relevant and appropriate training of the human resource available with the treasury and updating of its IT system by coordinating with vendor to meet the new challenges and in order to be more competitive in the market.

International Division plays a vital role in establishing and managing multi-faceted correspondent banking relationships with over 277 banks in 76 countries around the globe thereby providing a highly professional and need driven service to the Bank's valued global clientele.

During the year, while maintaining focus on the trade finance business, the Division also made concerted efforts to enhance the volume of workers' remittances. It made several arrangements with various multi-national banks and

exchange companies to promote home remittances in the country. This Division is also engaged in carrying out regular due diligence of counterparties with the aim to ensure compliance of 'anti-money laundering' and 'know your customer' standards and guidelines.

### Wholesale Bank Operations (Bahrain)

Wholesale Bank Branch's contribution towards the earning of the bank have shown improvement during 2009 despite the global economic slowdown - net profit for the year recorded growth of 63%. As a wholesale bank branch, our Bahrain operations serve as an outlet to utilize our foreign currency resources to generate better returns. It always endeavors to participate in appropriate and viable syndication and other trade businesses emerging on the international scene. In addition, our Bahrain operations are on the constant lookout to evaluate and explore other areas of business and investment opportunities with acceptable risks and maximum returns.



## Marketing & Strategic Planning

This Group was recently established to strengthened the marketing and strategic planning function within the Bank. The main objective of this Group is to facilitate the management in competitive positioning of the Bank in line with the market dynamics while focusing on key strategic objectives. The Group also manages marketing activities from a central platform aimed to improve the Bank's image and also to serve our communities and society at large – through corporate social responsibility projects.

The Group also monitors economic developments by a dedicated research desk, created for this purpose, that also analysis the market in order to align our business strategies with competition. The economic research desk also provides regular updates on different industries, competition, money and stock market trends, and value drivers in order to keep the management abreast with current scenarios aiding them in the decision making process.

In order to ensure a renewed focus on customer satisfaction the group

endeavors to introduce a service strategy which would bring to attention the service grey areas that lead to customer attrition. A customer complaint management unit focuses on customer concerns and addresses them by plugging the gaps in processes and workflows.

In the area of strategic planning, the Group aims to facilitate various business functions by setting strategic direction backed by implementation plans with well defined goals and timelines that enables objective monitoring of such plans. The Group also oversees product development initiatives, generally based on market and customer feedback and also keeps the existing products under continuous review using product performance measurement scorecards.

## Islamic Banking

Islamic banking activities of the Bank were initiated during 2006. Despite late starter, Islamic banking operation of the Bank is now amongst the top players in its peers i.e., 13 conventional banks with separate stand alone Islamic Banking branches.

The branch network as on December 31, 2009 has increased to 31, including

two sub-branches. During 2009, 11 new Islamic Banking Branches (IBBs) were opened including the first ever conversion of a conventional banking branch. Now IBBs of the Bank are present in 15 major cities.

Despite the strain on profitability due to ongoing set up of new branches, the operating profit increased by 77%, which stood at Rs.153.17 Million compared to Rs. 85.74 Million in the previous year mainly attributable to 38% increase in net earning spread. Total deposits increased to Rs.7.46 billion as on December 31, 2009 from Rs. 5.40 billion as on December 31, 2008 – upsurge of 38%.

In line with Shariah requirements, the Bank ensures that the funds and products of Islamic banking are explicitly managed without any intermingle with the conventional banking business. All funds obtained, invested and shared, are in Shariah compliant modes of investments. A comprehensive Islamic Banking products and services are being offered by the Bank in order to meet the customers demand for Shariah compliant banking, including Islamic corporate banking, investment banking, trade finance, general banking and Islamic consumer banking. To implement Islamic banking products in their true letter and spirit, training in Islamic banking is given great importance; the staff of Islamic Banking is fully conversant with the philosophy of Islamic Banking and the products being offered.

An eminent scholar, and recipient of the President of Pakistan's medal for Pride of Performance (in Academics), Dr. Muhammad Tahir Mansoori is the Shariah Advisor of the Bank. He is currently the Professor and Dean of the faculty of Shariah and Law at the International Islamic University, Islamabad.

## Business and Operations Review (cont.)



# Agriculture Banking

During 2009, Agriculture and Rural Business Division (ARBD) gained further strength with improved and efficient delivery and control mechanism for meeting increased demand for credit by the farmers in easy, accessible and affordable manner. Our innovative product range for this segment is best rated in the market. The Bank surpassed its allocated targets for agriculture financing by 102% during the financial year 2008-09. Aggregate disbursements increased by 43% and outstanding advances by 9% while the overall spread also registered improvement over previous period.

During the year, while focusing in business development, this unit also achieved further refinement in back office processing including credit initiation, operations, risk management, in line with the business dynamics and regulatory framework. ARBD remains proactively engaged with its stakeholders for aggregation of services and improving

life standard of farmers through its distribution network, currently extended to 89 branches across the country.

Some of the milestones achieved by ARDB during the year include:

- Won first position in diversification of credit products from MINFAL (GOP)
- Received certificate of appreciation from SBP regarding development of SBP Crop Loan Insurance Framework.
- Contributed in developing SBP guidelines for Islamic agriculture financing, livestock financing, small farmer group financing.
- Coordinated with Federal Government for the development of Shaheed Benazir Bhutto Card, Asian Development Bank funded agribusiness development & diversification project.

Our agriculture credit brand includes:

- Askari Kissan Evergreen Finance.
- Askari Kissan Tractor Finance.
- Askari Kissan Transport Finance.

- Askari Kissan Livestock Development Finance.
- Askari Kissan Farm Mechanization Finance.
- Askari Kissan Aabpashi Finance.
- Green House & Tunnel Finance.
- Farm Storage Finance.
- Model Dairy Finance.
- Gold Fish Finance.
- White Pearl Finance.
- Murghban Finance.
- Samar Bahisht Finance.
- Gulban Finance.
- Asan Mali Sahulat,
- Zarai Credit Card.





## Operations

The primary aim of Operations Group is to provide a supporting platform to all business segments on operational matters across branches and business units, by strengthening internal control environment, while contributing towards effective decision making and extended guidance on operational matters. The Bank's decision to replace the existing IT platform with the most modern and sophisticated system i.e., Flexcube, a core banking software is a major step in this direction, which is currently being actively pursued for implementation.

Operations Group consistently strives to bring improvement in internal controls and provision of uninterrupted services to customers. During the year 2009:

- Various processes were reviewed and updated that include introduction of personalized cheque books, automation of clearing settlements, enhanced due diligence measures in account opening and transaction monitoring, etc.
- On various occasions of riots, business continuity was secured through successfully shifting operations to alternate sites thereby ensuring provision of uninterrupted services to our valued customers without compromising on quality.
- Setting up of Centralized Foreign Trade Units (CFTUs) was completed; an another milestone achievement. The outreach of CFTUs was expanded to all branches dealing in foreign trade, thereby providing effective control over trade related transactions.

Our mission is to achieve sustained performance, characterized by extra ordinary initiative & creative ability, in order to optimize the way operations, people and technology work together to achieve desired results.

## Business and Operations Review (cont.)



### Credit and Asset Quality

Due to overall economic slowdown and its effects on large scale manufacturing industry, the credit growth during 2009 remained subdued. During the year under review, the gross advances of the Bank registered a growth of 6% which increased from Rs.140 billion to Rs.148 billion. The Bank remained selective in taking credit exposures and focused on risk adjusted returns and quality and nature of collaterals to achieve improvement in capital adequacy ratio. During the year, the non-performing loans swelled to 12% of the gross advances compared to 8% at end 2008. This negative is attributable to a variety of adversities including slowdown in trade – mainly exports, power outages, slow credit off-take, security challenges hampering investment climate and overall decline in business activity. In this situation, our focus remained on recovery and during the year

under review, substantial recovery was made with active monitoring and follow-up. At the yearend 2009, aggregate provisions covered 71% of the non-performing loans.

The Bank has endeavored to be the strong market player and has build market share through offering superior services, competitive pricing, and a wide product range to its valued clients. The Bank caters to the needs of small, medium, SME, Commercial & large corporate, multinational companies including private and public sector entities.

The key objective has been to make risk management a core competency of the organization to ensure that risks are accurately identified & assessed, properly documented and approved, and adequately monitored & managed in order to safely enhance our earnings. The evaluation and appraisal system comprises of well-designed multi-tier credit appraisal procedures, with extensive guidelines, covering the qualitative and quantitative aspects of credit evaluation. The scope of appraisal system further extends to remedial

management of the accounts. Also, early warning system was improved for timely identification of problem accounts to and proactive addressing of the issues.

The bank has strived to maintain a well collateralized and diversified optimal mix of loan portfolio relative to its capital, customer deposit base, and risk appetite.

### Risk Management

Risk Management is a core function at the Bank that performs critical activities of measuring, monitoring, controlling and reporting credit, market, liquidity, operational and other risks. The risk management framework of the Bank covers (i) risk policies and limits structure, (ii) risk infrastructure and (iii) risk measurement methodologies.

During the year under review, the focus of our risk management remained on implementation of



policies / strategies and creating awareness that every employee is a risk manager at his / her workplace thus invoking the importance of the role in the overall risk structure of the Bank. The Bank's credit initiation and approval process has been strengthened by introducing models to cover cash collateral and SME exposure. Now, our internal credit rating model covers a wide array of products spread across the corporate, commercial and SME portfolio spectrum. Further, obligor risk limits, risk pricing and industry-sector limits have been established to mitigate over-concentration in a particular segment. The scope of market risk reporting has been extended to include market risks in the banking book as well as trading book. The scope of the value at risk (VaR) model is being enhanced to include, inter alia, corporate debt in the trading book. The Bank has developed new stress testing approaches and is aiming for systematic implementation thereof.

The Bank seeks to adopt a holistic approach to market risk by taking into account correlations, in order to generate unified risk metrics for the trading book as a whole. The Bank has developed and deployed tools and techniques in measuring operational risk such as risk and control self assessment, loss data analysis and operational key risk indicator with aim to reduce operational losses, improve performance measurement, ensure better control of operations, provide early warning of gaps in internal controls and enhanced security measures.

The Bank has also established a comprehensive Operational Risk Management framework based on appropriate risk management architecture. The framework assesses and measures the operational risk arising from system, people and processes. To minimize the impact of unexpected events on business operations, the Bank has invested

in enhanced physical security and collaborated with a security agency to improve protection of branches and staff.

## Electronic Technology

Our strength in the area of information technology (IT) based service has always been an edge in the competition and has been a source of considerable strength in the expansion and management of the customer base of the Bank.

In line with our policy of providing the most modern and convenient banking services, Askari Bank has initiated the process of replacing the technology platform which has been separately described in this report.



## Business and Operations Review (cont.)

Besides the new initiatives, the Electronic Technology Division (ETD) is responsible for managing the legacy systems which include automated branch banking operations, efficient delivery of customer services through branches as well as alternate delivery channels, facilitating intra-bank electronic communications and arranging an efficient MIS for operational management, decision making and regulatory reporting.

Its activities include supporting the existing branch based banking system installed in the branches and delivering 24/7 banking services through the Bank's ATM network as well as through internet banking and call centers. ETD is also responsible for developing and maintaining computer software application systems to meet the requirements of business and operations and to support launch of new products and services.

In order to implement the new centralized applications, a separate building has been acquired in Islamabad for ETD where a state-of-the-art data center is being established. All new systems currently under implementation as well as the existing applications will be run out of the new data center which is planned to be operational in March 2010.

During the year, ETD successfully implemented a third party software system for Consumer Banking Services Division thereby enabling them to manage their portfolio effectively. ETD also achieved installation of 34 additional ATMs raising the total number of the Bank's ATMs (including third party ATMs) to 194. Besides, 5 new conventional branches, 11 new sub-branches and 10 new Islamic branches were added to the network. Other projects

completed during the year included launch of VISA Debit Card, adoption of Lotus Notes Email system and implementation of a central database of the exiting branch based banking system.

The data communication network of the Bank was extensively overhauled for improving the connectivity between the branches and other offices with ETD. Besides increasing bandwidth, a number of branches were provided dual links. A number of security features were introduced in the data communication network which include installation of firewalls at all branches, implementation of an Enterprise Anti-Virus system and an IT assets monitoring system over the network. Another important achievement was establishment of a Disaster Recovery Center for replicating the central servers to achieve business continuity.

Besides making the new applications 'live' and smooth rollout to all branches of the Bank, integration of Islamic banking system with the Bank's ATM network, upgrading of internet banking, implementation of a new version of Credit Card Management system, integration of the two call centers, shifting of existing operations to the new ETD premises, activation of the new Data Center and establishment of a Disaster Recovery Site in another city are amongst ETD plans for the near future.

## Information Security

The prime objectives of establishing Information Security Division (ISD) is to manage the Bank's Information Security System (ISMS) in strict

compliance with the international standards of confidentiality, integrity and availability by adopting an integrated approach to information security risk management with an objective to achieving the ISO international certification.

The Division made all out efforts in developing and implementing related policies & procedures at the selected areas within the scope of ISO certification. Extensive training was imparted to the designated Information Security Managers for creating awareness and clear understanding of the significance of information security within the Bank.

During 2009, the Bank achieved this milestone and the British Standards Institution (BSI), a leading global provider of independent third-party certification of management systems awarded our Bank ISO/IEC 27001:2005 Certification, thus making Askari Bank the first Bank in the Pakistan banking industry to be awarded with this prestigious certification. This certification will further strengthen our relationships with foreign / local correspondents, enhance banker – customer relationship and build confidence amongst stakeholders.

Recently, ISD has been tasked to creating and designing the infrastructure for the implementation of 'Enterprise Architecture' (EA) within the Bank; lay out and structure have been designed while detailed work on development of processes, selection of technologies, applications, information assets, locations, needs, and information gathering have been initiated.



## Our People

Human capital of the Bank is given the highest value in the aim to achieve its mission of being the Bank of first choice. Accordingly, the Bank's focus remains on employee development coupled with improving the ambiance through regular reviews and refinements of processes and work environment thereby ensuring its dynamism and robustness and keeping the spirit of its key guiding principles and policies.

During the year 2009, training & development team of the Bank continued its pursuit for quality training to the Bank's staff in line with the approved training policy. Training goals were determined in light of the well defined training need assessments (TNA) procedures as envisaged in the overall strategic plan of the Bank. During the year, another training academy was

established in Karachi, adding to the two training academies already operating in Rawalpindi and Lahore. These academies conducted a record number of 456 courses, workshops and skill development clinics in the disciplines of service & attitude, management & communication, IT, credit & finance, international trade, domestic banking operations, risk management, and on other diverse subjects including series of leadership development programs for senior management of the Bank. These courses were conducted by professionally skilled qualified faculty aided by industry experts.

During the year 2009 the first phase of new Human Capital Management System (HCM) i.e. PeopleSoft HCM was implemented that integrates HR systems and processes and provides expanded online services for staff on HR matters. The advance modules of the system will automate many processes relating

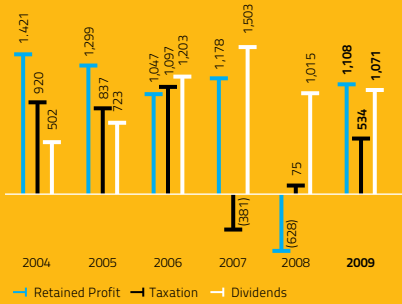
to selection and recruitment, training and development, performance management, career and succession planning etc.

During the period under review most of the task relating to organizational restructuring have been completed, which included development & implementation of performance management system (PMS), finalization of the organogram of the Bank and each business / operating unit, development of job description documents etc.

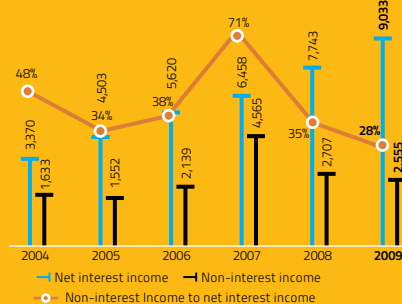
For the first time during 2009, the PMS based on well-defined goals and responsibilities was made effective with the new performance appraisal system during the annual employee appraisal exercise.

# Financial Review

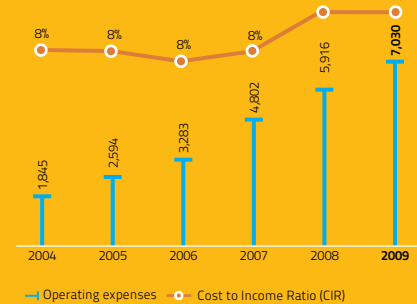
**Distribution of Profits**  
(Rs. in million)



**Non-Interest Income**  
(Rs. in million)



**Operating Expenses**  
(Rs. in million)



## Profits

The operating profit (i.e. profit before provisions and taxation) of the Bank stood at Rs.4.56 billion; almost at the same level as of last year (2008: Rs.4.53 billion). Pre-tax profit recorded growth of 256%, whereas profit after tax registered an increase of 187% compared to the corresponding year. The net interest income registered an increase of 17%, despite revenue suspensions owing to burgeoning NPLs. Non-interest income decreased by 6% while administrative expenses increased by 19%.

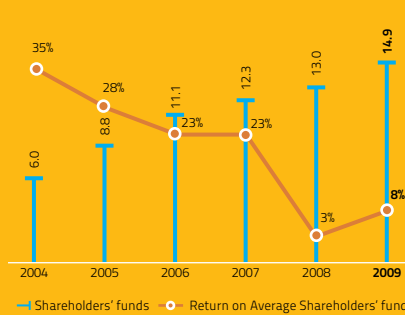
## Non mark-up / non interest income

The non mark-up / non interest income, declined by 6%, mainly due to (a) a one-off income recognized last year from dealing in foreign currencies and (b) overall subdued economic activity during the period under review. The fee, commission and brokerage income recorded marginal increase, 4% over last year. Gain on sale of investments registered increase owing to improvement in bourses.

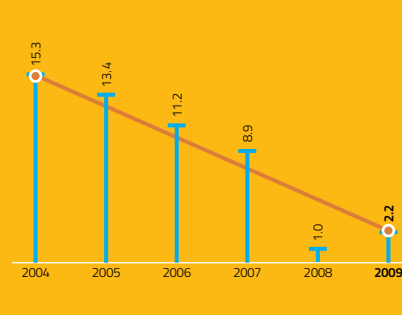
## Operating Expenses

Administrative expenses have increased by 19% over the previous year. This rise is mainly due to 26 new branches opened during 2009, as well as 36 new branches opened in late 2008, beside persistent inflationary upsurge. Cost to income ratio recorded a negative trend, reflecting combined effect of disproportionate decline in revenues and rise in operating costs.

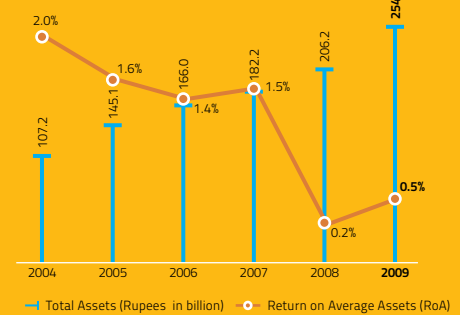
**Shareholders' Funds**  
(Rs. in billion)



**Earnings per Share**  
(Rupees)



**Return on Average Assets**



## Shareholders' funds

Shareholders' funds increased to Rs.14.95 billion at the end of December 31, 2009 from Rs.12.97 billion of last year, registering an increase of 15%. Net surplus on revaluation of assets including equities, increased by 93% due to improvements in bourses.

## Earnings per share

Earnings per share (EPS) increased from Re.0.76 per share (restated for bonus shares issued during 2009) of last year to Rs.2.18 per share for the year 2009. The increase is mainly due to growth of 17% in net interest income and decline in provisions / write-offs by 28%; partly offset by increase of 19% in operating expenses.

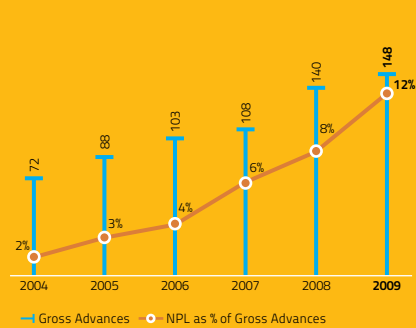
## Return on average assets

Return on average assets at the close of 2009 was 0.48% as against 0.20% last year, registering an increase of 28 bps due to 187% increase in profit for the year against increase in total assets of 23%.





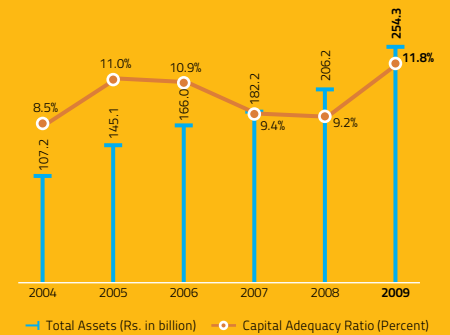
**Non-Performing Advances**  
(Rs. in billion)



**Analysis of Deposits**  
(Rs. in billion)



**Capital Adequacy**



**NPLs and provisions against NPLs**

Non-performing loans (NPLs) increased by 52% during 2009, due to new classifications. Cumulative provision against NPLs increased by 14%, whereas provision charge for the year declined by 43% due to recognizing Rs.2.81 billion as the benefit of forced sale values (FSV), as allowed by the SBP. By year end 2009, NPLs as a percentage of total advances reached 12.01% compared to 8.36% at the end of 2008. The aggregate provisions covered 71% of the NPLs, compared to 94% last year – mainly due to the recognition of the aforesaid FSV benefit.

**Current, Savings and other deposits**

At the close of 2009, customer deposits had reached Rs.205.97 billion from Rs.167.68 billion at end 2008, an increase of 23% during the year. Both the local and foreign currency deposits grew almost at the same rate i.e. 23% - local currency deposits increased to Rs.174.28 billion from Rs.141.89 billion as of December 31, 2008, while the foreign currency deposits stood at Rs.31.69 billion as on December 31, 2009. The aggregate number of deposit accounts reached 692,821 at end 2009 – an increase of 13% over last year.

**Capital adequacy**

As of December 31, 2009, Bank's capital adequacy ratio (CAR) stood at a comfortable 11.75% (9.22% at end 2008), against the SBP's minimum requirement of 10%. The improvement in CAR is the result of certain measures initiated by the Bank during 2009, which include issue of Tier II capital i.e., an unsecured subordinated loan in the form of Term Finance Certificates (TFC-III) amounting to Rs.3 billion, aggressive risk profiling of assets and, increased emphasis on risk adjusted returns by all risk taking units.

# Financial Calendar

## 2009

1st Quarter Results issued on  
2nd Quarter Results issued on  
3rd Quarter Results issued on  
18th Annual Report issued on  
18th Annual General Meeting scheduled for  
20% bonus shares to be issued

April 28, 2009  
August 20, 2009  
October 27, 2009  
February 23, 2010  
March 30, 2010  
Within 45 day of AGM

## 2008

1st Quarter Results issued on  
2nd Quarter Results issued on  
3rd Quarter Results issued on  
17th Annual Report issued on  
17th Annual General Meeting scheduled for  
25% bonus shares issued

April 28, 2008  
August 28, 2008  
October 23, 2008  
February 21, 2009  
March 30, 2009  
Within 45 day of AGM

## Summarized Quarterly Financial Results

Rupees in million	2009				2008			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
<b>Financial Position</b>								
<b>Assets</b>								
Cash, short term funds & statutory deposits with SBP	33,031	34,363	38,251	32,364	23,980	26,258	27,027	24,464
Investments	33,815	39,620	58,332	67,046	39,788	40,775	36,691	35,678
Advances	120,218	129,130	124,959	135,034	102,111	114,036	124,630	128,818
Operating fixed assets	8,323	9,493	9,675	9,846	5,498	5,886	6,360	8,266
Other assets	9,185	9,573	9,575	10,036	6,140	7,257	8,216	8,965
<b>Total assets</b>	<b>204,572</b>	<b>222,179</b>	<b>240,792</b>	<b>254,326</b>	<b>177,517</b>	<b>194,212</b>	<b>202,924</b>	<b>206,191</b>
<b>Liabilities</b>								
Borrowings from financial institutions	23,289	16,735	19,965	19,300	21,368	19,715	19,856	15,190
Customers deposits	157,324	180,658	191,449	205,970	134,867	153,324	161,108	167,677
Sub-ordinated loans	2,996	2,996	5,370	5,995	2,997	2,997	2,996	2,996
Other liabilities	7,342	7,685	9,137	8,113	6,325	6,440	7,667	7,357
<b>Total liabilities</b>	<b>190,951</b>	<b>208,074</b>	<b>225,921</b>	<b>239,378</b>	<b>165,557</b>	<b>182,476</b>	<b>191,627</b>	<b>193,220</b>
<b>Shareholders' funds</b>								
Share capital	5,073	5,073	5,073	5,073	4,059	4,059	4,059	4,059
Reserves and unappropriated profit	7,279	7,547	8,138	8,069	7,772	7,999	8,017	7,976
Surplus / (deficit) on revaluation of assets	1,269	1,485	1,660	1,806	129	(322)	(779)	936
<b>Total shareholders' funds</b>	<b>13,621</b>	<b>14,105</b>	<b>14,871</b>	<b>14,948</b>	<b>11,960</b>	<b>11,736</b>	<b>11,297</b>	<b>12,971</b>
<b>Profit &amp; Loss</b>								
Total income	6,140	5,989	6,252	6,835	4,566	4,790	5,767	5,978
Mark-up / return / interest earned	5,563	5,416	5,483	6,199	3,988	3,904	4,983	5,519
Mark-up / return / interest expensed	3,167	3,073	3,479	3,910	2,164	2,324	2,994	3,169
Net mark-up / interest income	2,396	2,343	2,004	2,289	1,824	1,580	1,989	2,350
Non - mark-up / interest income	577	573	769	636	578	886	784	459
Fee, commission and exchange income	375	332	285	315	422	754	616	339
Other income	202	241	484	321	156	132	168	120
Operating expenses	1,676	1,682	1,809	1,863	1,328	1,381	1,605	1,601
Provisions against non-performing assets	791	860	70	1,194	826	822	1,154	1,271
<b>Operating profit</b>	<b>1,297</b>	<b>1,234</b>	<b>964</b>	<b>1,062</b>	<b>1,074</b>	<b>1,085</b>	<b>1,168</b>	<b>1,208</b>
<b>Profit before tax</b>	<b>506</b>	<b>374</b>	<b>894</b>	<b>(132)</b>	<b>248</b>	<b>263</b>	<b>14</b>	<b>(63)</b>
Taxation	(190)	(106)	(302)	63	(66)	(36)	(4)	23
<b>Profit after taxation</b>	<b>316</b>	<b>268</b>	<b>592</b>	<b>(69)</b>	<b>182</b>	<b>227</b>	<b>18</b>	<b>(40)</b>
<b>Ratios (percent)</b>								
Return on average shareholders' funds (RoE)	9.5%	7.7%	16.3%	-1.9%	6.0%	7.7%	0.6%	-1.3%
Return on average assets (RoA)	0.6%	0.5%	1.0%	-0.1%	0.4%	0.5%	0.0%	-0.1%

# 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

(Rupees)

	Askari's Number of Shares	Askari's Shareholders' funds	Askari's Market capitalization	KSE's market capitalization	Askari's share in market capitalization	Askari High During the year	Askari Low During the year	Askari Close at December 31	Askari's number of shares traded during the year
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	25.41	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

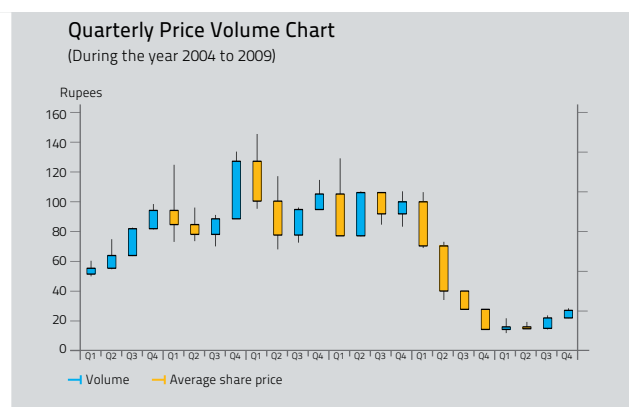
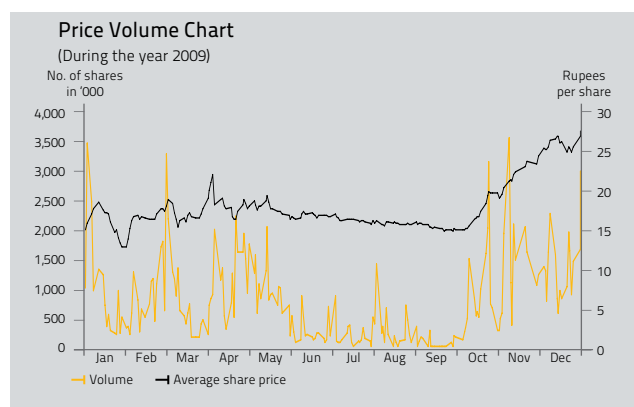
## 1.4 Record of share issues

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
		507,346,635	5,073,466,346

## 2. Debts Information

**2.1** "Askari Bank has issued the following Term Finance Certificates (TFCs) - unsecured sub-ordinated debt, listed on the Lahore Stock Exchange (LSE)."

(Rupees in million)	TFC - I	TFC - II	TFC - III
IPO investors	1,000	1,125	2,375
General Public	500	226	19
Underwriters	-	149	606
	1,500	1,500	3,000
Market Symbols / IDs at LSE	AKBLTFC	AKBLTFC2	AKBLTFC3
Rating by PACRA	AA-	AA-	AA-
Market Price as at December 31, 2009 (based on marketable lots of Rs. 5,000)	5,000	5,000	5,000
Applicable Interest Rate (p.a.) as at December 31, 2009	13.50%	14.35%	15.25%





# Horizontal & Vertical Analysis

## FINANCIAL POSITION

	Horizontal Analysis						Vertical Analysis					
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
				Vs	Vs	Vs						
	Rupees in millions			Variance			Rupees in millions			Composition		
<b>Assets</b>												
Cash and balances with treasury banks	19,386	16,030	13,356	21%	20%	-10%	19,386	16,030	13,356	8%	8%	7%
Balances with other banks	8,364	3,955	3,497	111%	13%	-52%	8,364	3,955	3,497	3%	2%	2%
Lendings to financial institutions	4,614	4,480	14,444	3%	-69%	72%	4,614	4,480	14,444	2%	2%	8%
Investments	67,046	35,678	39,431	88%	-10%	38%	67,046	35,678	39,431	26%	17%	22%
Advances	135,034	128,818	100,780	5%	28%	2%	135,034	128,818	100,780	53%	63%	55%
Operating fixed assets	9,846	8,266	5,128	19%	61%	35%	9,846	8,266	5,128	4%	4%	3%
Other assets	10,036	8,964	5,535	12%	62%	45%	10,036	8,964	5,535	4%	4%	3%
	254,327	206,191	182,172	23%	13%	10%	254,327	206,191	182,172	100%	100%	100%
<b>Liabilities</b>												
Bills payable	2,946	2,585	2,627	14%	-2%	43%	2,946	2,585	2,627	1%	1%	2%
Borrowings	19,300	15,190	17,554	27%	-13%	17%	19,300	15,190	17,554	8%	8%	10%
Deposits and other accounts	205,970	167,677	143,037	23%	17%	8%	205,970	167,677	143,037	86%	87%	84%
Sub-ordinated loans	5,995	2,996	2,997	100%	-	-	5,995	2,996	2,997	3%	2%	2%
Deferred tax liabilities	334	13	472	2469%	-97%	-36%	334	13	472	-	-	-
Other liabilities	4,833	4,759	3,220	2%	48%	24%	4,833	4,759	3,220	2%	2%	2%
	239,378	193,220	169,906	24%	14%	10%	239,378	193,220	169,906	100%	100%	100%
<b>Net assets</b>	14,949	12,971	12,266	15%	6%	11%	14,949	12,971	12,266	6%	7%	7%
<b>Represented by</b>												
Share capital	5,073	4,059	3,006	25%	35%	50%	5,073	4,059	3,006	34%	32%	25%
Reserves	7,183	7,667	6,948	-6%	10%	19%	7,183	7,667	6,948	48%	59%	57%
Unappropriated profit	886	309	2,145	187%	-86%	19%	886	309	2,145	6%	2%	17%
	13,143	12,035	12,100	9%	-1%	26%	13,143	12,035	12,100	88%	93%	99%
Surplus on revaluation of assets – net of tax	1,806	936	166	93%	463%	-88%	1,806	936	166	12%	7%	1%
	14,949	12,971	12,266	15%	6%	11%	14,949	12,971	12,266	100%	100%	100%

## PROFIT & LOSS ACCOUNT

	Horizontal Analysis						Vertical Analysis					
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
				Vs	Vs	Vs						
	Rupees in millions			Variance			Rupees in millions			Distribution		
Mark-up / return / interest earned	22,662	18,393	15,143	23%	21%	20%	22,662	18,393	15,143	100%	100%	100%
Mark-up / return / interest expensed	13,629	10,651	8,686	28%	23%	24%	13,629	10,651	8,686	60%	58%	57%
Net mark-up / interest income	9,033	7,743	6,458	17%	20%	15%	9,033	7,743	6,458	40%	42%	43%
Provision against non-performing loans and advances	2,324	3,825	3,920	-39%	-2%	248%	2,324	3,825	3,920	10%	21%	26%
Impairment loss on AFS investments	431	-	-	100%	-	-	431	-	-	2%	-	-
Provision for impairment in the value of investments / Rev repo	77	1	2	7600%	-50%	-	77	1	2	-	-	-
Bad debts written off directly	-	247	-	-100%	100%	-	-	247	-	-	1%	-
	2,915	4,073	3,922	-28%	4%	247%	2,915	4,073	3,922	13%	22%	26%
Net mark-up / interest income after provisions	6,118	3,670	2,536	67%	45%	-44%	6,118	3,670	2,536	27%	20%	17%
Non mark-up/interest income												
Fee, commission and brokerage income	1,308	1,258	1,073	4%	17%	6%	1,308	1,258	1,073	5.8%	6.8%	7.1%
Dividend income	163	174	137	-6%	27%	26%	163	174	137	0.7%	0.9%	0.9%
Income from dealing in foreign currencies	538	874	656	-38%	33%	12%	538	874	656	2.4%	4.7%	4.3%
Gain on sale of investments – net	144	37	2,361	289%	-98%	2008%	144	37	2,361	0.6%	-	15.6%
Unrealised gain on revaluation of investments classified as held for trading – net	(2)	22	2	-109%	1000%	200%	(2)	22	2	-	0.1%	-
Other income	404	343	337	18%	2%	5%	404	343	337	1.8%	1.9%	2.2%
Total non-markup / interest income	2,555	2,707	4,565	-6%	-4%	113%	2,555	2,707	4,565	11%	15%	30%
	8,672	6,377	7,101	36%	-10%	7%	8,672	6,377	7,101	38%	35%	47%
Non mark-up/interest expenses												
Administrative expenses	6,996	5,904	4,790	18%	23%	46%	6,996	5,904	4,790	31%	32%	32%
Other charges	34	11	12	209%	-9%	100%	34	11	12	0.2%	0.1%	0.1%
Total non-markup / interest expenses	7,030	5,916	4,802	19%	23%	46%	7,030	5,916	4,802	31%	32%	32%
Profit before taxation	1,642	461	2,300	256%	-80%	-31%	1,642	461	2,300	7%	3%	15%
Taxation – current	562	17	99	3206%	-82%	-90%	562	17	99	2.5%	-	1%
– prior years'	120	(50)	(234)	-340%	-79%	-100%	120	(50)	(234)	0.5%	-	-2%
– deferred	(147)	108	(246)	-237%	-144%	-318%	(147)	108	(246)	-0.7%	1%	-2%
	534	75	(381)	612%	-120%	-135%	534	75	(381)	2.0%	0%	-3%
Profit after taxation	1,108	386	2,681	187%	-86%	19%	1,108	386	2,681	4.9%	2%	18%
Basic / diluted earnings per share – Rupees	2.18	0.76	6.61	187%	-89%	19%						

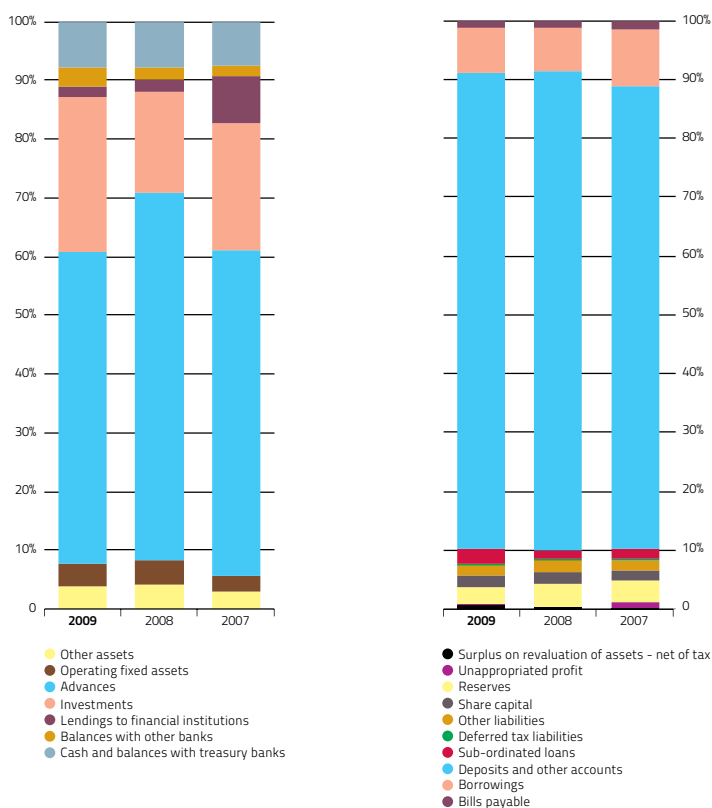
## Balance Sheet Horizontal Analysis

Cumulative average growth rate for the last three year - annualised

	8%	Surplus on revaluation of assets - net of tax
- 21%		Unappropriated profit
	7%	Reserves
	36%	Share capital
	11%	Net assets
	23%	Other liabilities
-23%		Deferred tax liabilities
	0%	Liabilities against assets subject to finance lease
	26%	Sub-ordinated loans
	16%	Deposits and other accounts
	9%	Borrowings
	17%	Bills payable
	15%	Total assets
	38%	Other assets
	0%	Deferred tax assets
	37%	Operating fixed assets
	11%	Advances
	33%	Investments
-18%		Lendings to financial institutions
	4%	Balances with other banks
	9%	Cash and balances with treasury banks

## Balance Sheet Vertical Analysis

Composition for the last three year



# Decade's Performance Summary



## December 31

### Assets

Advances - net
Investments
Cash, short term funds and statutory deposits with SBP
Operating fixed assets
Other assets
Total assets
Non-performing loans
Provisions for non-performing loans

### Liabilities

Deposits
Refinance borrowings
Sub-ordinated loans
Other liabilities

### Shareholders' funds

Total shareholders' funds
Share capital
Reserves
Surplus on revaluation of assets

### Profitability

Interest income
Interest expenditure
Net interest income
Provision against non-performing assets
Fee, commission and exchange income
Other income
Operating expenses
Profit before taxation
Taxation
Profit after taxation
Operating profit
Total income
Total expenditure

### Cash flows

Operating activities
Investing activities
Financing activities
Changes in cash & cash equivalents
Cash & cash equivalents at end of the year

### Business transacted

Imports
Exports
Guarantees

### Ratios

Return on average shareholders' funds (RoE)
Return on average assets (RoA)
Profit before tax ratio
Gross spread ratio
Income / Expense ratio
Advance to deposits (CDR)
Earning assets to total assets
Operating fixed assets to average shareholders' funds
Capital adequacy ratio (CAR)
Rate of cash dividends
Rate of bonus issue
Price earning ratio (PE)
Dividend yield ratio - %
Dividend payout ratio - %

### Share information

Earnings per share (EPS)**
Net assets per share
Market value per share - year end
Market value per share - high
Market value per share - low

### Other information

Number of employees (Regular)
Number of branches

\* post balance sheet event

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



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rupees in million									
17,893	23,292	30,035	44,778	69,838	85,977	99,179	100,780	128,818	135,034
8,651	11,706	26,737	22,104	17,239	25,708	28,626	39,431	35,678	67,046
10,056	13,436	10,061	15,099	15,936	27,489	30,605	31,297	24,464	32,364
641	723	1,663	1,980	2,595	3,193	3,810	5,128	8,266	9,846
1,213	1,824	1,817	1,426	1,560	2,733	3,813	5,535	8,965	10,036
38,454	50,980	70,313	85,387	107,168	145,100	166,034	182,172	206,191	254,327
1,085	1,162	1,246	1,278	1,101	2,373	3,656	6,908	11,689	17,725
672	949	1,306	1,564	1,780	2,419	3,546	7,409	11,013	12,594
30,360	41,200	51,732	61,657	83,319	118,795	131,839	143,037	167,677	205,970
2,882	3,222	3,392	7,329	9,777	9,778	13,378	9,918	13,902	13,700
-	-	-	-	1,000	3,000	2,999	2,997	2,996	5,995
3,058	3,980	11,016	11,354	7,055	4,714	6,764	13,954	8,645	13,713
2,155	2,579	4,173	5,047	6,016	8,813	11,053	12,266	12,971	14,949
986	1,036	1,087	1,142	1,256	1,507	2,004	3,006	4,059	5,073
1,229	1,521	1,940	2,760	4,317	6,088	7,615	9,093	7,976	8,069
(60)	22	1,146	1,145	443	1,218	1,434	166	936	1,807
3,213	4,251	4,858	4,074	4,487	8,781	12,597	15,143	18,394	22,662
2,274	2,902	3,017	1,380	1,117	4,278	6,977	8,686	10,651	13,629
939	1,349	1,841	2,694	3,370	4,503	5,620	6,458	7,743	9,033
134	283	351	308	315	602	1,129	3,922	4,073	2,915
506	677	599	638	708	839	1,014	1,073	1,258	1,308
122	119	247	317	925	713	1,125	3,493	1,449	1,247
680	854	1,093	1,438	1,845	2,594	3,283	4,802	5,916	7,030
752	1,008	1,244	1,902	2,843	2,859	3,347	2,300	461	1,642
436	458	557	799	920	837	1,097	(381)	75	534
316	551	687	1,103	1,923	2,022	2,250	2,681	386	1,108
886	1,291	1,595	2,210	3,158	3,461	4,476	6,222	4,534	4,557
3,840	5,047	5,704	5,028	6,121	10,333	14,736	19,709	21,100	25,216
3,088	4,039	4,461	3,126	3,277	7,474	11,389	17,409	20,640	23,574
1,786	6,570	9,772	(675)	(452)	12,269	8,356	8,370	2,597	36,409
(213)	(3,122)	(13,965)	3,810	3,036	(8,319)	(3,715)	(13,527)	155	(32,216)
(261)	(145)	(235)	(253)	749	1,736	(226)	(203)	(446)	2,998
1,311	3,302	(4,428)	2,882	3,333	5,686	4,415	(5,359)	2,306	7,191
8,522	11,824	7,396	10,278	13,611	19,297	23,712	18,353	20,659	27,850
Rupees in billion									
26.20	32.00	40.20	48.70	75.20	98.30	119.30	119.27	148.24	140.16
30.60	38.80	47.30	56.80	70.10	92.00	97.30	82.98	99.70	105.41
4.80	6.20	14.20	14.40	25.30	30.60	37.30	44.31	55.77	58.55
%									
15.00	23.20	20.30	23.90	34.80	27.70	22.60	22.99	3.06	7.94
0.90	1.20	1.10	1.40	2.00	1.60	1.40	1.54	0.20	0.48
23.40	23.71	25.61	46.69	63.36	32.56	26.57	15.19	2.51	7.25
29.23	31.73	37.90	66.13	75.11	51.28	44.61	42.64	42.10	39.86
1.24	1.25	1.28	1.61	1.87	1.38	1.29	1.13	1.02	1.07
58.90	56.50	58.10	72.60	83.90	72.40	75.23	70.46	76.83	65.56
92.16	88.83	89.07	90.18	90.05	89.33	87.62	86.91	85.14	85.71
30.50	30.50	49.30	43.00	46.90	43.70	38.36	43.98	65.51	70.53
11.90	10.70	12.00	9.90	8.50	11.00	10.90	9.35	9.22	11.75
15.00	20.00	20.00	20.00	20.00	15.00	10.00	15.00	-	-
5.00	5.00	5.00	10.00	20.00	33.00	50.00	35.00	25.00	20.00
4.70	2.50	4.50	5.30	6.10	9.60	9.30	11.19	15.32	12.50
10.66	15.09	7.45	3.88	2.13	1.18	0.95	1.50	-	-
50.00	37.74	31.65	20.70	13.06	11.18	13.37	16.82	-	-
Rupees									
3.00	5.30	6.32	9.66	15.31	13.42	7.48	8.92	0.95	2.18
21.86	24.89	38.39	44.19	47.90	58.48	55.15	40.80	31.96	29.47
14.07	13.25	26.85	51.50	94.00	126.80	104.95	99.75	14.57	27.30
23.50	15.85	27.25	53.00	97.35	131.90	142.70	127.25	104.25	28.69
12.45	10.65	13.75	21.60	50.50	71.15	71.45	77.10	14.57	12.15
Numbers									
1,147	1,281	1,456	1,723	2,118	2,754	3,241	3,834	4,252	4,393
29	36	46	58	75	99	122	150	200	226

# Directors' Report



On behalf of the Board of Directors, I am pleased to present the 18th Annual Report of Askari Bank Limited along with the audited financial statements and Auditors' Report thereon, for the year ended December 31, 2009.

## The Economy

Pakistan's economy faced unprecedented challenges during fiscal 2009 including a) severe macroeconomic crises that resulted from policy-induced imbalances of the previous years; b) a sharp deterioration in Pakistan's net external terms of trade as a result of the spike in recent years in world commodity prices of which Pakistan is a net importer and its adverse impact on our balance of payments; c) the significant supply shocks suffered by the economy in the provision of energy due to high oil prices and sector management problems, especially circular debt management; d) adverse effect of the turmoil in global financial markets that caused the sharp decline in the global demand for

exports; v) reduced availability of expected external capital to finance fiscal and current account deficit; and f) the intensification of an unprecedented domestic security challenge which has exacted a high cost from the economy, both in terms of direct costs, as well as in terms of a significant knock-on effect on investment inflows and market confidence.

In this backdrop, during fiscal 2009, GDP grew by 2.0 percent compared to the revised rate of 4.1 percent in the previous year. In response to the challenges outlined above, the government strongly committed itself to restoring macroeconomic stability as well as the confidence of markets and investors. This occurred mostly with the build-up of foreign exchange reserves upon our entry in the International Monetary Fund (IMF) program, and the shielding of the confidence in Pakistan's banking system and financial markets from the devastating effects of the international financial crises due to a strong regulatory regime. Towards the end of 2009 this was backed by

greater stability and positive trends in macroeconomic indicators other than inflation. Despite the adverse impact of the multifarious and multifaceted challenges on the economy, our economic growth has not been out of sync when viewed in a global context. The latest signs indicate a further upward trend.

The fiscal deficit remained behind the annual target owing to a continuing rise in expenditure and delays in certain revenue receipts. Despite sharp increase in the fiscal deficit, financing from domestic sources grew moderately, partly because the Government reduced its reliance on inflationary borrowing from the State Bank of Pakistan (SBP). A major success in fiscal policy is the recent agreement between the federal and provincial governments on the Seventh National Finance Commission (NFC) Award.

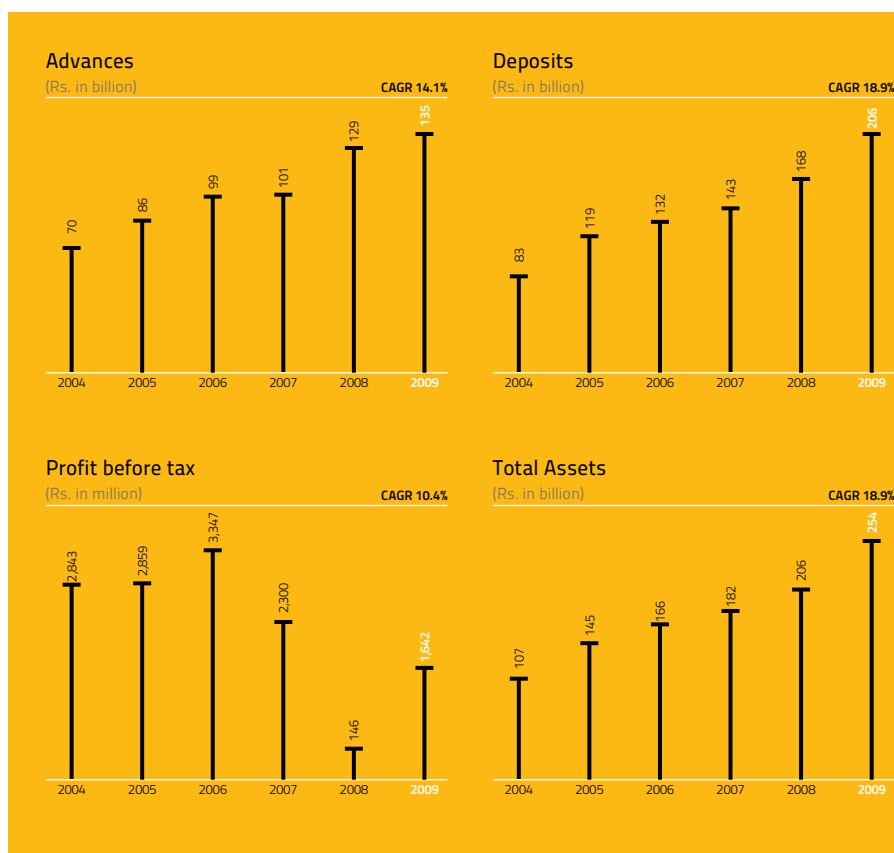
On the external front, Pakistan's external accounts improved significantly due to a marked contraction in the current account deficit and an increase in the capital account surplus. The major impetus came from a contraction in the trade account deficit, but the services and income account deficits also contracted significantly, reflecting lower economic activity. Current transfers were particularly robust due to a substantial rise in workers' remittances and other transfers. The capital surplus was driven primarily by increased inflows from the International Financial Institutions (IFIs). Net portfolio investment returned to a positive, although net foreign investment contracted. Foreign Direct Investment (FDI), on the other hand declined by 52.3 percent during fiscal 2009.

As a result of the improvement in the overall external account,

Pakistan was able to rebuild its foreign exchange reserves, which crossed the US dollar 15 billion mark by end 2009. Pakistan's trade deficit declined significantly mainly due to 23 percent year on year fall in the import bill although exports continued to decline. The contraction in imports was a result of restrained demand, better domestic production of some commodities i.e. wheat and cotton, and a fall in international commodity prices.

The net private sector credit growth remained subdued and the risk-averse behavior of banks allowed the government to finance its spending from the banking system. It was primarily the combination of tight liquidity and risks of a re-emergence of inflationary pressures that led to a measured and gradual easing of monetary policy. SBP reduced the policy rate by 150 bps in two rounds, resulting in a cumulative reduction of 250 bps in the policy rate since the beginning of current easing cycle that started in April 2009. These measures were supported by substantial moderation in demand pressures. The scale and speed of the decline in inflation suggest that the tight monetary policy and sharply constrained monetization of the fiscal deficit have eased excess demand pressures that had adversely impacted the economy in the previous years.

Recent estimates suggest that GDP growth is likely to be around the annual target of 3.3 percent, a little higher than the 2 percent seen in fiscal 2009. The major contribution for this growth is expected to come from the services sector. Similarly, the current account deficit is likely to improve further in the current fiscal relative to the previous year, though some expected revival in



import demand from manufacturing, and rising commodity prices, may possibly contain the improvement going forward. While average Consumer Price Index (CPI) inflation is projected to decelerate, it is likely to remain higher than the annual target. The Government is faced with considerable pressure to increase social sector spending and build infrastructure, even as the cost of the anti-militancy campaign continues to mount, and, at the same time, the weak economy constrains its ability to raise revenues from an unchanged tax base. A major challenge in the economy is to improve the tax-to-GDP ratio. These challenges suggest the need to work urgently towards broadening the tax base to provide needed essential services and public goods.

## Operating Results of the Bank

Askari Bank's operating profit (before provisions / impairment against non-performing assets, and taxation) for 2009 stood at Rs. 4.56 billion; almost at the same level as last year (2008: Rs. 4.53 billion), notwithstanding the increase of 28 percent in mark-up expenses. This sustainability is attributable mainly to an offsetting increase of 23 percent in gross mark-up income – which came despite increase in revenue suspension on burgeoning non-performing loans (NPLs): Non-fund income decreased by 6 percent. The profit before tax for the year 2009 increased to Rs.1,642 million from Rs.461 million of corresponding period the previous year - an increase of 256 percent, while the profit after tax registered a growth of 187 percent during 2009.



## Directors' Report (cont.)

At the close of 2009, customer deposits had reached Rs. 206 billion from Rs. 168 billion at the end of 2008, an increase of 23 percent during the year. Both local and foreign currency deposits grew almost at the same rate i.e. 23 percent - local currency deposits increased to Rs. 174 billion from Rs. 142 billion as of December 31, 2008, while foreign currency deposits stood at Rs. 32 billion as on December 31, 2009. On the asset side, gross advances increased rather slowly by 6 percent, to Rs. 148 billion as of December 31, 2009 from Rs. 140 billion last year, in line with slowdown in private sector credit growth. Also the Bank continued to exercise effective risk management and remained watchful of the impacts on capital adequacy. The increase in advances backed by a rise in yields, was the main reason for an increase in mark-up based income by 20 percent over 2008, despite rising NPLs and corresponding profit suspension representing around 14 percent of mark-up revenue from advances. The aggregate investment portfolio stood at Rs. 67 billion as on December 31, 2009 against Rs. 36 billion on December 31, 2008 – an increase of 88 percent. This reflected the Bank's focus

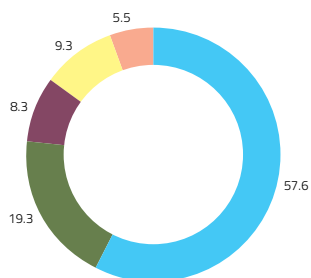
on risk profiling of assets and correspondingly mark-up income on investments recording an increase of 46 percent over 2008. The aggregate increase of 23 percent in total mark up income reduced to 17 percent in terms of aggregate net interest income, reflecting effects of greater increase in mark-up expense compared to mark up income.

During the year 2009, non-fund income declined by 6 percent over last year, mainly due to a decline in income from dealing in foreign currencies, and due to subdued economic activities during the period under review. Administrative expenses increased by 19 percent over the previous year owing to an increase in branch network and the resultant increase in staff, besides overall increase due to inflation.

As of December 31, 2009, non-performing loans & advances (NPLs) stood at Rs. 17.73 billion against Rs. 11.69 billion as of December 31, 2008, an increase of 52 percent due to mainly new classifications. The highest categories of classification encompass most of the NPLs – 76 percent in 'loss' and 20 percent in 'doubtful'. These have been appropriately provided

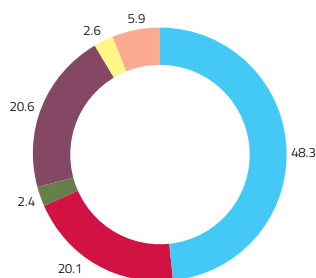
for in compliance with relevant Prudential Regulations (PR) of the SBP. Consequent upon increase in NPLs and their further downgrade, the cumulative provision against non-performing advances stood at Rs. 12.59 billion, reflecting an increase of 14 percent over 2008. However, the provision charge / write-off for the year declined by 43 percent compared to the last year, largely due to the benefit of forced sale values (FSV) in terms of the SBP, BSD circulars No. 2 & 10 of 2009 which amounted to Rs. 2.81 billion as disclosed in note 10.5.1 to the financial statements (2008: note 10.4.1). The ratio of non-performing advances as a percentage of total advances increased to 12.01 percent as of December 31, 2009, against the previous year's 8.36 percent. The aggregate provisions covered 71 percent of the NPLs as against the coverage ratio of 94 percent in 2008 – the dilution in coverage being due to the recognition of the aforesaid FSV benefit as allowed by the SBP.

**Asset Mix - Earning**  
(Percent)



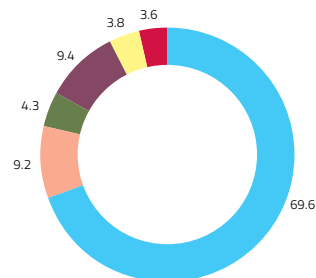
- Advances
- Federal government securities
- Cash and balances with treasury banks
- Equity and debt instruments
- Money market funds

**Liability Mix - cost bearing**  
(Percent)



- Saving deposits
- Current accounts
- Repo and other borrowings
- Fixed deposits
- Sub-ordinated loans
- Refinance borrowing from SBP

**Advances by segment**  
(Percent)



- Corporate sector
- SMEs sector
- Agricultural sector
- Consumer sector (Other than staff loans)
- Commodity financing
- Staff loans

## Earnings per share

The earnings per share for the year ended December 31, 2009 was Rs. 2.18, against the previous year's Rs. 0.76, the ratio worked out after taking into account the number of shares issued during 2009. The improvement is due primarily to reduction in provision / write-off against NPLs during the year 2009.

## Appropriations

The Board of Directors recommends the following appropriations from profits for the year ended December 31, 2009:

	Rupees in thousands
Un appropriated profit for the year 2009	1,107,793
Appropriations:	
Statutory reserve	(221,559)
General reserve	(886,234)
	(1,107,793)
	—
Transfer from general reserve to reserve for issue of bonus shares	1,071,240

Reserves as at December 31, 2009 include Rs. 2.24 billion (2008: Rs. 446 million) of the benefit of 40 percent (2008: 30 percent) of forced sale value



of pledged stocks and mortgaged residential, commercial and industrial properties (land & building only) – (2008: benefit of industrial properties not available) held as collateral against non-performing advances allowed under BSD Circular No. 10 of 2009 dated October 20, 2009 as referred to in note 10.5.1 above. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

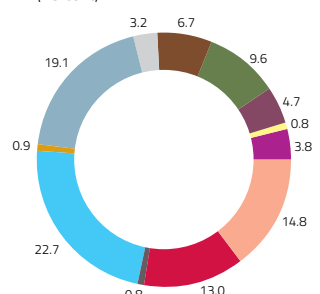
In terms of the SBP BSD Circular No. 4 dated February 13, 2009 as disclosed in audited financial statements for the year ended December 31, 2008, note 9.14, the impairment loss amounting to Rs. 441 million shown

under equity, had to be taken to profit and loss on a quarterly basis, subject to adjustment for or effect of price movements. Accordingly, an amount of Rs. 285 million was charged to profit and loss account during 2009. Additionally, continuing with the impairment policy followed by the Bank, an amount of Rs. 146 million was recognized as impairment on the investment portfolio.

The appropriation of capital reserve (reserve for issue of bonus shares), amounting to Rs. 1,071,240 thousand will enable the Bank to meet the enhanced Minimum paid-up Capital Requirement (MCR) of Rs. 6 billion, as required by the SBP BSD Circular No. 07 dated April 14, 2009.

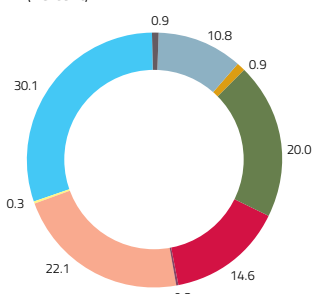
### Advances by sector

(Percent)



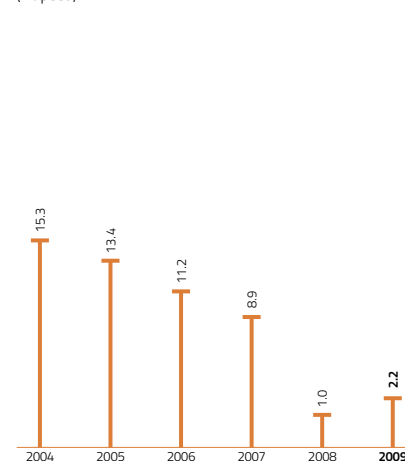
### NPL by sector

(Percent)



### Earnings per share

(Rupees)



## Directors' Report (cont.)



## Technology

It has been stated in our earlier communications that your Bank is in the process of complete transformation of technology platform from existing systems to the most modern and state of the art system solutions, which include core banking software Oracle Financial Systems Solutions (OFSS) (previously known as Flexcube) and other peripheral systems i.e., Oracle Financial, PeopleSoft, Reveleus, and Siebel.

Your Bank realizes the importance of the project as it is the most ambitious activity, both in terms of cost and commitment, the Bank has ever undertaken. We are pleased to inform you that the implementation of these initiatives is at advanced stage – some of them near completion. Two branches are currently under parallel run mode for core banking software, and are expected to 'go-live' during the first quarter of 2010. Rollout to

all other branches is scheduled for completion by end 2011. Similarly, Oracle Financial, PeopleSoft, Siebel, and Reveleus are under different stages of implementation; these softwares are also planned to 'go-live' during 2010. The benefits that are expected from complete implementation of these softwares include an improvement in Bank's service and delivery along with an improvement in the internal control environment, minimization of manual work and processes, process efficiencies, and, above all, and improvement in our products and customer service standards. Simultaneously, the Bank has also initiated an exercise with the objective of aligning new softwares' capabilities with business and operations for optimal utilization of the core banking software.

## Human Resource Management

Human capital of the Bank is given the highest value in the aim to achieve our mission of being the Bank of first choice. Accordingly, the Bank's focus remains on employee development coupled with improving the ambience through regular reviews and refinements of processes and the work environment, thereby ensuring its dynamism and robustness and keeping the spirit of its key guiding principles and policies.

We wish to apprise you that most of the tasks relating to organizational restructuring have been completed, including development and the implementation of Performance Management System (PMS), finalization of the organogram of the Bank as well as of each business / operating unit, and development of job description documents.

For the first time during 2009, a PMS based on well-defined goals and responsibilities was made effective with the new performance appraisal system during the annual employee appraisal exercise.

During the year 2009, training & development team of the Bank continued its pursuit for quality training to the Bank's staff in line with the approved policy. Training goals were determined in light of the well-defined Training Need Assessments (TNA) procedures as envisaged in the overall strategic business plan of the Bank. During the year, another training arm i.e., our training academy in Karachi was inaugurated, adding to the two training academies already operating in Rawalpindi and Lahore. This enabled the Bank to conduct a record number of 456 courses, workshops and skill development clinics in 2009 in the disciplines of





service & attitude, management and communication, IT, credit & finance, international trade, domestic banking operations, risk management, and on other diverse subjects including a series of leadership development programs for senior management staff of the Bank. These courses were conducted by qualified and professionally skilled faculty and industry experts.

During the year 2009 the first phase of new Human Capital Management System (HCM) i.e. PeopleSoft HCM which integrates HR systems and processes and provides expanded

online services for staff on HR matters was implemented. The advance modules of the system, will automate many processes relating to recruitment & selection, training & development, performance management, and career and succession planning.

## Risk Management Framework

Your Bank fully recognizes that the risk management function is fundamental to the business of banking and is an essential element of our banking strategy. Since the issuance of guidelines on risk management and the subsequent Institutional Risk Assessment Framework (IRAF) questionnaire by the State Bank of Pakistan (SBP), the Bank has adopted a holistic approach to risk management and has been engaged in extensive and detailed evaluation and assessment of its risk management framework in all areas of banking activity.

The Bank has in place a risk management framework encompassing risk policies and limits structure, risk infrastructure, and risk measurement methodologies and tools. In 2009, we focused on the implementation of policies and strategies, and on creating an awareness that every employee is a risk manager at his workplace thus invoking the importance of his role in the overall risk structure of the Bank. The Bank's credit initiation and approval process has been strengthened by introducing models to cover cash collateral and SME exposure. Our internal credit rating model now covers a wide array of products spread across the corporate, commercial, and SME portfolio spectrum. Further, obligor risk limits, risk pricing, and industry-sector limits have been established to mitigate concentration in any particular segment. The scope of market risk reporting has been extended to include market risks in the banking book as well as in the trading book. The scope of the value at risk (VaR) model is being enhanced to include, inter alia, corporate debt

## Directors' Report (cont.)

in the trading book. The Bank has developed new stress- testing approaches and is aiming at their systematic implementation. The holistic approach to market risk the Bank has adopted seeks to take into account correlations of the Bank's performance with the money market and the stock market in order to generate unified risk metrics for the trading book as a whole. The Bank has developed and deployed tools and techniques in measuring operational risk such as risk and control self assessment, loss data analysis, and operational key risk indicators in order to reduce operational losses, improve performance measurement, ensure better control of operations, provide early warning of deteriorating internal control, and enhance security measures.

The Bank has also established a comprehensive Operational Risk Management framework based on appropriate risk management architecture. The framework assesses and measures the operational risk arising from our systems, people, and processes. To minimize the impact of unexpected, and potentially catastrophic events on business operations, the Bank has invested in enhanced physical security and has collaborated with a security agency to improve protection of branches and staff.

### Information Security

Information assets are viewed and valued as critical to the Bank's business continuity and its ability to meet business objectives. During the year 2007, an initiative for ISO-27001 certification was undertaken in close liaison with consultants engaged for the purpose, and in order to develop effective information security management systems



of the Bank in strict compliance with the international standards of confidentiality, integrity and availability of its information assets by adopting an integrated approach to information security risk management required for achieving the international certification.

We are pleased to inform you that, during 2009, the Bank achieved this milestone and the British Standards Institution (BSI), a leading global provider of independent third-party certification of management systems awarded your Bank ISO/ IEC 27001:2005 Certification, thus making Askari Bank the first bank in Pakistan to be awarded with this prestigious certification. This certification will further strengthen our relationships



with foreign banks and their local correspondent banks, enhance banker–customer relationships and build confidence amongst stakeholders.

### Statement on Internal Controls

Internal controls contribute to effective management by both the Bank's Board of Directors and management. While the Board recognizes its responsibility as envisaged in the relevant regulations, the management of the Bank ensures the establishment and maintenance of adequate and effective systems of internal control in compliance with external laws and regulations and consistent with the Bank's own internal policies. It is also responsible to assess the effectiveness of internal controls and report on them to the Board.

The management ensures the efficiency and effectiveness of the internal control system by identifying control objectives, devising and reviewing appropriate policies and procedures, and establishing relevant control procedures. Significant policies and procedural manuals are already in place. Policies and procedures are periodically reviewed and revised and necessary amendments and updates



Our efforts aim  
at improving  
all aspects  
of customer  
experience a bit  
better every day



## Directors' Report (cont.)

introduced. Preparation of new policies and manuals is in progress.

The management is also cognizant of its responsibility of putting a system in place for the authentication of transactions, strengthening of control environment, and identifying areas requiring improvement and devising appropriate remedial action on a timely basis. A complete revamp of its existing IT platform is one of the major moves in this direction. The internal control system in the Bank is designed to minimize the risk of failure and to keep such failure within tolerable limits as these cannot be eliminated completely. Only reasonable and not absolute assurance can be provided against material misstatement or loss.

The Bank is in the process of adopting an internationally accepted COSO Internal Control Integrated Framework, as envisaged under the SBP Internal Control Guidelines. The Bank has devised a well-defined and comprehensive internal control program roadmap with specified stages as suggested by the SBP. In accordance with this program, the Bank is in the advanced stages of completing a detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. The work under these two stages is being reviewed by the Bank's external auditors under the SBP internal control guidelines. Going forward, the Bank intends to develop detailed remediation plans to address the gaps identified and to ensure implementation of initiatives to remove the gaps in a timely manner. In addition, comprehensive management testing plans and framework are also planned to be developed for ensuring on-going operating effectiveness of key controls.

During the year 2009, the Bank strived to ensure that an effective and efficient internal control system is implemented, that no material compromise is made in implementing the desired control procedures, and, that a suitable environment is maintained in general. However, the process of identification, evaluation, and management of significant risks is an ongoing process, which the Bank actively and vigilantly pursues.

### Credit Rating

A bank's credit rating reflects its ability to protect its relative standing in the sector by competing effectively in the steadily increasing competitive environment in the banking sector and assumes its ability to take all measures necessary for the purpose.

Askari Bank has been assigned the long term rating of 'AA' and short term rating of 'A1+' by the Pakistan Credit Rating Agency (Pvt) Limited (PACRA). The ratings reflect the Bank's strong capital structure supported by sound profitability. Taking note of the fast changing banking dynamics, the management has put in place a well-conceived strategy to improve the Bank's performance and ensuring its strong standing within the sector including, as detailed earlier, and strengthening its risk management framework.

According to PACRA "these ratings reflect sustained ability of revenue growth from core operations while maintaining a low risk profile and also dynamic as well as efficient fund deployment strategy. Going forward, given the strong technological platform and enhanced geographical outreach, the Bank is well positioned to maintain its competitive edge despite an increasingly competitive operation environment."

### Entity Ratings

Long term

**AA**

Short term

**A1+**

by PACRA

### Capital Adequacy

As of December 31, 2009, your Bank's capital adequacy ratio (CAR) stood at a comfortable 11.75 percent against 9.22 percent at the end of 2008, against the SBP's minimum requirement of 10 percent (2008: 9 percent). The improvement in CAR is the result of the number of measures taken by the Bank during 2009, which include issue of Tier II capital i.e., an un-secured subordinated loan in the form of Term Finance Certificates (TFC) -III amounting to Rs. 3 billion; aggressive risk profiling of assets; and increased awareness of the concept of risk adjusted return amongst the risk takers.

The ratio of our CAR at the current enhanced level of 11.75 percent provides sufficient room for further improvement in risk assets necessary for further growth of the Bank.

During the year 2009, the requirement of raising the paid-up capital of the Bank was eased by the SBP i.e., from the previous requirement of Rs. 23 billion to Rs. 10 billion to be achieved in phased manner by December 31, 2013 (an addition of Rs. 1 billion per year). We are confident of meeting the requirement comfortably.

The Board wishes to assure you that we are fully cognizant of all related

developments, and that all measures will continue to be taken to keep the Bank's position sound and in fact acquiring further strength.

## Branch Network

Your Bank is fully aware that its branch network has direct implications on the services that it provides to its valued customers. During the year, your bank opened 26 new branches including 11 Islamic banking branches, 4 conventional banking branches, and 11 sub-branches and converted a conventional banking branch to the Islamic mode. We now offer services through a network of 226 branches, including a wholesale bank branch in Bahrain. Through this branch network, we are able to offer our wide range of products and services to our valued customers. Given the current economic conditions, our Bank would emphasize on the consolidation of recent expansion and operations. Future expansion will be gradual and incremental.

## Islamic Banking

Islamic banking outreach was enhanced significantly in 2009 to a total of 31 Islamic Banking Branches (IBBs) (including 2 sub-branches) in 15 major cities of the country, by adding 11 IBBs: 10 new ones and conversion of a conventional banking branch.

By the Grace of Allah, the Bank's Islamic Banking Services Division (IBSD) has performed well during the period under review. Despite a late start, Islamic banking operations of the Bank are now amongst the top players in its peer group i.e., 13 conventional banks with separate stand-alone Islamic Banking branches.



In line with Shariah requirements, the Bank ensures that the funds and products of Islamic banking are explicitly managed without any intermingle with the conventional banking business. All funds obtained, invested, and shared, are in Shariah compliant modes of investments. A range of Islamic banking products and services are being offered by the Bank in order to meet the customers' demand for Shariah compliant banking, including Islamic corporate banking, Islamic investment banking, Islamic trade finance, Islamic general banking, and Islamic consumer banking. To ensure the operation of Islamic banking products in letter and spirit, training in Islamic banking is given great importance: most of the staff in Islamic banking is now fully conversant with the philosophy of Islamic banking and the Islamic banking products being offered by the Bank.

We are confident that Islamic Banking will continue to maintain its rate of growth in order to deliver balanced returns for its shareholders, depositors, and employees. We expect to reap the benefits of our

growth strategy and show continued improvement in all Shariah compliant areas of business.

## Askari Investment Management Limited

Askari Investment Management Limited (AIML) is the first subsidiary of the Bank and is regulated under the Non-Banking Finance Companies (NBFC) Rules 2003 and Notified Entities Regulation, 2007, and licensed by the Securities and Exchange Commission of Pakistan (SECP). The primary business of AIML is to launch and manage mutual funds investments. However, AIML also offers advisory services to institutional clients.

AIML operates five open-end funds, 1) Askari Income Fund (AIF), size Rs. 2.10 billion (2008: Rs. 3.46 billion), 2) Askari Asset Allocation Fund, size Rs. 253 million (2008:Rs. 250 million), 3) Askari Islamic Income Fund, size Rs. 196.81 million (2008: Pre-IPO), 4) Askari Islamic Asset Allocation Fund, size Rs. 111.25 million (2008: Pre-IPO) and 5) Askari Sovereign Cash Fund, size Rs. 1,095.35 million (2008: Nil).

## Directors' Report (cont.)

Consolidated financial statements of the Bank and AIML for the year ended December 31, 2009 are included in this report.

### Askari Securities Limited

The Bank has controlling interest of Askari Securities Limited (ASL) by virtue of acquiring 74 percent shares of ASL.

ASL is an incorporated public limited company and a corporate member of Islamabad Stock Exchange (Guarantee) Limited, engaged principally in share brokerage, and investment advisory and consultancy services. The performance of ASL during 2009 showed a marked improvement over the previous year. With improving investor confidence evident at the bourses, we believe that it will show better results in the following years.

Consolidated financial statements of the Bank and ASL for the year ended December 31, 2009 are included in this report.

### Awards and Recognition

During the year, the Annual Report of the Bank for the year 2008 won:

- the first prize of "The Best Annual Report" for the financial sector, instituted jointly by The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan.
- the merit award for the South Asia Federation of Accountants, an APEC body of the SAARC region.

We are thankful for their recognitions of our work by esteemed professional organizations.

### Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2009 is included in this report.

### Corporate and Financial Reporting Framework

- The Bank's financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, changes in equity and cash flows.
- 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 statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The current system of internal control is under constant review by the internal audit department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- The Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited.

- Key operating data and financial data for the last ten years, in summarized form, are included in this Annual Report.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2009, except as disclosed in these financial statements.

- The following is the value of investment as at December 31, 2009:

- Provident Fund Rs. 1,446.31 million, based on un-audited financial statements (2008: Rs. 936.68 million)
- Gratuity Fund Rs. 498.69 million, based on un-audited financial statements (2008: Rs. 337.12 million )

- During 2009, eight meetings of the Board of Directors were held. Attendance by each Director was as follows:

Lt. Gen. Javed Zia (Chairman)	8
Lt. Gen.(R) Imtiaz Hussain	8
Maj. Gen. (R) Saeed Ahmed Khan	3
Mr. Zafar Alam Khan Sumbal	8
Mr. Muhammad Riyazul Haque	7
Mr. Shahid Mahmud	8
Mr. Ali Noormahomad Rattansey	6
Dr. Bashir Ahmad Khan	5
Mr. Tariq Iqbal Khan	5
Mr. Kashif Mateen Ansari (Resigned)	4
Mr. M. R. Mehkari President & Chief Executive	8

### Auditors

The Auditors, M/s A.F. Ferguson & Co., Chartered Accounts have completed their assignment for the year ended December 31, 2009 and shall retire at the conclusion of the 18th Annual General Meeting.



M/s A.F. Ferguson & Co., Chartered Accounts shall also be completing their maximum permissible term of five years thus will not be eligible for reappointment. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the auditors for the year 2010.

On behalf of the Board, I will like to thank the engagement and review partners and other members of the audit team of M/s A F Ferguson & Co, for their professionalism and value added contributions to the Bank throughout their audit term of five years. We profoundly value their work with us.

## Events after the balance sheet date

During the year, the Bank initiated the process of amalgamation of Askari Leasing Limited (ALL) with and into the Bank. The scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962 has been approved by the shareholders of both companies in the Extra Ordinary General Meetings (EOGMs) of the Bank and ALL held on December 21, 2009 and December 22, 2009 respectively and has also been subsequently approved by the Competition Commission of Pakistan and the Securities and Exchange Commission of Pakistan. The final approval by the State Bank of Pakistan has been received vide letter No. BPRD (R&P-02)/625-99/2010/1256 dated February 18, 2010, whereby the scheme of amalgamation is effective within 30 days from the date of approval. The effective date of amalgamation will be March 3, 2010 as per decision of the management of both entities. Consequently, the Bank shall issue



28.273 million shares of the Bank to the shareholders of ALL. There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the enclosed financial statements.

## Prospects for 2010

The key challenge for Pakistan's economy and policy makers is to ensure consolidation of the economic stability through continued fiscal restraints and improvement in the tax to GDP ratio, resolution of the power/electricity crisis, control of the inflationary pressures, and, last but not the least, enhancing the competitiveness of our exports. The main risks to the economy stem from the uncertainty on the security situation and the war on terror. Within the Pakistani banking sector the rising trend of NPLs is a major cause of concern. Continued weakness in world economic growth, particularly in the economies of

the major trading partners of Pakistan, remains a hindrance to our growth potential. There are no easy answers. Given the challenges on hand, 2010 would therefore be a year of consolidation and economic stabilization.

## Acknowledgments

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

For & on behalf of the Board

Rawalpindi  
February 23, 2010

Lt Gen Javed Zia  
Chairman  
Board of Directors

Combining knowledge  
with skill that  
contributes value for  
each customer





Financial Statements of  
**Askari Bank Limited**  
For the year ended December 31, 2009



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# Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2009

This statement is being presented to comply with the Prudential Regulation No.XXIX, responsibilities of the Board of Directors, issued vide BSD Circular No.15, dated June 13, 2002 and the Code of Corporate Governance (the Code) as contained in Listing Regulations of the stock exchanges 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 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 5 non-executive Directors of which 2 independent Directors represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Bank Limited, except Mr Tariq Iqbal Khan who has been exempted for the purpose of this clause by the Securities and Exchange Commission of Pakistan (SECP).
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 defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the Board, which was filled within the prescribed period.
5. The Bank has prepared a statement of ethics and business practices, which has been signed by all the Directors and employees of the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these 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 Chief Executive Officer, 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 Board members participated in an orientation course to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary, including his remuneration and terms and conditions of employment, as determined by the Chief Executive Officer, however, appointment of Head of Internal Audit is in process.
11. 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.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of 3 members. All members are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee 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 were fully complied with.
17. The Board has set-up an effective internal audit function on a full time basis.
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. All material information required under the relevant rules have been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
21. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



**Lt. Gen. Javed Zia**  
Chairman

Rawalpindi  
February 23, 2010



# Review Report to the Members

## On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Askari Bank Limited (the Bank) to comply with Prudential Regulation No. XXIX, Responsibilities of Board of Directors issued vide BSD Circular No. 15 dated June 13, 2002, Listing Regulation No. 35 of Karachi, Lahore and Islamabad Stock Exchanges, where the Bank is listed.

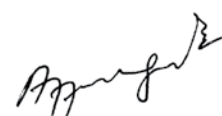
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE / N-269 dated January 19, 2009 requires the Bank to place before the Board of Directors for their consideration and approval 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 of Compliance does not appropriately reflect the Bank's compliance, in all material respects, as applicable to the Bank for the year ended December 31, 2009 with the best practices contained in the Code of Corporate Governance.

Islamabad  
February 23, 2010



**A.F. Ferguson & Co.**  
Chartered Accountants

Name of engagement partner: S. Haider Abbas

# Auditors' Report to the Members

We have audited the annexed Statement of Financial Position of Askari Bank Limited (the Bank) as at December 31, 2009 and the related profit and loss account, statement of changes in equity and cash flow statement, 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 1 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 financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

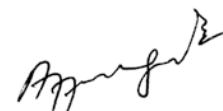
We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining,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

- a) in our opinion, proper books of 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 statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of changes in equity and cash flow statement 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, 2009 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 23, 2010

Name of engagement partner: S. Haider Abbas



**A.F. Ferguson & Co.**  
Chartered Accountants



# Statement of Financial Position

As at December 31, 2009

Rupees in '000	Notes	2009	2008
<b>Assets</b>			
Cash and balances with treasury banks	6	19,385,843	16,029,635
Balances with other banks	7	8,364,261	3,954,814
Lendings to financial institutions	8	4,614,059	4,479,754
Investments	9	67,046,033	35,677,755
Advances	10	135,034,499	128,818,242
Operating fixed assets	11	9,846,440	8,266,458
Deferred tax assets		–	–
Other assets	12	10,036,311	8,964,480
		254,327,446	206,191,138
<b>Liabilities</b>			
Bills payable	13	2,945,670	2,584,828
Borrowings	14	19,300,163	15,190,148
Deposits and other accounts	15	205,970,227	167,676,572
Sub-ordinated loans	16	5,994,900	2,996,100
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	17	333,925	12,987
Other liabilities	18	4,833,489	4,759,140
		239,378,374	193,219,775
<b>Net assets</b>		14,949,072	12,971,363
<b>Represented By</b>			
Share capital	19	5,073,467	4,058,774
Reserves	20	7,182,987	7,667,141
Unappropriated profit		886,234	308,980
		13,142,688	12,034,895
Surplus on revaluation of assets - net of tax	21	1,806,384	936,468
		14,949,072	12,971,363


## Contingencies and commitments

22

The annexed notes 1 to 48 form an integral part of these financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Profit and Loss Account

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
Mark-up / return / interest earned	25	22,661,754	18,393,313
Mark-up / return / interest expensed	26	13,629,096	10,650,719
Net mark-up / interest income		9,032,658	7,742,594
Provision against non-performing loans and advances	10.5	2,324,377	3,824,778
Impairment loss on available for sale investments		431,058	–
Provision for impairment in the value of investments	9.2.1	76,784	508
Provision against reverse repo	8	82,674	–
Bad debts written off directly		–	247,311
		2,914,893	4,072,597
Net mark-up / interest income after provisions		6,117,765	3,669,997
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,307,699	1,257,584
Dividend income		162,537	173,621
Income from dealing in foreign currencies		538,445	873,512
Gain on sale of investments - net	27	143,717	36,743
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(1,918)	22,384
Other income	28	404,221	343,156
Total non-markup / interest income		2,554,701	2,707,000
		8,672,466	6,376,997
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	6,995,857	5,904,169
Other provisions / write offs		–	459
Other charges	30	34,368	10,987
Total non-markup / interest expenses		7,030,225	5,915,615
		1,642,241	461,382
Extra ordinary / unusual items		–	–
<b>Profit before taxation</b>			
Taxation – current		562,099	17,363
– prior years'		119,827	(50,000)
– deferred		(147,478)	107,794
	31	534,448	75,157
<b>Profit after taxation</b>			
Unappropriated profit brought forward		1,107,793	386,225
Profit available for appropriation		308,980	2,144,810
		1,416,773	2,531,035
Basic / diluted earnings per share - Rupees	32	2.18	0.76

The annexed notes 1 to 48 form an integral part of these financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattanseey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Statement of Changes in Equity

For the year ended December 31, 2009

Rupees in '000	Capital Reserve		Revenue Reserves		Total
	Share Capital	Statutory Reserve	General Reserve	Un-appropriated profit	
<b>Balance as at January 1, 2008</b>	3,006,499	2,835,466	4,112,870	2,144,810	12,099,645
Net profit for the year ended December 31, 2008	–	–	–	386,225	386,225
Transfer to:					
Statutory reserve	–	77,245	–	(77,245)	–
General reserve	–	–	641,560	(641,560)	–
Final dividend - for the year ended December 31, 2007 declared subsequent to year end	–	–	–	(450,975)	(450,975)
Bonus shares declared / issued subsequent to year ended December 31, 2007	1,052,275	–	–	(1,052,275)	–
<b>Balance as at January 1, 2009</b>	4,058,774	2,912,711	4,754,430	308,980	12,034,895
Net profit for the year ended December 31, 2009	–	–	–	1,107,793	1,107,793
Transfer to:					
Statutory reserve	–	221,559	–	(221,559)	–
General reserve	–	–	308,980	(308,980)	–
Bonus shares declared / issued subsequent to year ended December 31, 2008	1,014,693	–	(1,014,693)	–	–
<b>Balance as at December 31, 2009</b>	5,073,467	3,134,270	4,048,717	886,234	13,142,688


The annexed notes 1 to 48 form an integral part of these financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Cash Flow Statement

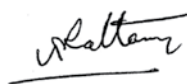
For the year ended December 31, 2009

Rupees in '000	Note	2009	2008
<b>Cash flow from operating activities</b>			
Profit before taxation		1,642,241	461,382
Less: Dividend income		(162,537)	(173,621)
		1,479,704	287,761
Adjustments:			
Depreciation		645,958	511,063
Provision against non-performing advances (net)		2,324,377	3,824,778
Provision for impairment in the value of investments		76,784	508
Provision against reverse repo		82,674	–
Bad debts written off directly		–	247,311
Net (profit) / loss on sale of operating fixed assets		(3,683)	3,989
Provision against other assets		–	459
		3,126,110	4,588,108
		4,605,814	4,875,869
(Increase) / decrease in operating assets			
Lendings to financial institutions		(791,979)	9,139,389
Held for trading securities		42,346	310,530
Advances		(8,540,634)	(32,110,169)
Other assets (excluding advance taxation)		(1,015,675)	(2,501,809)
		(10,305,942)	(25,162,059)
Increase / (decrease) in operating liabilities			
Bills payable		360,842	(42,223)
Borrowings		4,110,015	(2,363,377)
Deposits and other accounts		38,293,655	24,639,865
Other liabilities (excluding current taxation)		75,174	1,532,773
		42,839,686	23,767,038
Cash flow before tax		37,139,558	3,480,848
Income tax paid		(730,428)	(884,285)
Net cash flow from operating activities		36,409,130	2,596,563
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(31,257,524)	2,477,452
Net investments in held-to-maturity securities		1,108,448	(617,596)
Net investments in subsidiaries/ associate		–	(72,000)
Dividend income		154,883	162,451
Investments in operating fixed assets - net of adjustment		(2,235,599)	(1,843,902)
Sale proceeds of operating fixed assets - disposed off		13,342	48,976
Net cash flow (used in) / from investing activities		(32,216,450)	155,381
<b>Cash flow from financing activities</b>			
Receipt / (Payments) of sub-ordinated loans		2,998,800	(1,200)
Dividends paid		(825)	(444,404)
Net cash flow from / (used in) financing activities		2,997,975	(445,604)
Increase / (decrease) in cash and cash equivalents		7,190,655	2,306,340
Cash and cash equivalents at beginning of the year	33	20,659,449	18,353,109
Cash and cash equivalents at end of the year	33	27,850,104	20,659,449

The annexed notes 1 to 48 form an integral part of these financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattanse**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman



# Notes to the Financial Statements

For the year ended December 31, 2009

## 1. STATUS AND NATURE OF BUSINESS

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

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 226 branches (2008: 200 branches); 225 in Pakistan and Azad Jammu and Kashmir, including 31 (2008: 18) Islamic Banking branches, 22 (2008: 11) sub-branches and a wholesale bank branch in the Kingdom of Bahrain.

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

## 2. BASIS OF PRESENTATION

**2.1** These 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 State Bank of Pakistan (SBP) has issued a number of circulars. 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 financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

The Bank has adopted IAS 1 (Revised) "Presentation of Financial Statements", which became effective from January 1, 2009. Surplus/(deficit) on revaluation of land and available for sale investments has been reflected below equity in terms of requirements of above referred format prescribed by SBP under BSD Circular No. 4 dated February 17, 2006. Since there are no other components of other comprehensive income that were recognised in equity therefore the Statement of Other Comprehensive Income has not been prepared. As the change in accounting policy only impacts presentation aspects, there is no impact on profit for the year.

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

## 3. STATEMENT OF COMPLIANCE

These 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) 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 requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives 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 financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

### a) Standards, amendments and interpretations effective in 2009 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but they are not relevant to the Bank's operations.

IAS 20	Accounting for government grants and disclosure of government assistance
IAS 23	Borrowing costs
IAS 29	Financial reporting in hyperinflationary economies
IAS 31	Interest in joint ventures
IAS 32	Financial instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation
IAS 41	Agriculture
IFRS 5	Non-current assets held-for-sale and discontinued operations
IFRS 7	Financial Instruments: Disclosures
IFRIC 15	Agreements for the construction of real estates

**b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the bank**

Certain minor amendments in following International Accounting Standards (IASs) have been introduced through IASB's annual improvements published in April 2009.

		<b>Effective for periods beginning on or after</b>
IAS 1	Presentation of financial statements	January 1, 2010
IAS 7	Statement of cash flows	January 1, 2010
IAS 17	Leases	January 1, 2010
IAS 36	Impairment of assets	January 1, 2010
IAS 38	Intangible assets	July 1, 2009
IFRIC 14	IAS 19 – The limit on a Defined Benefit Assets, minimum funding requirements and their interaction	January 1, 2011

**c) Amendments and interpretations to existing standards that are not yet effective and not relevant to the bank's operations.**

		<b>Effective for periods beginning on or after</b>
IFRS 1	First-time adoption of International Financial Reporting Standards	January 1, 2010
IFRS 2	Share-based payments	January 1, 2010
IFRS 3	Business combinations	July 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations	January 1, 2010
IFRS 8	Operating segments	January 1, 2010
IFRS 9	Financial Instruments	January 1, 2013
IAS 24	Related Party Disclosures	January 1, 2011
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 32	Financial instruments: Presentation – Amendments relating to classification of right issues	February 1, 2010
IFRIC 9	Reassessment of embedded derivatives	July 1, 2009
IFRIC 16	Hedges of a net investment in foreign operations	July 1, 2009
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009
IFRIC 18	Transfer of assets from customers	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention as modified for certain investments and freehold and leasehold land which are shown at revalued amounts.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 43.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 Cash and cash equivalents**

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

##### **5.2 Sale and repurchase agreements**

Securities sold under repurchase agreement (repo) are retained in the 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 treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

# Notes to the Financial Statements

For the year ended December 31, 2009

## 5.3 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 of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

### 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 State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the statement of financial position. Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

### Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

Investments in subsidiaries and associate are carried at cost.

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. Investments in other unquoted securities are valued at cost less impairment losses, 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.

## 5.4 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 State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.5.2.

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

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.

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

### Capital work-in-progress

Capital work-in-progress is stated at cost.

### 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 are 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 statement of financial position. Except to the extent actually realised 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.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovations and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of

an asset while no depreciation 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.

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

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

### **5.6 Impairment**

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

### **5.7 Taxation**

#### **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 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 statement of financial position, expected to be applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

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

### **5.8 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". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of its employees.

#### **Defined contribution plan**

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

#### **Compensated absences**

The Bank grants 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 profit and loss account. The amount recognised in the balance sheet represents the present value of defined benefit obligations.

### **5.9 Revenue recognition**

Mark-up / interest on advances and return on investments is recognised on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

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

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

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

### **5.10 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 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 profit and loss account currently.



# Notes to the Financial Statements

For the year ended December 31, 2009

## Foreign operation

The monetary assets and liabilities of wholesale bank branch are translated to Pak. Rupee at the exchange rates prevailing at the date of 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 are included in the profit and loss account.

## Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupee at the rates of exchange ruling on the date statement of financial position.

## 5.11 Provisions

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

## 5.12 Off-setting

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

## 5.13 Appropriations subsequent to the date of statement of financial position

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

## 5.14 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.

### 5.14.1 Business segment

#### Corporate financing

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

#### Trading and Sales

Trading and sales includes the Bank's treasury and money market activities classified as held for trading.

#### 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.

### 5.14.2 Geographical segments

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

## 5.15 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak. Rupee, which is the Bank's functional currency.

Rupees in '000	Notes	2009	2008
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		3,277,097	2,843,732
Foreign currencies		1,095,997	994,256
		4,373,094	3,837,988
National Prize Bonds		19,920	15,378
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	8,030,082	6,455,757
Foreign currency current account	6.1	1,658,246	1,360,567
Foreign currency deposit account	6.2	4,832,003	3,734,701
		14,520,331	11,551,025
With National Bank of Pakistan in :			
Local currency current accounts		472,498	625,244
		19,385,843	16,029,635

**6.1** Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

**6.2** These represent statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at 0.00% (2008: 0.00%) per annum.

Rupees in '000	Note	2009	2008
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		423,913	451,035
On deposit accounts		1,071,723	113,763
Outside Pakistan			
On current accounts		1,476,070	656,115
On deposit accounts	7.1	5,392,555	2,733,901
		8,364,261	3,954,814

**7.1** These represent overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.03% to 0.10% (2008: 0.1% to 3%) per annum receivable on maturity.

Rupees in '000	Notes	2009	2008
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	100,000	675,000
Repurchase agreement lendings (reverse repo)	8.2	3,866,733	2,554,754
Purchase under resale arrangement of equity securities	8.3	630,000	1,150,000
		4,496,733	3,704,754
Others		100,000	100,000
		4,696,733	4,479,754
Less: Provision against reverse repo		(82,674)	–
Lendings to financial institutions - net of provision		4,614,059	4,479,754
Particulars of provision against reverse repo			
Opening balance		–	–
Charge for the year		82,674	–
Reversals		–	–
		82,674	–
Closing balance		82,674	–

# Notes to the Financial Statements

For the year ended December 31, 2009

- 8.1** These carry mark-up at 12.6% (2008: 12.5% to 20%) per annum.
- 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 rates ranging from 12% to 12.4% (2008: 12% to 14.9%) per annum and maturities of upto 3 (2008: upto 2) months.
- 8.3** These represent shares of companies purchased under resale agreement carrying mark-up at rates ranging from 16.5% to 18.01% (2008: 18% to 18.01%) per annum with maturity of upto 1 (2008: upto 1) month. These include lending under repurchase agreement amounting to Rs. Nil (2008: Rs. 500,000 thousand) to a related party.

Rupees in '000	2009	2008
<b>8.4 Particulars of lending</b>		
In local currency	4,696,733	4,479,754
In foreign currencies	–	–
	4,696,733	4,479,754

Rupees in '000	2009			2008		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.5 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	3,631,733	–	3,631,733	2,554,754	–	2,554,754
Pakistan Investment Bonds	235,000	–	235,000	–	–	–
Purchase under resale arrangement of listed shares	630,000	–	630,000	1,150,000	–	1,150,000
	4,496,733	–	4,496,733	3,704,754	–	3,704,754

## 9. INVESTMENTS

Rupees in '000	Notes	2009			2008		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1</b>	<b>Investments by types:</b>						
	Held for trading securities						
	Fully paid ordinary shares	116,410	–	116,410	134,454	–	134,454
	Available for sale securities						
	Market Treasury Bills	33,556,454	4,186,443	37,742,897	15,276,144	767,310	16,043,454
	Pakistan Investment Bonds	4,645,193	336,807	4,982,000	3,086,099	44,000	3,130,099
	Fully paid ordinary shares	2,729,146	–	2,729,146	1,868,417	–	1,868,417
	Fully paid preference shares	95,000	–	95,000	125,000	–	125,000
	Askari Income Fund - Units	888,668	–	888,668	986,265	–	986,265
	Askari Islamic Income Fund	100,000	–	100,000	100,000	–	100,000
	Askari Islamic Asset Allocation Fund	100,000	–	100,000	100,000	–	100,000
	Term Finance Certificates	13,481,689	–	13,481,689	6,707,845	–	6,707,845
	National Investment Trust (NIT) Units	278,472	–	278,472	196,955	–	196,955
	National Investment Trust (NIT)						
	Government Bond Fund	100,000	–	100,000	–	–	–
	Sukuk - Certificates	1,511,289	–	1,511,289	1,508,280	–	1,508,280
	Foreign securities	195,965	–	195,965	181,287	–	181,287
		57,681,876	4,523,250	62,205,126	30,136,292	811,310	30,947,602
	Held to maturity securities						
	Term Finance Certificates	781,702	–	781,702	1,029,907	–	1,029,907
	Pakistan Investment Bonds	1,133,369	–	1,133,369	1,516,837	–	1,516,837
	Government of Pakistan Sukuk - Bonds	1,261,681	–	1,261,681	948,676	–	948,676
	Government of Pakistan Euro Bonds	167,306	–	167,306	949,330	–	949,330
	Sukuk - Certificates	897,508	–	897,508	930,979	–	930,979
	Credit Linked Notes	421,208	–	421,208	395,493	–	395,493
		4,662,774	–	4,662,774	5,771,222	–	5,771,222
	Investment in associate						
	Askari General Insurance Company Limited	11,182	–	11,182	11,182	–	11,182
	Investment in subsidiaries						
	Askari Investment Management Limited	135,000	–	135,000	135,000	–	135,000
	Askari Securities Limited	77,789	–	77,789	77,789	–	77,789
	Investment at cost	62,685,031	4,523,250	67,208,281	36,265,939	811,310	37,077,249
	Less: Provision for impairment in value of investments in						
	– unlisted shares	(5,680)	–	(5,680)	(3,896)	–	(3,896)
	– Sukuk certificates	(75,000)	–	(75,000)	–	–	–
	Investments (net of provision)	62,604,351	4,523,250	67,127,601	36,262,043	811,310	37,073,353
	Add / (less):						
	Unrealised (deficit) / surplus on revaluation of held for trading securities - net	(1,918)	–	(1,918)	22,384	–	22,384
	(Deficit) / surplus on revaluation of available for sale securities - net	(71,646)	(8,004)	(79,650)	(1,413,392)	(4,590)	(1,417,982)
	Total investments at market value	62,530,787	4,515,246	67,046,033	34,871,035	806,720	35,677,755



# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>9.2 Investments by segments:</b>			
Federal Government Securities	9.2.3		
Market Treasury Bills		37,742,897	16,043,454
Pakistan Investment Bonds		6,115,369	4,646,936
Government of Pakistan Sukuk Bonds	9.2.4	1,261,681	948,676
Government of Pakistan Euro Bonds	9.2.4	167,306	949,330
Sukuk Certificates		617,508	660,979
		45,904,761	23,249,375
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	3,889,726	3,144,638
Unlisted companies	9.4	268,469	268,469
		4,158,195	3,413,107
Fully paid preference shares			
Listed companies	9.5	95,000	125,000
Term Finance Certificates	9.6		
Listed Term Finance Certificates		1,647,656	1,252,367
Unlisted Term Finance Certificates		12,615,735	6,485,385
		14,263,391	7,737,752
Foreign Securities			
Mena Transformation Fund	9.9	195,965	181,287
Credit Linked Notes	9.12	421,208	395,493
		617,173	576,780
Other Investments			
Sukuk - Certificates		1,791,289	1,778,280
National Investment Trust (NIT) - Units		278,472	196,955
National Investment Trust (NIT) Government Bond Fund		100,000	-
		2,169,761	1,975,235
Total investment at cost		67,208,281	37,077,249
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(80,680)	(3,896)
Investments (net of provisions) (Less) / add: Unrealised (deficit) / surplus on revaluation of held for trading securities - net		67,127,601	37,073,353
Deficit on revaluation of available for sale securities - net		(1,918)	22,384
		(79,650)	(1,417,982)
Total investments at market value		67,046,033	35,677,755
<b>9.2.1 Particulars of provision for impairment in value of investments</b>			
Opening balance		3,896	3,388
Charge for the year		76,784	508
Reversals		-	-
		76,784	508
Closing balance		80,680	3,896
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares - unlisted company		5,680	3,896
Sukuk certificates		75,000	-
		80,680	3,896

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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	February 2010 to December 2010	On maturity	11.42% to 13.9%	at maturity
Pakistan Investment Bonds	December 2010 to September 2019	On maturity	8% to 14%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually
Government of Pakistan Euro Bonds	March 2016	On maturity	7.13%	semi-annually
Sukuk Certificates				
– House Building Finance Corporation	May 8, 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
– Pakistan Domestic Sukuk Company Ltd.	September 26, 2011	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
– Karachi Shipyard and Engineering Works	February 04, 2016	Semi-annually	6 months KIBOR plus 0.4%	semi-annually
– Sui Southern Gas Company Limited	June 28, 2012	Semi-annually	6 months KIBOR plus 0.8%	semi-annually
– WAPDA	July 13, 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by the wholesale bank branch.

### 9.3 Investments in listed companies shares / Units

No. of ordinary shares / certificates / units	Paid-up value per share/ certificate/unit	Rupees	Name of companies / mutual funds	2009	2008
				Rupees in '000	
2009	2008				
–	5,000,000	–	ABL Income Fund	–	50,000
584,200	100,086	83.83	Adamjee Insurance Company Limited	48,972	29,380
–	970	–	Al-Abbas Cement Industries Limited	–	3
1,758,701	–	6.42	Al-Meezan Mutual Fund	11,295	–
75,000	3,387	61.56	Allied Bank Limited	4,617	114
41,000	40,881	1.04	Arif Habib Bank Limited	43	42
–	888	–	Arif Habib Limited	–	66
1,300,000	1,107,159	39.86	Arif Habib Securities Limited	51,814	76,499
2,500,000	2,500,000	98.06	Askari Asset Allocation Fund	245,141	245,141
3,056,611	3,056,611	3.66	Askari General Insurance Company Limited – note 9.10	11,182	11,182
8,368,657	9,798,740	106.19	Askari Income Fund	888,667	986,265
1,000,000	1,000,000	100.00	Askari Islamic Asset Allocation Fund	100,000	100,000
1,000,000	1,000,000	100.00	Askari Islamic Income Fund	100,000	100,000
1,009,971	–	99.01	Askari Sovereign Cash Fund	100,000	–
500,000	500,000	4.85	Atlas Bank Limited	2,427	5,256
10,257,114	6,350,000	4.19	Atlas Fund of Funds	42,934	57,514
235,620	54,300	52.60	Attock Cement Pakistan Limited	12,393	3,985
260,000	101,455	331.91	Attock Petroleum Limited	86,295	42,518
294,520	632	143.99	Attock Refinery Limited	42,409	41
2,757,095	595	26.95	Azgard Nine Limited	74,293	11
3,850,000	462,939	13.58	Bank Alfalah Limited	52,265	14,771
–	202	–	Bank Al-Habib Limited	–	5
1,059,304	181,165	5.87	Bank Islami Pakistan Limited	6,218	2,899
–	61	–	BOC Pakistan Limited	–	7
–	11,320	–	Bosicor Pakistan Limited	–	37
364,061	113,400	12.55	Cherat Cement Company Limited	4,569	3,279
1,133,300	798,243	33.30	Crescent Steel Mills Limited	37,736	64,821
1,924,902	49,352	31.70	D. G. Khan Cement Company Limited	61,029	1,126
–	701	–	D.S. Industries Limited	–	9
–	86	–	Dawood Equities Limited	–	1
–	524	–	Dawood Lawrencepur Limited	–	23
–	81,771	–	Dewan Cement Limited	–	279
–	21,124	–	Dewan Salman Fibres Limited	–	20
–	3,575	–	Dost Steel Mills Limited	–	29
–	151	–	EFU General Insurance Limited	–	18
534,000	113,050	138.09	Engro Chemical (Pakistan) Limited	73,739	25,012

# Notes to the Financial Statements

For the year ended December 31, 2009

No. of ordinary shares / certificates / units		Paid-up value per share/ certificate/unit			
2009	2008	Rupees	Name of companies / mutual funds	2009	2008
				Rupees in '000	
–	480	–	Eye Television Network Limited	–	14
3,000,000	969,606	8.44	Fauji Cement Company Limited	25,324	11,109
1,600,000	2,213,915	26.13	Fauji Fertilizer Bin Qasim Limited	41,808	85,485
–	1,827	–	Fauji Fertilizer Company Limited	–	102
–	6,280	–	Faysal Bank Limited	–	85
–	75	–	First National Equities Limited	–	4
1,108,005	730,000	3.18	Golden Arrow Selected Stock Fund	3,525	3,371
600,000	219,392	114.52	Habib Bank Limited	68,713	50,751
–	100,000	–	HBL Stock Fund	–	10,000
1,886,187	1,172,187	4.18	Hira Textile Mills Limited	7,878	14,652
509,342	156,927	20.82	Honda Atlas Cars (Pakistan) Limited	10,606	8,455
3,900,000	1,613,280	20.84	Hub Power Company Limited	81,281	47,006
–	6,195	–	ICI Pakistan Limited	–	457
5,400,000	1,500,000	3.53	IGI Investment Bank Limited	19,062	17,151
130,000	50,029	189.19	Indus Motor Company Limited	24,595	16,931
–	156	–	Invest and Finance Securities Limited	–	1
3,585,000	7,428	27.70	Jahangir Siddiqui and Company Limited	99,299	417
–	2,452	–	Javed Omer Vohra and Company Limited	–	28
1,000,000	189,941	5.08	JS Bank Limited	5,080	1,999
–	254,814	–	JS Income Fund	–	25,000
1,038,000	261	17.18	JS Investments Limited	17,837	10
6,231,000	–	4.72	JS Large Capital Fund	29,385	–
–	6,090	–	JS Value Fund	–	17
1,760,093	140,000	38.25	Kot Addu Power Company Limited	67,318	6,023
1,239,613	1,034,336	62.98	Lucky Cement Limited	78,074	48,950
1,830,000	1,077	4.42	Maple Leaf Cement Company Limited	8,096	3
–	69	–	Mari Gas Company Limited	–	7
335,000	4,704	145.37	MCB Bank Limited	48,698	636
–	516,899	–	MCB Dynamic Cash Fund	–	50,000
6,000,000	743,500	6.00	Meezan Balanced Fund	36,016	7,029
1,610,000	204,809	14.45	Meezan Bank Limited	23,264	6,104
2,100,000	640,000	5.69	MyBank Limited	11,952	13,404
1,300,000	347,946	73.64	National Bank of Pakistan	95,733	45,974
240,000	110,000	198.03	National Refinery Limited	47,526	34,643
150,000	1,865	29.34	Netsol Technologies Limited	4,401	51
10,726,500	4,300,000	6.03	NIB Bank Limited	64,647	85,961
1,300,000	137,500	10.80	Nishat Mills Limited (Chunian)	14,039	3,562
200,000	6,204	71.50	Nishat Textile Mills Limited	14,300	136
575,000	587,974	71.23	Oil and Gas Development Company Limited	40,958	41,820
–	13,812	–	Pace Pakistan Limited	–	148
513,300	300,000	144.00	Packages Limited	73,915	92,663
7,511,000	7,508,500	10.00	Pak Oman Advantage Fund	75,091	75,069
546,313	218,700	108.24	Pak Suzuki Motor Company Limited	59,133	61,724
–	556	–	Pakistan Electron Limited	–	14
650,000	882,599	142.74	Pakistan Oilfields Limited	92,779	101,311
553,675	187,380	146.55	Pakistan Petroleum Limited	81,139	35,161
100,000	153,906	6.50	Pakistan Premier Fund	650	1,782
–	4,234	–	Pakistan Refinery Limited	–	365
2,800,000	228,201	34.93	Pakistan Re-Insurance Company Limited	97,809	13,846
–	7,917	–	Pakistan State Oil Company Limited	–	1,229
1,800,000	1,427,000	5.05	Pakistan Strategic Allocation Fund	9,088	13,601
4,181,800	1,033,719	18.64	Pakistan Telecommunication Company Limited	77,963	25,184
–	4,000	–	Pervez Ahmed Securities Limited	–	27
2,059,900	1,696,825	16.00	PICIC Growth Fund	32,952	45,056
–	352	–	Pioneer Cement Limited	–	7
100,568	100,568	39.67	Reliance Income Fund	3,990	5,000
1,700,000	650,000	4.33	Samba Bank Limited	7,363	10,083
–	30	–	Searle Pakistan Limited	–	2
139,700	60,875	247.86	Shell Pakistan Limited	34,626	19,108
–	2,483	–	Sitara Peroxide Limited	–	40
3,284,204	2,018,600	11.07	Soneri Bank Limited	36,356	71,557
2,520,000	1,234,728	36.70	Sui Northern Gas Pipelines Limited	92,484	65,890
1,718,264	5,901	13.72	Sui Southern Gas Company Limited	23,569	69

No. of ordinary shares / certificates / units		Paid-up value per share/ certificate/unit	Name of companies / mutual funds	2009		2008	
2009	2008	Rupees		Rupees in '000			
–	62	–	Thatta Cement Limited	–	–	–	1
–	3,641	–	The Bank of Punjab	–	–	–	55
6,100	–	99.18	Tri Pak Films Limited	605	–	–	–
830,000	310,511	51.52	United Bank Limited	42,761	–	–	30,208
–	2,380,000	–	UTP Large Capital Fund	–	–	–	17,737
Add / (less): Surplus / (deficit) on revaluation of shares - (net)				3,889,726	–	–	3,144,638
				87,934	–	–	(1,054,865)
Market value as on December 31				3,977,660	–	–	2,089,773

#### 9.4 Particulars of investments held in unlisted companies

Investee	Notes	Percentage of holding %	Number of shares Rupees	Cost / paid-up value per share	Total paid-up value Rupees in '000	Break up value	Based on audited financial statements as at	Name of Chief Executive
Askari Investment Management Limited – subsidiary	9.4.1	100	13,500,000	10	135,000	155,055	31 Dec 2009	Mr. Saeed Aziz Khan
Askari Securities Limited – subsidiary	9.4.2	74	13,320,000	10	77,789	49,133	31 Dec 2009	Mr. Faheem Sardar
Khushhali Bank Limited	9.4.3	2.93	5,000,000	10	50,000	55,130	31 Dec 2008	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	9.4.4	5.26	568,044	10	5,680	–	–	Mr. S.M. Zaem
					268,469			

- 9.4.1** Askari Investment Management Limited 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).
- 9.4.2** Askari Securities Limited is a partly owned subsidiary of the Bank, incorporated under the Companies Ordinance, 1984 as a public limited company to undertake the business of share brokerage, investment advisory and consultancy services.
- 9.4.3** This represents subscription by the Bank towards capital of Khushhali Bank as per the State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale/ transfer of these shares is subject to the prior approval of the State Bank of Pakistan.
- 9.4.4** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2008: Rs. 3,896 thousand) is considered as impairment and has been fully provided for.

#### 9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value per share Rupees	Investee Rupees in '000	Rate % Rupees in '000	Book Value		Market Value	
2009	2008				2009	2008	2009	2008
10,000,000	10,000,000	10	Chenab Limited	9.25	70,000	100,000	70,000	81,700
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
					95,000	125,000	95,000	106,700



# Notes to the Financial Statements

For the year ended December 31, 2009

## 9.6 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2009	2008
2009	2008			Rupees in '000	
<b>Listed</b>					
13,669	18,669	Allied Bank Limited	4,994	68,263	93,270
35,000	35,000	Bank Alfalah Limited	4,991	174,693	174,760
30,000	30,000	Bank Al-Habib Limited	4,990	149,700	149,760
11,000	–	IGI Investment Bank Limited	2,446	26,908	–
27,400	5,000	NIB Bank Limited	4,521	123,871	21,121
8,000	8,000	Orix Leasing Limited	4,208	33,661	40,548
37,230	15,000	Pace Pakistan Limited	4,621	172,051	74,985
–	43,493	Pak Arab Fertilizer Limited	–	–	212,990
40,000	40,000	Pakistan Mobile Communication (Private) Limited	4,993	199,720	199,800
4,600	4,600	Royal Bank of Scotland	4,991	22,959	22,968
12,000	12,000	Soneri Bank Limited	4,991	59,892	59,916
10,000	10,000	Standard Chartered Bank Limited	4,993	49,930	49,950
29,000	24,431	United Bank Limited	5,656	164,030	121,988
84,090	6,067	Worldcall Telecom Limited	4,780	401,978	30,311
Book value as on December 31				1,647,656	1,252,367
<b>Unlisted</b>					
30,000	15,200	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	5,000	150,000	76,000
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,002	430,194	430,387
70,000	–	Bank Alfalah Limited (Chief Executive: Mr. Shakil Sadiq)	5,000	350,000	–
20,000	20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	1,250	25,000	25,000
140,000	140,000	Engro Chemicals Pakistan Limited (Chief Executive: Mr. Asad Umar)	5,000	700,000	700,000
233,333	233,333	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Tanwir Safder Cheema)	5,000	1,166,665	1,166,665
233,333	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Muhammad Ibrahim Majoka)	5,000	1,166,665	1,166,665
233,333	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Raja Abdul Ghafoor)	5,000	1,166,665	1,166,665
74,900	33,000	Jahangir Siddique and Company Limited (Chief Executive: Mr. Munaf Ibrahim)	4,808	360,106	165,744
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Farrukh H. Sabzwari)	5,022	50,222	50,370
5,000	5,000	Kashf Foundation (Chief Executive: Ms. Sadaffe Abid)	2,143	10,714	25,000
455,800	–	National Transmission and Dispatch Company Limited (Chief Executive: Mr. Ameer-ur-Rehman)	5,000	2,279,000	–
2,200	2,200	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	100,023	220,050	220,070
140,000	140,000	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,997	699,580	699,800
68,493	–	Pak Arab Fertilizer Limited (Chief Executive: Mr. Fawad Ahmad Mukhtar)	4,773	326,924	–
642,800	–	Power Holding Private Limited (Chief Executive: Mr. Fazeel Asif)	5,000	3,214,000	–
50,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Aijaz Haroon)	4,999	249,950	247,907
10,000	10,000	Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000	50,000	50,000
–	59,023	Worldcall Telecom Limited (Chief Executive: Mr. Baber Ali Syed)	–	–	295,112
Book value as on December 31				12,615,735	6,485,385

These carry rate of return ranging from 8.45% to 19.43% (2008: 8.45% to 19.43%) per annum and having maturity periods of upto 10 years (2008: 8 years).

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

**9.8 Sukuk Certificates - Available for sale**

Name of Investee	Rate	Maturity	2009	2008
			Rupees in '000	
Eden Builders Private Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a.	March 8, 2014	120,000	66,250
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	90,000	100,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a.	June 20, 2014	200,000	200,000
K.S. Sulmanji and Esmailiji and Sons Private Limited	Average of offer side of 3 month KIBOR plus 1.3% p.a.	June 28, 2012	190,000	200,000
Kohat Cement Limited	Average of offer side of 6 month KIBOR plus 1.8% p.a.	December 13, 2012	241,500	241,500
Pak American Fertilizer Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 5, 2015	300,000	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	19,789	50,530
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 26, 2011	10,000	10,000
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 3 month KIBOR plus 1.1% p.a.	August 19, 2013	190,000	190,000
			1,511,289	1,508,280

**9.9** The Bank has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

**9.10** Investment in associate represents 15% (2008: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2009: Rs. 51,962 thousand; 2008: Rs. 91,668 thousand).

**9.11 Sukuk Certificates - Held to maturity**

Name of Investee	Rate	Maturity	2009	2008
			Rupees in '000	
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	270,000	270,000
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 04, 2016	150,842	150,979
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a.	June 28, 2012	166,666	200,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			897,508	930,979

**9.12** This represents investments by the wholesale bank branch in credit linked notes issued by Standard Chartered Bank, Singapore at 3 months USD LIBOR plus 3.50% per annum maturing on December 20, 2012.

# Notes to the Financial Statements

For the year ended December 31, 2009

## 9.13 Quality of Available for Sale Securities

Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
Market Treasury Bills – note 9.13.1	37,693,814	unrated	16,028,763	unrated
Pakistan Investment Bonds – note 9.13.1	4,943,072	unrated	2,901,990	unrated
Fully paid up ordinary shares – note 9.13.2				
ABL Income Fund	–	–	52,083	A
Adamjee Insurance Company Limited	68,949	AA	10,193	AA
Al-Abbas Cement Industries Limited	–	–	3	unrated
Al-Meezan Mutual Fund	11,607	unrated	–	–
Allied Bank Limited	–	–	106	A
Arif Habib Bank Limited	275	A	226	A
Arif Habib Limited	–	–	76	unrated
Arif Habib Securities Limited	64,051	unrated	21,205	A+
Askari Asset Allocation Fund	157,359	unrated	114,874	unrated
Askari Islamic Asset Allocation Fund	111,247	unrated	100,000	unrated
Askari Islamic Income Fund	113,119	unrated	100,000	unrated
Askari Sovereign Cash Fund	104,002	unrated	–	–
Atlas Bank Limited	1,720	A–	1,660	A–
Atlas Fund of Funds	36,310	unrated	31,750	unrated
Attock Cement Limited	12,252	unrated	2,046	unrated
Attock Petroleum Limited	90,381	unrated	14,645	unrated
Attock Refinery Limited	29,589	AA	38	AA
Azgard Nine Limited	56,133	A+	10	A+
Bank Alfalah Limited	45,441	AA	7,745	AA
Bank Al-Habib Limited	–	–	5	AA
Bank Islami Pakistan Limited	6,218	A	1,313	A–
BOC Pakistan Limited	–	–	7	unrated
Bosicor Pakistan Limited	–	–	53	unrated
Cherat Cement Limited	4,569	unrated	1,294	unrated
Crescent Steel Mills Limited	29,477	A+	13,594	A+
D. G. Khan Cement Company Limited	62,675	unrated	1,050	unrated
D.S. Industries Limited	–	–	10	unrated
Dawood Equities Limited	–	–	1	unrated
Dawood Lawrencepur Limited	–	–	26	unrated
Dewan Cement Limited	–	–	248	BB
Dewan Salman Fibres Limited	–	–	30	unrated
Dost Steel Mills Limited	–	–	28	unrated
EFU General Insurance Limited	–	–	20	AA
Engro Chemical (Pakistan) Limited	92,368	AA	10,905	AA
Eye Television Network Limited	–	–	16	unrated
Fauji Cement Company Limited	18,480	unrated	4,557	unrated
Fauji Fertilizer Bin Qasim Limited	41,808	unrated	28,560	unrated
Fauji Fertilizer Company Limited	–	–	107	unrated
Faysal Bank Limited	–	–	72	AA
First National Equities Limited	–	–	4	A–
Golden Arrow Selected Stock Fund	3,324	4 - Star	1,489	5 - Star
Habib Bank Limited	74,064	AA+	16,424	AA+
HLB Stock Fund	–	–	5,798	unrated
Hira Textile Mills Limited	5,470	unrated	2,649	unrated
Honda Atlas Cars Limited	9,739	unrated	1,808	unrated
Hub Power Company Limited	121,212	unrated	22,731	unrated
ICI Pakistan Limited	–	–	426	unrated
IGI Investment Bank Limited	19,062	A	4,725	A
Indus Motor Company Limited	25,548	unrated	6,148	unrated
Invest and Finance Securities Limited	–	–	1	BBB–
Jahangir Siddiqui and Company Limited	101,787	AA+	388	AA+
Javed Omer Vohra and Company Limited	–	–	22	BB+

Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
JS Bank Limited	5,080	A	1,090	A-
JS Income Fund	-	-	25,701	5 - Star
JS Investments Limited	14,916	AA-	11	AA-
JS Large Capital Fund	28,663	unrated	-	-
JS Value Fund	-	-	27	5 - Star
Khushhali Bank Limited	50,000	A-	50,000	A-
Kot Addu Power Company Limited	80,735	unrated	4,418	unrated
Lucky Cement Limited	75,488	unrated	9,710	unrated
Maple Leaf Cement Company Limited	6,881	D	4	BBB+
Mari Gas Company Limited	-	-	7	unrated
MCB Bank Limited	71,396	AA+	592	AA+
MCB Dynamic Cash Fund	-	-	51,013	unrated
Meezan Balanced Fund	36,600	unrated	2,952	5 - Star
Meezan Bank Limited	25,341	A+	4,399	A+
MyBank Limited	9,975	A-	7,424	A
National Bank of Pakistan	78,089	AAA	17,005	AAA
National Refinery Limited	42,437	AAA	10,468	AAA
Netsol Technologies Limited	-	-	47	unrated
NIB Bank Limited	51,487	AA-	20,081	AA-
Nishat (Chunian) Mills Limited	27,560	unrated	1,330	unrated
Nishat Textile Mills Limited	-	-	140	A+
Oil and Gas Development Company Limited	60,836	AAA	24,404	AAA
Pace Pakistan Limited	-	-	119	A+
Packages Limited	73,915	AA	24,357	AA
Pak Oman Advantage Fund	78,866	AA-	56,464	AA-
Pak Suzuki Motor Company Limited	48,600	unrated	17,411	unrated
Pakistan Electron Limited	-	-	13	A
Pakistan Export Finance Guarantee Agency Limited	-	-	1,784	unrated
Pakistan Oilfields Limited	138,463	unrated	9,490	unrated
Pakistan Petroleum Limited	91,003	unrated	18,854	unrated
Pakistan Premier Fund	595	3 - Star	311	5 - Star
Pakistan Refinery Limited	-	-	417	unrated
Pakistan Re-Insurance Limited	73,080	unrated	5,406	unrated
Pakistan State Oil Company Limited	-	-	1,145	AAA
Pakistan Strategic Allocation Fund	7,992	4 - Star	3,254	4 - Star
Pakistan Telecommunication Company Limited	73,809	unrated	17,460	unrated
Pervez Ahmed Securities Limited	-	-	14	unrated
PICIC Growth Fund	29,374	2 - Star	9,485	unrated
Pioneer Cement Limited	-	-	8	BBB
Reliance Income Fund	3,990	unrated	4,735	unrated
Samba Bank Limited	5,627	A	3,211	A
Searle Pakistan Limited	-	-	2	BBB
Shell Pakistan Limited	34,975	unrated	18,890	unrated
Sitara Peroxide Limited	-	-	45	unrated
Soneri Bank Limited	36,356	AA-	22,205	AA-
Sui Northern Gas Pipelines Limited	62,496	AA	26,497	AA
Sui Southern Gas Company Limited	23,076	AA-	62	AA-
Thatta Cement Limited	-	-	1	unrated
The Bank of Punjab	-	-	48	AA-
Tri Pak Films Limited	624	A+	-	-
United Bank Limited	46,760	AA+	11,461	AA+
UTP Large Capital Fund	-	-	5,474	4 - Star
Fully paid preference shares				
Chenab Limited	70,000	unrated	81,700	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
Askari Income Fund Units – note 9.13.2	888,667	3 - Star	921,376	5 - Star



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Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
Term Finance Certificates				
Allied Bank Limited	66,145	AA-	101,858	AA-
Avari Hotels Limited	140,730	A-	76,000	A-
Azgard Nine Limited	425,853	AA-	431,675	AA-
Bank Alfalah Limited	344,550	AA-	-	-
Engro Chemical Pakistan Limited	665,216	AA	704,200	AA
Faisalabad Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
Gujranwala Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
IGI Investment Bank Limited	27,311	A+	-	-
Islamabad Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
Jahangir Siddique and Company Limited	376,333	AA+	166,418	AA+
KASB Securities Limited	49,224	AA-	50,370	AA-
Kashf Foundation	10,540	A-	25,078	A-
National Transmission and Dispatch Company Limited	2,279,000	unrated	-	-
NIB Bank Limited	125,659	A+	24,995	A+
Orix Leasing Pakistan Limited	228,147	AA & AA+	260,768	AA+
Pace Pakistan Limited	180,565	A+	74,985	AA-
Pak American Fertilizer Limited	685,864	AA-	700,550	AA-
Pak Arab Fertilizer Limited	321,373	AA	217,422	AA
Pakistan International Airlines Corporation Limited	249,950	unrated	-	-
Power Holding Private Limited	3,214,000	unrated	-	-
Shakarganj Mills Limited	44,037	D	50,000	A-
United Bank Limited	61,510	AA	23,943	AA
World Call Telecom Limited	387,431	A	329,998	AA-
	13,383,433		6,738,255	
National Investment Trust (NIT) Units	262,601	3 - Star	79,705	4 - Star
National Investment Trust (NIT) Government Bond Fund	101,335	unrated	-	-
Sukuk Certificates	1,510,362	unrated	1,508,280	unrated
Foreign securities				
Mena Transformation Fund	228,191	unrated	170,040	unrated
	62,119,796		29,525,724	

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

**9.13.2** Ratings for these equity securities / units represent 'Entity Ratings'.

**9.13.3** 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 security is unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

**9.14** The Bank recognised impairment loss arising on valuation of listed equity portfolio held as available for sale on December 31, 2008 as part of equity in terms of the options permitted by the State Bank of Pakistan's BSD Circular No. 4 dated February 13, 2009. The said loss amounted to Rs. 440,866 thousand as of December 31, 2008 reduced to Rs 285,373 thousand due to price changes during 2009 and was charged to profit and loss account on a quarterly basis during 2009, as permitted by the above referred circular. In addition, continuing with the impairment policy followed by the Bank, an amount of Rs. 145,684 thousand has also been recognised as impairment of available for sale equity portfolio.

Rupees in '000	2009	2008
<b>9.15 Unrealized (loss) / gain on revaluation of investments classified as held for trading</b>		
Fully paid ordinary shares	(1,918)	22,384

**9.16** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

**9.17** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.

Rupees in '000	Notes	2009	2008
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		125,995,317	120,029,501
Outside Pakistan		2,106,040	2,993,878
		128,101,357	123,023,379
Ijarah Financing - In Pakistan	10.2	1,635,158	2,092,884
Net book value of assets / investments in Ijarah under IFAS 2 in Pakistan	10.3	281,514	–
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		9,582,481	5,737,310
Payable outside Pakistan		8,027,833	8,865,648
		17,610,314	14,602,958
Financing in respect of continuous funding system		147,628,343	139,719,221
		–	111,752
Advances - gross		147,628,343	139,830,973
Provision against non performing advances	10.5		
Specific provision		(11,658,161)	(10,025,157)
General provision		(585,642)	(573,390)
General provision against consumer financing		(350,041)	(414,184)
		(12,593,844)	(11,012,731)
Advances - net of provision		135,034,499	128,818,242
<b>10.1 Particulars of advances</b>			
<b>10.1.1</b> In local currency		139,014,592	130,774,111
In foreign currencies		8,613,751	9,056,862
		147,628,343	139,830,973
<b>10.1.2</b> Short term ( for upto one year)		119,371,026	111,043,245
Long term ( for over one year)		28,257,317	28,787,728
		147,628,343	139,830,973

# Notes to the Financial Statements

For the year ended December 31, 2009

## 10.2 Ijarah Financing - In Pakistan

Rupees in '000	2009				2008			
	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	498,190	995,460	–	1,493,650	651,713	1,468,852	–	2,120,565
Residual value	65,374	419,405	–	484,779	6,520	536,621	–	543,141
Minimum lease payments	563,564	1,414,865	–	1,978,429	658,233	2,005,473	–	2,663,706
Profit for future periods	124,240	219,031	–	343,271	222,807	348,015	–	570,822
Present value of minimum Ijarah payments	439,324	1,195,834	–	1,635,158	435,426	1,657,458	–	2,092,884

## 10.3 Net book Value of assets / investments in Ijarah under IFAS 2

Rupees in '000	2009				2008			
	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	–	320,088	–	320,088	–	–	–	–
Accumulated depreciation on Ijarah	–	38,574	–	38,574	–	–	–	–
Net assets / investment in Ijarah	–	281,514	–	281,514	–	–	–	–

10.4 Advances include Rs. 17,725,451 thousand (2008: Rs. 11,689,417 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned – note 10.4.1	73,966	–	73,966	–	–	–	–	–	–
Substandard	639,784	–	639,784	155,630	–	155,630	155,630	–	155,630
Doubtful	3,490,038	–	3,490,038	688,926	–	688,926	688,926	–	688,926
Loss	13,521,663	–	13,521,663	10,813,605	–	10,813,605	10,813,605	–	10,813,605
	17,725,451	–	17,725,451	11,658,161	–	11,658,161	11,658,161	–	11,658,161

10.4.1 This represents classification made for agricultural finances.

## 10.5 Particulars of provision against non-performing advances

Rupees in '000	2009				2008			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
Opening balance	10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605
Charge for the year	3,639,565	221,248	2,146	3,862,959	5,450,215	138,700	4,993	5,593,908
Reversal for the year	(1,263,297)	(208,996)	(66,289)	(1,538,582)	(1,732,446)	–	(36,684)	(1,769,130)
Net charge / (reversal) for the year	2,376,268	12,252	(64,143)	2,324,377	3,717,769	138,700	(31,691)	3,824,778
Amounts written off – note 10.7	(743,264)	–	–	(743,264)	(220,652)	–	–	(220,652)
Closing balance	11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731

10.5.1 The State Bank of Pakistan has amended the Prudential Regulations vide BSD Circular No. 10 of 2009 dated October 20, 2009 in relation to provision for loans and advances, thereby allowing benefit of 40% of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances. The FSV benefit has resulted in reduced charge for specific provision for the year by Rs. 2,814,106 thousand. The FSV benefit recognised in these financial statements is not available for payment of

cash or stock dividend. Had the FSV benefit not recognised, profit before tax for the year and profit after tax for the year would have been lower by Rs. 2,814,106 (2008: 685,843) thousand and Rs. 1,829,169 (2008: 445,800) thousand respectively.

**10.5.2** The general provision is maintained at the rate of 0.5% on advances other than non-performing advances and consumer financing.

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

Rupees in '000	2009				2008			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
In local currency	11,448,001	544,082	350,041	12,342,124	9,927,604	529,336	414,184	10,871,124
In foreign currencies	210,160	41,560	–	251,720	97,553	44,054	–	141,607
	11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731

Rupees in '000	2009	2008
<b>10.7 Particulars of write-offs:</b>		
<b>10.7.1</b> Against provisions	743,264	220,652
Directly charged to profit and loss account	–	247,311
	743,264	467,963
<b>10.7.2</b> Write offs of Rs. 500,000 and above	742,967	467,963
Write offs of below Rs. 500,000	297	–
	743,264	467,963

**10.8** 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, 2009 is given at Annexure-I.

Rupees in '000	2009	2008
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	401,575	195,967
Loans granted during the year	385,579	298,558
Repayments	(179,471)	(92,950)
Balance at end of year	607,683	401,575
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of year	–	–
Loans granted during the year	–	–
Repayments	–	–
Balance at end of year	–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of year	631,904	193,454
Loans granted during the year	500,000	500,000
Repayments	(551,664)	(61,550)
Balance at end of year	580,240	631,904
	1,187,923	1,033,479



# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	1,489,066	1,237,010
Property and equipment	11.2	8,357,374	7,029,448
		9,846,440	8,266,458
<b>11.1 Capital work-in-progress</b>			
Civil works		–	–
Advances to suppliers and contractors		1,489,066	1,237,010
		1,489,066	1,237,010
<b>11.2 Property and equipment</b>			

Rupees in '000	2009										Annual rate of depreciation
	COST					DEPRECIATION				Book value as at December 31, 2009	
	as at January 1, 2009	Additions	Revaluation Surplus	Transfers/ (deletions)	as at December 31, 2009	as at January 1, 2009	Charge for the year	on (deletions)	as at December 31, 2009		
Land –freehold	1,414,802	452,710	–	–	1,867,512	–	–	–	–	1,867,512	–
Land –leasehold	2,098,844	–	–	–	2,098,844	–	–	–	–	2,098,844	–
Buildings on freehold land	583,199	332,485	–	–	915,684	181,819	33,131	–	214,950	700,734	5
Buildings on leasehold land	1,414,220	–	–	–	1,414,220	255,758	57,921	–	313,679	1,100,541	5
Renovation of leased premises	946,341	416,491	–	(26,938)	1,335,894	433,346	198,024	(26,086)	605,284	730,610	20
Furniture, fixtures and office equipment	387,220	71,429	–	(4,105)	454,544	114,462	32,163	(1,885)	144,740	309,804	10
Carpets	18,485	1,849	–	(505)	19,829	11,779	2,357	(357)	13,779	6,050	20
Machine and equipments	924,436	168,385	–	(14,296)	1,078,525	414,618	125,867	(11,118)	529,367	549,158	20
Computer equipments	959,223	532,693	–	(4,198)	1,487,718	457,719	149,593	(2,897)	604,415	883,303	20
Vehicles	222,257	5,690	–	(18,986)	208,961	149,059	27,895	(17,026)	159,928	49,033	20
Other assets	131,411	1,811	–	–	133,222	52,430	19,007	–	71,437	61,785	20
	9,100,438	1,983,543	–	(69,028)	11,014,953	2,070,990	645,958	(59,369)	2,657,579	8,357,374	

Rupees in '000	2008										Annual rate of depreciation
	COST					DEPRECIATION				Book value as at December 31, 2008	
	as at January 1, 2008	Additions	Revaluation Surplus	Transfers/ (deletions)	as at December 31, 2008	as at January 1, 2008	Charge for the year	on (deletions)	as at December 31, 2008		
Land –freehold	404,943	10,809	999,050	–	1,414,802	–	–	–	–	1,414,802	–
Land –leasehold	465,970	956,829	859,106	(183,061)	2,098,844	–	–	–	–	2,098,844	–
Buildings on freehold land	570,103	13,096	–	–	583,199	160,782	21,037	–	181,819	401,380	5
Buildings on leasehold land	796,861	434,298	–	183,061	1,414,220	163,080	92,678	–	255,758	1,158,462	5
Renovation of leased premises	606,617	367,935	–	(28,211)	946,341	330,239	116,802	(13,695)	433,346	512,995	20
Furniture, fixtures and office equipment	292,022	111,528	–	(16,330)	387,220	94,785	25,787	(6,110)	114,462	272,758	10
Carpets	15,686	3,156	–	(357)	18,485	10,072	2,003	(296)	11,779	6,706	20
Machine and equipments	647,008	308,587	–	(31,159)	924,436	334,113	100,021	(19,516)	414,618	509,818	20
Computer equipments	734,191	254,898	–	(29,866)	959,223	376,056	100,570	(18,907)	457,719	501,504	20
Vehicles	476,400	35,836	–	(12,517)	222,257	166,155	45,840	(6,951)	149,059	73,198	20
Other assets	56,565	74,846	–	–	131,411	46,105	6,325	–	52,430	78,981	20
	5,066,366	2,571,818	1,858,156	(118,440)	9,100,438	1,681,387	511,063	(65,475)	2,070,990	7,029,448	
				(277,462) *				(55,985) *			

**11.2.1** Cost of fully depreciated property and equipment still in use is Rs. 206,422 thousand (2008: Rs. 176,193 thousand).

**11.2.2** The Bank's freehold and leasehold land was revalued by valuers approved by Pakistan Banks Association at December 31, 2008 on the basis of their professional assessment of the present market value. The revaluation resulted in a net surplus of Rs. 1,858,156 thousand over book value which was incorporated in the books of account of the Bank during 2008.

### 11.3 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						
Toyota Corolla	969	452	517	547	As per Bank policy	Mr. Mian Shamim Ahmed – Executive
Honda Civic	1,515	328	1,187	1,187	-do-	Mr. Mansoor Akbar – Contractual Ex- Executive
Suzuki Cultus	640	384	256	450	Insurance claim	Askari General Insurance Company Limited – a related party
Renovation of leased premises	2,206	1,697	509	509	-do-	-do-
Computer equipments	655	177	478	478	-do-	-do-
Furniture and Fixtures	641	89	552	552	-do-	-do-
Generator	1,010	795	215	240	Trade in	Power Vision, Lahore – Engineers and Consultants
Data Card Machine	3,639	3,334	305	640	-do-	Crest Corporation, Karachi
Renovation of leased premises	780	442	338	31	-do-	Muhammad Aslam Brothers, Okara
Renovation of leased premises	3,133	3,131	2	150	Tender	Unique Wood Works, Rawalpindi
	15,188	10,829	4,359	4,784		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related party	53,840	48,540	5,300	8,558		
<b>2009</b>	<b>69,028</b>	<b>59,369</b>	<b>9,659</b>	<b>13,342</b>		
2008	118,440	65,475	52,965	48,976		

Rupees in '000	Notes	2009	2008
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	6,379,680	5,154,173
Income / mark-up accrued in foreign currencies		142,876	148,122
Advances, deposits, advance rent and other prepayments		899,105	1,423,635
Advance taxation (payments less provisions)		1,977,943	1,929,441
Un-realized gain on forward foreign exchange contracts - net		125,967	–
Suspense account		16,816	15,770
Stationary and stamps in hand		53,064	52,996
Dividend receivable		25,599	17,945
Others		415,720	222,857
		10,036,770	8,964,939
Less: Provision against other assets	12.2	(459)	(459)
Other assets - net of provision		10,036,311	8,964,480

**12.1** This balance has been arrived at after adjusting interest in suspense of Rs 3,361,765 thousand (2008: Rs. 2,176,886 thousand).

Rupees in '000	Notes	2009	2008
<b>12.2 Provision against other assets</b>			
Opening balance		459	–
Charge for the year		–	459
Reversals		–	–
Amount written-off		–	–
Closing balance		459	459

# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>13. BILLS PAYABLE</b>			
In Pakistan		2,945,670	2,584,828
<b>14. BORROWINGS</b>			
In Pakistan		19,143,378	15,189,514
Outside Pakistan		156,785	634
		19,300,163	15,190,148
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		19,143,378	15,189,514
In foreign currencies		156,785	634
		19,300,163	15,190,148
<b>14.2 Details of borrowings - secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	11,920,153	12,090,551
Long term financing of export oriented projects	14.2.2	1,780,058	1,811,653
Repurchase agreement borrowings (repo)	14.2.3	4,473,167	767,310
Unsecured			
Call borrowings	14.2.4	970,000	520,000
		19,143,378	15,189,514
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		156,785	634
		19,300,163	15,190,148

**14.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 6.5% (2008: 6.5%) per annum payable on a quarterly basis.

**14.2.2** These carry mark-up rate of 5% (2008: 5%) per annum payable on a quarterly basis.

**14.2.3** These are secured against pledge of Government Securities, and carry mark-up ranging from 11.65% to 12.02% (2008: 9.5% to 12.5%) per annum and have maturities upto 3 (2008: 3) months.

**14.2.4** These represent borrowings at mark-up rates ranging from 11.5% to 12.60% (2008: 14.5% to 15.25%) per annum and have maturities upto 3 (2008: 1) months.

Rupees in '000	2009	2008
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	47,689,401	39,675,699
Saving deposits	110,297,787	80,428,214
Current accounts - non-remunerative	44,340,561	43,245,593
Special exporters' account	21,743	30,562
Margin accounts	1,853,597	1,983,653
Others	268,063	257,099
Financial institutions		
Remunerative deposits	1,494,658	2,047,388
Non-Remunerative deposits	4,417	8,364
	205,970,227	167,676,572

Rupees in '000	2009	2008
<b>15.1 Particulars of deposits</b>		
In local currency	174,277,597	141,885,129
In foreign currencies	31,692,630	25,791,443
	205,970,227	167,676,572

Deposits include Rs. 6,464,595 thousand (2008: Rs. 1,791,611 thousand) due to related parties.

Rupees in '000	2009	2008
<b>16. SUB-ORDINATED LOANS</b>		
Term Finance Certificates – I	1,497,300	1,497,900
Term Finance Certificates – II	1,497,600	1,498,200
Term Finance Certificates – III	3,000,000	–
	5,994,900	2,996,100

The Bank has raised unsecured sub-ordinated loans in three separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows:

	Term Finance Certificate - I	Term Finance Certificate - II	Term Finance Certificate - III
Outstanding amount - Rupees in thousand	1,497,300	1,497,600	3,000,000
Issue date	February 4, 2005	October 31, 2005	November 18, 2009
Total issue	Rupees 1,500 million	Rupees 1,500 million	Rupees 3,000 million
Rating	AA–	AA–	AA–
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5%	Payable six monthly - Base Rate plus 1.5%	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.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years	10 Years
Call option	–	–	Exerciseable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%	6-96th month: 0.32% 97-120th month: 99.68%

Rupees in '000	2009	2008
<b>17. DEFERRED TAX LIABILITIES</b>		
Deferred credits/ (debits) arising due to:		
Accelerated tax depreciation	658,636	603,937
Provision against non performing advances		
– excess of 1% of total advances	(275,021)	–
– classified in sub-standard category	(21,812)	–
Tax loss for the year	–	(94,656)
	361,803	509,281
Deficit on revaluation of available for sale securities	(27,878)	(496,294)
	333,925	12,987



# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	2009	2008																		
<b>18. OTHER LIABILITIES</b>																				
Mark-up / return / interest payable in local currency	1,698,122	1,559,920																		
Mark-up / return / interest payable in foreign currencies	53,960	92,209																		
Unearned income / commission	165,858	203,750																		
Accrued expenses	407,187	193,024																		
Advance payments	223,682	119,877																		
Security deposit against Ijarah financing	598,215	577,965																		
Unclaimed dividends	37,202	38,027																		
Branch adjustment account	990,844	1,253,935																		
Payable against purchase of listed shares	75,935	7,216																		
Withholding taxes payable	27,442	26,496																		
Federal excise duty payable	26,385	3,848																		
Un-realized loss on forward foreign exchange contracts - net	-	347,258																		
Workers' Welfare Fund	33,515	-																		
Others (Withholding tax payable etc.)	495,142	335,615																		
	4,833,489	4,759,140																		
<b>19. SHARE CAPITAL</b>																				
<b>19.1 Authorized capital</b>																				
	<table border="1"> <thead> <tr> <th style="text-align: center;">2009</th> <th style="text-align: center;">2008</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">Number of shares</td> </tr> <tr> <td style="text-align: right;">1,200,000,000</td> <td style="text-align: right;">700,000,000</td> </tr> </tbody> </table>	2009	2008	Number of shares		1,200,000,000	700,000,000	<table border="1"> <tbody> <tr> <td style="text-align: center;">Ordinary shares of Rs. 10 each</td> <td style="text-align: right;">12,000,000</td> <td style="text-align: right;">7,000,000</td> </tr> </tbody> </table>	Ordinary shares of Rs. 10 each	12,000,000	7,000,000									
2009	2008																			
Number of shares																				
1,200,000,000	700,000,000																			
Ordinary shares of Rs. 10 each	12,000,000	7,000,000																		
<b>19.2 Issued, subscribed and paid up</b>																				
	<table border="1"> <thead> <tr> <th colspan="2" style="text-align: center;">Number of shares</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">67,500,000</td> <td style="text-align: right;">67,500,000</td> <td>Ordinary shares of Rs. 10 each:</td> </tr> <tr> <td style="text-align: right;">439,846,635</td> <td style="text-align: right;">338,377,308</td> <td>Fully Paid in cash</td> </tr> <tr> <td style="text-align: right;">507,346,635</td> <td style="text-align: right;">405,877,308</td> <td>Issued as bonus shares</td> </tr> </tbody> </table>	Number of shares			67,500,000	67,500,000	Ordinary shares of Rs. 10 each:	439,846,635	338,377,308	Fully Paid in cash	507,346,635	405,877,308	Issued as bonus shares	<table border="1"> <tbody> <tr> <td style="text-align: right;">675,000</td> <td style="text-align: right;">675,000</td> </tr> <tr> <td style="text-align: right;">4,398,467</td> <td style="text-align: right;">3,383,774</td> </tr> <tr> <td style="text-align: right;">5,073,467</td> <td style="text-align: right;">4,058,774</td> </tr> </tbody> </table>	675,000	675,000	4,398,467	3,383,774	5,073,467	4,058,774
Number of shares																				
67,500,000	67,500,000	Ordinary shares of Rs. 10 each:																		
439,846,635	338,377,308	Fully Paid in cash																		
507,346,635	405,877,308	Issued as bonus shares																		
675,000	675,000																			
4,398,467	3,383,774																			
5,073,467	4,058,774																			

### 19.3 Capital Risk Management

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

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

#### Minimum paid up capital (net of losses)

By December 31, 2009	Rs 6 billion
By December 31, 2010	Rs 7 billion
By December 31, 2011	Rs 8 billion
By December 31, 2012	Rs 9 billion
By December 31, 2013	Rs 10 billion

The required minimum capital requirement can be achieved by the Bank either by fresh capital injection or retention of profits. The stock dividend declared after meeting all the legal and regulatory requirements, and duly disclosed in the annual audited financial statements will be counted towards the required paid up capital of the Bank pending completion of the formalities for issuance of bonus shares. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date, in this year.

Rupees in '000	Statutory Reserve	Revenue Reserves	2009	2008
<b>20. RESERVES</b>				
Balance as at January 01	2,912,711	4,754,430	7,667,141	6,948,336
Transfer from profit and loss account	221,559	308,980	530,539	718,805
Bonus shares issued	–	(1,014,693)	(1,014,693)	–
Balance as at December 31	3,134,270	4,048,717	7,182,987	7,667,141

**20.1** Reserves as at December 31, 2009 include Rs. 2,241,958 thousand (2008: Rs. 445,798 thousand) in respect of net of tax benefit of 40% (2008: 30%) of Forced Sale Value (FSV) of pledged stocks, mortgaged commercial, industrial properties (land and building only) held as collateral against non-performing advances allowed under BSD circular No 10 of 2009 dated October 20, 2009 and referred in note 10.5.1 above. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

Rupees in '000	2009	2008
<b>21. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land (Deficit) / surplus on revaluation of available for sale securities	1,858,156	1,858,156
i) Federal Government securities	(88,010)	(242,800)
ii) Listed shares	89,852	(1,077,249)
iii) Other securities	(81,492)	(97,933)
	(79,650)	(1,417,982)
Less: related deferred tax effect	27,878	496,294
	(51,772)	(921,688)
	1,806,384	936,468
<b>22. CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1 Direct credit substitutes</b>		
i) Government	2,755,086	3,577,163
ii) Others	6,862,016	7,832,474
	9,617,102	11,409,637
<b>22.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	12,354	7,545
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	56,911,331	61,883,864
ii) Banks and other financial institutions	1,083,718	942,566
iii) Others	10,404,884	12,580,856
	68,399,933	75,407,286
	68,412,287	75,414,831
<b>22.3 Trade-related contingent liabilities</b>	25,410,721	31,333,855
<b>22.4 Other contingencies</b>		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	3,134,363	4,215,064

# Notes to the Financial Statements

For the year ended December 31, 2009

## 22.5 Tax contingencies

- i) For tax assessments carried out to date, tax demands of approximately Rs. 3,340 million and Rs. 53 million, raised by the tax authorities, relate to provision against Non Performing Loans (NPLs) and diminution in the value of investments respectively are under litigation. The Income Tax Appellate Tribunal (ITAT) upto Tax Year 2006 has decided appeals in favour of the Bank on the issue of provisions against NPLs, while tax demand for provision for diminution in value of investment has been set aside for all relevant years. The income tax department has filed reference applications before the High Court on the above issues which has not yet been admitted for regular hearing. Based on advice from tax advisors, the management is hopeful that the High Court will uphold the decisions of Appellate Authorities.

For Tax year 2008 and 2009 the appeals are pending before ITAT and the Commissioner Income Tax (CIT) (Appeals) respectively.

Notwithstanding the above, should these contingencies materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization, if any, of these receivables.

- ii) The department issued re-amended assessment orders for tax years 2005 to 2008 on the issue of taxing commission and brokerage income at normal tax rate instead of under the presumptive tax regime and allocation of expenditure to dividend / capital gains, raising tax demand of Rs. 582 million approximately. Such issues however have been decided in the Bank's favour by the CIT (Appeals) for the Tax Year 2008 except on the issue of allocation of financial expenses. The Bank has filed appeals against the orders before the ITAT in respect of Tax years 2005 to 2008. Based on advice from tax consultants, the management is hopeful that the issues in appeals will be ultimately decided in the Bank's favour.

Rupees in '000	2009	2008
<b>22.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	3,922,616	2,571,940
Sale and repurchase agreements	4,493,702	795,391
<b>22.7 Commitments in respect of forward purchase / sale of listed equity securities</b>		
Purchase	–	–
Sale	–	153,126
<b>22.8 Commitments in respect of forward exchange contracts</b>		
Purchase	24,552,607	15,722,257
Sale	17,646,611	10,319,270
<b>22.9 Commitments for the acquisition of operating fixed assets</b>	462,763	280,440

## 22.10 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 Rs 2,332,650 thousand (2008: 1,354,550 thousand).

Rupees in '000	2009	2008
<b>22.11 Bills for collection</b>		
Payable in Pakistan	5,626,908	3,722,886
Payable outside Pakistan	10,673,130	12,300,025
	16,300,038	16,022,911

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

**23. Off balance sheet financial instruments**

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. 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 State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

**24. DERIVATIVE INSTRUMENTS**

The Bank does not deal in derivative instruments.

Rupees in '000	Note	2009	2008
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	25.1	16,650,120	13,871,412
ii) Financial institutions		76,194	70,736
On investments			
i) Available for sale securities		4,840,476	3,148,301
ii) Held to maturity securities		471,026	487,423
On deposits with financial institutions		155,224	453,092
On securities purchased under resale agreements		468,714	362,349
		22,661,754	18,393,313

**25.1** This includes an amount of Rs. 162,389 thousand (2008: Rs. 49,295 thousand) on account of income received from related parties.

Rupees in '000	Note	2009	2008
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		11,569,560	8,528,319
On securities sold under repurchase agreements		501,514	730,393
On sub-ordinated loans		559,984	383,785
On other short term borrowings		998,038	1,008,222
		13,629,096	10,650,719
<b>27. GAIN ON SALE OF INVESTMENTS - NET</b>			
Federal Government Securities			
Market Treasury Bills		62,177	266
Pakistan Investment Bonds		14,336	1,091
Term Finance Certificates		(856)	–
Shares - Listed		47,015	6,682
Others		21,045	28,704
		143,717	36,743
<b>28. OTHER INCOME</b>			
Rent on property	28.1	32,114	30,537
Net profit / (loss) on sale of property and equipment		3,683	(3,989)
Rent of lockers		12,506	11,855
Recovery of expenses from customers		355,918	304,753
		404,221	343,156

**28.1** This includes an amount of Rs. 19,992 thousand (2008: Rs. 24,217 thousand) on account of rent received from related parties.



# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		3,521,162	2,959,447
Charge for defined benefit plan	35.3	136,153	109,116
Contribution to defined contribution plan		107,882	101,208
Non-executive directors' fees, allowances and other expenses		655	755
Rent, taxes, insurance, electricity, etc.		817,629	661,968
Legal and professional charges		70,412	33,561
Brokerage and commission		127,828	141,021
Communications		299,713	260,808
Repairs and maintenance		300,588	164,183
Stationery and printing		114,969	104,381
Advertisement and publicity		71,492	152,793
Donations		18,000	–
Auditors' remuneration	29.1	7,500	5,107
Depreciation	11.2	645,958	511,063
Other expenditure (traveling, security services, vehicle running expenses, etc.)		755,916	698,758
		6,995,857	5,904,169
<b>29.1 Auditors' remuneration</b>			
Audit fee		2,500	2,200
Fee for the audit of provident and gratuity funds		80	70
Special certifications, half year review and the audit of consolidated financial statements		4,401	2,312
Out-of-pocket expenses		519	525
		7,500	5,107
<b>30. OTHER CHARGES</b>			
Workers' Welfare Fund		33,515	–
Penalties imposed by the State Bank of Pakistan		853	10,987
		34,368	10,987
<b>31. TAXATION</b>			
For the year			
Current		562,099	17,363
Deferred		(27,651)	107,794
		534,448	125,157
For prior years			
Current		119,827	(50,000)
Deferred		(119,827)	–
		–	(50,000)
		534,448	75,157
<b>31.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		1,642,241	461,382
Tax at applicable tax rate of 35 percent (2008: 35 percent)		574,784	161,484
Effect of:			
– Income chargeable to tax at lower rates		(40,634)	(43,405)
– Prior years' adjustment		–	(50,000)
– Amounts not deductible for tax purposes		298	3,845
– Others		–	3,233
		534,448	75,157

Rupees in '000	2009	2008
<b>32. BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit for the year - Rupees in '000	1,107,793	386,225
Weighted average number of Ordinary Shares - numbers	507,346,635	507,346,635
Basic / diluted earnings per share - Rupees	2.18	0.76

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

Weighted average number of ordinary shares for 2008 has been restated to give effect of bonus shares issued during the year.

Rupees in '000	2009	2008
<b>33. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	19,385,843	16,029,635
Balances with other banks	8,364,261	3,954,814
Call money lendings	100,000	675,000
	27,850,104	20,659,449

34. STAFF STRENGTH	Number of employees	
	2009	2008
Permanent	4,393	4,252
Temporary / on contractual basis	1,646	1,703
Daily wagers	–	–
Commission based	120	541
Bank's own staff strength at the end of the year	6,159	6,496
Outsourced	1,111	1,064
Total staff strength at the end of the year	7,270	7,560

### 35. DEFINED BENEFIT PLAN

#### 35.1 General description

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

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

Rupees in '000	2009	2008
<b>35.2 The amounts recognised in the balance sheet are as follows:</b>		
Present value of defined benefit obligation	700,384	538,472
Fair value of plan assets	(481,384)	(326,881)
	219,000	211,591
Unrecognised actuarial losses	(219,000)	(211,591)
Net liability	–	–
<b>35.3 The amounts recognised in profit and loss account are as follows:</b>		
Current service cost	84,696	73,810
Interest on obligation	80,771	43,835
Expected return on plan assets	(49,032)	(24,804)
Actuarial loss recognised	19,718	16,275
	136,153	109,116
<b>35.4 Actual return on plan assets</b>	48,564	(2,925)

# Notes to the Financial Statements

For the year ended December 31, 2009

Rupees in '000	2009	2008
<b>35.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	538,472	438,354
Current service cost	84,696	73,810
Interest cost	80,771	43,835
Actuarial loss	26,659	9,796
Benefits paid	(30,214)	(27,323)
Closing defined benefit obligation	700,384	538,472
<b>35.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	326,881	248,040
Expected return	49,032	24,804
Actuarial losses	(468)	(27,756)
Contributions by employer	136,153	109,116
Benefits paid	(30,214)	(27,323)
Closing fair value of plan assets	481,384	326,881

The Bank expects to contribute Rs. 146,551 thousand to its defined benefit gratuity plan in 2010.

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.

	2009		2008	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>35.7 Break-up of category of assets</b>				
Defense saving certificates	–	–	57,452	18
Pakistan Investment Bonds	317,047	66	153,808	47
Bank deposit account	164,337	34	115,621	35
	481,384	100	326,881	100

### 35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2009 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2009	2008
Discount rate - per annum	13%	15%
Expected rate of increase in salaries - per annum	13%	15%
Expected rate of return on plan assets - per annum	13%	15%
Average expected remaining life of employees - years	8	9

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

Rupees in '000	2009	2008	2007	2006	2005
As at December 31,					
Defined benefit obligation	700,384	538,472	438,354	266,173	199,511
Plan assets	(481,384)	(326,881)	(248,040)	(212,931)	(182,281)
Deficit	219,000	211,591	190,314	53,242	17,230
Experience adjustments					
Actuarial loss on obligation	(26,659)	(9,796)	(132,987)	(35,523)	(7,992)
Actuarial loss on plan assets	(468)	(27,756)	(6,747)	(489)	(3,707)

### 36. DEFINED CONTRIBUTION PLAN

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

### 37. COMPENSATED ABSENCES

#### 37.1 General description

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

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave are accumulated upto a maximum of 120 days which could be encashed at any time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

#### 37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2009 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2009 was Rs. 149,442 thousand against related liability of Rs. 115,571 thousand carried at December 31, 2008. Expense for the year of Rs. 33,871 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2009	2008
Discount rate - per annum	13%	15%
Expected rate of increase in salaries - per annum	13%	15%
Leave accumulation factor - days	5	5

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Fees	105	110	655	755	-	-
Managerial remuneration	9,240	6,000	-	-	453,026	423,121
Charge for defined benefit plan	770	7,390	-	-	37,752	55,144
Contribution to defined contribution plan	770	1,065	-	-	37,737	67,517
Rent and house maintenance	4,158	2,700	-	-	203,862	190,404
Utilities	924	600	-	-	45,303	42,312
Medical	1,630	600	-	-	47,371	42,312
Special performance incentive / Bonus	1,540	1,750	-	-	75,314	87,719
	19,137	20,215	655	755	900,365	908,529
Number of persons	1	2	10	10	472	464

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



# Notes to the Financial Statements

For the year ended December 31, 2009

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

Rupees in '000	2009		2008	
	Book value	Fair value	Book value	Fair value
<b>39.1 On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	19,385,843	19,385,843	16,029,635	16,029,635
Balances with other banks	8,364,261	8,364,261	3,954,814	3,954,814
Lendings to financial institutions	4,614,059	4,614,059	4,479,754	4,479,754
Investments	67,046,033	67,046,033	35,677,755	35,677,755
Advances				
Term loans	51,327,955	51,327,955	35,825,637	35,825,637
Staff advances	5,383,512	5,383,512	3,159,605	3,159,605
Other advances	78,323,032	78,323,032	89,833,000	89,833,000
Other assets	10,036,311	10,036,311	8,964,480	8,964,480
	244,481,006	244,481,006	197,924,680	197,924,680
<b>Liabilities</b>				
Bills payable	2,945,670	2,945,670	2,584,828	2,584,828
Borrowings	19,300,163	19,300,163	15,190,148	15,190,148
Deposits and other accounts				
Current and saving accounts	158,280,826	158,280,826	128,000,873	128,000,873
Term deposits	47,689,401	47,689,401	39,675,699	39,675,699
Sub-ordinated loans	5,994,900	5,994,900	2,996,100	2,996,100
Liabilities against assets subject to finance lease	—	—	—	—
Other liabilities	4,833,489	4,833,489	4,759,140	4,759,140
	239,044,449	239,044,449	193,206,788	193,206,788
<b>39.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	24,552,607	24,552,607	15,722,257	15,722,257
Sale and repurchase agreements	4,493,702	4,493,702	795,391	795,391
Forward sale of foreign exchange	17,646,611	17,646,611	10,319,270	10,319,270
Purchase and resale agreements	3,922,616	3,922,616	2,571,940	2,571,940

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

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, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 44.2.4.

#### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2009								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	129,671	222,299	2,863,833	21,903,274	85,136	12,242	-	-	-
Total expenses	36,152	61,976	734,280	22,154,673	23,736	3,413	-	-	559,984
Net income (loss)	93,519	160,323	2,129,553	(251,399)	61,400	8,829	-	-	(559,984)
Segment Assets (Gross)	68,705	232,274	18,285,963	248,446,567	45,108	6,486	-	-	-
Segment Non Performing Loans	-	-	2,641,129	15,084,322	-	-	-	-	-
Segment Provision Required	-	-	2,473,403	10,284,254	-	-	-	-	-
Segment Liabilities	792	2,680	9,132,424	224,073,329	520	75	-	-	6,168,554
Segment Return on net Assets (ROA) (%)	0.06%	0.10%	1.24%	9.51%	0.04%	0.01%	0.00%	0.00%	0.00%
Segment Cost of funds (%)	0.02%	0.03%	0.34%	10.24%	0.01%	0.00%	0.00%	0.00%	0.26%
	2008								
Total income	54,754	134,328	1,443,099	19,420,093	41,944	6,095	-	-	-
Total expenses	15,351	37,660	1,124,418	19,064,250	11,759	1,708	-	-	383,785
Net income (loss)	39,403	96,668	318,681	355,843	30,185	4,387	-	-	(383,785)
Segment Assets (Gross)	30,939	232,741	17,860,780	199,052,264	23,701	3,444	-	-	-
Segment Non Performing Loans	-	-	1,826,499	9,862,918	-	-	-	-	-
Segment Provision Required	-	-	1,963,567	9,049,164	-	-	-	-	-
Segment Liabilities	7,160	17,565	188,717	189,870,694	5,486	797	-	-	3,129,356
Segment Return on net Assets (ROA) (%)	0.03%	0.07%	0.74%	10.00%	0.02%	0.00%	0.00%	0.00%	0.00%
Segment Cost of funds (%)	0.01%	0.02%	0.62%	10.50%	0.01%	0.00%	0.00%	0.00%	0.21%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.99% (2008: 5.76%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.29% (2008: 1.43%) of the total liabilities have been allocated to segments based on their respective assets.

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## 41. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 50.17 % (2008: 50.17 %) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary companies, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

Rupees in '000	December 31, 2009						December 31, 2008					
	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Subsidiary Companies	Employee Funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Subsidiary Companies	Employees Funds
<b>Balances outstanding as at</b>												
- Advances	-	129,873	25	580,242	-	-	-	74,378	524	631,904	-	-
- Deposits	5,602,346	47,678	11,420	583,722	57,713	163,875	780,947	34,644	59,063	609,455	177,523	164,623
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	12,354	-	-	-	-	-	7,545	-	-
- Investment in shares / Lendings- at cost	-	-	-	1,500,671	212,789	-	-	-	-	1,248,268	712,789	-
<b>Transactions during the year ended</b>												
- Net mark-up / interest earned	-	3,595	-	158,794	-	-	-	2,088	-	47,207	-	-
- Net mark-up / interest expensed	309,815	1,220	581	59,619	11,991	1,910	49,029	212	2,816	23,336	3,497	992
- Contribution to employees' funds	-	-	-	-	-	244,035	-	-	-	-	-	210,324
- Rent of property / service charges received	7,662	-	-	12,137	273	-	12,080	-	-	11,886	251	-
- Rent of property / service charges paid	67,958	-	-	51,125	-	-	72,532	-	-	23,440	-	-
- Remuneration paid	-	155,434	-	-	-	-	-	127,596	-	-	-	-
- Post employment benefits	-	11,899	-	-	-	-	-	12,974	-	-	-	-
- Insurance claim received	-	-	-	3,356	-	-	-	-	-	1,502	-	-
- Insurance premium paid	-	-	-	32,529	-	-	-	-	-	56,925	-	-
- Dividend Income	-	-	-	-	-	-	-	-	-	73,886	-	-
- Security services costs	-	-	-	143,315	-	-	-	-	-	97,160	-	-
- Fee, commission and brokerage income	379	-	-	869	-	-	296	-	-	165	-	-
- Payments and recovery to / from AIML a wholly owned subsidiary of the Bank	-	-	-	-	-	-	-	-	-	-	138	-
- Fees paid	-	105	655	-	-	-	-	110	755	-	-	-

## 42 CAPITAL ADEQUACY

### 42.1 Scope of Applications

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

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 nor does it has any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Bank does not indulge in any securitization activity that shields it from the risk inherent in securitization.

### 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 shareholders' 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, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfillment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25 % of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 percent), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The bank currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

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



# Notes to the Financial Statements

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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 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 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. There has been no material change in the Bank's management of capital during the period.

## 42.3 Capital adequacy ratio as at December 31, 2009

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below.

Rupees in '000	2009	2008
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Fully paid-up capital	5,073,467	4,058,774
Reserves (excluding foreign exchange translation reserves)	7,182,987	7,667,141
Unappropriated / unremitted profits (net of losses)	886,234	308,980
Less: Book value of intangibles	–	–
Deficit on account of revaluation of investments	–	(921,689)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(106,395)	(106,395)
<b>Total Tier I Capital</b>	13,036,293	11,006,811
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier I capital)	4,796,940	2,396,880
General provisions for loan losses subject to 1.25% of total risk weighted assets	935,683	987,574
Revaluation reserve (upto 45%)	800,328	836,170
Foreign exchange translation reserves	–	–
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(106,395)	(106,395)
<b>Total Tier II capital</b>	6,426,556	4,114,229
<b>Eligible Tier III capital</b>	–	–
<b>Total regulatory capital</b>	19,462,849	15,121,040

## Risk weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2009	2008	2009	2008
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
Claims on:				
Sovereigns other than PKR claims	146,702	170,821	1,467,024	1,898,006
Public Sector Entities (PSEs)	683,694	568,378	6,836,944	6,315,308
Banks	1,239,533	124,239	12,395,327	1,380,434
Corporates	7,595,901	7,736,337	75,959,014	85,959,300
Retail portfolio	2,263,186	2,180,628	22,631,864	24,229,197
Residential mortgage finance	384,920	267,297	3,849,196	2,969,970
Listed equities and regulatory capital instruments issued by others banks	320,405	11,064	3,204,048	122,934
Unlisted equity investments	33,021	–	330,212	–
Fixed Assets	984,644	743,981	9,846,440	8,266,457
Other Assets	187,261	329,597	1,872,608	3,662,185
Past Due Exposures	628,780	266,862	6,287,804	2,965,134
Forward Foreign Exchange Contracts	11,307	8,041	113,070	89,348
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	6,018	247,539	60,175	2,750,438
Equity position risk	22,898	451,650	228,975	5,018,338
Foreign exchange risk	12,851	39,711	128,513	441,238
<b>Operational risk</b>	2,038,471	1,621,355	20,384,714	18,015,057
<b>Total</b>	16,559,592	14,767,500	165,595,928	164,083,344
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			19,462,849	15,121,040
Total risk weighted assets			165,595,928	164,083,344
Capital adequacy ratio			11.75%	9.22%

# Notes to the Financial Statements

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## 43. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of 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 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 where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) classification of investments (note 9)
- ii) provision against investments (note 9.2.1) and advances (note 10)
- iii) revaluation of freehold and leasehold land (note 11)
- iv) useful life of property and equipments (note 11)
- v) income taxes (note 31)
- vi) staff retirement benefits (note 35 to note 37)

## 44. RISK MANAGEMENT

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Limited, risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a Board level sub-committee primarily responsible for the identification, measurement, monitoring and controlling of the Bank's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

### 44.1 Credit Risk:

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation 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 focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group concentration exposures.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit 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. Special attention is paid to the management of non-performing loans. A procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

Risk Management Division has an independent Portfolio Monitoring Department. Dedicated resources are assigned to scrutinize corporate, commercial, consumer, SME, and agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors. During the year portfolio monitoring department also prepared the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite Policy of the Bank.

### 44.1.1 Segment information

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

## 44.1.1.1 Segment by class of business

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	6,341,128	4.30	2,540,447	1.23	1,072,237	0.67
Automobiles & Allied	936,799	0.63	1,011,748	0.49	585,236	0.37
Cables / Electronics	6,654,032	4.51	1,956,777	0.95	515,161	0.32
Carpets	167,974	0.11	72,374	0.04	4,202	0.00
Cements	3,898,451	2.64	469,657	0.23	663,216	0.41
Chemicals / Pharmaceuticals	6,932,091	4.70	2,823,250	1.37	4,072,601	2.55
Engineering	342,837	0.23	55,908	0.03	1,001,645	0.63
Fertilizers	697,771	0.47	345,870	0.17	1,310,261	0.82
Food and Allied	2,254,348	1.53	227,324	0.11	570,060	0.36
Fuel / Energy	6,297,501	4.27	2,954,673	1.43	9,438,617	5.90
Ghee and Edible oil	3,096,881	2.10	61,782	0.03	2,708,441	1.69
Glass and Ceramics	1,637,002	1.11	52,076	0.03	21,007	0.01
Hotels and Restaurants	200,844	0.14	317,336	0.15	8,473	0.01
Individuals	19,219,488	13.02	72,598,543	35.25	544,439	0.34
Insurance	–	–	168,282	0.08	1,607	0.00
Investment banks / Scheduled banks	500,000	0.34	2,069,564	1.00	87,546,447	54.72
Leasing	601,042	0.41	115,030	0.06	–	–
Leather products and Shoes	1,110,415	0.75	565,023	0.27	63,443	0.04
Modarabas	46,135	0.03	50	0.00	–	–
Paper and Board	266,162	0.18	77,799	0.04	398,088	0.25
Plastic products	587,669	0.40	141,311	0.07	960,800	0.60
Ready-made garments	942,856	0.64	441,692	0.21	521,097	0.33
Real estate / Construction	8,686,079	5.88	10,528,701	5.11	16,157,372	10.10
Rice processing and trading	2,777,431	1.88	582,266	0.28	376,481	0.24
Rubber products	137,429	0.09	54,774	0.03	97,696	0.06
Services						
(Other than Financial, Hotelling & Traveling)	2,556,054	1.73	5,785,847	2.81	777,982	0.49
Sports goods	580,611	0.39	76,490	0.04	161,511	0.10
Sugar	121,496	0.08	40,920	0.02	3,550	0.00
Surgical equipment / Metal products	5,976,903	4.05	465,580	0.23	1,997,286	1.25
Synthetic and Rayon	1,115,062	0.76	19,512	0.01	72,272	0.05
Textile	27,240,388	18.45	1,512,762	0.73	4,333,202	2.71
Tobacco / Cigarette manufacturing	–	–	19,682	0.01	2,275	0.00
Transport and Communication	4,572,958	3.10	5,200,927	2.53	2,885,873	1.80
Travel Agencies	114,151	0.08	156,349	0.08	353,421	0.22
Woolen	37,002	0.03	58,904	0.03	3,165	0.00
Public sector / Government	16,047,820	10.87	59,438,689	28.86	18,615,328	11.64
Others	14,933,533	10.12	32,962,308	16.00	2,140,930	1.34
	147,628,343	100.00	205,970,227	100.00	159,985,422	100.00

## 44.1.1.2 Segment by sector

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	16,047,820	10.87	59,438,689	28.86	18,615,328	11.64
Private	131,580,523	89.13	146,531,538	71.14	141,370,094	88.36
	147,628,343	100.00	205,970,227	100.00	159,985,422	100.00

# Notes to the Financial Statements

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

Rupees in '000	2009		2008	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	162,493	–	26,417	–
Automobiles & Allied	661,808	572,163	568,724	451,616
Cables / Electronics	1,277,931	887,426	959,781	787,220
Chemicals / Pharmaceuticals	48,355	36,075	32,418	25,164
Food & Allied	156,248	105,576	156,201	118,906
Fuel / Energy	1,609,741	1,354,425	640,664	845,568
Individuals	2,592,542	2,025,186	1,826,499	1,548,976
Leather products and Shoes	50,915	28,407	66,186	47,637
Real estate / Construction Services	1,911,855	41,644	302,710	88,198
(Other than Financial, Hotelling & Traveling)	113,737	109,252	22,577	19,863
Textile	5,328,436	3,925,396	3,995,739	3,520,832
Glass manufacturing	1,110,342	785,230	1,111,782	1,111,782
Commodities	497,388	383,109	447,357	294,757
Metal industries	511,819	278,289	198,187	169,400
Paper industries	398,770	173,005	356,188	178,095
Sports goods	546,176	501,176	678,951	678,951
Others	746,895	451,802	299,036	138,192
	17,725,451	11,658,161	11,689,417	10,025,157

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

Public sector / Government	–	–	–	–
Private	17,725,451	11,658,161	11,689,417	10,025,157
	17,725,451	11,658,161	11,689,417	10,025,157

## 44.1.1.5 Geographical segment analysis

Rupees in '000	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,480,722	249,810,500	14,808,526	159,985,422
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East – note 45.1.5.1	161,519	4,516,946	140,546	–
Others	–	–	–	–
	1,642,241	254,327,446	14,949,072	159,985,422

**44.1.1.5.1** These do not include intra group items of Rs. 4,270,733 thousand (2008: Rs. 5,431,350 thousand) eliminated upon consolidation of foreign branch results.

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



#### 44.1.2 Credit risk - General disclosures basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit Risk and Market risk, (along with Comprehensive Approach for Credit Risk Mitigation CRM) whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

##### 44.1.2.1 Types of exposures and ECAs used

For domestic claims, ECAs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For foreign currency claims on sovereigns, risk weights were assigned on the basis of the credit ratings assigned by Moody's. For claims on foreign entities, rating of S&P, Moody's, and Fitch Ratings were used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Type of exposures for which each agency is used in the year ended 2009 is presented below:

Exposures	JCR-VIS	PACRA	S&P, Moody's & Fitch
Sovereigns other than PKR claims	–	–	✓
PSEs	✓	✓	–
Banks	✓	✓	✓
Corporates	✓	✓	✓

#### Credit exposures subject to standardised approach

Exposures	Rating category	2009			2008		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns	4,5	1,467,024	–	1,467,024	–	–	–
PSEs	1	2,801,570	10,000	2,791,570	1,599,095	–	1,599,095
PSEs	2	90,000	–	90,000	–	–	–
Banks	1,2,3	9,811,146	–	9,811,146	952,693	–	952,693
Corporates	1	6,316,860	–	6,316,860	2,892,253	–	2,892,253
Corporates	2	12,336,024	98,094	12,237,930	4,288,524	184,000	4,104,524
Corporates	3,4	1,829,888	48,757	1,781,131	129,384	757	128,627
Corporates	5,6	144,037	–	144,037	–	–	–
Unrated		220,013,333	26,449,674	193,563,659	167,485,157	12,814,776	154,670,381
<b>Total</b>		<b>254,809,882</b>	<b>26,606,525</b>	<b>228,203,357</b>	<b>177,347,106</b>	<b>12,999,533</b>	<b>164,347,573</b>

\* CRM= Credit Risk Mitigation

# Notes to the Financial Statements

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

- Cash margins or deposits under lien
- Lien on SSCs, DSCs, etc.
- Residential / commercial mortgage (registered)
- Residential / commercial mortgage (equitable)
- Secured by agricultural land
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of stocks - perishable / non-perishable
- Shares of public listed companies
- Guarantees of Government, Banks Autonomous bodies
- Local bills - cheques / documentary bills
- Import bills - clean
- Export bills – clean

Collateral used by the Bank for Credit Risk Mitigation (CRM) in the simple approach was as follows:

- Cash margin
- Government Securities (with value discounted by 20%)
- Government Securities (for repo-style transactions satisfying conditions for zero-H)
- Guarantees of Government, Banks, PSEs and rated Corporates

## 44.2 Market Risk:

Market risk, or the risk that the Bank's earnings and / or capital can be negatively impacted by changes in market factors such as equity prices, interest rates, and exchange rates, originates from the Bank's open positions in interest rate, currency, and equity products that are exposed to market movements. Traded market risk exposures arise from the Bank's treasury and capital market operations. Non-traded market risk factors include interest rate risk in the banking book, equity position risk arising from the Bank's strategic investments, and structural foreign exchange risk arising from the Bank's capital investments in off-shore operations.

The Bank has a policy of identification, measurement, monitoring and control of market risks in order to protect against adverse movements in market factors and to optimize the risk / return profile of its open positions. The Market Risk Management Department ("MRMD") of the Risk Management Division ("RMD") of the Bank develops and implements the market risk policy and risk measuring / monitoring methodology, and reviews and reports market risk against regulatory and internal limits. A Value-at-Risk ("VaR") methodology is used to measure traded market risk. In compliance with Basel requirements, VaR is modeled using variance-covariance and historical approaches, at a 99% confidence interval over a 1-day and 10-day holding period for equity and debt positions in the trading book, and foreign exchange positions throughout the trading and banking books. Back testing of VaR estimates against hypothetical P&Ls is carried out on daily basis in order to assess their reliability and the performance of the VaR models. To supplement the VaR figures, possible worst-case losses are also quantified by MRMD using historical data. Sensitivity analysis are carried out to gauge the impact of extreme market movements on traded exposures and stress testing as per SBP guidelines is used to assess non-traded market risk, in particular interest rate risk in the banking book. Market risk capital charge for the Bank is also calculated periodically using Basel II Standardized Approach. The MRMD monitors risk by revaluing all traded market risk exposed positions on a daily basis, and the risk is controlled by ensuring that these positions do not breach regulatory limits and the Bank's own internally set limits.

#### 44.2.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the earnings and / or capital will fluctuate due to changes in foreign exchange rates. The Bank's foreign exchange exposure consists of foreign currency cash in hand, balances with banks abroad, forward contracts, purchase of foreign bills, foreign currency placements with State Bank of Pakistan (SBP), foreign currency deposits and capital investments in offshore operations. The Bank manages its foreign exchange exposures by matching foreign currency assets and liabilities. The net open position and nostro balances are maintained within statutory limits, as fixed by SBP and counterparty limits have been established to limit risk concentration. VaR is calculated for consolidated foreign exchange exposure with Treasury on a daily basis. Daily sensitivity analysis of the net open position to a change in USD/ PKR parity is also carried out.

(Rupees in '000)	2009			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
Pakistan Rupees	219,477,274	207,375,514	6,905,996	19,007,756
U.S. Dollars	20,471,471	26,407,639	(5,624,243)	(11,560,411)
Pound Sterling	1,133,695	2,569,138	(1,450,514)	(2,885,957)
Japanese Yen	4,377	968	63,406	66,815
Euro	2,651,783	2,682,898	(5,101)	(36,216)
Other European Currencies	6,826	–	–	6,826
Other Currencies	735,580	8,292	110,456	837,744
	244,481,006	239,044,449	–	5,436,557

#### 44.2.2 Equity position risk

Equity position risk is the risk that the value of the Bank's equity positions can change as a result of broad equity market and security-specific movements. The Bank's equity exposures are of three types: held for trading, available for sale, and strategic.

Held for trading equity exposures are undertaken to earn profit through market imperfections and arbitrage opportunities and hence of a short-term nature. Available for sale equity investments are made with the intent to earn profit from company and industry fundamentals. Strategic investments are undertaken in line with long-term strategy of the Bank. All equity positions in held for trading and available for sale portfolios are subject to exposure limits established by the Bank in line with general limits prescribed by SBP in its Prudential Regulations. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The equity exposures are revalued and scrip-wise / portfolio VaR is calculated on a daily basis.

#### 44.2.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Bank's interest rate exposure originates from its investing, lending and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The MRMD calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. VaR for the Bank's debt investments is also generated on a daily basis. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve on the Bank's capital using sensitivity positions calculated using earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for off-balance sheet instruments.

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## 44.2.4 Mismatch of interest rate sensitive assets and liabilities

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

Rupees in '000	Effective Yield / Interest rate	2009										Non-interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Exposed to yield/ interest risk					Above 10 Years		
						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			
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	0.00%	19,385,843	4,832,003	-	-	-	-	-	-	-	-	-	14,553,840
Balances with other banks	1.30%	8,364,261	6,464,278	-	-	-	-	-	-	-	-	-	1,899,983
Lendings to financial institutions	12.24%	4,614,059	3,214,486	1,399,573	-	-	-	-	-	-	-	-	-
Investments	12.17%	67,046,033	3,632,260	10,687,078	12,162,099	15,998,534	5,705,522	4,091,785	7,540,537	2,596,551	-	-	4,631,667
Advances	12.12%	135,034,499	20,463,411	29,638,309	33,324,055	35,945,251	560,336	442,849	2,398,498	2,935,107	9,326,683	-	-
Other assets	-	10,036,311	-	-	-	-	-	-	-	-	-	-	10,036,311
		244,481,006	38,606,438	41,724,960	45,486,154	51,943,785	6,265,858	4,534,634	9,939,035	5,531,658	9,326,683	-	31,121,801
<b>Liabilities</b>													
Bills payable	-	2,945,670	-	-	-	-	-	-	-	-	-	-	2,945,670
Borrowings	7.79%	19,300,163	6,554,983	9,320,127	3,425,053	-	-	-	-	-	-	-	-
Deposits and other accounts	6.65%	205,970,227	47,056,279	26,179,875	19,792,129	20,532,523	13,953,374	14,046,568	17,884,614	36,484	-	-	46,488,381
Sub-ordinated loans	16.18%	5,994,900	-	300	775	1,075	2,150	2,150	2,993,200	2,995,250	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,833,489	-	-	-	-	-	-	-	-	-	-	4,833,489
		239,044,449	53,611,262	35,500,302	23,217,957	20,533,598	13,955,524	14,048,718	20,877,814	3,031,734	-	-	54,267,540
<b>On-balance sheet gap</b>		5,436,557	(15,004,824)	6,224,658	22,268,197	31,410,187	(7,689,666)	(9,514,084)	(10,938,779)	2,499,924	9,326,683	-	(23,145,739)
<b>Off-balance sheet financial instruments</b>													
Purchase and resale agreements	12.11%	3,922,616	3,922,616	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.96%	4,493,702	4,493,702	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	2,332,650	2,332,650	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		(2,903,736)	(2,903,736)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(17,908,560)	6,224,658	22,268,197	31,410,187	(7,689,666)	(9,514,084)	(10,938,779)	2,499,924	9,326,683	-	(23,145,739)
Cumulative yield / interest risk sensitivity gap			(17,908,560)	(11,683,902)	10,584,295	41,994,482	34,304,816	24,790,732	13,851,953	16,351,877	25,678,560	-	2,532,821

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

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

### 44.3 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.

2009										
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
<b>Assets</b>										
Cash and balances with treasury banks	19,385,843	19,385,843	-	-	-	-	-	-	-	-
Balances with other banks	8,364,261	8,364,261	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,614,059	3,214,486	1,399,573	-	-	-	-	-	-	-
Investments	67,046,033	3,632,260	10,803,488	12,162,099	15,998,534	9,941,126	4,091,785	7,540,537	2,663,415	212,789
Advances	135,034,499	20,463,411	29,638,309	33,324,055	35,945,251	560,336	442,849	2,398,498	2,935,107	9,326,683
Operating fixed assets	9,846,440	37,130	834,759	903,823	318,578	575,191	478,194	686,291	801,285	5,211,189
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	10,036,311	183,896	6,610,513	136,208	2,960,192	145,502	-	-	-	-
	254,327,446	55,281,287	49,286,642	46,526,185	55,222,555	11,222,155	5,012,828	10,625,326	6,399,807	14,750,661
<b>Liabilities</b>										
Bills payable	2,945,670	1,472,835	1,472,835	-	-	-	-	-	-	-
Borrowings	19,300,163	6,554,983	9,320,127	3,425,053	-	-	-	-	-	-
Deposits and other accounts	205,970,227	57,704,999	31,504,235	25,434,296	26,174,689	20,758,226	19,368,319	24,988,979	36,484	-
Sub-ordinated loans	5,994,900	-	300	775	1,075	2,150	2,150	2,993,200	2,995,250	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	333,925	(27,878)	-	-	-	-	-	361,803	-	-
Other liabilities	4,833,489	3,438,547	1,229,084	-	165,858	-	-	-	-	-
	239,378,374	69,143,486	43,526,581	28,860,124	26,341,622	20,760,376	19,370,469	28,343,982	3,031,734	-
<b>Net assets</b>	<b>14,949,072</b>	<b>(13,862,199)</b>	<b>5,760,061</b>	<b>17,666,061</b>	<b>28,880,933</b>	<b>(9,538,221)</b>	<b>(14,357,641)</b>	<b>(17,718,656)</b>	<b>3,368,073</b>	<b>14,750,661</b>
Share Capital	5,073,467									
Reserves	7,182,987									
Unappropriated profit	886,234									
Surplus on revaluation of assets	1,806,384									
	14,949,072									



# Notes to the Financial Statements

For the year ended December 31, 2009

## 44.4 Operational risk

Operational risk is the possibility of financial losses occurring due to shortcomings or failure of internal processes, in information technology or in people, or as a result of adverse external events. This definition includes legal risk but not strategic risk or reputational risk.

Operational risk management is governed by well defined policy and procedures, integrated through a comprehensive framework clearly communicated across the Bank;

Materialized actual loss arising from operational error, violation of regulator law / system, trouble, disaster, accident, damage to tangible assets and external frauds are monitored by operational risk. Potential risks / losses are identified and assessed through Key risk indicators and Risk and Control Self Assessment of branches and business and support units.

Further, during the year number of policies and procedures have been reviewed to strengthen the system and processes. One of the major component of operational risk being the potential of disruption to business operation due to exceptional event that may disrupt system, infrastructure and human resource are given prime importance and Business Continuity Plan has been revised to cater to current threats being faced.

### 44.4.1 Operational risk disclosures Basel II

The Bank approach in managing operational risk is to adopt practices that are fit for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational Risk Management (ORM) has been entrenched to increase the efficiency and effectiveness of the Bank's resources, minimize losses and utilize opportunities.

## 45. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 45.1** The Board of Directors in its meeting held on February 23, 2010 has proposed a cash dividend of Nil (2008: Nil). In addition, the directors have also announced a bonus issue of 20 percent (2008: 25 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2010 as follows:

Rupees in '000	2009	2008
Transfer from unappropriated profit to:		
Proposed dividend	-	-
Reserve for issue of bonus shares	-	-
General reserve	886,234	308,980
Transfer from general reserve to:		
Reserve for issue of bonus shares	1,071,240	1,014,693

**45.2** During the year, the Bank initiated the process of amalgamation of Askari Leasing Limited (ALL) with and into the Bank. The scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962 has been approved by the shareholders of both companies in the Extra Ordinary General Meetings of the Bank and ALL held on December 21, 2009 and December 22, 2009 respectively and has also been subsequently approved by the Competition Commission of Pakistan and the Securities and Exchange Commission of Pakistan. The final approval by the State Bank of Pakistan has been received vide letter No. BPRD (R&P-02)/625-99/2010/1256 dated February 18, 2010, whereby the scheme of amalgamation is effective within 30 days from the date of approval. The effective date of amalgamation will be March 3, 2010 as per decision of the management of both entities. Consequently, the Bank shall issue 28.273 million shares of the Bank to the shareholders of ALL.

#### **46. CORRESPONDING FIGURES**

Previous year's figures have been rearranged and reclassified where necessary for the purposes of comparison.

#### **47. GENERAL**

- 47.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 47.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these financial statements except for the statement of financial position and profit and loss account.

#### **48. DATE OF AUTHORIZATION**

These financial statements were authorised for issue on February 23, 2010 by the Board of Directors of the Bank.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansay**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Annexure-I

Referred to in note 10.7 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, 2009.

(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	Interest/ Mark-up	Other	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
1	Mohib Exports Limited 8-KM, Managa, Raiwind Road, Kasur	Arif Saigol 35202-9563094-9 Abid Saigol 270-92-006204 Asif Saigol 270-92-006202	M. Rafique Saigol  M. Rafique Saigol  M. Rafique Saigol	9,818	7,357	-	17,175	9,818	7,357	-	17,175
2	A. H. International (Pvt) Limited D-99, S.I.T.E, Karachi	Muhammad Adan Shirazi 42301-8051825-9 Seema Shirazi 42301-655746-4 Malik Zain 42301-3375828-9	Mohsin Shirazi  Muhammad Adnan Shirazi  Malik Naseem Akhtar	1,246,268	201,118	-	1,447,386	700,096	201,118	-	901,214
3	Rasool Textile (Pvt) Limited 250-N, Model Town Extension, Lahore	Khalid Mahmood 35202-9557295-5 Zakia Khalid 35202-4495862-0	Ch. Ali Ahmed  Khalid Mahmood	9,150	2,743	-	11,893	-	1,965	-	1,965
4	Shahanshah Trading Company Shop # 28, A.Q. Market, Sukkur	Namo Mal 45504-0489491-9	Mavel Das	3,976	1,101	-	5,077	-	551	-	551
5	MIA Traders (Private) Limited Flat # 5, Bashir Plaza, Markaz I-9, Islamabad	Muhammad Idrees 276-54-176702 Musarrat Ghazala 276-54-065860 Muhammad Ashraf 294-91-020493 Nasreen Ashraf 294-62-733932 Muhammad Mujeeb 502-55-614751 Fazal-ul-Qadir 101-57-137982 Ghulam Hassan 601-88-385774	Muhammad Rafiq  Muhammad Idrees  Taj Din  Muhammad Ashraf  Muhammad Yasin  Ch. Ghulam Qadir  Khuda Dad	28,692	27,759	-	56,451	-	27,451	-	27,451
6	Ali's International 242/1 Sector-24, Korangi Industrial Area, Karachi	Qazi Rahat Ali 42301-9140443-9	Qazi Musarrat Ali	10,000	2,707	-	12,707	-	2,707	-	2,707
7	Bakeline Products Plot # 117, Street # 8, Sector I-10/3, Islamabad	Fahad Hameed 210-67-419868 Faisal Hafeez Khan 210-67-234299	Abdul Hameed  Abdul Hafeez	582	1,411	-	1,993	-	1,363	-	1,363
8	Shahzad Siddique (Pvt) Limited 4.5-KM, Jaranwala Road, Khurrianwala, Faisalabad	Muhammad Siddique Ch. 33100-6598842-7 Sheraz Siddique 33100-1704018-3 Shahzad Siddique 33100-1017331-1	Ali Muhammad Ch.  Muhammad Siddique Ch.  Muhammad Siddique Ch.	48,610	23,893	-	72,503	33,053	23,893	-	56,946
Total				1,357,096	268,089	-	1,625,185	742,967	266,405	-	1,009,372

## Annexure-II

### Statement of Financial Position (Islamic Banking)

As at December 31, 2009

The Bank is operating 31 Islamic banking branches including 2 sub-branches at the end of 2009 as compared to 20 Islamic banking branches including 2 sub-branches at the end of 2008. During the year one conventional banking branch was converted to Islamic banking branch.

Rupees in '000	2009	2008
<b>Assets</b>		
Cash and balances with treasury banks	655,346	402,465
Balances with and Due from Financial Institutions	1,232,181	260,738
Investments	2,314,008	2,388,729
Financing and Receivables		
– Murahaba	650,043	901,983
– Ijarah	1,863,205	2,087,884
– Musharaka	–	–
– Diminishing Musharaka	3,323,294	3,116,617
– Salam	22,069	139,098
– Other Islamic Modes	13,681	12,253
Other assets	950,884	724,014
<b>Total Assets</b>	<b>11,024,711</b>	<b>10,033,781</b>
<b>Liabilities</b>		
Bills payable	77,331	41,216
Due to Financial Institutions	–	520,000
Deposits and other accounts		
– Current Accounts	935,296	861,287
– Saving Accounts	2,028,559	1,396,961
– Term Deposits	3,647,582	1,743,848
– Others	2,945	2,777
– Deposit from Financial Institutions - remunerative	838,591	1,393,078
– Deposits from Financial Institutions - non remunerative	4,417	8,364
Due to head office	1,882,383	2,653,575
Other liabilities	689,235	658,995
	10,106,339	9,280,101
<b>Net assets</b>	<b>918,372</b>	<b>753,680</b>
<b>Represented By</b>		
Islamic Banking Fund	850,000	700,000
Reserves	–	–
Unappropriated/ Unremitted profit/(loss)	68,372	53,680
	918,372	753,680
Surplus/ (Deficit) on revaluation of assets	–	–
	918,372	753,680
<b>Remuneration to Shariah Advisor/Board</b>	<b>1,086</b>	<b>979</b>
<b>Charity fund</b>		
Opening Balance	487	318
Additions during the year	4,702	840
Payments/Utilization during the year	(2,818)	(671)
Closing Balance	2,371	487

## Annexure-II

## Profit and Loss Account (Islamic Banking)

For the year ended December 31, 2009

Rupees in '000	2009	2008
Profit / return earned on financings, investments and placements	1,182,490	822,494
Return on deposits and other dues expensed	683,262	460,010
Net spread earned	499,228	362,484
Provision against non-performing financings	63,484	8,519
Provision for diminution in the value of investments	75,000	-
Bad debts written off directly	-	-
	138,484	8,519
Income after provisions	360,744	353,965
<b>Other Income</b>		
Fee, commission and brokerage Income	12,288	13,184
Dividend income	-	-
Income from dealing in foreign currencies	2,154	1,256
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	22,507	18,172
Total other income	36,949	32,612
	397,693	386,577
<b>Other expenses</b>		
Administrative expenses	383,001	309,356
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	383,001	309,356
	14,692	77,221
Extra Ordinary / unusual items	-	-
Profit before taxation	14,692	77,221



# Shariah Advisor's Report 2009

Alhamdulillah! The year 2009 has been a successful year for Askari Bank's Islamic Banking Services, as eleven new full fledged Islamic Banking Branches have been opened during the year, including conversion of Kohat Branch, from Conventional to Islamic Banking. There are now 29 full fledged Islamic Banking Branches and 2 Islamic sub-branches, on a stand-alone basis.

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 obtained, invested and shared are in Halal modes and investments, under my supervision as the Shariah Advisor of the Bank.

As a Shariah Advisor, I have reviewed each class of transactions conducted during the year. Relevant documentation and procedures adopted in this connection have also reviewed and vetted by me. In order to facilitate this work, Shariah Audit and Shariah Compliance departments are functioning under my supervision.

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

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

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

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

May Allah Almighty bless our sincere efforts!



**Dr. Muhammad Tahir Mansoori**  
Shariah Advisor

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Consolidated Financial Statements of  
**Askari Bank Limited**  
For the year ended December 31, 2009

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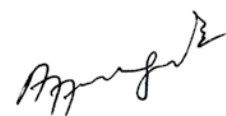
# Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited (the Bank) and its subsidiary companies as at December 31, 2009 and the related consolidated Profit and Loss Account, consolidated Statement of Changes in Equity and consolidated Cash Flow Statement, together with the notes forming part thereof, for the year then ended; these financial statements include unaudited certified returns from the branches, except for 20 branches, which have been audited by us and 1 branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary companies Askari Investment Management Limited and Askari Securities (Pvt) Limited. These financial statements are the responsibility of Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing 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.

In our opinion, the consolidated financial statements examined by us, based on 20 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purpose of our audit, present fairly the financial position of Askari Bank Limited and its subsidiary companies as at December 31, 2009 and the results of their operations, changes in equity and their cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad  
February 23, 2010



**A.F. Fergousan & Co.**  
Chartered Accountants

Name of engagement partner: S. Haider Abbas



# Consolidated Statement of Financial Position

As at December 31, 2009

Rupees in '000	Notes	2009	2008
<b>Assets</b>			
Cash and balances with treasury banks	6	19,385,850	16,029,666
Balances with other banks	7	8,374,640	3,967,816
Lendings to financial institutions	8	4,649,059	4,479,754
Investments	9	66,885,617	35,464,972
Advances	10	135,039,901	128,818,242
Operating fixed assets	11	9,917,192	8,345,054
Deferred tax assets		–	–
Other assets	12	10,101,179	9,021,883
		254,353,438	206,127,387
<b>Liabilities</b>			
Bills payable	13	2,945,670	2,584,828
Borrowings	14	19,300,163	15,190,148
Deposits and other accounts	15	205,912,903	167,505,312
Sub-ordinated loans	16	5,994,900	2,996,100
Liabilities against assets subject to finance lease	17	11,543	16,573
Deferred tax liabilities	18	333,925	16,173
Other liabilities	19	4,866,463	4,779,448
		239,365,567	193,088,582
<b>Net assets</b>		14,987,871	13,038,805
<b>Represented By</b>			
Share capital	20	5,073,467	4,058,774
Reserves	21	7,234,318	7,689,227
Unappropriated profit		856,439	338,225
		13,164,224	12,086,226
Surplus on revaluation of assets - net of tax	22	1,806,384	936,468
Minority interest		17,263	16,111
		14,987,871	13,038,805

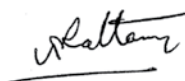
## Contingencies and commitments

23

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Consolidated Profit and Loss Account

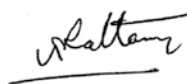
For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
Mark-up / return / interest earned	26	22,665,248	18,395,742
Mark-up / return / interest expensed	27	13,617,228	10,647,277
Net mark-up / interest income		9,048,020	7,748,465
Provision against non-performing loans and advances	10.5	2,324,377	3,824,778
Impairment loss on available for sale investments		431,058	–
Provision for impairment in the value of investments	9.2.1	76,784	508
Provision against reverse repo	8	82,674	–
Bad debts written off directly		–	247,360
		2,914,893	4,072,646
Net mark-up / interest income after provisions		6,133,127	3,675,819
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,382,346	1,418,588
Dividend income		162,537	173,743
Income from dealing in foreign currencies		538,445	873,512
Gain on sale of investments - net	28	143,717	42,824
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(405)	22,375
Other income	29	409,191	343,435
Total non mark-up / interest income		2,635,831	2,874,477
		8,768,958	6,550,296
<b>Non mark-up / interest expenses</b>			
Administrative expenses	30	7,124,693	6,035,800
Other provisions / write offs		–	739
Other charges	31	34,368	10,987
Total non mark-up / interest expenses		7,159,061	6,047,526
		1,609,897	502,770
Extra ordinary / unusual items		–	–
<b>Profit before taxation</b>		1,609,897	502,770
Taxation – current		561,584	29,698
– prior years'		119,827	(51,043)
– deferred		(150,664)	109,060
	32	530,747	87,715
<b>Profit after taxation</b>		1,079,150	415,055
Minority interest		(1,152)	415
		1,077,998	415,470
Unappropriated profit brought forward		338,225	2,184,967
Profit available for appropriation		1,416,223	2,600,437
Basic / diluted earnings per share - Rupees	33	2.12	0.82

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansay**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Consolidated Statement of Changes in Equity

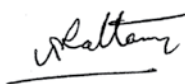
For the year ended December 31, 2009

Rupees in '000	Capital Reserve		Revenue Reserves		Total
	Share Capital	Statutory Reserve	General Reserve	Un-appropriated profit	
<b>Balance as at January 1, 2008</b>	3,006,499	2,835,466	4,094,799	2,184,967	12,121,731
Net profit for the year ended December 31, 2008	–	–	–	415,470	415,470
Transfer to:					
Statutory reserve	–	77,245	–	(77,245)	–
General reserve	–	–	681,717	(681,717)	–
Final dividend - for the year ended December 31, 2007 declared subsequent to year end	–	–	–	(450,975)	(450,975)
Bonus shares declared / issued subsequent to year ended December 31, 2007	1,052,275	–	–	(1,052,275)	–
<b>Balance as at January 1, 2009</b>	4,058,774	2,912,711	4,776,516	338,225	12,086,226
Net profit for the year ended December 31, 2009	–	–	–	1,077,998	1,077,998
Transfer to:					
Statutory reserve	–	221,559	–	(221,559)	–
General reserve	–	–	338,225	(338,225)	–
Bonus shares declared / issued subsequent to year ended December 31, 2008	1,014,693	–	(1,014,693)	–	–
<b>Balance as at December 31, 2009</b>	5,073,467	3,134,270	4,100,048	856,439	13,164,224

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Consolidated Cash Flow Statement

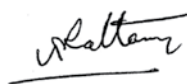
For the year ended December 31, 2009

Rupees in '000	Note	2009	2008
<b>Cash flow from operating activities</b>			
Profit before taxation		1,609,897	502,770
Less: Dividend income		(162,537)	(173,743)
		1,447,360	329,027
Adjustments:			
Depreciation		657,184	519,310
Provision against non-performing advances (net)		2,324,377	3,824,778
Provision for impairment in the value of investments		76,784	508
Provision against reverse repo		82,674	–
Bad debts written off directly		–	247,360
Net (profit) / loss on sale of operating fixed assets		(4,857)	3,989
Finance charges on leased assets		1,732	1,403
Provision against other assets		–	459
		3,137,894	4,597,807
		4,585,254	4,926,834
(Increase) / decrease in operating assets			
Lendings to financial institutions		(791,979)	9,139,389
Held for trading securities		(10,021)	365,010
Advances		(8,546,036)	(32,109,175)
Other assets (excluding advance taxation)		(1,016,759)	(2,509,783)
		(10,364,795)	(25,114,559)
Increase / (decrease) in operating liabilities			
Bills payable		360,842	(42,223)
Borrowings		4,110,015	(2,363,377)
Deposits and other accounts		38,407,591	24,477,135
Other liabilities (excluding current taxation)		87,840	1,504,477
		42,966,288	23,576,012
Cash flow before tax		37,186,747	3,388,287
Income tax paid		(736,294)	(899,922)
Net cash flow from operating activities		36,450,453	2,488,365
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(31,257,524)	2,477,452
Net investments in held-to-maturity securities		1,108,448	(617,596)
Proceeds from issue of share capital to minority share holders		–	13,000
Dividend received		154,883	162,573
Investments in operating fixed assets - net of adjustment		(2,243,197)	(1,874,257)
Sale proceeds of operating fixed assets-disposed off		18,732	49,220
Net cash flow (used in) / from investing activities		(32,218,658)	210,392
<b>Cash flow from financing activities</b>			
Receipts / (Payments) of sub-ordinated loans		2,998,800	(1,200)
Lease obligations - net		(6,762)	8,899
Dividends paid		(825)	(444,404)
Net cash flow from / (used in) financing activities		2,991,213	(436,705)
Increase in cash and cash equivalents		7,223,008	2,262,052
Cash and cash equivalents at beginning of the year	34	20,672,482	18,410,430
Cash and cash equivalents at end of the year	34	27,895,490	20,672,482

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansay**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 1. STATUS AND NATURE OF BUSINESS

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 obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 226 branches (2008: 200 branches); 225 in Pakistan and Azad Jammu and Kashmir, including 31 Islamic Banking branches, 22 sub-branches and a wholesale bank branch in the Kingdom of Bahrain. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

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 Islamabad. AIML obtained its certificate of commencement of business on September 22, 2005.

Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company and obtained corporate membership of the Islamabad Stock Exchange on December 24, 1999. The Bank acquired 74% of Ordinary Shares of ASL on October 1, 2007. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of the Company is situated at AWT Plaza, The Mall, Rawalpindi.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the half year ended December 31, 2009.

## 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 State Bank of Pakistan (SBP) has issued a number of circulars. 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 financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

The Bank has adopted IAS 1 (Revised) "Presentation of Financial Statements", which became effective from January 1, 2009. Surplus / (deficit) on revaluation of land and available for sale investments has been reflected below equity in terms of requirements of above referred format prescribed by SBP under BSD Circular No. 4 dated February 17, 2006. Since there are no other components of other comprehensive income that were recognised in equity therefore the Statement of Other Comprehensive Income has not been prepared. As the change in accounting policy only impacts presentation aspects, there is no impact on profit for the year.

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

## 3. STATEMENT OF COMPLIANCE

These consolidated 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) 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 requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.



International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004..

**a) Standards, amendments and interpretations effective in 2009 but not relevant**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but they are not relevant to the Bank's operations.

IAS 20	Accounting for government grants and disclosure of government assistance
IAS 23	Borrowing costs
IAS 29	Financial reporting in hyperinflationary economies
IAS 31	Interest in joint ventures
IAS 32	Financial instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation
IAS 41	Agriculture
IFRS 5	Non-current assets held-for-sale and discontinued operations
IFRS 7	Financial Instruments: Disclosures
IFRIC 15	Agreements for the construction of real estates

**b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the bank**

Certain minor amendments in following International Accounting Standards (IASs) have been introduced through IASB's annual improvements published in April 2009.

		Effective for periods beginning on or after
IAS 1	Presentation of financial statements	January 1, 2010
IAS 7	Statement of cash flows	January 1, 2010
IAS 17	Leases	January 1, 2010
IAS 36	Impairment of assets	January 1, 2010
IAS 38	Intangible assets	July 1, 2009
IFRIC 14	IAS 19 – The limit on a Defined Benefit Assets, minimum funding requirements and their interaction	January 1, 2011

**c) Amendments and interpretations to existing standards that are not yet effective and not relevant to the bank's operations.**

		Effective for periods beginning on or after
IFRS 1	First-time adoption of International Financial Reporting Standards	January 1, 2010
IFRS 2	Share-based payments	January 1, 2010
IFRS 3	Business combinations	July 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations	January 1, 2010
IFRS 8	Operating segments	January 1, 2010
IFRS 9	Financial Instruments	January 1, 2013
IAS 24	Related Party Disclosures	January 1, 2011
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 32	Financial instruments: Presentation – Amendments relating to classification of right issues	February 1, 2010

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

		Effective for periods beginning on or after
IFRIC 9	Reassessment of embedded derivatives	July 1, 2009
IFRIC 16	Hedges of a net investment in foreign operations	July 1, 2009
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009
IFRIC 18	Transfer of assets from customers	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

## 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention as modified for certain investments and freehold and leasehold land which are shown at revalued amounts.

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 44..

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2008: 100%) and ASL with 74% holding (2008: 74%).

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.

Minority 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 parent company. Minority interest are presented as separate item in the consolidated financial statements.

### 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 and other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of change in value.

### 5.3 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 treated as mark-up / return expensed and earned, 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 of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

**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 State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the statement of financial position. Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

**Held to maturity**

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

The Group holds 15% shares in Askari General Insurance Company Limited (AGICO). For the purposes of consolidated financial statements, this investment is carried at cost less impairment losses, if any, and has not been accounted for using equity method since it does not qualify as associate under International Accounting Standards (IAS) 28 'Accounting for Investment in Associates' as the Group does not exercise significant influence on AGICO.

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. Investments in the other quoted securities are valued at cost less impairment losses, 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 Group 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 State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.5.2.

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

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.

**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 are not depreciated.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from its 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 statement of financial position. Except to the extent actually realised 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovations and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation 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.

## 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.

## Intangible assets

On acquisition of an entity, excess of the purchase consideration over the fair value of identifiable assets and liabilities acquired, is initially recognised as goodwill and tested for impairment annually.

Membership card of ASL is stated at cost less impairment, if any. The carrying amount is reviewed at the date of statement of financial position to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

## 5.7 Impairment

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

## 5.8 Taxation

### 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 statement of financial position and any adjustment to tax payable for previous years.

ASL falls in the ambit of presumptive tax regime regarding commission income under section 233A of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on income from transfer of physical shares to CDC and other operating income is based on taxable income at the prevailing current rates.

### 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 statement of financial position, expected to be applicable at the time of its reversal. A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

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

## 5.9 Staff retirement benefits

### Defined benefit plan

The Bank and AIML 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". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of its employees.

ASL operates an unfunded gratuity scheme for all its regular employees. The employees are entitled to gratuity on completion of three years of continuous service with the Company. The gratuity is payable on the basis of last drawn basic salary for E-1 grade employees and gross for other employees for each completed year of services.

#### **Defined contribution plan**

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

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

ASL operates an unfunded 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.

#### **Compensated absences**

The Bank grants 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 profit and loss account. The amount recognised in the balance sheet represents the present value of defined benefit obligations.

AIML also provides for compensated absences. Obligation under the scheme are charged to income currently.

### **5.10 Revenue recognition**

Mark-up / interest on advances and return on investments is recognised on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

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

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

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

Management fee is recognised by AIML on the accrual basis, based on annual average net asset value of the Fund under management.

### **5.11 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 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 profit and loss account currently.

#### **Foreign operation**

The monetary assets and liabilities of wholesale bank branch are translated to Pak. Rupee at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

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

Translation gains and losses are included in the profit and loss account.

#### **Commitments**

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupee at the rates of exchange ruling on the date of statement of financial position.

### **5.12 Provisions**

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



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 5.13 Off-setting

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

## 5.14 Appropriations subsequent to the date of statement of financial position

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

## 5.15 Operating leases

Leases where significant portion of risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

## 5.16 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.

### 5.16.1 Business segment

#### Corporate financing

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

#### Trading and Sales

Trading and sales includes the Group's treasury and money market activities classified as held for trading..

#### 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.

### 5.16.2 Geographical segments

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

## 5.17 Functional and presentation currency

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.

Rupees in '000	Notes	2009	2008
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		3,277,104	2,843,763
Foreign currencies		1,095,997	994,256
		4,373,101	3,838,019
National Prize Bonds		19,920	15,378
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	8,030,082	6,455,757
Foreign currency current account	6.1	1,658,246	1,360,567
Foreign currency deposit account	6.2	4,832,003	3,734,701
		14,520,331	11,551,025
With National Bank of Pakistan in :			
Local currency current accounts		472,498	625,244
		19,385,850	16,029,666

**6.1** Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

**6.2** These represent statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate 0.0% (2008: 0.0 % per annum).

Rupees in '000	Note	2009	2008
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		427,020	457,505
On deposit accounts		1,078,995	120,295
Outside Pakistan			
On current accounts		1,476,070	656,115
On deposit accounts	7.1	5,392,555	2,733,901
		8,374,640	3,967,816

**7.1** These represent overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.03% to 0.10% (2008: 0.1% to 3%) per annum receivable on maturity.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	100,000	675,000
Repurchase agreement lendings (reverse repo)	8.2	3,866,733	2,554,754
Purchase under resale arrangement of equity securities	8.3	630,000	1,150,000
		4,496,733	3,704,754
Term deposits with MCB Bank Limited	8.4	35,000	–
Others		100,000	100,000
		4,731,733	4,479,754
Less: Provision against reverse repo		(82,674)	–
Lendings to financial institutions - net of provision		4,649,059	4,479,754
Particulars of provision against reverse repo			
Opening balance		–	–
Charge for the year		82,674	–
Reversals		–	–
		82,674	–
Closing balance		82,674	–

**8.1** These carry mark-up at 12.6% (2008: 12.5% to 20%) per annum.

**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 rates ranging from 12% to 12.4% (2008: 12% to 14.9%) per annum and maturities of upto 3 (2008: upto 2) months.

**8.3** These represent shares of companies purchased under resale arrangements carrying mark-up at rates ranging from 16.5% to 18.01% (2008: 18% to 18.01%) per annum with maturities of upto 1 (2008: upto 1) month. These include lending under repurchase agreement amounting to Rs. Nil (2008: Rs. 500,000 thousand) to a related party.

**8.4** These represent term deposit for a term of 100 days and will mature on January 1, 2010. This term deposit carries mark-up at rate 11.25% per annum. The deposit is pledged with MCB Bank Limited, Islamabad against running finance facility of Rs. 31,500 thousand available to AIML.

Rupees in '000	2009	2008
<b>8.5 Particulars of lending</b>		
In local currency	4,731,733	4,479,754
In foreign currencies	–	–
	4,731,733	4,479,754

Rupees in '000	2009			2008		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.6 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	3,631,733	–	3,631,733	2,554,754	–	2,554,754
Pakistan Investment Bonds	235,000	–	235,000	–	–	–
Purchase under resale arrangement of listed shares	630,000	–	630,000	1,150,000	–	1,150,000
	4,496,733	–	4,496,733	3,704,754	–	3,704,754

## 9. INVESTMENTS

Rupees in '000	Notes	2009			2008		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1</b>	<b>Investments by types:</b>						
	Held for trading securities						
	Fully paid ordinary shares	167,270	–	167,270	134,469	–	134,469
	Available for sale securities						
	Market Treasury Bills	33,556,454	4,186,443	37,742,897	15,276,144	767,310	16,043,454
	Pakistan Investment Bonds	4,645,193	336,807	4,982,000	3,086,099	44,000	3,130,099
	Fully paid ordinary shares	2,729,146	–	2,729,146	1,868,417	–	1,868,417
	Fully paid preference shares	9.5 95,000	–	95,000	125,000	–	125,000
	Askari Income Fund - Units	9.7 888,668	–	888,668	986,265	–	986,265
	Askari Islamic Income Fund	9.7 100,000	–	100,000	100,000	–	100,000
	Askari Islamic Asset Allocation Fund	9.7 100,000	–	100,000	100,000	–	100,000
	Term Finance Certificates	13,481,689	–	13,481,689	6,707,845	–	6,707,845
	National Investment Trust (NIT) Units	278,472	–	278,472	196,955	–	196,955
	National Investment Trust (NIT)						
	Government Bond Fund	100,000	–	100,000	–	–	–
	Sukuk - Certificates	9.8 1,511,289	–	1,511,289	1,508,280	–	1,508,280
	Foreign securities	9.9 195,965	–	195,965	181,287	–	181,287
		57,681,876	4,523,250	62,205,126	30,136,292	811,310	30,947,602
	Held to maturity securities						
	Term Finance Certificates	781,702	–	781,702	1,029,907	–	1,029,907
	Pakistan Investment Bonds	1,133,369	–	1,133,369	1,516,837	–	1,516,837
	Government of Pakistan Sukuk - Bonds	9.2.4 1,261,681	–	1,261,681	948,676	–	948,676
	Government of Pakistan Euro Bonds	9.2.4 167,306	–	167,306	949,330	–	949,330
	Sukuk - Certificates	9.11 897,508	–	897,508	930,979	–	930,979
	Credit Linked Notes	9.12 421,208	–	421,208	395,493	–	395,493
		4,662,774	–	4,662,774	5,771,222	–	5,771,222
	Investment in associate						
	Askari General Insurance Company Limited	9.10 11,182	–	11,182	11,182	–	11,182
	Investment at cost	62,523,102	4,523,250	67,046,352	36,053,165	811,310	36,864,475
	Less: Provision for impairment in value of investments in	9.2.2					
	– unlisted shares	(5,680)	–	(5,680)	(3,896)	–	(3,896)
	– Sukuk certificates	(75,000)	–	(75,000)	–	–	–
	Investments (net of provision)	62,442,422	4,523,250	66,965,672	36,049,269	811,310	36,860,579
	Add / (less):						
	Unrealised (deficit) / surplus on revaluation of held for trading securities - net	(405)	–	(405)	22,375	–	22,375
	(Deficit) / surplus on revaluation of available for sale securities - net	(71,646)	(8,004)	(79,650)	(1,413,392)	(4,590)	(1,417,982)
	Total investments at market value	62,370,371	4,515,246	66,885,617	34,658,252	806,720	35,464,972

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>9.2 Investments by segments:</b>			
Federal Government Securities	9.2.3		
Market Treasury Bills		37,742,897	16,043,454
Pakistan Investment Bonds		6,115,369	4,646,936
Government of Pakistan Sukuk Bonds	9.2.4	1,261,681	948,676
Government of Pakistan Euro Bonds	9.2.4	167,306	949,330
Government of Pakistan Sukuk Certificates		617,508	660,979
		45,904,761	23,249,375
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	3,940,586	3,144,653
Unlisted companies	9.4	55,680	55,680
		3,996,266	3,200,333
Fully paid preference shares			
Listed companies	9.5	95,000	125,000
Term Finance Certificates	9.6		
Listed Term Finance Certificates		1,647,656	1,252,367
Unlisted Term Finance Certificates		12,615,735	6,485,385
		14,263,391	7,737,752
Foreign Securities			
Mena Transformation Fund	9.9	195,965	181,287
Credit Linked Notes	9.12	421,208	395,493
		617,173	576,780
Other Investments			
Sukuk - Certificates		1,791,289	1,778,280
National Investment Trust (NIT) - Units		278,472	196,955
National Investment Trust (NIT) Government Bond Fund		100,000	-
		2,169,761	1,975,235
Total investment at cost		67,046,352	36,864,475
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(80,680)	(3,896)
Investments (net of provisions) (Less) / add: Unrealised (deficit) / surplus on revaluation of held for trading securities - net		66,965,672 (405)	36,860,579 22,375
Less: Deficit on revaluation of available for sale securities - net		(79,650)	(1,417,982)
Total investments at market value		66,885,617	35,464,972
<b>9.2.1 Particulars of provision for impairment in value of investments</b>			
Opening balance		3,896	3,388
Charge for the year		76,784	508
Reversals		-	-
		76,784	508
Closing balance		80,680	3,896
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares - unlisted company		5,680	3,896
Sukuk certificates		75,000	-
		80,680	3,896



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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	February 2010 to December 2010	On maturity	11.42% to 13.9%	at maturity
Pakistan Investment Bonds	December 2010 to September 2019	On maturity	8% to 14%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually
Government of Pakistan Euro Bonds	March 2016	On maturity	7.13%	semi-annually
Sukuk Certificates				
– House Building Finance Corporation	May 8, 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
– Pakistan Domestic Sukuk Company Ltd.	September 26, 2011	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
– Karachi Shipyard and Engineering Works	February 04, 2016	Semi-annually	6 months KIBOR plus 0.4%	semi-annually
– Sui Southern Gas Company Limited	June 28, 2012	Semi-annually	6 months KIBOR plus 0.8%	semi-annually
– WAPDA	July 13, 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

9.2.4 These represent investments by the wholesale bank branch.

### 9.3 Investments in listed Companies shares / Units

No. of ordinary shares / certificates / units	Paid-up value per share/certificate/unit	Rupees	Name of companies / mutual funds	2009	2008
				Rupees in '000	
–	5,000,000	–	ABL Income Fund	–	50,000
584,200	100,086	83.83	Adamjee Insurance Company Limited	48,972	29,380
–	970	–	Al-Abbas Cement Industries Limited	–	3
1,758,701	–	6.42	Al-Meezan Mutual Fund	11,295	–
75,000	3,387	61.56	Allied Bank Limited	4,617	114
41,000	40,881	1.05	Arif Habib Bank Limited	43	42
–	888	–	Arif Habib Limited	–	66
1,300,000	1,107,159	39.86	Arif Habib Securities Limited	51,814	76,499
2,500,000	2,500,000	98.06	Askari Asset Allocation Fund	245,141	245,141
3,056,611	3,056,611	3.66	Askari General Insurance Company Limited – note 9.10	11,182	11,182
8,854,660	9,798,740	106.01	Askari Income Fund	938,667	986,265
1,000,000	1,000,000	100.00	Askari Islamic Asset Allocation Fund	100,000	100,000
1,000,000	1,000,000	100.00	Askari Islamic Income Fund	100,000	100,000
1,009,971	–	99.01	Askari Sovereign Cash Fund	100,000	–
500,000	500,000	4.85	Atlas Bank Limited	2,427	5,256
10,257,114	6,350,000	4.19	Atlas Fund of Funds	42,934	57,514
235,620	54,300	52.60	Attock Cement Pakistan Limited	12,393	3,985
260,000	101,455	331.90	Attock Petroleum Limited	86,295	42,518
299,520	632	144.18	Attock Refinery Limited	43,186	41
2,757,095	595	26.95	Azgard Nine Limited	74,293	11
3,850,000	462,939	13.58	Bank Alfalah Limited	52,265	14,771
–	202	–	Bank Al-Habib Limited	–	5
1,059,304	181,165	5.87	Bank Islami Pakistan Limited	6,218	2,899
–	61	–	BOC Pakistan	–	7
–	11,320	–	Bosicor Pakistan Limited	–	37
364,061	113,400	12.55	Cherat Cement Company Limited	4,569	3,279
1,133,300	798,243	33.30	Crescent Steel Mills Limited	37,736	64,821
1,924,902	49,352	31.70	D. G. Khan Cement Company Limited	61,029	1,126
–	701	–	D.S. Industries Limited	–	9
–	86	–	Dawood Equities Limited	–	1
–	524	–	Dawood Lawrencepur Limited	–	23
–	81,771	–	Dewan Cement Limited	–	279
–	21,124	–	Dewan Salman Fibres Limited	–	20
–	3,575	–	Dost Steel Mills Limited	–	29

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

No. of ordinary shares / certificates / units		Paid-up value per share/ certificate/unit			2009	2008
2009	2008	Rupees	Name of companies / mutual funds		Rupees in '000	
–	151	–	EFU General Insurance Limited	–	–	18
534,086	113,112	138.08	Engro Chemical (Pakistan) Limited	73,744	–	25,027
–	480	–	Eye Television Network Limited	–	–	14
3,000,000	969,606	8.44	Fauji Cement Company Limited	25,324	–	11,109
1,600,000	2,213,915	26.13	Fauji Fertilizer Bin Qasim Limited	41,808	–	85,485
–	1,827	–	Fauji Fertilizer Company Limited	–	–	102
–	6,280	–	Faysal Bank Limited	–	–	85
–	75	–	First National Equities Limited	–	–	4
1,108,005	730,000	3.18	Golden Arrow Selected Stock Fund	3,525	–	3,371
600,000	219,392	114.52	Habib Bank Limited	68,713	–	50,751
–	100,000	–	HBL Stock Fund	–	–	10,000
1,886,187	1,172,187	4.18	Hira Textile Mills Limited	7,878	–	14,652
509,342	156,927	20.82	Honda Atlas Cars (Pakistan) Limited	10,606	–	8,455
3,900,000	1,613,280	20.84	Hub Power Company Limited	81,281	–	47,006
–	6,195	–	ICI Pakistan Limited	–	–	457
5,400,000	1,500,000	3.53	IGI Investment Bank Limited	19,062	–	17,151
130,000	50,029	189.19	Indus Motor Company Limited	24,595	–	16,931
–	156	–	Invest and Finance Securities Limited	–	–	1
3,585,000	7,428	27.70	Jahangir Siddiqui and Company Limited	99,299	–	417
–	2,452	–	Javed Omer Vohra and Company Limited	–	–	28
1,000,000	189,941	5.08	JS Bank Limited	5,080	–	1,999
–	254,814	–	JS Income Fund	–	–	25,000
1,038,000	261	17.18	JS Investments Limited	17,837	–	10
6,231,000	–	4.72	JS Large Capital Fund	29,385	–	–
–	6,090	–	JS Value Fund	–	–	17
1,760,093	140,000	38.25	Kot Addu Power Company Limited	67,318	–	6,023
1,239,613	1,034,336	62.98	Lucky Cement Limited	78,074	–	48,950
1,830,000	1,077	4.42	Maple Leaf Cement Company Limited	8,096	–	3
–	69	–	Mari Gas Company Limited	–	–	7
335,000	4,704	145.37	MCB Bank Limited	48,698	–	636
–	516,899	–	MCB Dynamic Cash Fund	–	–	50,000
6,000,000	743,500	6.00	Meezan Balanced Fund	36,016	–	7,029
1,610,000	204,809	14.45	Meezan Bank Limited	23,264	–	6,104
2,100,000	640,000	5.69	MyBank Limited	11,952	–	13,404
1,300,000	347,946	73.64	National Bank of Pakistan	95,733	–	45,974
240,000	110,000	198.03	National Refinery Limited	47,526	–	34,643
150,000	1,865	29.34	Netsol Technologies Limited	4,401	–	51
10,726,500	4,300,000	6.03	NIB Bank Limited	64,647	–	85,961
1,300,000	137,500	10.80	Nishat (Chunian) Mills Limited	14,039	–	3,562
200,000	6,204	71.50	Nishat Textile Mills Limited	14,300	–	136
575,000	587,974	71.23	Oil and Gas Development Company Limited	40,958	–	41,820
–	13,812	–	Pace Pakistan Limited	–	–	148
513,300	300,000	144.00	Packages Limited	73,915	–	92,663
7,511,000	7,508,500	10.00	Pak Oman Advantage Fund	75,091	–	75,069
546,313	218,700	108.24	Pak Suzuki Motor Company Limited	59,133	–	61,724
–	556	–	Pakistan Electron Limited	–	–	14
650,000	882,599	142.74	Pakistan Oilfields Limited	92,779	–	101,311
553,675	187,380	146.55	Pakistan Petroleum Limited	81,139	–	35,161
100,000	153,906	6.50	Pakistan Premier Fund	650	–	1,782
–	4,234	–	Pakistan Refinery Limited	–	–	365
2,800,000	228,201	34.93	Pakistan Re-Insurance Company Limited	97,809	–	13,846
–	7,917	–	Pakistan State Oil Company Limited	–	–	1,229
1,800,000	1,427,000	5.05	Pakistan Strategic Allocation Fund	9,088	–	13,601
4,181,800	1,033,719	18.64	Pakistan Telecommunication Company Limited	77,963	–	25,184
–	4,000	–	Pervez Ahmed Securities Limited	–	–	27
2,059,900	1,696,825	16.00	PICIC Growth Fund	32,952	–	45,056
–	352	–	Pioneer Cement Limited	–	–	7
100,568	100,568	39.67	Reliance Income Fund	3,990	–	5,000
1,700,000	650,000	4.33	Samba Bank Limited	7,363	–	10,083
–	30	–	Searle Pakistan Limited	–	–	2
139,700	60,875	247.86	Shell Pakistan Limited	34,626	–	19,108
–	2,483	–	Sitara Peroxide Limited	–	–	40
3,284,204	2,018,600	11.07	Soneri Bank Limited	36,356	–	71,557

No. of ordinary shares / certificates / units		Paid-up value per share/ certificate/unit	Name of companies / mutual funds	2009	2008
2009	2008	Rupees		Rupees in '000	
2,521,800	1,234,728	36.70	Sui Northern Gas Pipelines Limited	92,562	65,890
1,718,264	5,901	13.72	Sui Southern Gas Company Limited	23,569	69
–	62	–	Thatta Cement Limited	–	1
–	3,641	–	The Bank of Punjab	–	55
6,100	–	99.18	Tri Pak Films Limited	605	–
830,000	310,511	51.52	United Bank Limited	42,761	30,208
–	2,380,000	–	UTP Large Capital Fund	–	17,737
Add / (less): Surplus / (deficit) on revaluation of shares - (net)				3,940,586	3,144,653
				89,447	(1,054,874)
Market value as on December 31				4,030,033	2,089,779

#### 9.4 Particulars of investments held in unlisted companies

Investee	Notes	Percentage of holding	Number of shares	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive
Khushhali Bank Limited	9.4.1	2.93	5,000,000	10	50,000	55,130	31 Dec 2008	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	9.4.2	5.26	568,044	10	5,680	–	–	Mr. S.M. Zaem
					55,680			

**9.4.1** This represents subscription by the Bank towards capital of Khushhali Bank as per the State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale/ transfer of these shares is subject to the prior approval of the State Bank of Pakistan.

**9.4.2** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2008: Rs. 3,896 thousand) is considered as impairment and has been fully provided for.

#### 9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value per share	Investee	Rate %	Book Value		Market Value	
2009	2008				2009	2008	2009	2008
		Rupees	Rupees in '000	Rupees in '000				
10,000,000	10,000,000	10	Chenab Limited	9.25	70,000	100,000	70,000	81,700
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
					95,000	125,000	95,000	106,700

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 9.6 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2009	2008
2009	2008			Rupees in '000	
<b>Listed</b>					
13,669	18,669	Allied Bank Limited	4,994	68,263	93,270
35,000	35,000	Bank Alfalah Limited	4,991	174,693	174,760
30,000	30,000	Bank Al-Habib Limited	4,990	149,700	149,760
11,000	–	IGI Investment Bank Limited	2,446	26,908	–
27,400	5,000	NIB Bank Limited	4,521	123,871	21,121
8,000	8,000	Orix Leasing Limited	4,208	33,661	40,548
37,230	15,000	Pace Pakistan Limited	4,621	172,051	74,985
–	43,493	Pak Arab Fertilizer Limited	–	–	212,990
40,000	40,000	Pakistan Mobile Communication (Private) Limited	4,993	199,720	199,800
4,600	4,600	Royal Bank of Scotland	4,991	22,959	22,968
12,000	12,000	Soneri Bank Limited	4,991	59,892	59,916
10,000	10,000	Standard Chartered Bank Limited	4,993	49,930	49,950
29,000	24,431	United Bank Limited	5,656	164,030	121,988
84,090	6,067	Worldcall Telecom Limited	4,780	401,978	30,311
Book value as on December 31				1,647,656	1,252,367
<b>Unlisted</b>					
30,000	15,200	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	5,000	150,000	76,000
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,002	430,194	430,387
70,000	–	Bank Alfalah Limited (Chief Executive: Mr. Shakil Sadiq)	5,000	350,000	–
20,000	20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	1,250	25,000	25,000
140,000	140,000	Engro Chemicals Pakistan Limited (Chief Executive: Mr. Asad Umar)	5,000	700,000	700,000
233,333	233,333	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Tanwir Safder Cheema)	5,000	1,166,665	1,166,665
233,333	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Muhammad Ibrahim Majoka)	5,000	1,166,665	1,166,665
233,333	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Raja Abdul Ghafoor)	5,000	1,166,665	1,166,665
74,900	33,000	Jahangir Siddique and Company Limited (Chief Executive: Mr. Munaf Ibrahim)	4,808	360,106	165,744
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Farrukh H. Sabzwari)	5,022	50,222	50,370
5,000	5,000	Kashf Foundation (Chief Executive: Ms. Sadaffe Abid)	2,143	10,714	25,000
455,800	–	National Transmission and Dispatch Company Limited (Chief Executive: Mr. Ameer-ur-Rehman)	5,000	2,279,000	–
2,200	2,200	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	100,023	220,050	220,070
140,000	140,000	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,997	699,580	699,800
68,493	–	Pak Arab Fertilizer Limited (Chief Executive: Mr. Fawad Ahmad Mukhtar)	4,773	326,924	–
642,800	–	Power Holding Private Limited (Chief Executive: Mr. Fazeel Asif)	5,000	3,214,000	–
50,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Aijaz Haroon)	4,999	249,950	247,907
10,000	10,000	Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000	50,000	50,000
–	59,023	Worldcall Telecom Limited (Chief Executive: Mr. Baber Ali Syed)	–	–	295,112
Book value as on December 31				12,615,735	6,485,385

These carry rate of return ranging from 8.45% to 19.43% (2008: 8.45% to 19.43%) per annum and having maturity periods of upto 10 years (2008: 8 years).

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

**9.8 Sukuk Certificates - Available for sale**

Name of Investee	Rate	Maturity	2009	2008
Rupees in '000				
Eden Builders Private Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a.	March 8, 2014	120,000	66,250
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	90,000	100,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a.	June 20, 2014	200,000	200,000
K.S. Sulmanji and Esmailiji and Sons Private Limited	Average of offer side of 3 month KIBOR plus 1.3% p.a.	June 28, 2012	190,000	200,000
Kohat Cement Limited	Average of offer side of 6 month KIBOR plus 1.8% p.a.	December 13, 2012	241,500	241,500
Pak American Fertilizer Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 5, 2015	300,000	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	19,789	50,530
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 26, 2011	10,000	10,000
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 3 month KIBOR plus 1.1% p.a.	August 19, 2013	190,000	190,000
			1,511,289	1,508,280

**9.9** The Bank has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

**9.10** Investment in associate represents 15% (2008: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2009: Rs. 51,962 thousand; 2008: Rs. 91,668 thousand).

Audited financial statements of AGICO for the year ended December 31, 2009 were not available, however the summarized financial position and results as per the most recent available financial statements as at September 30, 2009 are as follows:

	Rupees in '000
Total Assets	1,346,592
Total Liabilities	1,103,843
Net Assets	242,749

Total revenue and loss after tax for the nine months ended September 30, 2009 were Rs. 22,761 thousand and Rs. 53,207 thousand respectively.

**9.11 Sukuk Certificates - Held to maturity**

Name of Investee	Rate	Maturity	2009	2008
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	270,000	270,000
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 04, 2016	150,842	150,979
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a.	June 28, 2012	166,666	200,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			897,508	930,979

**9.12** This represents investments by the wholesale bank branch in credit linked notes issued by Standard Chartered Bank, Singapore at 3 months USD LIBOR plus 3.50% per annum maturing on December 20, 2012.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 9.13 Quality of Available for Sale Securities

Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
Market Treasury Bills – note 9.13.1	37,693,814	unrated	16,028,763	unrated
Pakistan Investment Bonds – note 9.13.1	4,943,072	unrated	2,901,990	unrated
Fully paid up ordinary shares – note 9.13.2				
ABL Income Fund	–	–	52,083	A
Adamjee Insurance Company Limited	68,949	AA	10,193	AA
Al-Abbas Cement Industries Limited	–	–	3	unrated
Al-Meezan Mutual Fund	11,607	unrated	–	–
Allied Bank Limited	–	–	106	A
Arif Habib Bank Limited	275	A	226	A
Arif Habib Limited	–	–	76	unrated
Arif Habib Securities Limited	64,051	unrated	21,205	A+
Askari Asset Allocation Fund	157,359	unrated	114,874	unrated
Askari Islamic Asset Allocation Fund	111,247	unrated	100,000	unrated
Askari Islamic Income Fund	113,119	unrated	100,000	unrated
Askari Sovereign Cash Fund	104,002	unrated	–	–
Atlas Bank Limited	1,720	A–	1,660	A–
Atlas Fund of Funds	36,310	unrated	31,750	unrated
Attock Cement Limited	12,252	unrated	2,046	unrated
Attock Petroleum Limited	90,381	unrated	14,645	unrated
Attock Refinery Limited	29,589	AA	38	AA
Azgard Nine Limited	56,133	A+	10	A+
Bank Alfalah Limited	45,441	AA	7,745	AA
Bank Al-Habib Limited	–	–	5	AA
Bank Islami Pakistan Limited	6,218	A	1,313	A–
BOC Pakistan Limited	–	–	7	unrated
Bosicor Pakistan Limited	–	–	53	unrated
Cherat Cement Limited	4,569	unrated	1,294	unrated
Crescent Steel Mills Limited	29,477	A+	13,594	A+
D. G. Khan Cement Company Limited	62,675	unrated	1,050	unrated
D.S. Industries Limited	–	–	10	unrated
Dawood Equities Limited	–	–	1	unrated
Dawood Lawrencepur Limited	–	–	26	unrated
Dewan Cement Limited	–	–	248	BB
Dewan Salman Fibres Limited	–	–	30	unrated
Dost Steel Mills Limited	–	–	28	unrated
EFU General Insurance Limited	–	–	20	AA
Engro Chemical (Pakistan) Limited	92,368	AA	10,905	AA
Eye Television Network Limited	–	–	16	unrated
Fauji Cement Company Limited	18,480	unrated	4,557	unrated
Fauji Fertilizer Bin Qasim Limited	41,808	unrated	28,560	unrated
Fauji Fertilizer Company Limited	–	–	107	unrated
Faysal Bank Limited	–	–	72	AA
First National Equities Limited	–	–	4	A–
Golden Arrow Selected Stock Fund	3,324	4 - Star	1,489	5 - Star
Habib Bank Limited	74,064	AA+	16,424	AA+
HBL Stock Fund	–	–	5,798	unrated
Hira Textile Mills Limited	5,470	unrated	2,649	unrated
Honda Atlas Cars Limited	9,739	unrated	1,808	unrated
Hub Power Company Limited	121,212	unrated	22,731	unrated
ICI Pakistan Limited	–	–	426	unrated
IGI Investment Bank Limited	19,062	A	4,725	A
Indus Motor Company Limited	25,548	unrated	6,148	unrated
Invest and Finance Securities Limited	–	–	1	BBB–
Jahangir Siddiqui and Company Limited	101,787	AA+	388	AA+
Javed Omer Vohra and Company Limited	–	–	22	BB+

Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
JS Bank Limited	5,080	A	1,090	A-
JS Income Fund	-	-	25,701	5 - Star
JS Investments Limited	14,916	AA-	11	AA-
JS Large Capital Fund	28,663	unrated	-	-
JS Value Fund	-	-	27	5 - Star
Khushhali Bank Limited	50,000	A-	50,000	A-
Kot Addu Power Company Limited	80,735	unrated	4,418	unrated
Lucky Cement Limited	75,488	unrated	9,710	unrated
Maple Leaf Cement Company Limited	6,881	D	4	BBB+
Mari Gas Company Limited	-	-	7	unrated
MCB Bank Limited	71,396	AA+	592	AA+
MCB Dynamic Cash Fund	-	-	51,013	unrated
Meezan Balanced Fund	36,600	unrated	2,952	5 - Star
Meezan Bank Limited	25,341	A+	4,399	A+
MyBank Limited	9,975	A-	7,424	A
National Bank of Pakistan	78,089	AAA	17,005	AAA
National Refinery Limited	42,437	AAA	10,468	AAA
Netsol Technologies Limited	-	-	47	unrated
NIB Bank Limited	51,487	AA-	20,081	AA-
Nishat (Chunian) Mills Limited	27,560	unrated	1,330	unrated
Nishat Textile Mills Limited	-	-	140	A+
Oil and Gas Development Company Limited	60,836	AAA	24,404	AAA
Pace Pakistan Limited	-	-	119	A+
Packages Limited	73,915	AA	24,357	AA
Pak Oman Advantage Fund	78,866	AA-	56,464	AA-
Pak Suzuki Motor Company Limited	48,600	unrated	17,411	unrated
Pakistan Electron Limited	-	-	13	A
Pakistan Export Finance Guarantee Agency Limited	-	-	1,784	unrated
Pakistan Oilfields Limited	138,462	unrated	9,490	unrated
Pakistan Petroleum Limited	91,003	unrated	18,854	unrated
Pakistan Premier Fund	595	3 - Star	311	5 - Star
Pakistan Refinery Limited	-	-	417	unrated
Pakistan Re-Insurance Limited	73,080	unrated	5,406	unrated
Pakistan State Oil Company Limited	-	-	1,145	AAA
Pakistan Strategic Allocation Fund	7,992	4 - Star	3,254	4 - Star
Pakistan Telecommunication Company Limited	73,809	unrated	17,460	unrated
Pervez Ahmed Securities Limited	-	-	14	unrated
PICIC Growth Fund	29,374	2 - Star	9,485	unrated
Pioneer Cement Limited	-	-	8	BBB
Reliance Income Fund	3,990	unrated	4,735	unrated
Samba Bank Limited	5,627	A	3,211	A
Searle Pakistan Limited	-	-	2	BBB
Shell Pakistan Limited	34,975	unrated	18,890	unrated
Sitara Peroxide Limited	-	-	45	unrated
Soneri Bank Limited	36,356	AA-	22,205	AA-
Sui Northern Gas Pipelines Limited	62,496	AA	26,497	AA
Sui Southern Gas Company Limited	23,076	AA-	62	AA-
Thatta Cement Limited	-	-	1	unrated
The Bank of Punjab	-	-	48	AA-
Tri Pak Films Limited	624	A+	-	-
United Bank Limited	46,760	AA+	11,461	AA+
UTP Large Capital Fund	-	-	5,474	4 - Star
Fully paid preference shares				
Chenab Limited	70,000	unrated	81,700	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
Askari Income Fund Units – note 9.13.2	888,668	3 - Star	921,376	5 - Star

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	2009		2008	
	Market Value	Rating	Market Value	Rating
Term Finance Certificates				
Allied Bank Limited	66,145	AA-	101,858	AA-
Avari Hotels Limited	140,730	A-	76,000	A-
Azgard Nine Limited	425,853	AA-	431,675	AA-
Bank Alfalah Limited	344,550	AA-	-	-
Engro Chemical Pakistan Limited	665,216	AA	704,200	AA
Faisalabad Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
Gujranwala Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
IGI Investment Bank Limited	27,311	A+	-	-
Islamabad Electric Supply Company Limited	1,166,665	unrated	1,166,665	unrated
Jahangir Siddique and Company Limited	376,333	AA+	166,418	AA+
KASB Securities Limited	49,224	AA-	50,370	AA-
Kashf Foundation	10,540	A-	25,078	A-
National Transmission and Dispatch Company Limited	2,279,000	unrated	-	-
NIB Bank Limited	125,659	A+	24,995	A+
Orix Leasing Pakistan Limited	228,147	AA & AA+	260,768	AA+
Pace Pakistan Limited	180,565	A+	74,985	AA-
Pak American Fertilizer Limited	685,864	AA-	700,550	AA-
Pak Arab Fertilizer Limited	321,373	AA	217,422	AA
Pakistan International Airlines Corporation Limited	249,950	unrated	-	-
Power Holding Private Limited	3,214,000	unrated	-	-
Shakarganj Mills Limited	44,037	D	50,000	A-
United Bank Limited	61,510	AA	23,943	AA
World Call Telecom Limited	387,431	A	329,998	AA-
	13,383,433		6,738,255	
National Investment Trust (NIT) Units	262,601	3 - Star	79,705	4 - Star
National Investment Trust (NIT) Government Bond Fund	101,335	unrated	-	-
Sukuk Certificates	1,510,362	unrated	1,508,280	unrated
Foreign securities				
Mena Transformation Fund	228,191	unrated	170,040	unrated
	62,119,796		29,525,724	

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

**9.13.2** Ratings for these equity securities / units represent 'Entity Ratings'.

**9.13.3** 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 security is unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

**9.14** The Bank recognised impairment loss arising on valuation of listed equity portfolio held as available for sale on December 31, 2008 as part of equity in terms of the options permitted by the State Bank of Pakistan's BSD Circular No. 4 dated February 13, 2009. The said loss amounted to Rs. 440,866 thousand as of December 31, 2008 reduced to Rs. 285,373 thousand due to price changes during 2009 and was charged to profit and loss account on a quarterly basis during 2009, as permitted by the above referred circular. In addition, continuing with the impairment policy followed by the Bank, an amount of Rs. 145,684 thousand has also been recognised as impairment of available for sale equity portfolio.

Rupees in '000	2009	2008
<b>9.15 Unrealized (loss) / gain on revaluation of investments classified as held for trading</b>		
Fully paid ordinary shares	(405)	22,375

**9.16** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

**9.17** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.

Rupees in '000	Notes	2009	2008
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		126,000,719	120,029,501
Outside Pakistan		2,106,040	2,993,878
		128,106,759	123,023,379
Ijarah Financing - In Pakistan	10.2	1,635,158	2,092,884
Net book value of assets / investments in Ijarah under IFAS 2 in Pakistan	10.3	281,514	–
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		9,582,481	5,737,310
Payable outside Pakistan		8,027,833	8,865,648
		17,610,314	14,602,958
		147,633,745	139,719,221
Financing in respect of continuous funding system		–	111,752
Advances - gross		147,633,745	139,830,973
Provision against non performing advances	10.5		
Specific provision		(11,658,161)	(10,025,157)
General provision		(585,642)	(573,390)
General provision against consumer financing		(350,041)	(414,184)
		(12,593,844)	(11,012,731)
Advances - net of provision		135,039,901	128,818,242
<b>10.1 Particulars of advances</b>			
<b>10.1.1</b> In local currency		139,019,994	130,774,111
In foreign currencies		8,613,751	9,056,862
		147,633,745	139,830,973
<b>10.1.2</b> Short term ( for upto one year)		119,376,427	111,043,274
Long term ( for over one year)		28,257,318	28,787,699
		147,633,745	139,830,973

# Notes to the Consolidated Financial Statements

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## 10.2 Ijarah Financing - In Pakistan

Rupees in '000	2009				2008			
	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	498,190	995,460	–	1,493,650	651,713	1,468,852	–	2,120,565
Residual value	65,374	419,405	–	484,779	6,520	536,621	–	543,141
Minimum lease payments	563,564	1,414,865	–	1,978,429	658,233	2,005,473	–	2,663,706
Profit for future periods	124,240	219,031	–	343,271	222,807	348,015	–	570,822
Present value of minimum Ijarah payments	439,324	1,195,834	–	1,635,158	435,426	1,657,458	–	2,092,884

## 10.3 Net book Value of assets / investments in Ijarah under IFAS 2

Rupees in '000	2009				2008			
	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	–	320,088	–	320,088	–	–	–	–
Accumulated depreciation on Ijarah	–	38,574	–	38,574	–	–	–	–
Net assets / investment in Ijarah	–	281,514	–	281,514	–	–	–	–

10.4 Advances include Rs. 17,725,451 thousand (2008: Rs. 11,689,417 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially mentioned – note 10.4.1	73,966	–	73,966	–	–	–	–	–	–
Substandard	639,784	–	639,784	155,630	–	155,630	155,630	–	155,630
Doubtful	3,490,038	–	3,490,038	688,926	–	688,926	688,926	–	688,926
Loss	13,521,663	–	13,521,663	10,813,605	–	10,813,605	10,813,605	–	10,813,605
	17,725,451	–	17,725,451	11,658,161	–	11,658,161	11,658,161	–	11,658,161

10.4.1 This represents classification made for agricultural finances.

## 10.5 Particulars of provision against non-performing advances

Rupees in '000	2009				2008			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
Opening balance	10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605
Charge for the year	3,639,565	221,248	2,146	3,862,959	5,450,215	138,700	4,993	5,593,908
Reversal for the year	(1,263,297)	(208,996)	(66,289)	(1,538,582)	(1,732,446)	–	(36,684)	(1,769,130)
Net charge / (reversal) for the year	2,376,268	12,252	(64,143)	2,324,377	3,717,769	138,700	(31,691)	3,824,778
Amounts written off – note 10.7	(743,264)	–	–	(743,264)	(220,652)	–	–	(220,652)
Closing balance	11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731

10.5.1 The State Bank of Pakistan has amended the Prudential Regulations vide BSD Circular No. 10 of 2009 dated October 20, 2009 in relation to provision for loans and advances, thereby allowing benefit of 40% of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances. The FSV benefit has resulted in reduced charge for specific provision for the year by Rs. 2,814,106 thousand. The FSV benefit recognised in these financial statements is not available for payment of



cash or stock dividend. Had the FSV benefit not recognised, profit before tax for the year and profit after tax for the year would have been lower by Rs. 2,814,106 (2008: 685,843) thousand and Rs. 1,829,169 (2008: 445,800) thousand respectively.

**10.5.2** The general provision is maintained at the rate of 0.5% on advances other than non-performing advances and consumer financing.

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

Rupees in '000	2009				2008			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
In local currency	11,448,001	544,082	350,041	12,342,124	9,927,604	529,336	414,184	10,871,124
In foreign currencies	210,160	41,560	–	251,720	97,553	44,054	–	141,607
	11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731

Rupees in '000	2009	2008
<b>10.7 Particulars of write-offs:</b>		
<b>10.7.1</b> Against provisions	743,264	220,652
Directly charged to profit and loss account	–	247,360
	743,264	468,012
<b>10.7.2</b> Write offs of Rs. 500,000 and above	742,967	467,963
Write offs of below Rs. 500,000	297	49
	743,264	468,012

**10.8** 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, 2009 is given at Annexure-I.

Rupees in '000	2009	2008
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	402,506	196,898
Loans granted during the year	402,733	298,558
Repayments	(192,730)	(92,950)
Balance at end of year	612,509	402,506
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of year	–	–
Loans granted during the year	–	–
Repayments	–	–
Balance at end of year	–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of year	631,904	193,454
Loans granted during the year	500,000	500,000
Repayments	(551,664)	(61,550)
Balance at end of year	580,240	631,904
	1,192,749	1,034,410

# Notes to the Consolidated Financial Statements

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Rupees in '000	Notes	2009	2008
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	1,489,772	1,237,010
Property and equipment	11.2	8,392,779	7,073,403
Intangible assets	11.3	34,641	34,641
		9,917,192	8,345,054
<b>11.1 Capital work-in-progress</b>			
Civil works		–	–
Advances to suppliers and contractors		1,489,772	1,237,010
		1,489,772	1,237,010

## 11.2 Property and equipment

Rupees in '000	2009										Annual rate of depreciation
	COST					DEPRECIATION				Book value	
	as at January 1, 2009	Additions	Revaluation Surplus	Transfers/ (deletions)	as at December 31, 2009	as at January 1, 2009	Charge for the year	on (deletions)	as at December 31, 2009	as at December 31, 2009	
Land – freehold	1,414,802	452,710	–	–	1,867,512	–	–	–	–	1,867,512	–
Land – leasehold	2,098,844	–	–	–	2,098,844	–	–	–	–	2,098,844	–
Buildings on freehold land	583,199	332,485	–	–	915,684	181,819	33,131	–	214,950	700,734	5
Buildings on leasehold land	1,414,220	1,000	–	–	1,415,220	255,758	57,929	–	313,687	1,101,533	5
Renovation of leased premises	962,654	419,495	–	(26,938)	1,355,211	437,562	201,417	(26,086)	612,893	742,318	20
Furniture, fixtures and office equipment	395,219	72,462	–	(4,626)	463,055	115,782	33,414	(2,047)	147,149	315,906	10 – 33
Carpets	18,485	1,849	–	(505)	19,829	11,779	2,357	(357)	13,779	6,050	20
Machine and equipments	924,436	168,385	–	(14,296)	1,078,525	414,618	125,867	(11,118)	529,367	549,158	20
Computer equipments	965,927	534,375	–	(4,363)	1,495,939	461,345	152,057	(2,931)	610,471	885,468	20
Vehicles	224,816	5,690	–	(20,049)	210,457	149,889	28,283	(17,237)	160,935	49,522	20
Other assets	137,225	1,811	–	–	139,036	54,963	19,007	–	73,970	65,066	20 – 25
	9,139,827	1,990,262	–	(70,777)	11,059,312	2,083,515	653,462	(59,776)	2,677,201	8,382,111	
<b>2008</b>											
Rupees in '000	COST					DEPRECIATION				Book value	Annual rate of depreciation
	as at January 1, 2008	Additions	Revaluation Surplus	Transfers/ (deletions)	as at December 31, 2008	as at January 1, 2008	Charge for the year	on (deletions)	as at December 31, 2008	as at December 31, 2008	
Land – freehold	404,943	10,809	999,050	–	1,414,802	–	–	–	–	1,414,802	–
Land – leasehold	465,970	956,829	859,106	(183,061)	2,098,844	–	–	–	–	2,098,844	–
Buildings on freehold land	570,103	13,096	–	–	583,199	160,782	21,037	–	181,819	401,380	5
Buildings on leasehold land	796,861	434,298	–	183,061	1,414,220	163,080	92,678	–	255,758	1,158,462	5
Renovation of leased premises	612,386	378,479	–	(28,211)	962,654	332,412	118,845	(13,695)	437,562	525,092	20
Furniture, fixtures and office equipment	296,401	115,398	–	(16,580)	395,219	95,508	26,389	(6,115)	115,782	279,437	10 – 33
Carpets	15,686	3,156	–	(357)	18,485	10,072	2,003	(296)	11,779	6,706	20
Machine and equipments	647,008	308,587	–	(31,159)	924,436	334,113	100,021	(19,516)	414,618	509,818	20
Computer equipments	738,948	256,845	–	(29,866)	965,927	378,791	101,461	(18,907)	461,345	504,582	20
Vehicles	476,820	37,975	–	(12,517)	224,816	166,548	46,278	(6,952)	149,889	74,927	20
Other assets	61,672	75,553	–	–	137,225	47,288	7,675	–	54,963	82,262	20 – 25
	5,086,798	2,591,025	1,858,156	(118,690)	9,139,827	1,688,594	516,387	(65,481)	2,083,515	7,056,312	
				(277,462) *				(55,985) *			
Assets held under finance lease											
Vehicles	8,302	14,168	–	–	22,470	2,456	2,923	–	5,379	17,091	20
	5,095,100	2,605,193	1,858,156	(118,690)	9,162,297	1,691,050	519,310	(65,481)	2,088,894	7,073,403	
				(277,462) *				(55,985) *			

**11.2.1** Cost of fully depreciated property and equipment still in use is Rs. 206,422 thousand (2008: Rs. 176,193 thousand).

**11.2.2** The Bank's freehold and leasehold land was revalued by valuers approved by Pakistan Banks Association at December 31, 2008 on the basis of their professional assessment of the present market value. The revaluation resulted in a net surplus of Rs. 1,858,156 thousand over book value which was incorporated in the books of account of the Bank during 2008.

### 11.2.3 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						
Honda Civic	1,648	404	1,244	1,700	As per Group policy	Mr. Tauheed Siddiqui - Ex Executive
Honda Civic	1,515	328	1,187	1,187	-do-	Mr. Mansoor Akbar - Contractual Ex- Executive
Toyota Corolla	969	452	517	547	- do -	Mr. Mian Shamim Ahmed - Executive
Suzuki Cultus	690	541	149	285	- do -	Mr. Shoaib Jaffery - Executive
Suzuki Cultus	634	222	412	432	- do -	Mr. Saleem Ahmad - Executive
Suzuki Cultus	640	384	256	450	Insurance claim	Askari General Insurance Company Limited - a related party
Renovation of leased premises	2,206	1,697	509	509	-do-	-do-
Computer equipments	655	177	478	478	-do-	-do-
Furniture and Fixtures	641	89	552	552	-do-	-do-
Generator	1,010	795	215	240	Trade in	Power Vision, Lahore - Engineers and Consultants
Data Card Machine	3,639	3,334	305	640	-do-	Crest Corporation, Karachi
Renovation of leased premises	780	442	338	31	-do-	Muhammad Aslam Brothers, Okara
Renovation of leased premises	3,133	3,131	2	150	Tender	Unique Wood Works, Rawalpindi
	18,160	11,996	6,164	7,201		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related party	58,396	50,685	7,711	11,531		
<b>2009</b>	<b>76,556</b>	<b>62,681</b>	<b>13,875</b>	<b>18,732</b>		
2008	119,690	65,481	53,209	49,220		

Rupees in '000	Notes	2009	2008
<b>11.3 Intangible assets</b>			
Goodwill		30,136	30,136
Islamabad Stock Exchange membership card		4,505	4,505
		34,641	34,641
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	6,380,759	5,154,173
Income / mark-up accrued in foreign currencies		142,876	148,122
Advances, deposits, advance rent and other prepayments		907,986	1,446,908
Advance taxation (payments less provisions)		1,987,757	1,932,874
Un-realized gain on forward foreign exchange contracts - net		125,967	-
Suspense account		16,816	15,770
Stationary and stamps in hand		53,065	52,997
Dividend receivable		25,599	17,945
Others		460,813	253,553
		10,101,638	9,022,342
Less: Provision against other assets	12.2	(459)	(459)
Other assets - net of provision		10,101,179	9,021,883

**12.1** This balance has been arrived at after adjusting interest in suspense of Rs. 3,361,765 thousand (2008: Rs. 2,176,886 thousand).

Rupees in '000	2009	2008
<b>12.2 Provision against other assets</b>		
Opening balance	459	-
Charge for the year	-	459
Reversals	-	-
Amount written-off	-	-
Closing balance	459	459

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	Notes	2009	2008
<b>13. BILLS PAYABLE</b>			
In Pakistan		2,945,670	2,584,828
<b>14. BORROWINGS</b>			
In Pakistan		19,143,378	15,189,514
Outside Pakistan		156,785	634
		19,300,163	15,190,148
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		19,143,378	15,189,514
In foreign currencies		156,785	634
		19,300,163	15,190,148
<b>14.2 Details of borrowings - secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	11,920,153	12,090,551
Long term financing of export oriented projects	14.2.2	1,780,058	1,811,653
Repurchase agreement borrowings (repo)	14.2.3	4,473,167	767,310
Unsecured			
Call borrowings	14.2.4	970,000	520,000
		19,143,378	15,189,514
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		156,785	634
		19,300,163	15,190,148

**14.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 6.5% (2008: 6.5%) per annum payable on a quarterly basis.

**14.2.2** These carry mark-up rate of 5% (2008: 5%) per annum payable on a quarterly basis.

**14.2.3** These are secured against pledge of Government Securities, and carry mark-up ranging from 11.65% to 12.02% (2008: 9.5% to 12.5%) per annum and have maturities upto 3 (2008: 3) months.

**14.2.4** These represent borrowings at mark-up rates ranging from 11.5% to 12.6% (2008: 14.5% to 15.25%) per annum and have maturities upto 3 (2008: 1) months.

Rupees in '000	2009	2008
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	47,689,401	39,675,699
Saving deposits	110,245,202	80,256,954
Current accounts - non-remunerative	44,335,822	43,245,593
Special exporters' account	21,743	30,562
Margin accounts	1,853,597	1,983,653
Others	268,063	257,099
Financial institutions		
Remunerative deposits	1,494,658	2,047,388
Non-Remunerative deposits	4,417	8,364
	205,912,903	167,505,312

Rupees in '000	2009	2008
<b>15.1 Particulars of deposits</b>		
In local currency	174,220,273	141,713,869
In foreign currencies	31,692,630	25,791,443
	205,912,903	167,505,312

**15.1.1** Deposits include Rs. 6,409,041 (2008: Rs. 1,648,732) thousand due to related parties.

Rupees in '000	2009	2008
<b>16. SUB-ORDINATED LOANS</b>		
Term Finance Certificates – I	1,497,300	1,497,900
Term Finance Certificates – II	1,497,600	1,498,200
Term Finance Certificates – III	3,000,000	–
	5,994,900	2,996,100

The Bank has raised unsecured sub-ordinated loans in three separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows::

	Term Finance Certificate - I	Term Finance Certificate - II	Term Finance Certificate - III
Outstanding amount - Rupees in thousand	1,497,300	1,497,600	3,000,000
Issue date	February 4, 2005	October 31, 2005	November 18, 2009
Total issue	Rupees 1,500 million	Rupees 1,500 million	Rupees 3,000 million
Rating	AA-	AA-	AA-
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5%	Payable six monthly - Base Rate plus 1.5%	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.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years	10 Years
Call option	–	–	Exerciseable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%	6-96th month: 0.32% 97-120th month: 99.68%



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Rupees in '000	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstandings	Minimum lease payments	Financial charges for future periods	Principal outstandings
Not later than one year	3,627	1,204	2,423	4,995	2,114	2,881
Later than one year and not later than five years	10,384	1,264	9,120	16,855	3,163	13,692
	14,011	2,468	11,543	21,850	5,277	16,573

The liabilities represent the obligations for car lease financing from Bank Alfalah Limited and Faysal Bank Limited. The rates of mark-up payable on facilities with Bank Alfalah Limited are six month average KIBOR plus 2.5 % with floor of 11.5 %, six month average KIBOR plus 3% with a floor of 12.5%, six month average KIBOR plus 2.75% with a floor of 12.5% and six month average KIBOR plus 3% with a floor of 13.5%. Car finance facilities availed from Faysal Bank Limited carry mark-up at one year average KIBOR plus 2%, one year average KIBOR plus 3% and one year average KIBOR plus 4% per annum with no floor and no cap. The Company has the option to purchase the assets at the end of the lease tenure at the guaranteed residual value.

Rupees in '000	Note	2009	2008
<b>18. DEFERRED TAX LIABILITIES</b>			
Deferred credits/ (debits) arising due to:			
Accelerated tax depreciation		661,212	676,479
Provision against non performing advances			
– excess of 1% of total advances		(275,021)	–
– classified in sub-standard category		(21,812)	–
Tax loss for the year		–	(164,394)
Excess of accounting book value of leased assets over leased liabilities		498	941
Pre commencement expenditure of AIML		(186)	(559)
Provision for staff gratuity and compensated absences of AIML		(559)	–
Unused tax loss of AIML		(12,126)	–
Deferred tax asset not recognised by AIML	18.1	9,797	–
		361,803	512,467
Deficit on revaluation of available for sale securities		(27,878)	(496,294)
		333,925	16,173

**18.1** Deferred tax asset of AIML has been recognised only to the extent that it is expected to reverse in the foreseeable future due to availability of tax losses. Accordingly, deferred tax asset amounting to Rs. 9,797 thousand (2008: Nil) has not been recognised in these consolidated financial statements.

**18.2** Deferred tax asset (net) related to ASL has not been recognised on the unused tax losses amounting to Rs. 24,978 thousand (2008: Rs. 46,407 thousand), provision for doubtful debts amounting to Rs. 66,215 thousand (2008: Rs. 67,724), provision for gratuity amounting to Rs. 2,063 thousand (2008: Rs. 1,480 thousand) and accelerated tax depreciation amounting to Rs. 1,484 thousand (2008: Rs. 190 thousand), cost of intangibles claimed in prior years Rs. 4,505 thousand (2008: Rs. 4,505 thousand) and liability against asset subject to finance lease amounting to Rs. 105 thousand (2008: Rs. 205 thousand) since future profitability of ASL is not certain to realise net deferred tax asset.

Rupees in '000	2009	2008
<b>19. OTHER LIABILITIES</b>		
Mark-up / return / interest payable in local currency	1,698,122	1,559,920
Mark-up / return / interest payable in foreign currencies	53,960	92,209
Unearned income / commission	165,858	203,750
Accrued expenses	409,652	194,389
Advance payments	223,682	119,877
Security deposit Ijarah financing	598,215	577,965
Unclaimed dividends	37,202	38,027
Branch adjustment account	990,844	1,253,935
Payable against purchase of listed shares	75,935	7,216
Withholding taxes payable	27,943	27,001
Federal excise duty payable	26,385	3,848
Un-realized loss on forward foreign exchange contracts - net	-	347,258
Workers' Welfare Fund	33,515	-
Others (Withholding tax payable etc.)	525,150	354,053
	4,866,463	4,779,448
<b>20. SHARE CAPITAL</b>		
<b>20.1 Authorized capital</b>		
	<b>2009</b>	<b>2008</b>
	Number of shares	
	1,200,000,000	700,000,000
	Ordinary shares of Rs. 10 each	
	12,000,000	7,000,000
<b>20.2 Issued, subscribed and paid up</b>		
	Number of shares	
	Ordinary shares of Rs. 10 each:	
	67,500,000	67,500,000
	Fully Paid in cash	
	675,000	675,000
	439,846,635	338,377,308
	Issued as bonus shares	
	4,398,467	3,383,774
	507,346,635	405,877,308
	5,073,467	4,058,774

### 20.3 Capital Risk Management

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

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

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

The required minimum capital requirement can be achieved by the Bank either by fresh capital injection or retention of profits. The stock dividend declared after meeting all the legal and regulatory requirements, and duly disclosed in the annual audited financial statements will be counted towards the required paid up capital of the Bank pending completion of the formalities for issuance of bonus shares. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date, in this year.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	Statutory Reserve	Revenue Reserves	2009	2008
<b>21. RESERVES</b>				
Balance as at January 01	2,912,711	4,776,516	7,689,227	6,930,265
Transfer from profit and loss account	221,559	338,225	559,784	758,962
Bonus shares issued	–	(1,014,693)	(1,014,693)	–
Balance as at December 31	3,134,270	4,100,048	7,234,318	7,689,227

**21.1** Reserves as at December 31, 2009 include Rs. 2,241,958 thousand (2008: Rs. 445,798 thousand) in respect of net of tax benefit of 40% (2008: 30%) of Forced Sale Value (FSV) of pledged stocks, mortgaged commercial, industrial properties (land and building only) held as collateral against non-performing advances allowed under BSD circular No 10 of 2009 dated October 20, 2009 and referred in note 10.5.1 above. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

Rupees in '000	2009	2008
<b>22. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land (Deficit) / surplus on revaluation of available for sale securities	1,858,156	1,858,156
i) Federal Government securities	(88,010)	(242,800)
ii) Listed shares	89,852	(1,077,249)
iii) Other securities	(81,492)	(97,933)
Less: related deferred tax effect	(79,650) 27,878	(1,417,982) 496,294
	(51,772)	(921,688)
	1,806,384	936,468
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
i) Government	2,755,086	3,577,163
ii) Others	6,862,016	7,832,474
	9,617,102	11,409,637
<b>23.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	12,354	7,545
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	56,911,331	61,883,864
ii) Banks and other financial institutions	1,083,718	942,566
iii) Others	10,404,884	12,580,856
	68,399,933	75,407,286
	68,412,287	75,414,831
<b>23.3 Trade-related contingent liabilities</b>	25,410,721	31,333,855
<b>23.4 Other contingencies</b>		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	3,134,363	4,215,064

### 23.5 Tax contingencies

- i) For tax assessments carried out to date, tax demands of approximately Rs. 3,340 million and Rs. 53 million, raised by the tax authorities, relate to provision against Non Performing Loans (NPLs) and diminution in the value of investments respectively are under litigation. The Income Tax Appellate Tribunal (ITAT) upto Tax Year 2006 has decided appeals in favour of the Bank on the issue of provisions against NPLs, while tax demand for provision for diminution in value of investment has been set aside for all relevant years. The income tax department has filed reference applications before the High Court on the above issues which has not yet been admitted for regular hearing. Based on advice from tax advisors, the management is hopeful that the High Court will uphold the decisions of Appellate Authorities.

For Tax year 2008 and 2009 the appeals are pending before ITAT and the Commissioner Income Tax (CIT) (Appeals) respectively.

Notwithstanding the above, should these contingencies materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization, if any, of these receivables.

- ii) The department issued re-amended assessment orders for tax years 2005 to 2008 on the issue of taxing commission and brokerage income at normal tax rate instead of under the presumptive tax regime and allocation of expenditure to dividend / capital gains, raising tax demand of Rs. 582 million approximately. Such issues however have been decided in the Bank's favour by the CIT (Appeals) for the Tax Year 2008 except on the issue of allocation of financial expenses. The Bank has filed appeals against the orders before the ITAT in respect of Tax years 2005 to 2008. Based on advice from tax consultants, the management is hopeful that the issues in appeals will be ultimately decided in the Bank's favour.

Rupees in '000	2009	2008
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	3,922,616	2,571,940
Sale and repurchase agreements	4,493,702	795,391
<b>23.7 Commitments in respect of forward purchase / sale of listed equity securities</b>		
Purchase	-	-
Sale	-	153,126
<b>23.8 Commitments in respect of forward exchange contracts</b>		
Purchase	24,552,607	15,722,257
Sale	17,646,611	10,319,270
<b>23.9 Commitments for the acquisition of operating fixed assets</b>	462,763	280,440

### 23.10 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 Rs 2,332,650 thousand (2008: Rs. 1,354,550 thousand).

Rupees in '000	2009	2008
<b>23.11 Bills for collection</b>		
Payable in Pakistan	5,626,908	3,722,886
Payable outside Pakistan	10,673,130	12,300,025
	16,300,038	16,022,911

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The 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 State Bank of Pakistan. 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 State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

## 25. DERIVATIVE INSTRUMENTS

The Group does not deal in derivative instruments.

Rupees in '000	Note	2009	2008
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	26.1	16,650,120	13,873,841
ii) Financial institutions		76,194	70,736
On investments			
i) Available for sale securities		4,840,476	3,148,301
ii) Held to maturity securities		471,027	487,423
On deposits with financial institutions		158,717	453,092
On securities purchased under resale agreements		468,714	362,349
		22,665,248	18,395,742

**26.1** This includes an amount of Rs. 162,389 thousand (2008: Rs. 25,414 thousand) on account of income received from related parties.

Rupees in '000	Note	2009	2008
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		11,557,692	8,524,877
On securities sold under repurchase agreements		501,514	730,393
On sub-ordinated loans		559,984	383,785
On other short term borrowings		998,038	1,008,222
		13,617,228	10,647,277
<b>28. GAIN ON SALE OF INVESTMENTS - NET</b>			
Federal Government Securities			
Market Treasury Bills		62,177	266
Pakistan Investment Bonds		14,336	1,091
Term Finance Certificates		(856)	-
Shares - Listed		47,015	12,763
Others		21,045	28,704
		143,717	42,824
<b>29. OTHER INCOME</b>			
Rent on property	29.1	32,114	30,012
Net profit / (loss) on sale of property and equipment		4,857	(3,989)
Rent of lockers		12,506	11,855
Recovery of expenses from customers		355,918	304,481
Others		3,796	1,076
		409,191	343,435

**29.1** This includes an amount of Rs. 19,719 thousand (2008: Rs. 23,966 thousand) on account of rent received from related parties.

Rupees in '000	Notes	2009	2008
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		3,588,102	3,020,726
Charge for defined benefit plan	36.3	138,260	110,854
Contribution to defined contribution plan		107,882	101,208
Non-executive directors' fees, allowances and other expenses		655	755
Rent, taxes, insurance, electricity, etc.		834,828	673,374
Legal and professional charges		75,280	38,089
Brokerage and commission		138,096	171,363
Communications		299,974	261,045
Repairs and maintenance		302,365	165,087
Stationery and printing		117,587	105,989
Advertisement and publicity		74,124	154,667
Donations		18,000	–
Auditors' remuneration	30.1	8,335	5,832
Depreciation	11.2	657,184	519,310
Finance charges on leased assets		1,732	1,403
Other expenditure (traveling, security services, vehicle running expenses, etc.)		762,289	706,098
		7,124,693	6,035,800
<b>30.1 Auditors' remuneration</b>			
Audit fee		2,500	2,200
Fee for the audit of provident and gratuity funds		80	70
Special certifications, half year review, audit of subsidiary companies and the audit of consolidated financial statements		5,171	2,972
Out-of-pocket expenses		584	590
		8,335	5,832
<b>31. OTHER CHARGES</b>			
Workers' Welfare Fund		33,515	–
Penalties imposed by the State Bank of Pakistan		853	10,987
		34,368	10,987
<b>32. TAXATION</b>			
For the year			
Current		561,584	29,698
Deferred		(30,837)	109,060
		530,747	138,758
For prior years			
Current		119,827	(51,043)
Deferred		(119,827)	–
		–	(51,043)
		530,747	87,715
<b>32.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		1,609,897	502,770
Tax at applicable tax rate of 35 percent (2008: 35 percent)		563,464	175,970
Effect of:			
– Income chargeable to tax at lower rates		(40,634)	(45,332)
– Prior years' adjustment		–	(50,000)
– Amounts not deductible for tax purposes		298	3,846
– Opening deferred tax reversed by AIML		125	–
– Deferred tax not recognised during July to December by AIML		8,993	–
– Others		(1,499)	3,231
		530,747	87,715



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Rupees in '000	2009	2008
<b>33. BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit for the year - Rupees in '000	1,077,998	415,470
Weighted average number of Ordinary Shares - numbers	507,346,635	507,346,635
Basic / diluted earnings per share - Rupees	2.12	0.82

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

Weighted average number of ordinary shares for 2008 has been restated to give effect of bonus shares issued during the year.

Rupees in '000	2009	2008
<b>34. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	19,385,850	16,029,666
Balances with other banks	8,374,640	3,967,816
Call money lendings	100,000	675,000
Term deposits with MCB Bank Limited	35,000	-
	27,895,490	20,672,482

35. STAFF STRENGTH	Number of employees	
	2009	2008
Permanent	4,461	4,306
Temporary / on contractual basis	1,669	1,707
Daily wagers	-	-
Commission based	120	541
Group's own staff strength at the end of the year	6,250	6,554
Outsourced	1,111	1,064
Total staff strength at the end of the year	7,361	7,618

## 36. DEFINED BENEFIT PLAN

### 36.1 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.

	2009	2008
<b>36.2 The amounts recognised in the balance sheet are as follows:</b>		
Present value of defined benefit obligation	705,452	542,214
Fair value of plan assets	(482,462)	(327,885)
	222,990	214,329
Unrecognised actuarial losses	(218,251)	(211,697)
Net liability	4,739	2,632
<b>36.3 The amounts recognised in profit and loss account are as follows:</b>		
Current service cost	86,446	75,423
Interest on obligation	81,261	44,114
Expected return on plan assets	(49,165)	(24,964)
Actuarial loss recognised	19,718	16,281
	138,260	110,854
<b>36.4 Actual return on plan assets</b>	48,638	6,564

Rupees in '000	2009	2008
<b>36.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	542,214	440,376
Current service cost	86,446	75,423
Interest cost	81,261	44,114
Actuarial loss	25,745	9,624
Benefits paid	(30,214)	(27,323)
Closing defined benefit obligation	705,452	542,214
<b>36.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	327,885	249,035
Expected return	49,165	24,864
Actuarial losses	(527)	(27,807)
Contributions by employer	136,153	109,116
Benefits paid	(30,214)	(27,323)
Closing fair value of plan assets	482,462	327,885

The Group expects to contribute Rs. 148,773 thousand to its defined benefit gratuity plan in 2010.

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

	2009		2008	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>36.7 Break-up of category of assets</b>				
Defense saving certificates	–	–	57,452	18
Pakistan Investment Bonds	317,047	66	153,808	47
Investment in mutual fund	415	–	367	–
Bank deposit account	165,000	34	116,258	35
	482,462	100	327,885	100

### 36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2009 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2009	2008
Discount rate - per annum	13 - 14%	15%
Expected rate of increase in salaries - per annum	13 - 14%	15%
Expected rate of return on plan assets - per annum	13 - 14%	15%
Average expected remaining life of employees - years	8 - 13	9 - 14

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

Rupees in '000	2009	2008	2007	2006	2005
As at December 31,					
Defined benefit obligation	705,452	542,214	440,376	266,173	199,511
Plan assets	(482,462)	(327,885)	(249,019)	(212,931)	(182,281)
Deficit	222,990	214,329	191,357	53,242	17,230
Experience adjustments					
Actuarial loss on obligation	(25,745)	(9,624)	(133,140)	(35,523)	(7,992)
Actuarial loss on plan assets	(527)	(27,807)	(6,745)	(489)	(3,707)

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 37. DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of 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 the Company and the staff at the rate of 6% of basic salary of the employee.

ASL operates an unfunded 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.

## 38. COMPENSATED ABSENCES

### 38.1 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 leave are accumulated upto a maximum of 120 days which could be encashed at any time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

### 38.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2009 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2009 was Rs. 149,442 thousand against related liability of Rs. 115,571 thousand carried at December 31, 2008. Expense for the year of Rs. 33,871 (2008: 79,675) thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2009	2008
Discount rate - per annum	13%	15%
Expected rate of increase in salaries - per annum	13%	15%
Leave accumulation factor - days	5	5

## 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Fees	105	110	655	755	-	615
Managerial remuneration	9,240	6,000	-	-	478,075	451,141
Charge for defined benefit plan	770	7,390	-	-	37,752	55,144
Contribution to defined contribution plan	770	1,065	-	-	39,118	68,950
Rent and house maintenance	4,158	2,700	-	-	203,935	196,692
Utilities	924	600	-	-	45,319	42,348
Medical	1,630	600	-	-	47,371	42,312
Special performance incentive / Bonus	1,540	1,750	-	-	75,314	94,886
Others	-	-	-	-	8,189	8,855
	19,137	20,215	655	755	935,073	960,943
Number of persons	1	2	10	10	495	488

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

#### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Rupees in '000	2009		2008	
	Book value	Fair value	Book value	Fair value
<b>40.1 On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	19,385,850	19,385,850	16,029,666	16,029,666
Balances with other banks	8,374,640	8,374,640	3,967,816	3,967,816
Lendings to financial institutions	4,649,059	4,649,059	4,479,754	4,479,754
Investments	66,885,617	66,885,617	35,464,972	35,464,972
Advances				
Term loans	51,327,955	51,327,955	35,825,637	35,825,637
Staff advances	5,388,914	5,388,914	3,159,605	3,159,605
Other advances	78,323,032	78,323,032	89,833,000	89,833,000
Other assets	10,101,179	10,101,179	9,021,883	9,021,883
	244,436,246	244,436,246	197,782,333	197,782,333
<b>Liabilities</b>				
Bills payable	2,945,670	2,945,670	2,584,828	2,584,828
Borrowings	19,300,163	19,300,163	15,190,148	15,190,148
Deposits and other accounts				
Current and saving accounts	158,223,502	158,223,502	127,829,613	127,829,613
Term deposits	47,689,401	47,689,401	39,675,699	39,675,699
Sub-ordinated loans	5,994,900	5,994,900	2,996,100	2,996,100
Liabilities against assets subject to finance lease	11,543	11,543	16,573	16,573
Other liabilities	4,866,463	4,866,463	4,779,448	4,779,448
	239,031,642	239,031,642	193,072,409	193,072,409
<b>40.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	24,552,607	24,552,607	15,722,257	15,722,257
Sale and repurchase agreements	4,493,702	4,493,702	795,391	795,391
Forward sale of foreign exchange	17,646,611	17,646,611	10,319,270	10,319,270
Purchase and resale agreements	3,922,616	3,922,616	2,571,940	2,571,940

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

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, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 45.2.4.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

## 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2009								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	129,671	222,299	2,863,833	21,903,256	85,136	12,242	67,127	17,515	–
Total expenses	36,152	61,976	734,280	22,142,805	23,736	3,413	115,413	13,423	559,984
Net income (loss)	93,519	160,323	2,129,553	(239,549)	61,400	8,829	(48,286)	4,092	(559,984)
Segment Assets (Gross)	68,705	232,274	18,285,963	248,263,917	45,108	6,486	125,045	83,597	–
Segment Non Performing Loans	–	–	2,641,129	15,084,322	–	–	–	–	–
Segment Provision Required	–	–	2,473,403	10,284,254	–	–	–	–	–
Segment Liabilities	792	2,680	9,132,424	224,016,006	520	75	22,819	21,697	6,168,554
Segment Return on net Assets (ROA) (%)	0.06%	0.10%	1.25%	9.52%	0.04%	0.01%	0.03%	0.01%	0.00%
Segment Cost of funds (%)	0.02%	0.03%	0.34%	10.26%	0.01%	0.00%	0.01%	0.00%	0.26%

	2008								
Total income	54,754	134,328	1,443,099	19,415,854	41,944	6,095	165,382	8,763	–
Total expenses	15,350	37,660	1,124,418	19,060,011	11,759	1,709	122,630	10,130	383,785
Net income (loss)	39,404	96,668	318,681	355,843	30,185	4,386	42,752	(1,367)	(383,785)
Segment Assets (Gross)	30,939	232,742	17,860,780	199,668,219	23,700	3,444	217,105	103,186	–
Segment Non Performing Loans	–	–	1,826,499	9,862,918	–	–	–	–	–
Segment Provision Required	–	–	1,963,567	9,049,164	–	–	–	–	–
Segment Liabilities	7,160	17,564	188,717	189,699,433	5,485	797	28,979	11,091	3,129,356
Segment Return on net Assets (ROA) (%)	0.03%	0.07%	0.74%	10.00%	0.02%	0.00%	0.09%	0.00%	0.00%
Segment Cost of funds (%)	0.01%	0.02%	0.62%	10.50%	0.01%	0.00%	0.07%	0.01%	0.21%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.05% (2008: 5.84%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.30% (2008: 1.44%) of the total liabilities have been allocated to segments based on their respective assets.

#### 42. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 50.17 % (2008: 50.17 %) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary companies, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

Rupees in '000	December 31, 2009					December 31, 2008				
	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Employee Funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Employees Funds
<b>Balances outstanding as at</b>										
- Advances at the year end	-	129,873	25	580,242	-	-	74,378	524	631,904	-
- Deposits at the year end	5,602,346	47,678	11,420	583,722	163,875	780,947	34,644	59,063	609,455	164,623
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	12,354	-	-	-	-	7,545	-
- Investment in shares / Lendings - at cost	-	-	-	1,500,671	-	-	-	-	1,248,268	-
- Reimbursable expenses on behalf of Askari Income Fund	-	-	-	5,278	-	-	-	-	493	-
- Management fee and commission receivable from Askari Income Fund	-	-	-	3,392	-	-	-	-	4,855	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	-	-	-	-	-	170	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	680	-	-	-	-	789	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	2,273	-	-	-	-	1,100	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	258	-	-	-	-	416	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	1,196	-	-	-	-	1,100	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	282	-	-	-	-	818	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	2,028	-	-	-	-	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	562	-	-	-	-	-	-
- Pre-paid insurance premium by AIML	-	-	-	321	-	-	-	-	-	376
- Payable to employee funds by AIML	-	-	-	-	4,842	-	-	-	-	2,653
<b>Transactions during the year ended</b>										
- Net mark-up / interest earned	-	3,595	-	158,794	-	-	2,088	-	23,326	-
- Net mark-up / interest expensed	309,815	1,220	581	59,619	1,910	49,029	212	2,816	23,337	992
- Contribution to employees' funds	-	-	-	-	249,993	-	-	-	-	217,918
- Rent of property / service charges received	7,662	-	-	12,137	-	12,080	-	-	11,886	-
- Rent of property / service charges paid	67,958	-	-	51,125	-	72,557	-	-	23,550	-
- Remuneration paid	-	155,434	-	-	-	-	127,596	-	-	-
- Post employment benefits	-	11,899	-	-	-	-	12,974	-	-	-
- Insurance claim received	-	-	-	3,356	-	-	-	-	1,502	-
- Insurance premium paid	-	-	-	33,388	-	-	-	-	57,809	-
- Dividend Income	-	-	-	-	-	-	-	-	73,886	-
- Security services costs	-	-	-	143,855	-	-	-	-	97,668	-
- Fee, commission and brokerage income	379	-	-	81,565	-	296	-	-	153,540	-
- Recovery of expenses from Askari Income Fund by AIML	-	-	-	5,177	-	-	-	-	5,040	-
- Recovery of expenses from Askari Islamic Asset Allocation Fund by AIML	-	-	-	96	-	-	-	-	1,100	-
- Recovery of expenses from Askari Islamic Income Fund by AIML	-	-	-	1,173	-	-	-	-	1,100	-
- Recovery of expenses from Askari Sovereign Cash Fund by AIML	-	-	-	778	-	-	-	-	-	-
- Investment in units of Askari Income Fund by AIML	-	-	-	50,000	-	-	-	-	130,000	-
- Lease rentals paid	-	-	-	242	-	-	-	-	110	-
- Fees paid	-	105	655	-	-	-	110	755	-	-



# Notes to the Consolidated Financial Statements

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## 43 CAPITAL ADEQUACY

### 43.1 Scope of Applications

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

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 nor does it have any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Bank does not indulge in any securitization activity that shields it from the risk inherent in securitization.

### 43.2 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' 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, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfillment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25% of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 percent), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The bank currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to 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 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 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. There has been no material change in the Bank's management of capital during the period.

### 43.3 Capital adequacy ratio as at December 31, 2009

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below.

Rupees in '000	2009	2008
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Fully paid-up capital	5,073,467	4,058,774
Reserves (excluding foreign exchange translation reserves)	7,234,318	7,689,227
Unappropriated / unremitted profits (net of losses)	856,439	338,225
Minority Interest	17,263	16,111
Less: Book value of intangibles	(34,641)	(34,641)
Deficit on account of revaluation of investments	-	(921,689)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	-	-
<b>Total Tier I Capital</b>	<b>13,146,846</b>	<b>11,146,007</b>
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier I capital)	4,796,940	2,396,880
General provisions for loan losses subject to 1.25% of total risk weighted assets	935,683	987,574
Revaluation reserve (upto 45%)	800,328	836,170
Foreign exchange translation reserves	-	-
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	-	-
<b>Total Tier II capital</b>	<b>6,532,951</b>	<b>4,220,624</b>
<b>Eligible Tier III capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>19,679,797</b>	<b>15,366,631</b>

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## Risk weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2009	2008	2009	2008
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
Claims on:				
Sovereigns other than PKR claims	146,702	170,821	1,467,024	1,898,006
Public Sector Entities (PSEs)	683,694	568,378	6,836,944	6,315,308
Banks	1,240,440	124,473	12,404,403	1,383,035
Corporates	7,595,901	7,736,337	75,959,014	85,959,302
Retail portfolio	2,263,592	2,180,628	22,635,916	24,229,197
Residential mortgage finance	384,920	267,297	3,849,196	2,969,970
Listed equities and regulatory capital instruments issued by others banks	320,405	11,064	3,204,048	122,934
Unlisted equity investments	33,021	–	330,212	–
Fixed Assets	988,255	747,937	9,882,550	8,310,409
Other Assets	192,837	334,763	1,928,365	3,719,586
Past Due Exposures	628,780	266,862	6,287,804	2,965,134
Forward Foreign Exchange Contracts	11,307	8,041	113,070	89,348
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	6,018	247,539	60,175	2,750,438
Equity position risk	33,373	451,652	333,725	5,018,350
Foreign exchange risk	12,851	39,711	128,513	441,238
<b>Operational risk</b>	2,064,791	1,640,780	20,647,911	18,230,886
<b>Total</b>	<b>16,606,887</b>	<b>14,796,283</b>	<b>166,068,870</b>	<b>164,403,141</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			19,679,797	15,366,631
Total risk weighted assets			166,068,870	164,403,141
Capital adequacy ratio			11.85%	9.35%

#### 44. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of 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 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 where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) classification of investments (note 9)
- ii) provision against investments (note 9.2.1) and advances (note 10)
- iii) revaluation of freehold and leasehold land (note 11)
- iv) useful life of property and equipments (note 11)
- v) income taxes (note 32)
- vi) staff retirement benefits (note 36 to note 38)

#### 45. RISK MANAGEMENT

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Limited, risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a Board level sub-committee primarily responsible for the identification, measurement, monitoring and controlling of the Bank's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

##### 45.1 Credit Risk:

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation 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 focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group concentration exposures.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit 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. Special attention is paid to the management of non-performing loans. A procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering, Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

Risk Management Division has an independent Portfolio Monitoring Department. Dedicated resources are assigned to scrutinize corporate, commercial, consumer, SME, and agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors. During the year portfolio monitoring department also prepared the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite Policy of the Bank.

##### 45.1.1 Segment information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

# Notes to the Consolidated Financial Statements

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## 45.1.1.1 Segment by class of business

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	6,341,128	4.30	2,540,447	1.23	1,072,237	0.67
Automobiles & Allied	936,799	0.63	1,011,748	0.49	585,236	0.37
Cables / Electronics	6,654,032	4.51	1,956,777	0.95	515,161	0.32
Carpets	167,974	0.11	72,374	0.04	4,202	0.00
Cements	3,898,451	2.64	469,657	0.23	663,216	0.41
Chemicals / Pharmaceuticals	6,932,091	4.70	2,823,250	1.37	4,072,601	2.55
Engineering	342,837	0.23	55,908	0.03	1,001,645	0.63
Fertilizers	697,771	0.47	345,870	0.17	1,310,261	0.82
Food and Allied	2,254,348	1.53	227,324	0.11	570,060	0.36
Fuel / Energy	6,297,501	4.27	2,954,673	1.43	9,438,617	5.90
Ghee and Edible oil	3,096,881	2.10	61,782	0.03	2,708,441	1.69
Glass and Ceramics	1,637,002	1.11	52,076	0.03	21,007	0.01
Hotels and Restaurants	200,844	0.14	317,336	0.15	8,473	0.01
Individuals	19,224,890	13.02	72,598,543	35.26	544,439	0.34
Insurance	–	–	168,282	0.08	1,607	0.00
Investment banks / Scheduled banks	500,000	0.34	2,069,564	1.01	87,546,447	54.72
Leasing	601,042	0.41	115,030	0.06	–	–
Leather products and shoes	1,110,415	0.75	565,023	0.27	63,443	0.04
Modarabas	46,135	0.03	50	0.00	–	–
Paper and Board	266,162	0.18	77,799	0.04	398,088	0.25
Plastic products	587,669	0.40	141,311	0.07	960,800	0.60
Ready-made garments	942,856	0.64	441,692	0.21	521,097	0.33
Real Estate / Construction	8,686,079	5.88	10,528,701	5.11	16,157,372	10.10
Rice processing and trading	2,777,431	1.88	582,266	0.28	376,481	0.24
Rubber products	137,429	0.09	54,774	0.03	97,696	0.06
Services (Other than Financial, Hotelling & Traveling)	2,556,054	1.73	5,785,847	2.81	777,982	0.49
Sports goods	580,611	0.39	76,490	0.04	161,511	0.10
Sugar	121,496	0.08	40,920	0.02	3,550	0.00
Surgical equipment / Metal products	5,976,903	4.05	465,580	0.23	1,997,286	1.25
Synthetic and Rayon	1,115,062	0.76	19,512	0.01	72,272	0.05
Textile	27,240,388	18.45	1,512,762	0.73	4,333,202	2.71
Tobacco / Cigarette manufacturing	–	–	19,682	0.01	2,275	0.00
Transport and communication	4,572,958	3.10	5,200,927	2.53	2,885,873	1.80
Travel Agencies	114,151	0.08	156,349	0.08	353,421	0.22
Woolen	37,002	0.03	58,904	0.03	3,165	0.00
Public sector / Government	16,047,820	10.87	59,438,689	28.87	18,615,328	11.64
Others	14,933,533	10.12	32,904,984	15.98	2,140,930	1.34
	147,633,745	100.00	205,912,903	100.00	159,985,422	100.00

## 45.1.1.2 Segment by sector

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	16,047,820	10.87	59,438,689	28.87	18,615,328	11.64
Private	131,585,925	89.13	146,474,214	71.13	141,370,094	88.36
	147,633,745	100.00	205,912,903	100.00	159,985,422	100.00

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

Rupees in '000	2009		2008	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	162,493	–	26,417	–
Automobiles & Allied	661,808	572,163	568,724	451,616
Cables / Electronics	1,277,931	887,426	959,781	787,220
Chemicals / Pharmaceuticals	48,355	36,075	32,418	25,164
Food & Allied	156,248	105,576	156,201	118,906
Fuel / Energy	1,609,741	1,354,425	640,664	845,568
Individuals	2,592,542	2,025,186	1,826,499	1,548,976
Leather products and shoes	50,915	28,407	66,186	47,637
Real estate / Construction Services	1,911,855	41,644	302,710	88,198
(Other than Financial, Hotelling & Traveling)	113,737	109,252	22,577	19,863
Textile	5,328,436	3,925,396	3,995,739	3,520,832
Glass manufacturing	1,110,342	785,230	1,111,782	1,111,782
Commodities	497,388	383,109	447,357	294,757
Metal industries	511,819	278,289	198,187	169,400
Paper industries	398,770	173,005	356,188	178,095
Sports goods	546,176	501,176	678,951	678,951
Others	746,895	451,802	299,036	138,192
	17,725,451	11,658,161	11,689,417	10,025,157

#### 45.1.1.4 Details of non-performing advances and specific provisions by sector

Public sector / Government	–	–	–	–
Private	17,725,451	11,658,161	11,689,417	10,025,157
	17,725,451	11,658,161	11,689,417	10,025,157

#### 45.1.1.5 Geographical segment analysis

Rupees in '000	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,448,378	249,836,492	14,847,325	159,985,422
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East – note 45.1.5.1	161,519	4,516,946	140,546	–
Others	–	–	–	–
	1,609,897	254,353,438	14,987,871	159,985,422

**45.1.1.5.1** These do not include intra group items of Rs. 4,270,733 thousand (2008: Rs. 5,431,350 thousand) eliminated upon consolidation of foreign branch results.

**45.1.1.5.2** Contingencies and commitments include amounts given in note 23 except bills for collection.



# Notes to the Consolidated Financial Statements

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## 45.1.2 Credit risk - General disclosures basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit Risk and Market risk, (along with Comprehensive Approach for Credit Risk Mitigation CRM) whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

### 45.1.2.1 Types of exposures and ECAs used

For domestic claims, ECAs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For foreign currency claims on sovereigns, risk weights were assigned on the basis of the credit ratings assigned by Moody's. For claims on foreign entities, rating of S&P, Moody's, and Fitch Ratings were used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Type of exposures for which each agency is used in the year ended 2009 is presented below:

Exposures	JCR-VIS	PACRA	S&P, Moody's & Fitch
Sovereigns other than PKR claims	–	–	✓
PSEs	✓	✓	–
Banks	✓	✓	✓
Corporates	✓	✓	✓

### Credit exposures subject to standardised approach

Exposures	Rating category	2009			2008		
		Amount outstanding	Deduction CRM*	Net Amount	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns	4,5	1,467,024	–	1,467,024	–	–	–
PSEs	1	2,801,570	10,000	2,791,570	1,599,095	–	1,599,095
PSEs	2	90,000	–	90,000	–	–	–
Banks	1,2,3	9,846,146	–	9,846,146	952,693	–	952,693
Corporates	1	6,316,860	–	6,316,860	2,892,253	–	2,892,253
Corporates	2	12,336,024	98,094	12,237,930	4,288,524	184,000	4,104,524
Corporates	3,4	1,829,888	48,757	1,781,131	129,384	757	128,627
Corporates	5,6	144,037	–	144,037	–	–	–
Unrated		220,130,095	26,449,674	193,680,421	167,604,050	12,814,776	154,789,274
Total		254,961,644	26,606,525	228,355,119	177,465,999	12,999,533	164,466,466

\* CRM= Credit Risk Mitigation

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

- Cash margins or deposits under lien
- Lien on SSCs, DSCs, etc.
- Residential / commercial mortgage (registered)
- Residential / commercial mortgage (equitable)
- Secured by agricultural land
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of stocks - perishable / non-perishable
- Shares of public listed companies
- Guarantees of Government, Banks Autonomous bodies
- Local bills - cheques / documentary bills
- Import bills - clean
- Export bills – clean

Collateral used by the Bank for Credit Risk Mitigation (CRM) in the simple approach was as follows:

- Cash margin
- Government Securities (with value discounted by 20%)
- Government Securities (for repo-style transactions satisfying conditions for zero-H)
- Guarantees of Government, Banks, PSEs and rated Corporates

#### 45.2 Market Risk:

Market risk, or the risk that the Bank's earnings and / or capital can be negatively impacted by changes in market factors such as equity prices, interest rates, and exchange rates, originates from the Bank's open positions in interest rate, currency, and equity products that are exposed to market movements. Traded market risk exposures arise from the Bank's treasury and capital market operations. Non-traded market risk factors include interest rate risk in the banking book, equity position risk arising from the Bank's strategic investments, and structural foreign exchange risk arising from the Bank's capital investments in off-shore operations.

The Bank has a policy of identification, measurement, monitoring and control of market risks in order to protect against adverse movements in market factors and to optimize the risk / return profile of its open positions. The Market Risk Management Department ("MRMD") of the Risk Management Division ("RMD") of the Bank develops and implements the market risk policy and risk measuring / monitoring methodology, and reviews and reports market risk against regulatory and internal limits. A Value-at-Risk ("VaR") methodology is used to measure traded market risk. In compliance with Basel requirements, VaR is modeled using variance-covariance and historical approaches, at a 99% confidence interval over a 1-day and 10-day holding period for equity and debt positions in the trading book, and foreign exchange positions throughout the trading and banking books. Back testing of VaR estimates against hypothetical P&Ls is carried out on daily basis in order to assess their reliability and the performance of the VaR models. To supplement the VaR figures, possible worst-case losses are also quantified by MRMD using historical data. Sensitivity analysis are carried out to gauge the impact of extreme market movements on traded exposures, and stress testing as per SBP guidelines is used to assess non-traded market risk, in particular interest rate risk in the banking book. Market risk capital charge for the Bank is also calculated periodically using Basel II Standardized Approach. The MRMD monitors risk by revaluing all traded market risk exposed positions on a daily basis, and the risk is controlled by ensuring that these positions do not breach regulatory limits and the Bank's own internally set limits.

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## 45.2.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the earnings and / or capital will fluctuate due to changes in foreign exchange rates. The Bank's foreign exchange exposure consists of foreign currency cash in hand, balances with banks abroad, forward contracts, purchase of foreign bills, foreign currency placements with State Bank of Pakistan (SBP), foreign currency deposits and capital investments in offshore operations. The Bank manages its foreign exchange exposures by matching foreign currency assets and liabilities. The net open position and nostro balances are maintained within statutory limits, as fixed by SBP and counterparty limits have been established to limit risk concentration. VaR is calculated for consolidated foreign exchange exposure with Treasury on a daily basis. Daily sensitivity analysis of the net open position to a change in USD/ PKR parity is also carried out.

(Rupees in '000)	2009			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
Pakistan Rupees	219,432,514	207,362,707	6,905,996	18,975,803
U.S. Dollars	20,471,471	26,407,639	(5,624,243)	(11,560,411)
Pound Sterling	1,133,695	2,569,138	(1,450,514)	(2,885,957)
Japanese Yen	4,377	968	63,406	66,815
Euro	2,651,783	2,682,898	(5,101)	(36,216)
Other European Currencies	6,826	–	–	6,826
Other Currencies	735,580	8,292	110,456	837,744
	244,436,246	239,031,642	–	5,404,604

## 45.2.2 Equity position risk

Equity position risk is the risk that the value of the Bank's equity positions can change as a result of broad equity market and security-specific movements. The Bank's equity exposures are of three types: held for trading, available for sale, and strategic.

Held for trading equity exposures are undertaken to earn profit through market imperfections and arbitrage opportunities and hence of a short-term nature. Available for sale equity investments are made with the intent to earn profit from company and industry fundamentals. Strategic investments are undertaken in line with long-term strategy of the Bank. All equity positions in held for trading and available for sale portfolios are subject to exposure limits established by the Bank in line with general limits prescribed by SBP in its Prudential Regulations. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The equity exposures are revalued and scrip-wise / portfolio VaR is calculated on a daily basis.

## 45.2.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Bank's interest rate exposure originates from its investing, lending and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The MRMD calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. VaR for the Bank's debt investments is also generated on a daily basis. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve on the Bank's capital using sensitivity positions calculated using earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for off-balance sheet instruments.

#### 45.2.4 Mismatch of interest rate sensitive assets and liabilities

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

Rupees in '000	2009											
	Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Exposed to yield/ interest risk				Non-interest bearing financial instruments	
							Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.00%	19,385,850	4,832,003	-	-	-	-	-	-	-	-	14,553,847
Balances with other banks	1.30%	8,374,640	6,471,550	-	-	-	-	-	-	-	-	1,903,090
Lendings to financial institutions	12.24%	4,649,059	3,249,486	1,399,573	-	-	-	-	-	-	-	-
Investments	12.17%	66,885,617	3,633,773	10,687,076	12,162,099	15,998,536	5,705,520	4,091,785	7,540,537	2,596,553	-	4,469,738
Advances	12.12%	135,039,901	20,468,813	29,638,308	33,324,055	35,945,251	560,336	442,848	2,398,499	2,935,106	9,326,685	-
Other assets	-	10,101,179	-	-	-	-	-	-	-	-	-	10,101,179
		244,436,246	38,655,625	41,724,957	45,486,154	51,943,787	6,265,856	4,534,633	9,939,036	5,531,659	9,326,685	31,027,854
<b>Liabilities</b>												
Bills payable	-	2,945,670	-	-	-	-	-	-	-	-	-	2,945,670
Borrowings	7.79%	19,300,163	6,554,983	9,320,127	3,425,053	-	-	-	-	-	-	-
Deposits and other accounts	6.65%	205,912,903	47,043,658	26,173,565	19,785,819	20,526,212	13,947,064	14,040,258	17,876,201	36,484	-	46,483,642
Sub-ordinated loans	16.18%	5,994,900	-	300	775	1,075	2,150	2,150	2,993,200	2,995,250	-	-
Liabilities against assets subject to finance lease	12.32%	11,543	188	383	593	1,259	2,787	2,995	3,338	-	-	-
Other liabilities	-	4,866,463	-	-	-	-	-	-	-	-	-	4,866,463
		239,031,642	53,598,829	35,494,375	23,212,240	20,528,546	13,952,001	14,045,403	20,872,739	3,031,734	-	54,295,775
<b>On-balance sheet gap</b>		5,404,604	(14,943,204)	6,230,582	22,273,914	31,415,241	(7,686,145)	(9,510,770)	(10,933,703)	2,499,925	9,326,685	(23,267,921)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements	12.11%	3,922,616	3,922,616	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.96%	4,493,702	4,493,702	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	2,332,650	2,332,650	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		(2,903,736)	(2,903,736)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(17,846,940)	6,230,582	22,273,914	31,415,241	(7,686,145)	(9,510,770)	(10,933,703)	2,499,925	9,326,685	(23,267,921)	
Cumulative yield / interest risk sensitivity gap		(17,846,940)	(11,616,358)	10,657,556	42,072,797	34,386,652	24,875,882	13,942,179	16,442,104	25,768,789	2,500,868	

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

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

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## 45.3 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 statement 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.

Rupees in '000	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	19,385,850	19,385,850	–	–	–	–	–	–	–	–
Balances with other banks	8,374,640	8,374,640	–	–	–	–	–	–	–	–
Lendings to financial institutions	4,649,059	3,249,486	1,399,573	–	–	–	–	–	–	–
Investments	66,885,617	3,633,773	10,854,346	12,162,099	15,998,536	9,941,126	4,091,785	7,540,537	2,663,415	–
Advances	135,039,901	20,468,813	29,638,308	33,324,055	35,945,251	560,336	442,848	2,398,499	2,935,106	9,326,685
Operating fixed assets	9,917,192	77,749	834,758	903,823	318,577	575,191	478,194	686,291	801,285	5,241,324
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	10,101,179	183,945	6,611,666	136,308	3,023,585	145,675	–	–	–	–
	254,353,438	55,374,256	49,338,651	46,526,285	55,285,949	11,222,328	5,012,827	10,625,327	6,399,806	14,568,009
<b>Liabilities</b>										
Bills payable	2,945,670	1,472,835	1,472,835	–	–	–	–	–	–	–
Borrowings	19,300,163	6,554,983	9,320,127	3,425,053	–	–	–	–	–	–
Deposits and other accounts	205,912,903	57,691,242	31,497,355	25,427,418	26,167,810	20,751,347	19,361,440	24,979,807	36,484	–
Sub-ordinated loans	5,994,900	–	300	775	1,075	2,150	2,150	2,993,200	2,995,250	–
Liabilities against assets subject to finance lease	11,543	188	383	593	1,259	2,787	2,995	3,338	–	–
Deferred tax liabilities	333,925	(27,878)	–	–	–	–	–	361,803	–	–
Other liabilities	4,866,463	3,467,895	1,229,084	–	165,858	–	1,088	1,088	1,450	–
	239,365,567	69,159,265	43,520,084	28,853,839	26,336,002	20,756,284	19,367,673	28,339,236	3,033,184	–
<b>Net assets</b>	14,987,871	(13,785,009)	5,818,567	17,672,446	28,949,947	(9,533,956)	(14,354,846)	(17,713,909)	3,366,622	14,568,009
Share Capital	5,073,467									
Reserves	7,234,318									
Unappropriated profit	856,439									
Surplus on revaluation of assets	1,806,384									
Minority interest	17,263									
	14,987,871									

#### 45.4 Operational risk

Operational risk is the possibility of financial losses occurring due to shortcomings or failure of internal processes, in information technology or in people, or as a result of adverse external events. This definition includes legal risk but not strategic risk or reputational risk.

Operational risk management is governed by well defined policy and procedures, integrated through a comprehensive framework clearly communicated across the Bank;

Materialized actual loss arising from operational error, violation of regulator law / system, trouble, disaster, accident, damage to tangible assets and external frauds are monitored by operational risk. Potential risks / losses are identified and assessed through Key risk indicators and Risk and Control Self Assessment of branches and business and support units.

Further, during the year number of policies and procedures have been reviewed to strengthen the system and processes. One of the major component of operational risk being the potential of disruption to business operation due to exceptional event that may disrupt system, infrastructure and human resource are given prime importance and Business Continuity Plan has been revised to cater to current threats being faced.

##### 45.4.1 Operational risk disclosures Basel II

The Bank approach in managing operational risk is to adopt practices that are fit for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational Risk Management (ORM) has been entrenched to increase the efficiency and effectiveness of the Bank's resources, minimize losses and utilize opportunities.

#### 46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 46.1** The Board of Directors in its meeting held on February 23, 2010 has proposed a cash dividend of Nil (2008: Nil). In addition, the directors have also announced a bonus issue of 20 percent (2008: 25 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2009 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2010 as follows:

Rupees in '000	2009	2008
Transfer from unappropriated profit to:		
Proposed dividend	-	-
Reserve for issue of bonus shares	-	-
General reserve	856,439	338,225
Transfer from general reserve to:		
Reserve for issue of bonus shares	1,071,240	1,014,693



**46.2** During the year, the Bank initiated the process of amalgamation of Askari Leasing Limited (ALL) with and into the Bank. The scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962 has been approved by the shareholders of both companies in the Extra Ordinary General Meetings of the Bank and ALL held on December 21, 2009 and December 22, 2009 respectively and has also been subsequently approved by the Competition Commission of Pakistan and the Securities and Exchange Commission of Pakistan. The final approval by the State Bank of Pakistan has been received vide letter No. BPRD (R&P-02)/625-99/2010/1256 dated February 18, 2010, whereby the scheme of amalgamation is effective within 30 days from the date of approval. The effective date of amalgamation will be March 3, 2010 as per decision of the management of both entities. Consequently, the Bank shall issue 28.273 million shares of the Bank to the shareholders of ALL.

#### **47. CORRESPONDING FIGURES**

Previous year's figures have been rearranged and reclassified where necessary for the purposes of comparison.

#### **48. GENERAL**

**48.1** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

**48.2** Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these financial statements except for the balance sheet and profit and loss account.

#### **49. DATE OF AUTHORIZATION**

These consolidated financial statements were authorised for issue on February 23, 2010 by the Board of Directors of the Bank.



**M. R. Mehkari**  
President & Chief Executive



**Ali Noormahomed Rattansey**  
Director



**Lt. Gen. (R) Imtiaz Hussain**  
Director



**Lt. Gen. Javed Zia**  
Chairman

# Annexure-I

Referred to in note 10.7 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, 2009.

(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	Interest/ Mark-up	Other	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
1	Mohib Exports Limited 8-KM, Managa, Raiwind Road, Kasur	Arif Saigol 35202-9563094-9 Abid Saigol 270-92-006204 Asif Saigol 270-92-006202	M. Rafique Saigol  M. Rafique Saigol  M. Rafique Saigol	9,818	7,357	-	17,175	9,818	7,357	-	17,175
2	A. H. International (Pvt) Limited D-99, S.I.T.E, Karachi	Muhammad Adan Shirazi 42301-8051825-9 Seema Shirazi 42301-655746-4 Malik Zain 42301-3375828-9	Mohsin Shirazi  Muhammad Adnan Shirazi  Malik Naseem Akhtar	1,246,268	201,118	-	1,447,386	700,096	201,118	-	901,214
3	Rasool Textile (Pvt) Limited 250-N, Model Town Extension, Lahore	Khalid Mahmood 35202-9557295-5 Zakia Khalid 35202-4495862-0	Ch. Ali Ahmed  Khalid Mahmood	9,150	2,743	-	11,893	-	1,965	-	1,965
4	Shahanshah Trading Company Shop # 28, A.Q. Market, Sukkur	Namo Mal 45504-0489491-9	Mavel Das	3,976	1,101	-	5,077	-	551	-	551
5	MIA Traders (Private) Limited Flat # 5, Bashir Plaza, Markaz I-9, Islamabad	Muhammad Idrees 276-54-176702 Musarrat Ghazala 276-54-065860 Muhammad Ashraf 294-91-020493 Nasreen Ashraf 294-62-733932 Muhammad Mujeeb 502-55-614751 Fazal-ul-Qadir 101-57-137982 Ghulam Hassan 601-88-385774	Muhammad Rafiq  Muhammad Idrees  Taj Din  Muhammad Ashraf  Muhammad Yasin  Ch. Ghulam Qadir  Khuda Dad	28,692	27,759	-	56,451	-	27,451	-	27,451
6	Ali's International 242/1 Sector-24, Korangi Industrial Area, Karachi	Qazi Rahat Ali 42301-9140443-9	Qazi Musarrat Ali	10,000	2,707	-	12,707	-	2,707	-	2,707
7	Bakeline Products Plot # 117, Street # 8, Sector I-10/3, Islamabad	Fahad Hameed 210-67-419868 Faisal Hafeez Khan 210-67-234299	Abdul Hameed  Abdul Hafeez	582	1,411	-	1,993	-	1,363	-	1,363
8	Shahzad Siddique (Pvt) Limited 4.5-KM, Jaranwala Road, Khurrianwala, Faisalabad	Muhammad Siddique Ch. 33100-6598842-7 Sheraz Siddique 33100-1704018-3 Shahzad Siddique 33100-1017331-1	Ali Muhammad Ch.  Muhammad Siddique Ch.  Muhammad Siddique Ch.	48,610	23,893	-	72,503	33,053	23,893	-	56,946
Total				1,357,096	268,089	-	1,625,185	742,967	266,405	-	1,009,372

## Annexure-II

### Statement of Financial Position (Islamic Banking)

As at December 31, 2009

The Bank is operating 31 Islamic banking branches including 2 sub-branches at the end of 2009 as compared to 20 Islamic banking branches including 2 sub-branches at the end of 2008. During the year one conventional banking branch was converted to Islamic banking branch.

Rupees in '000	2009	2008
<b>Assets</b>		
Cash and balances with treasury banks	655,346	402,465
Balances with and Due from Financial Institutions	1,232,181	260,738
Investments	2,314,008	2,388,729
Financing and Receivables		
– Murahaba	650,043	901,983
– Ijarah	1,863,205	2,087,884
– Musharaka	–	–
– Diminishing Musharaka	3,323,294	3,116,617
– Salam	22,069	139,098
– Other Islamic Modes	13,681	12,253
Other assets	950,884	724,014
<b>Total Assets</b>	<b>11,024,711</b>	<b>10,033,781</b>
<b>Liabilities</b>		
Bills payable	77,331	41,216
Due to Financial Institutions	–	520,000
Deposits and other accounts		
– Current Accounts	935,296	861,287
– Saving Accounts	2,028,559	1,396,961
– Term Deposits	3,647,582	1,743,848
– Others	2,945	2,777
– Deposit from Financial Institutions - remunerative	838,591	1,393,078
– Deposits from Financial Institutions - non remunerative	4,417	8,364
Due to head office	1,882,383	2,653,575
Other liabilities	689,235	658,995
	10,106,339	9,280,101
<b>Net assets</b>	<b>918,372</b>	<b>753,680</b>
<b>Represented By</b>		
Islamic Banking Fund	850,000	700,000
Reserves	–	–
Unappropriated/ Unremitted profit/(loss)	68,372	53,680
	918,372	753,680
Surplus/ (Deficit) on revaluation of assets	–	–
	918,372	753,680
<b>Remuneration to Shariah Advisor/Board</b>	<b>1,086</b>	<b>979</b>
<b>Charity fund</b>		
Opening Balance	487	318
Additions during the year	4,702	840
Payments/Utilization during the year	(2,818)	(671)
Closing Balance	2,371	487

## Annexure-II

### Profit and Loss Account (Islamic Banking)

For the year ended December 31, 2009

Rupees in '000	2009	2008
Profit / return earned on financings, investments and placements	1,182,490	822,494
Return on deposits and other dues expensed	683,262	460,010
Net spread earned	499,228	362,484
Provision against non-performing financings	63,484	8,519
Provision for diminution in the value of investments	75,000	-
Bad debts written off directly	-	-
	138,484	8,519
Income after provisions	360,744	353,965
<b>Other Income</b>		
Fee, commission and brokerage Income	12,288	13,184
Dividend income	-	-
Income from dealing in foreign currencies	2,154	1,256
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	22,507	18,172
Total other income	36,949	32,612
	397,693	386,577
<b>Other expenses</b>		
Administrative expenses	383,001	309,356
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	383,001	309,356
	14,692	77,221
Extra Ordinary / unusual items	-	-
Profit before taxation	14,692	77,221

## Shariah Advisor's Report 2009

Alhamdulillah! The year 2009 has been a successful year for Askari Bank's Islamic Banking Services, as eleven new full fledged Islamic Banking Branches have been opened during the year, including conversion of Kohat Branch, from Conventional to Islamic Banking. There are now 29 full fledged Islamic Banking Branches and 2 Islamic sub-branches, on a stand-alone basis.

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 obtained, invested and shared are in Halal modes and investments, under my supervision as the Shariah Advisor of the Bank.

As a Shariah Advisor, I have reviewed each class of transactions conducted during the year. Relevant documentation and procedures adopted in this connection have also reviewed and vetted by me. In order to facilitate this work, Shariah Audit and Shariah Compliance departments are functioning under my supervision.

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

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

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

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

May Allah Almighty bless our sincere efforts!



**Dr. Muhammad Tahir Mansoori**  
Shariah Advisor

# Pattern of Shareholding

As at December 31, 2009

Number of shareholders	Shareholding		Total shares held
	From	To	
2,740	1	100	116,635
4,030	101	500	1,140,069
2,891	501	1000	2,123,926
6,761	1001	5000	16,351,182
2,776	5001	10000	19,837,478
1,361	10001	110000	35,812,905
95	110001	330000	17,100,265
10	345001	490000	4,003,071
9	500001	790000	5,638,753
3	800001	985000	2,738,487
20	1135001	5940000	61,119,443
6	10290001	25452000	341,364,421
20,702			507,346,635

## Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	20,352	100,678,645	19.84
Investment / brokerage companies	171	59,301,437	11.69
Insurance companies	16	15,925,924	3.14
Joint stock companies	38	26,771,716	5.28
Financial institutions	45	22,782,761	4.49
Modaraba and Mutual Funds	27	17,944,106	3.54
Charitable and other trusts	36	257,135,764	50.68
Foreign investors	15	6,653,836	1.31
Others	2	152,446	0.03
Total	20,702	507,346,635	100.00

**Note 1:** Individual include 8 directors holding 10,790 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

## Held by

Particulars	Number of shareholders	Shares held	Percentage
<b>Associated company</b>			
Army Welfare Trust	1	254,546,483	50.17
<b>NIT / ICP</b>			
National Investment (Unit) Trust	1	23,208,217	4.57
Investment Corporation of Pakistan	1	9,381	0.00
<b>Directors &amp; Chief Executive</b>			
Lt. Gen. Javed Zia	1	2,018	0.00
Lt. Gen. (R.) Imtiaz Hussain	1	2,018	0.00
Lt. Gen. (R.) Saeed Ahmed Khan	1	2,018	0.00
Mr. Zafar Alam Khan Sumbal	1	2,018	0.00
Dr. Bashir Ahmad Khan	1	843	0.00
Mr. Muhammad Riyazul Haque	1	625	0.00
Mr. Ali Noormahomed Rattansey	1	625	0.00
Mr. Shahid Mahmud	1	625	0.00
	8	10,790	0.00
<b>Executives of the Bank</b>			
	13	62,878	0.01
Public sector companies and corporations	-	-	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	295	119,508,346	23.57
Individuals	20,331	100,604,977	19.83
Others	52	9,395,563	1.85
Total	20,702	507,346,635	100.00

**Note 2:** There have been no trades in the shares of the Bank, carried out by it's Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children.



# Correspondent Network

- 1. ALGERIA**  
Banque de l' Agriculture et du  
Development Rural
- 2. ARGENTINA**  
HSBC Bank Argentina SA
- 3. ARMENIA**  
HSBC Bank Armenia Jsc
- 4. AUSTRALIA**  
Australia & Newzealand Banking Group  
Commonwealth Bank of Australia  
HSBC Bank Australia Ltd.  
St. George Bank Limited  
WestPac Banking Corporation
- 5. AUSTRIA**  
Citibank International Plc  
Raiffeisen Zentralbank Osterreich (RZB)  
UniCredit Bank Austria AG
- 6. AZERBAIJAN**  
The International Bank of  
Azerbaijan Republic
- 7. BANGLADESH**  
City Bank Ltd  
Export Import Bank of Bangladesh  
Prime Bank Ltd  
Southeast Bank Ltd  
United Commercial Bank Ltd.
- 8. BELGIUM**  
Dexia Bank Belgium  
Fortis Bank, NV/S.A  
ING Belgium NV/SA  
KBC Bank NV
- 9. BOSNIA HERZEGOVINA**  
UniCredit Bank dd
- 10. BRAZIL**  
Banco Citibank SA
- 11. BULGARIA**  
UniCredit Bulbank AD
- 12. CANADA**  
Banque National Du Canada  
Canadian Imperial Bank of Commerce  
HSBC Bank Canada  
Habib Candain Bank  
National Bank of Canada  
Royal Bank of Canada  
Toronto-Dominion Bank
- 13. CHILE**  
BBV Banco BHIF  
Banco de Credito
- 14. CHINA**  
Agricultural Bank of China  
Bank of China Ltd  
Bank of Communications  
China Construction Bank Corporation  
China Merchants Bank  
China Minsheng Banking Corporation  
Export Import Bank of China  
(EXIM Bank)  
Guangdong Development Bank  
Industrial and Commercial Bank  
of China Ltd  
Jinan City Commercial Bank
- 15. CROATIA**  
Societe Generale-Splitska banka dd  
Zagrebacka Banka dd
- 16. CYPRUS**  
Cyprus Popular Bank Public  
Company Ltd.  
Hellenic Bank Public Company Ltd.  
Marfin Popular Bank Public Co. Ltd.
- 17. CZECH REPUBLIC**  
Ceskoslovenska Obchodni Banka as  
Raiffeisenbank as  
UniCredit Bank Czeck Republic
- 18. DENMARK**  
Danske Bank Aktieselskab  
Nordea Bank Denmark A/S  
Spar Nord Bank
- 19. EGYPT**  
Bank of Alexandria
- 20. FINLAND**  
Sampo Bank Plc  
Nordea Bank plc
- 21. FRANCE**  
BNP Paribas SA  
CALYON  
Credit Lyonnais  
Credit Agricole SA  
HSBC France  
Societe Generale  
Union de Banques et de  
Francaises (UBAF)
- 22. GERMANY**  
Bayerische Landesbank  
Commerzbank A.G  
Deutsche Bank, A.G  
DZ Bank AG Deutsche Zentral-  
Genosschaftsbank  
Sparkasse Aachen  
UniCredit Bank A.G.  
WGZ-Bank AG Westdeutsche  
Genossenschafts-Zentralbank
- 23. GREECE**  
Alpha Bank AE  
Marfin Egnatia Bank S.A.
- 24. HONG KONG**  
Bank of China (Hong Kong) Ltd  
Bank of East Asia Ltd. (The)  
Hang Seng Bank  
Hong Kong & Shanghai Banking Corp.  
Habib Finance International Limited
- 25. HUNGARY**  
Budapest Credit & Development Bank Rt  
Citibank Zrt  
UniCredit Bank Hungary Zrt  
Raiffeisen Bank Zrt
- 26. INDIA**  
ICICI Bank Ltd  
Karur Vysya Bank Ltd., The  
Punjab National Bank  
State Bank of India  
Tamilnad Mercantile Bank Limited
- 27. INDONESIA**  
PT Bank Lippo Tbk  
PT Bank Mandiri (Persero) Tbk
- 28. IRELAND**  
Bank of Ireland
- 29. ITALY**  
Banca Antonveneta SpA  
Banca Intesa SpA  
Banca Cassa Di Risparmio Di  
Tortona SpA  
Banca UBAE SpA  
UniCredit SPA
- 30. JAPAN**  
Bank of Tokyo - Mitsubishi UFJ Ltd (The)  
Mizuho Corporate Bank Ltd  
Resona Bank Limited  
Sumitomo Mitsui Banking Corp.
- 31. JORDAN**  
Jordan Ahli Bank Plc  
The Housing Bank for Trade & Finance
- 32. KAZAKHSTAN**  
Alliance Bank Joint Stock Company  
BTA Bank JSC
- 33. KENYA**  
African Banking Corporation Ltd.  
Kenya Commercial Bank  
Stanbic Bank Kenya Ltd
- 34. KOREA (SOUTH)**  
Daegu Bank Ltd  
Kookmin Bank  
KorAm Bank  
Korea Exchange Bank  
Shinhan Bank
- 35. KUWAIT**  
Al-Ahli Bank of Kuwait KSC  
Bank of Kuwait and Middle East  
Commercial Bank of Kuwait  
Gulf Bank KSC
- 36. LEBANON**  
Byblos Bank SAL  
Fransabank SAL
- 37. LUXEMBURG**  
Banque Geneale De Luxemburg
- 38. MALAYSIA**  
HSBC Bank Malaysia Berhad  
Public Bank Berhad  
Hong Leong Bank Berhad  
RHB Bank Berhad
- 39. MAURITIUS**  
The Mauritius Commercial Bank
- 40. MEXICO**  
HSBC Mexico SA
- 41. MONACO**  
BNP Paribas Private Bank Monaco
- 42. MOROCCO**  
Attijariwafa Bank  
Banque Marocaine du Commerce  
Exterieur SA  
Citibank Maghreb
- 43. NEPAL**  
Himalayan Bank Ltd  
Bank of Asia Nepal Limited  
Laxmi Bank Limited

# Correspondent Network

- 44. NETHERLANDS**  
Fortis Bank (Nederland) NV  
F Van Lanschot Bankiers NV  
ING Bank N.V.
- 45. NEW ZEALAND**  
Bank of New Zealand  
ANZ National Bank Ltd.
- 46. NORWAY**  
DNB Nor Bank ASA  
Nordea Bank Norge ASA
- 47. OMAN**  
Bank Muscat SAOG  
Bank Dhofar (S.A.O.G.)  
Oman International Bank SAOG
- 48. PANAMA**  
HSBC bank Panama
- 49. PAKISTAN**  
Allied Bank of Pakistan  
Atlas bank Limited  
Bank Al-Habib Limited  
Bank Alfalah Limited  
Bank Islami (Pakistan) Limited  
Bank of Khyber, The  
Bank of Punjab, The  
Faysal Bank Limited  
Habib Bank Ltd.  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Ltd.  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
MYBank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silk Bank Pakistan  
Soneri Bank Limited  
United Bank Limited
- 50. PHILIPPINES**  
RIZAL Commercial Banking Corporation  
Security Bank Corporation
- 51. POLAND**  
Bank Polska Kasa Opieki SA  
Bank Handlowy Warszawie SA  
Bank BPH SA  
BRE Bank SA  
ING Bank Slaski SA  
Raiffeisen Bank Polska SA  
RBS Bank Polska SA
- 52. PORTUGAL**  
Banco BPI S.A.  
Banco Santander Totta SA.  
Caixa Geral d Depositos SA  
Caixa Central de Credito Agricola Mutuo  
Caixa Económica Montepio Geral  
Finibanco SA
- 53. QATAR**  
Doha Bank Ltd.  
Qatar National Bank
- 54. ROMANIA**  
UniCredit Tiriatic Bank SA
- 55. RUSSIA**  
Bank of Moscow  
Promsv Yazbank AKB ZAO
- 56. SAUDI ARABIA**  
Arab National Bank  
Al-Rajhi Banking and Investment Corporation  
Banque Saudi Fransi  
National Commercial Bank Ltd. (The)  
Riyad Bank  
Samba Financial Group  
Saudi British Bank (The)  
Saudi Hollandi Bank
- 57. SINGAPORE**  
United Overseas Bank
- 58. SERBIA AND MONTENEGRO**  
UniCredit Bank Serbia JSC
- 59. SLOVAKIA**  
Citibank (Slovakia) as  
Postova Banka as  
UniCredit Bank Slovakia as
- 60. SLOVENIA**  
Banka Celje dd  
Nova Ljubljanska Banka D.D.  
SKB Banka DD  
UniCredit Banka Slovenija dd
- 61. SOUTH AFRICA**  
ABSA Bank Ltd.  
First Rand Bank Limited  
HBZ Bank Limited  
Habib Overseas Bank Limited  
Standard Bank of South Africa
- 62. SPAIN**  
Banco Espanol de Credito SA  
Banco Popular Espanol  
Banco Santander Central Hispano SA  
Citibank Espana S.A.  
Confederacion Espanola
- 63. SRI LANKA**  
Bank of Ceylon  
Hatton National Bank  
Seylan Bank Ltd  
Sampath Bank PLC  
Union Bank of Colombo Limited
- 64. SWEDEN**  
Nordea Bank AB (Publ)  
Swedbank A.B  
Skandinaviska Enskilda Banken
- 65. SWITZERLAND**  
Banca Commerciale Lugano  
Banque de Comm. et de Placements SA  
BNP Paribas (Suisse) SA  
Banque Cantonale de Genève  
Credit Suisse  
Clariden Leu Ltd  
Habib Bank AG Zurich  
UBS AG  
United Bank AG (Zürich)  
Zuercher Kantonal Bank
- 66. TAIWAN**  
Taiwan Cooperative Bank  
Taichung Commercial Bank Ltd  
Union Bank of Taiwan
- 67. THAILAND**  
Bangkok Bank Public Co.  
Kasikornbank Public Company Limited  
The Siam Commercial Bank PCL  
United Overseas Bank (Thai) PCL
- 68. TUNISIA**  
Societe Tunisienne de Banque  
Tunis International Bank
- 69. TURKEY**  
Finansbank AS  
ING Bank AS  
Turk Ekonomi Bankasi AS  
Turkiye is Bankasi AS  
Yapi ve Kredi Bankasi AS
- 70. UKRAINE**  
JSCB Citibank (Ukraine)
- 71. UNITED ARAB EMIRATES**  
Abu Dhabi Commercial Bank  
Commercial Bank of Dubai  
Dubai Islamic Bank  
Emirates Islamic Bank  
Emirates Bank International PJSC  
MashreqBank Psc  
National Bank of Fujairah  
Union National Bank
- 72. UNITED KINGDOM**  
ABC International Bank Plc  
Habib Allied International Bank Plc  
Habibsons Bank Ltd.  
HSBC Bank Plc  
Lloyds TSB Bank plc  
National Westminster Bank  
Royal Bank of Scotland Plc  
Standard Chartered Bank  
United National Bank
- 73. U S A**  
Bank of New York  
Bank of Oklahoma, N.A.  
Bank of the West  
Citibank N.A.  
Compass Bank  
Comerica Bank  
First Tennessee Bank N.A.  
Habib American Bank  
JP Morgan Chase Bank  
M and T Bank
- 74. UZBEKISTAN**  
Royal Bank of Scotland Uzbekiston NB
- 75. VIETNAM**  
Joint Stock Commercial Bank For  
Fireughb Trade of Vietnam  
Chohung Vina Bank
- 76. YEMEN ARAB REPUBLIC**  
International Bank of Yemen YSC  
National Bank of Yemen  
Saba Islamic Bank  
Tadhamon International Islamic Bank  
Yemen Gulf Bank  
Yemen Bank for Reconstruction and  
Development

**277 Banks**  
of  
**76 Countries**  
of Origin,  
as on December 31, 2009

# Branch Network

## North Region

### ISLAMABAD – AREA

#### Islamabad

##### Aabpara

Plot No. 4, Ghousia Plaza, I&T Centre, Shahrah-e-Suharwardy, Aabpara, Islamabad.  
PABX: (051) 2603036-38  
Direct: (051) 2603034  
Fax: (051) 2603041

##### Islamabad Stock Exchange

55-B, Ground Floor, Islamabad Stock Exchange Tower, Jinnah Avenue, Blue Area, Islamabad.  
PABX: (051) 2894021 - 23  
Direct: (051) 2894026  
Fax: (051) 2894024

##### F-7 Markaz

13-I, F-7 Markaz, Jinnah Super Market, Islamabad.  
PABX: (051) 2654412-15, 9222411, 9222418  
Direct: (051) 2654032  
Fax: (051) 9222415

##### F-8 Markaz

Kiran Plaza, F-8 Markaz, Islamabad.  
PABX: (051) 2817182-4  
Direct: (051) 2817180  
Fax: (051) 2817185

##### F-10 Markaz

Block 5-C, F-10 Markaz, Islamabad.  
P.O. Box: 1324.  
PABX: (051) 9073000  
Direct: (051) 9267278  
Fax: (051) 9267280

##### F-11 Markaz

Al-Karam Plaza, F-11 Markaz, Islamabad.  
PABX: (051) 2114254 – 56  
Direct: (051) 2114251  
Fax: (051) 2114257

##### I-9 Industrial Area

Plot No. 408, Main Double Road, Sector I-9/3, Industrial Area, Islamabad.  
PABX: (051) 4100811-3  
Direct: (051) 4100818  
Fax: (051) 4100814

##### Jinnah Avenue

24-D, Rasheed Plaza, Jinnah Avenue, Blue Area, Islamabad.  
P.O.Box: 1499.  
PABX: (051) 2271794-6, 2823943  
Direct: (051) 2871144, 2271801  
Fax: (051) 2271797

##### G-8 Markaz

12 H-1, G-8 Markaz, Islamabad.  
PABX: (051) 2282083 –85,  
Direct: (051) 2255761,  
Fax: (051) 2255761

##### Sabzi Mandi

Plot No. 3 – B, Razzaq Plaza, Sabzi Mandi, Sector I – 11/4, Islamabad.  
PABX: (051) 4438168 – 70  
Direct: (051) 4438165  
Fax: (051) 4438171

##### Barakahu

525 – Usman Plaza, Main Murree Road, Barakahu District Islamabad.  
PABX:(051) 2233647-8  
Direct: (051) 2233645

##### (Sub-Branch)

Directorate General – Inter Services Intelligence (ISI), Shahrah-e-Suharwardy, Islamabad  
Mobile: (0333) 5288280

##### (Sub-Branch)

Capital Development Authority (CDA) Old Naval Head Quarter, Melody Services Block, Sector G – 6, Islamabad  
Mobile: (0301) 8503993

##### (Sub-Branch)

Federal Government Employees Housing Foundation (FGEHF)  
Plot no. 10, Basement, Mauve Area, Sector G-10/4, Islamabad  
Direct: (051) 2100016

##### (Sub-Branch)

Overseas Pakistanis Foundation (OPF)  
Ground Floor, G-5/2, Islamabad  
PABX: (051) 9214026 – 27  
Direct: (051) 9214024  
Fax: (051) 9214025

##### (Sub-Branch)

NESCOM  
Plot No. 94, H – 11/4, Islamabad  
Direct: (051) 9017202

##### (Sub-Branch)

NCP Complex  
Room No. 01, BOQ Building, NCP Complex, Shahdara Road, Islamabad  
Mobile: (0300) 5191488

### RWP I – AREA

#### Rawalpindi

##### AWT Plaza

AWT Plaza, The Mall, Rawalpindi.  
P.O. Box 1083,  
PABX: (051) 9063150, 9273168-72  
Direct: (051) 9273178, 9063200  
Fax: (051) 9273180

##### Chaklala Scheme-III

18-Commercial Area, Imran Khan Avenue, Chaklala Scheme - III, Rawalpindi.  
PABX: (051) 9281097-99  
Direct: (051) 5960030  
Fax: (051) 9281025

##### Haider Road

Bilal Plaza, Haider Road, Rawalpindi.  
PABX: (051) 9272880-3  
Direct: (051) 9272885  
Fax: (051) 9272886

##### Peshawar Road

Zahoor Plaza, Peshawar Road, Rawalpindi.  
PABX: (051) 9272794-99  
Direct: (051) 9272702  
Fax: (051) 9272704

##### Satellite Town

Midway Centrum, 6th Road Crossing, Satellite Town, Main Murree Road, Rawalpindi.  
PABX: (051) 9290262-5  
Direct: (051) 9290244  
Fax: (051) 9290270

##### Lalkurti

Khadim Hussain Road, Lalkurti, Rawalpindi  
PABX: (051) 5121466-69  
Direct: (051)5519579  
Fax: (051) 5121471

##### Shaheen Complex

Shaheen Complex, Rawal Road, Rawalpindi  
PABX: (051) 9281377 – 79  
Direct: (051)9281375  
Fax: (051) 9281380

##### Wah Cantt.

POF Hotel, The Mall, Wah Cantt.  
PABX: (051) 4533272, 4533375  
Direct: (051) 4533563  
Fax: (051) 4533967

##### Kamra

Cantonment Board, Mini Plaza, G.T.Road, Kamra  
PABX: (057) 9317393 – 6  
Direct (057) 9317390  
Fax: (057) 9317392

##### Pindi Gheb

Main Katcheri Road, Pindi Gheb  
Direct (057) 2352043  
PABX: (057) 2352045  
Fax: (057) 2352046

##### (Sub-Branch)

Project Management Organization (PMO)  
Shop No. 1 to 3, Commercial Complex, Gulshan Colony, PMO, Taxila  
PABX: (051) 90652578  
Direct: (051) 9065274

##### (Sub-Branch)

Main Hazroo Hattian Road, Near Bus Stand Hazroo, Hazroo  
Direct: (057) 2313486  
Fax: (057) 2313487

##### (Sub-Branch)

Chaklala Garrison, Rawalpindi  
10 Corps Head Quarter, Chaklala Garrison, Rawalpindi  
Mobile: (0321) 5246097

##### (Sub-Branch)

Kahota Research Laboratories (KRL), Rawalpindi

Kahota Research Laboratories (KRL),  
Head Quarter, 'K' Site, Near Khanna Pull,  
Islamabad Highway, Rawalpindi  
Mobile: (0333) 5115358

**(Sub-Branch)**

Hamza Camp, Rawalpindi  
Hamza Camp (Inside Premises), Faizabad,  
Murree Road, Rawalpindi  
Mobile: (0333) 5288280

**RWP II – AREA**

**Rawalpindi**

**Adyala Road**

Main Adyala Road, Rawalpindi.  
PABX: (051) 5948081-84  
Direct: (051) 5948088  
Fax: (051) 5948085

**College Road**

College Road, Rawalpindi.  
PABX: (051) 5540234, 5540516  
Direct: (051) 5870131  
Fax: (051) 5540321

**General Headquarters (GHQ)**

Near Gate No. 7, GHQ, Rawalpindi.  
PABX: (051) 9271739-40, 561-31192  
Direct: (051) 9271738  
Fax: (051) 9271541

**DHA, Islamabad**

DHA Mall, Jinnah Avenue,  
Defence Housing Authority,  
Phase – I, (Morgah), Islamabad.  
PABX: (051) 5788693-94  
Direct: (051) 5788691  
Fax: (051) 5788695

**Chakwal**

**Talagang Road, Chakwal.**

PABX: (0543) 553142-43  
Direct: (0543) 551255  
Fax: (0543) 601979

**Gujar Khan**

**B-III-360/1, G.T. Road, Gujar Khan.**

PABX: (0513) 515671-74  
Direct: (0513) 515905  
Fax: (0513) 515676

**Chashma**

**Plot No. 1 Bank Square,**

Chashma Barrage Colony, Opposite PAEC  
Chashma

**Mianwali**

Hospital Main D. I. Khan Road, Distt  
Mianwali.  
PABX: (0459) 241667  
Direct: (0459) 241544  
Fax: (0459) 242761

Plot No. 55 & 56, Ballo Khail Road, Mianwali

PABX: (0459)237903 – 4  
Direct: (0459) 237901  
Fax: (0459) 237905

**(Sub-Branch)**

Al-Shifa Eye Trust Hospital  
Jhelum Road, Rawalpindi  
Direct: (051) 5388018  
PABX: (051) 5487820-5

**(Sub-Branch)**

Engineering in Chief (E in C Branch), GHQ,  
Rawalpindi  
Engineering in Chief (E in C Branch), General  
Head Quarter (GHQ), R.A. Bazar, Rawalpindi  
Mobile: (0321) 5352519

**(Sub-Branch)**

Bahria Town, Phase - VIII  
Plot No. 35, Linear Commercial, Safari Valley,  
Bahria Town, Phase - VIII, Rawalpindi  
Mobile: (0300) 5143137

**PESHAWAR – AREA**

**Abbottabad**

**Lala Rukh Plaza,**  
Mansehra Road, Abbottabad.  
PABX: (0992) 332182-3  
Direct: (0992) 332157  
Fax: (0992) 332184

**Dera Ismail Khan**

**Kaif Gulbahar Building,**  
A.Q. Khan Chowk,  
Circular Road, Dera Ismail Khan.  
PABX: (0966) 720180-81  
Direct: (0966) 720178  
Fax: (0966) 720184

**Mardan**

**The Mall, Mardan,**  
P.O. Box: 197.  
PABX: (0937) 9230501-02  
Direct: (0937) 9230500  
Fax: (0937) 9230503

**Mingora, Swat**

**Opposite Park Hotel,**  
Makaan Bagh, Saidu Sharif Road,  
Mingora, Swat.  
PABX: (0946) 713358-59  
Direct: (0946) 713356  
Fax: (0946) 713361

**Nowshera**

**Taj Building,**  
Main G.T. Road, Nowshera.  
PABX: (0923) 9220300-301  
Direct: (0923) 9220302  
Fax: (0923) 9220304

**Haripur**

Shahrah-e-Hazara, Haripur  
PABX: (0995) 627128 – 32  
Direct: (0995) 616506  
Fax: (0995) 616508

**Allai**

1st Floor, New Saadat Market,  
Banna, Allai  
Mobile: (0333) 5025995

**Gilgit**

Main Bazar, Airport Road,  
Gilgit  
Direct: (05811) 52021

**Peshawar**

**Peshawar Cantt.**

3-7, Fakhr-e-Alam Road, Cantt. Plaza  
Branch, Peshawar.  
P.O. Box: 606.  
PABX: (091) 9212433-6  
Direct: (091) 271653  
Fax: (091) 5276391

**Peshawar City**

Bank Square, Chowk Yadgar,  
Peshawar.  
PABX: (091) 2561246-7  
Direct: (091) 2560156  
Fax: (091) 2561245

**University Road**

Block B, Al Haaj Tower, Jahangirabad,  
University Road, Peshawar  
PABX: (091) 9218587-90  
Direct: (091) 9218594  
Fax: (091) 9218591

**(Sub-Branch)**

Risalpur  
Shop No. 105, 106 & 107, Cantt Plaza,  
Gate No. 4, Risalpur Cantt, Tehsil & Distt  
Nowshera  
Direct: (0321) 9762340

**AREA –AZAD KASHMIR**

**Mirpur (Ak)**

Plot No. 629-B,  
Jabeer Tower, Bank Square Nangi, Mirpur,  
Azad Kashmir  
PABX: (05827) 445450 - 2  
Direct: (05827) 437060  
Fax: (05827)443394

**Muzafarabad (AK)**

Main Secretariat Road,  
Muzafarabad, AJ&K  
PABX: (05822) 920480 & 920487  
Direct: (05822) 920486  
Fax: (05822) 920484

**Dadyal (AK)**

City Centre, Main Bazar,  
Dadyal, AJ&K  
PABX: (05827) 446502-03  
Direct: (05827) 456607  
Fax: (05827) 456605

**Chaksawari (AK)**

Shahzad Hotel, Kotli Road, Chaksawari, AJ&K  
PABX: (05827) 454735-36  
Direct: (05827) 45470  
Fax: (05827) 454737

**Jatlan (AK)**

Main Bazar, Jatlan,  
Azad Kashmir  
PABX: (05827) 404346 – 47  
Direct: (05827) 404351  
Fax: (05827) 404348

**Jhelum**

Plot No. 225 & 226,  
Kohinoor Plaza,  
Old G.T. Road, Jhelum Cantt.  
PABX: (0544) 720053-55  
Direct: (0544) 720051  
Fax: (0544) 720060

# Branch Network

## Kharian

Raza Building, Main G.T. Road. Kharian  
PABX: (053) 9240235-7  
Direct: (053) 9240134  
Fax: (053) 7536288

## (Sub-Branch)

Chowk Shaheedan, Mirpur  
Plot No. 51-B, Nathia Building, Chowk  
Shaheedan, Mirpur, Azad Kashmir  
Direct: (05827) 435247  
PABX: (05827) 435248  
Fax: (05827) 435429

## CENTRAL REGION

### LAHORE-I – AREA

#### Lahore

**D.H.A.**  
324-Z, Defence Housing Authority,  
Lahore  
PABX: (042) 5898891-5  
Direct: (042) 5726818  
Fax: (042) 5732310

#### D.H.A.Phase-II

Plot No. 53-T, Block CCA,  
Phase-II C, DHA, Lahore.  
PABX: (042) 5707558-59  
Direct: (042) 5707556  
Fax: (042) 5707563

#### DHA Phase - V

41-CCA (Central commercial Area), Defence  
Housing Authority, Phase - V, Lahore Cantt  
PABX: (042) 6183097  
Direct: (042) 6183095  
Fax: (042) 6183099

#### Model Town

2-4, Central Commercial Market,  
Model Town, Lahore.  
PABX: (042) 5850575-76, 5882099 &  
5882048  
Direct: (042) 5915494  
Fax: (042) 5858564

#### Tufail Road

12-Tufail Road, Lahore Cantt.  
PABX: (042) 9220940-46  
Direct: (042) 9220930-31  
Fax: (042) 9220947

#### Allama Iqbal Town

14 – Pak Block, Allama Iqbal Town, Lahore.  
PABX: (042) 7849926-27  
Direct: (042) 7849847  
Fax: (042) 7849854

#### Cavalry Ground

23, Commercial Area,  
Cavalry Ground, Lahore.  
PABX: (042) 6651290-96  
Direct: (042) 6666665  
Fax: (042) 6660729

#### Zarar Shaheed Road

6, Block – B, Guldasth Town, Zarar Shaheed  
Road, Lahore  
PABX: (042) 6632943 – 45  
Direct: (042) 6632941  
Fax: (042) 6632950

#### Gulberg

10-E/II, Main Boulevard,  
Gulberg-III, Lahore.  
PABX: (042) 9231336-37,  
Direct: (042) 9231330  
Fax: (042) 9230035

#### Main Market, Gulberg – II

32-E, Main Market,  
Gulberg-II, Lahore  
PABX: (042) 5787144 – 46  
Direct: (042) 5787141  
Fax: (042) 57871433

#### Qartaba Chowk

100-D, Lytton Road, Near Qartaba Chowk,  
Mozang, Lahore  
PABX: (042) 7314505  
Direct: (042) 7314502  
Fax: (042) 7314555

#### M.A. Johar Town

473, Block G-III,  
M.A. Johar Town, Lahore.  
PABX: (042) 5290434-36  
Direct: (042) 5313566  
Fax: (042) 5313569

### LAHORE-II – AREA

#### Lahore

**Badami Bagh**  
165-B, Badami Bagh, Lahore.  
PABX: (042) 7727601-2  
Direct: (042) 7721318  
Fax: (042) 7704775

#### Baghbanpura

6/7, Shalimar Link Road, Baghbanpura,  
Lahore.  
PABX: (042) 6830361-63  
Direct: (042) 6830360  
Fax: (042) 6830367

#### Circular Road

7-Circular Road, Lahore.  
PABX: (042) 7635920-22  
Direct: (042) 7633694, 7633702  
Fax: (042) 7635919

#### Ravi Road

35-Main Ravi Road Lahore.  
PAB X: (042) 7700516, 7709873-74  
Direct: (042) 7731000  
Fax: (042) 7700517

#### Shahdara

N-127R-70C, Opposite Rustom Sohrab  
Cycle Factory, Sheikupura Road, Shahdara,  
Lahore.  
PABX: (042) 7919302-04  
Direct: (042) 7919300  
Fax: (042) 7919306

#### Shad Bagh

Chowk Nakhuda, Umar Din Road,  
Wassanpura, Shad Bagh Lahore  
PABX: (042) 7289430, 7285343, 6260159  
Direct: (042) 7604071  
Fax: (042) 6264225

#### Shah Alam Market

5-C, Fawara Chowk,  
Shah Alam Market, Lahore.  
PABX: (042) 7642652-54  
Direct: (042) 7642650  
Fax: (042) 7642656

#### Shahrah-E-Aiwan-E-Tijarat

7-A, Shahrah-e-Aiwan-e-Tijarat, Lahore.  
PABX: (042) 9203673-77  
Direct: (042) 9203081  
Fax: (042) 9203351

#### Bank Square, The Mall

47, Bank Square, The Mall,  
(Shahrah-e-Quaid-e-Azam), Lahore  
PABX: (042) 7211851-5  
Direct: (042) 7314196, 7211860  
Fax: (042) 7211865

#### Urdu Bazar

6 – Chatterjee Road, Faqir Plaza, Urdu Bazar,  
Lahore  
PABX: (042) 7247762  
Direct: (042) 7247771  
Fax: (042) 7247766

#### Township

48/10, B-I, Akbar Chowk, Township,  
PABX: (042) 5140520-22  
Direct: (042) 5151279  
Fax: (042) 5124222

### SAHIWAL – AREA

#### Phool Nagar

Plot Khasra No. 1193,  
Main Multan Road, Distt. Kasur, Phool  
Nagar.  
PABX: (049) 510437  
Direct: (049) 510431  
Fax: (049) 510436

#### OKARA

**M.A Jinnah Road,**  
Chak No. 2/42, M.A. Jinnah Road, Tehsil &  
District Okara.  
PABX: (044) 9200317-18  
Direct: (044) 2550002  
Fax: (044) 9200316

#### Okara Cantt

117 – D, Shahrah-e-Quaid-e-Azam,  
Civil Area, Okara Cantt.  
PABX: (044) 2881645 & 2880358  
Direct: (044) 2881644  
Fax: (044) 2881740

#### Depalpur

Katchery Road, Depalpur, Distt. Okara  
PABX: (0444) 541543 – 4  
Direct: (0444) 541541  
Fax: (0444) 541545

#### Sahiwal

48/B & B1, High Street Branch, Sahiwal.  
PABX: (040) 447738-39  
Direct: (040) 4467748  
Fax: (040) 4467746

#### Burewala

95 / 1C, College Road, Burewala.  
PABX: (067) 3772206-8  
Direct: (067) 3772252  
Fax: (067) 3772204

**Vehari**

13, E Block, Karkhana Bazar, Vehari.  
PABX: (067) 3366718 – 9  
Direct: (067) 3360727  
Fax: (067) 3366720

**FAISALABAD - AREA****Jhang**

Church Road, Saddar, Jhang.  
PABX: (047) 7621150, 7610852  
Direct: (047) 7623652  
Fax: (047) 7621050

**Sargodha**

80-Club Road,  
Old Civil Lines, Sargodha.  
PABX: (048) 3725490, 3725590  
Direct: (048) 3722728  
Fax: (048) 3725240

**Toba Tek Singh**

596 – Mohallah Chamra Mandi,  
Jhang Road,  
Toba Tek Singh.  
PABX: (0462) 516120 – 1  
Direct: (0462) 516131  
Fax: (0462) 516142

**Faisalabad**

**Khurrianwala**  
Jhumra Road, Khurrianwala,  
Tehsil Jaranwala, Distt. Faisalabad.  
Direct: (041) 4000029  
Fax: (041) 4364030

**Peoples Colony**

Peoples Colony, Faisalabad.  
PABX: (041) 8739326-7  
Direct: (041) 8739323  
Fax: (041) 8739321

**University Road**

University Road, Faisalabad.  
P.O. Box 346.  
PABX: (041) 9201008-11  
Direct: (041) 9201001  
Fax: (041) 9201006

**Satayana Road**

585 – I, Block B, Peoples Colony # 1.  
Satayana Road, Faisalabad  
PABX: (041) 8559205  
Direct: (041) 8559101  
Fax: (041) 8559103

**Chiniot**

Chah Dargahi Wala,  
Chiniot No. 02,  
Chiniot PABX: (0476) 6336377 – 8  
Direct: (0476) 6336277  
Fax: (0476) 6336279

**Bhalwal**

Main Bhalwal Road,  
Bhalwal  
PABX: (048) 6644695 – 6  
Direct: (048) 6644693  
Fax: (048) 6644697

**Pir Mahal**

Kitta # 3, Pir Mahal,  
Tehsil Kamalia District Toba Tek Singh  
PABX: (0463) 3366282  
Direct: (0463) 3366280  
Fax: (0463) 3366284

**Dijkot**

Chak No. 266 RB, Faisalabad Road, Dijkot,  
Distt. Faisalabad  
PABX: (041) 2672286  
Direct: (041) 26722852  
Fax: (041) 2672288

**MULTAN – AREA****Multan**

**Abdali Road**  
64/A-1, Abdali Road, Multan.  
PABX: (061) 9201391-94  
Direct: (061) 9201399  
Fax: (061) 9201395

**Bosan Road**

Plot No. 23, Near Multan Law College, Bosan  
Road, Multan.  
PABX: (061) 6510435-37  
Direct: (061) 6510434  
Fax: (061) 6510438

**Bahawalpur**

1-Noor Mahal Road,  
Bahawalpur.  
PABX: (062) 9255320-22  
Direct: (062) 9255325  
Fax: (062) 9255324

**Khanewal**

DAHA Plaza  
Chowk Markazi, Khanewal.  
PABX: (065) 9200274-76, 9200271  
Direct: (065) 9200277  
Fax: (065) 9200273

**Rahim Yar Khan**

Ashraf Complex, Model Town,  
Rahim Yar Khan.  
PABX: (068) 5879851-53  
Direct: (068) 5879848  
Fax: (068) 5879850

**Sadiqabad**

78-D, Allama Iqbal Road,  
New Town, Sadiqabad.  
PABX: (068) 5802377-78  
Direct: (068) 5802387  
Fax: (068) 5802374

**Channi Goth**

Uch Road, Channi Goth,  
Tehsil Ahmedpur East, District Bahawalpur  
PABX: (062) 2783008 – 9  
Direct: (062) 2783444

**Hasilpur**

Baldia Road, Hasilpur  
PABX: (062) 2448030  
Direct: (062) 2448002  
Fax: (062) 2448035

**Dera Ghazi Khan**

Jampur Road,  
Dera Ghazi Khan  
PABX: (064) 9260669 – 70  
Direct: (064) 9260675  
Fax: (064) 9260674

**Layyah**

Chowk Azam, Distt. Layyah  
Mohallah Awan Colony, Chowk Azam, Tehsil  
& Distt. Layyah  
PABX: (0606) 380112 – 3  
Direct: (0606) 372321  
Fax: (0606) 380114

**(Sub-Branch)**

Shop No. 1 - 2, Main Shopping Complex,  
Dera Ghazi Khan Cantt.,  
Dera Ghazi Khan  
Direct: (064) 2474002  
PABX: (064) 2474004  
Fax: (064) 2474003

**GUJRANWALA – AREA****Gujranwala**

**G.T. Road**  
G.T. Road, Gujranwala.  
PABX: (055) 9200855-56,  
(055) 9200861-62  
Direct: (055) 9200857  
Fax: (055) 9200858

**Gujranwala Cantt**

Kent Plaza, Quaid-e-Azam Avenue,  
Gujranwala Cantt.  
PABX: (055) 3865371 - 72,  
Direct: (055) 3865988  
Fax: (055) 3865994

**Gujrat**

Hassan Plaza, G.T. Road,  
Gujrat.  
PABX: (053) 3530164-5  
Direct: (053) 3530178  
Fax: (053) 3530179

**Jalalpur Bhattian**

Ghala Mandi, Jalalpur Bhattian.  
PABX: (0547) 501013-14  
Direct: (0547) 501012  
Fax: (0547) 501015

**Sheikhupura**

Property No. B-IX-65-44,  
Main Lahore-Sargodha Road,  
Sheikhupura.  
PABX: (056) 3788031 & 3788071  
Direct: (056) 3788037  
Fax: (056) 3788084

**Mandi Bahauddin**

Dr. Sakina Rizvi Road,  
Mandi Bahauddin,  
PABX: (0546) 600385, 386  
Direct: (0546) 600728  
Fax: (0546) 600387

**Lalamusa**

G.T. Road, Lalamusa  
PABX: (0537) 519690 – 91  
Direct: (0537) 519694  
Fax: (0537) 519693



# Branch Network

## Kamonkey

G.T. Road, Kamonkey  
PABX: (055) 6816080,81,82  
Direct: (055) 6816078  
Fax: (055) 6816083

## Sialkot

### Sialkot Cantt

Tariq Road, Sialkot Cantt.  
PABX: (052) 4299001-03,  
Direct: (052) 4299005  
Fax: (052) 4299004

### Sialkot City

Paris Road, Sialkot, P.O. Box 2890.  
PABX: (052) 4262806-08  
Direct: (052) 4265522  
Fax: (052) 4299004

## Daska

Rest House Chowk,  
Gujranwala Road, Daska, Distt. Sialkot  
PABX: (052) 6615815  
Direct: (052) 6613634  
Fax: (052) 6615842

## SOUTH REGION

### KARACHI-I – AREA

#### Karachi

##### Cloth Market

Laxmidas Street, Karachi,  
PABX: (021) 2472611-5  
Direct: (021) 2472607  
Fax: (021) 2472605

##### Jodia Bazar

Abdullah Mansion, Bombay Bazar,  
Jodia Bazar, Karachi  
PABX: (021) 2474851-55  
Direct: (021) 2473498  
Fax: (021) 2471224

##### M.A. Jinnah Road

Survey No. 4, Sheet No. RB-7, Aram Bagh  
Quarters,  
M.A. Jinnah Road, Karachi.  
PABX: (021) 2217531-34  
Direct: (021) 2217490  
Fax: (021) 2217494

##### Marriot Road

Rawalpindiwala Building,  
Marriot Road, Market Quarters, Karachi.  
PABX: (021) 2418425-28  
Direct: (021) 2418412  
Fax: (021) 2418420

##### New Challi

Abdullah Square Building,  
Shahrah-e-Liaquat, New Challi, Karachi.  
PABX: (021) 2471042-44  
Direct: (021) 2471021  
Fax: (021) 2471023

##### North Napier Road

Ishaq Chamber, North Napier Road, Karachi.  
PABX: (021) 2549581-2  
Direct: (021) 2549588  
Fax: (021) 2549585

## Saima Trade Tower

I.I. Chundrigar Road, Karachi.  
P.O. Box 1096.  
PABX: (021) 2630731-3,  
(021) 2624316, 2634610  
Direct: (021) 2624714, 2631178  
Fax: (021) 2631176

## Timber Market

Plot No. LA-7/116,  
Siddiq Wahab Road, Timber Market,  
Lawrence Quarters, Karachi.  
PABX: (021) 2770784-85, 2770737  
Direct: (021) 2770800  
Fax: (021) 2770055

## Karachi Stock Exchange

Office No. 55 & 56,  
Old Stock Exchange Building, Karachi  
PABX: (021) 2446050-51,2446053-54  
Direct: (021) 2446550  
Fax: (021) 2446559

## Paper Market

Plot No. 21, Frere Road,  
Shahrah-e-Liaquat, Serai Quarter, Karachi  
PABX: (021) 2600909 – 11  
Direct: (021) 2600901  
Fax: (021) 2600912

### KARACHI-II – AREA

#### Karachi

##### Badar Commercial Area

29-C, Badar Commercial Area, Street No. 1,  
Phase-V, DHA, Karachi - 75500.  
PABX: (021) 5344175-77  
Direct: (021) 5344171  
Fax: (021) 5344174

##### Clifton

Marine Trade Centre, Block-9, Clifton,  
Karachi.  
P.O. Box 13807.  
PABX: (021) 5868551-4 & 5832916  
Direct: (021) 5862868  
Fax: (021) 5868555

##### Khayaban-e-Ittehad, DHA

Plot No. 25 – C, ,Khayaban-e-Ittehad, Phase  
– II Extension, Defence Housing  
Authority, (DHA), Karachi.  
PABX: (021) 5387491 – 2  
(021) 5384902 – 5  
Direct: (021) 5387493  
Fax: (021) 5387814

##### Korangi Industrial Area

Plot No. ST 2/3, Sector 23,  
Main Korangi Road,  
Korangi Industrial Area, Karachi.  
PABX: (021) 5115024-26  
Direct: (021) 5115020  
Fax: (021) 5115027

##### Saddar

Sindh Small Industries Building,Regal  
Chowk, Saddar, Karachi.  
PABX: (021) 2762840-2, 2741396-7  
Direct: (021) 2760506  
Fax: (021) 2760992

## Khayaban-e-Sehar

Plot No. 2C, Sehar Lane No. 04, Khayaban-e-  
Sehar, DHA Phase – VII, Karachi  
PABX: (021) 5847239 –41, 5847012 – 1,  
5847251 –52  
Direct: (021) 5847446  
Fax: (021) 5847022

## DHA Phase – IV

9th Commercial Street, DHA Phase – IV,  
Karachi.  
PABX: (021) 5313055 – 58  
Direct: (021) 5313091  
Fax: (021) 5313059

## Bismillah Chowrangi, Korangi

R – 01, Sector No. 36 E, Bismillah Chowrangi,  
Area 5 D, Korangi No. 06, Karachi.  
PABX: (021) 5049330 – 31  
Direct: (021) 5049210  
Fax: (021) 5049352

## Khayban-e-Bokhari, DHA Phase – VI

43 – C, Khayaban-e-Bokhari, DHA Phase –  
VI, Karachi.  
PABX: (021) 5242747 – 50  
Direct: (021) 5242745  
Fax: (021) 5242754

## (Sub-Branch)

PTA, Korangi  
ST: 7, 7 – A, Sector Pakistan Tanners  
Association, Korangi Industrial Area, Karachi  
Direct: (021) 5116120  
Fax: (021) 5116121

### KARACHI-III – AREA

#### Karachi

##### Atrium Mall

249- Staff Lines,  
Fatima Jinnah Road, Karachi.  
PABX: (021) 5650953, 5651046,  
(021) 5651048, 5651091  
Direct: (021) 5650940  
Fax: (021) 5651207

##### Bahadurabad

Zeenat Terrace, , Block No. 3, Bahaduryar  
Jang Society, Bahadurabad, Karachi.  
PABX: (021) 9232565-68  
Direct: (021) 9232569  
Fax: (021) 9232574

##### Federal B Area

Plot No. ST-2/B, Block No. 14, Al-Siraj  
Square,  
Federal B Area, Karachi.  
PABX No. (021) 6806091-92  
Direct (021) 6806152  
Fax: (021) 6806095

##### Malir Cantt.

Malir Cantt. Karachi.  
PABX: (021) 4491603 – 7  
Direct: (021) 4491601  
Fax: (021) 4491609

##### Marston Road

Shafiq Shopping Plaza,  
Marston Road, Karachi.  
PABX: (021) 2745722-4  
Direct: (021) 2745772  
Fax: (021) 2745644

**Shaheed-e-Millat**

A/22, Block No. 7 & 8, Anum Pride, K.C.H.S Commercial Area, Main Shaheed-e-Millat Road, Karachi.

PABX: (021) 4392875-76 & 4392887  
Direct: (021) 4392850  
Fax: (021) 4392886

**Shahrah-e-Faisal**

11-A, Progressive Square, Block 6, P.E.C.H.S., Karachi.

PABX: (021) 4520026-9  
Direct: (021) 4526641  
Fax: (021) 4520030

**Tariq Road**

Plot No. 299 – C & 300 – C, Block No. 2, P.E.C.H.S, Main Tariq Road, Karachi

PABX: (021) 4301888-95,  
Direct: (021) 4301887  
Fax: (021) 4301896

**Makro Saddar**

148/1, Opposite 603 Workshop, Mubarak Shaheed Road, Saddar, Karachi

PABX: (021) 2792473 – 79  
Direct: (021) 2792471  
Fax: (021) 2792480

**Mehmoodabad**

Plot No. 1045, Street No. 4, Mehmoodabad, Karachi

PABX: (021) 5315725 – 27  
Direct: (021) 5315729  
Fax: (021) 5315728

**(Sub-Branch)**

SBTE, Karachi  
Plot No. ST-22, Block-6, Sindh Board of Technical Education (SBTE), Gulshan-e-Iqbal, Karachi  
Direct: (021) 34974230  
Fax: (021) 34974239

**KARACHI-IV – AREA****Karachi****Bohra Pir**

Plot No. 22/1, Princess Street, Bohra Pir, Ranchore Line, Karachi.

PABX: (021) 2744768-69  
Direct: (021) 2745961  
Fax: (021) 2744779

**Gabol Town**

Plot No. 1, Sector 12-B, North Karachi Industrial Area, Karachi

PABX: (021) 6950332  
Direct: (021) 6950335  
Fax: (021) 6950333

**Gulistan-e-Jauhar**

Asia Pacific Trade Centre, Rashid Minhas Road, Karachi. P.O. Box: 75290.

PABX: (021) 4632500-04  
Direct: (021) 4630166  
Fax: (021) 4632505

**Gulshan-e-Iqbal**

University Road, Gulshan-e-Iqbal, Karachi.

PABX: (021) 9244365-69  
Direct: (021) 9244361  
Fax: (021) 9244370

**Hydri North Nazimabad**

Plot No. 5F/14-18, Al Burhan Arcade, Block-E, Barkat-e-Hydri, North Nazimabad, Karachi.

PABX: (021) 6632904-6  
Direct: (021) 6632920  
Fax: (021) 6632922

**Metroville**

G-50, Block – 3, Metroville, Karachi.

PABX: (021) 6762532-5  
Direct: (021) 6762541  
Fax: (021) 6762527

**S.I.T.E.**

B-17, Estate Avenue, S.I.T.E, Karachi.

PABX: (021) 2585914-17  
Direct: (021) 2585911  
Fax: (021) 2585525

**Manghopir**

Plot No. ST – 2, Islamia Colony No. 1, Manghopir, Karachi

PABX: (021) 6661654, 6697208, 6693844,  
Direct: (021) 6693385  
Fax: (021) 6668209

**Gulshan Chowrangi, Gulshan-e-Iqbal**

Plot No. FL-3/TH-8, KDA Scheme – 24, Allama Shabir Ahmed Usmani Road, Block – 3, Gulshan Chowrangi, Gulshan-e-Iqbal, Karachi

PABX: (021) 4834082 – 88  
Direct: (021) 4834080  
Fax: (021) 4834089

**Nagan Chowrangi**

R – 429, Sector 11/C-1, North Karachi Township, Karachi

PABX: (021) 6950020 – 25  
Direct: (021) 6950015  
Fax: (021) 6950026

**(Sub-Branch)**

Stadium Road, Gulshan-e-Iqbal  
Plot No. ST-2D, Block - 17, Indus Institute of Higher Education, Gulshan-e-Iqbal, Karachi  
Direct: (021)34974260  
Fax: (021) 34974261

**HYDERABAD - AREA****Daharki****1276, Main Road, Zafar Bazar,**

Daharki, Distt. Ghotki.

PABX: (0723) 641266  
Direct: (0723) 642626  
Fax: (0723) 42260

**Ghotki****Plot No. D-9, Deh Odher Wali,**

Qadirpur Road, Opposite Town Committee, Ghotki.

PABX: (0723) 600500  
Direct: (0723) 600707  
Fax: (0723) 600526

**Hyderabad****Saddar**

332-333, Saddar Bazar, Hyderabad. P.O Box 470.

PABX: (022) 2783616, 2783618,  
(022) 2784852, 2783615  
Direct: (022) 2783615  
Fax: (022) 2784760

**Shahrah-e-Noor Muhammad Market,**

C.S. Nos. 2611/1&2611/2  
Shahrah-e-Noor Muhammad Market, Hyderabad

PABX: (022) 2784852, 2783615  
Direct: (022) 2613192  
Fax: (022) 2613193

**Jacobabad**

Ward No. 05, Quaid-e-Azam Road, Jacobabad.

PABX: (0722) 651866 – 67  
Direct: (0722) 652266  
Fax: (0722) 650344

**Kandhkot**

Plot No. 29/1, Tower Road, Kandhkot

PABX: (0722) 572361 & 572367  
Direct: (0722) 571644  
Fax: (0722) 573788

**Larkana**

Bunder Road, Larkana.

PABX: (074) 4053823-24,  
(074) 4045381-2  
Direct: (074) 4053676  
Fax: (074) 4045371

**Mirpurkhas**

C.S. 835, Ward B, M.A. Jinnah Road, Mirpurkhas.

PABX: (0233) 9209031-32  
Direct: (0233) 9290333  
Fax: (0233) 9290335

**Nawabshah**

Katchary Road, Nawabshah.

PABX: (0244) 9370460-64  
Direct: (0244) 9370466  
Fax: (0244) 9370467

**Sukkur**

Sarafa Bazar, Sukkur.

PABX: (071) 5628267-8  
Direct: (071) 5627218  
Fax: (071) 5627219

**Tando Allahyar**

City Survey No. 1610/12.

Ward "B", Qaimabad,  
Tando Allahyar

PABX: (022) 3899223 – 26  
Direct: (022) 3892963  
Fax: (022) 3892962

**Khairpur**

Plot No. B -265 (T-342-A), C.S. No. 46, Mullah New Goth, Katchery Road, Khairpur

PABX: (0243) 553913 – 4  
Direct: (0243) 715903  
Fax: (0243) 553915

**Shikarpur**

Plot No. 5/137/1, 138, Circular Road, Store Ganj, Shikarpur

PABX: (0726) 513258 – 9  
Direct: (0726) 513261  
Fax: (0726) 513260

# Branch Network

## Pak Camp, Petaro

Pak Camp, Tufail Road, Petaro, Tehsil Kotri,  
District Jamshoro  
Mobile: (0300) 3033226

## QUETTA – AREA

### Quetta

#### Cantt.

Bolan Complex, Chiltan Road, Quetta Cantt.  
PABX: (081) 2882101-102  
Direct: (081) 2882105  
Fax: (081) 2882100

#### Hazar Ganji

Fruit Market, Hazar Ganji, Quetta.  
PABX: (081) 2460808  
Direct: (081) 2460806  
Fax: (081) 2460807

#### M.A. Jinnah Road

M.A. Jinnah Road,  
Quetta.  
PABX: (081) 2843751-2  
Direct: (081) 2844374  
Fax: (081) 2824602

#### Masjid Road

Cut Piece Gali No. 7,  
Cloth Market, Quetta - 87300.  
PABX: (081) 2824008-09  
Direct: (081) 2824004  
Fax: (081) 2845227

#### Meezan Chowk

Liaqat Bazar, Meezan Chowk, Quetta.  
PABX: (081) 2668386-87  
Direct: (081) 2665985  
Fax: (081) 2668389

#### Satellite Town

Kasi Plaza, Sirki Road,  
Satellite Town, Quetta.  
PABX: (081) 2451535-36  
Direct: (081) 2451530  
Fax: (081) 2451538

#### Samungly Road

Plot No. 01, Shop No. 1 to 5, Night Star  
Complex, Samungly Road, Quetta.  
PABX: (081) 2870086  
Fax: (081) 2870104

#### Chaman

Trunch Road, Off Mall Road,  
Chaman, (Balochistan).  
PABX: (0826) 613330  
Direct: (0826) 614447  
Fax: (0826) 613331

#### Gawadar

Airport Road, Gawadar.  
PABX: (0864) 211359-60  
Direct: (0864) 211357  
Fax: (0864) 211358

## Corporate Banking

### Karachi

Bahria Complex III, Karachi  
Plot No. 1/F, Bahria Complex III, Moulvi  
Tamizuddin Road, Karachi  
PABX: (021) 5615289-96  
Direct: (021) 5615306  
Fax: (021) 5615298

### Lahore

Park Lane Towers, Lahore  
172, Park Lane Towers,  
Lahore  
PABX: (042) 6622491 -95  
Direct: (042) 6622481  
Fax: (042) 6622490

### Islamabad

Razia Sharif Plaza, Blue Area, Islamabad  
Plot No. 90-93, Ground Floor, Razia Sharif  
Plaza, Jinnah Avenue, Blue Area, Islamabad  
PABX: (051) 2273596 - 99  
Direct: (051) 2273591  
Fax: (051) 2273162

## Overseas Operations

Bahrain "Wholesale Bank (Branch)"  
P.O. Box 11720, Diplomatic Area, Manama  
Kingdom of Bahrain.  
Tel: (00973) 17530500  
Direct: (00973) 17535439  
Fax: (00973) 17532400

## Islamic Banking Branches

### Islamabad

#### Jinnah Avenue

38 – Zahoor Plaza, Jinnah Avenue, Blue Area,  
Islamabad.  
Direct: (051) 9211467  
PABX: (051) 9211469-74  
Fax: (051) 9211476

#### (Sub-Branch)

F – 10 Markaz  
Unit No. 5, Plot No. 1-W, Ground Floor, Main  
Double Road, F-10 Markaz, Islamabad  
Direct: (051) 2111902  
PABX: (051) 2111904-5  
Fax: (051) 2111839

### Rawalpindi

#### Chandani Chowk

149-B, Chandani Chowk,  
Murree Road, Rawalpindi.  
Direct: (051) 9291095, 9291096  
PABX: (051) 9291091-4  
Fax: (051) 9291097

#### Bank Road

Plot No. 24, Bank Road, Saddar, Rawalpindi.  
Direct: (051) 5120240  
PABX: (051) 5120243-4  
Fax: (051) 5120241

### Karachi

#### Jodia Bazar

Buidling MR-3/30, Qazi Usman Road,  
Near Lal Masjid, Karachi.  
Direct: (021) 2421145, 2421146  
PABX: (021) 2410025-29  
Fax: (021) 2421147

#### North Nazimabad

Plot No. D-5, Block – L,  
North Nazimabad, Karachi  
Direct: (021) 6640972  
PABX: (021) 6646356,  
(021) 36640122  
Fax: (021) 6641390

#### DHA

106 – C, Jami Commercial Street – 11, Phase  
VII, Pakistan Defence Officers Housing  
Authority, Karachi  
Direct: (021) 35311813  
PABX: (021) 35311788-9  
Fax: (021) 35311790

#### S.I.T.E

Shop No. 3, Plot No. E-2, Estate Avenue,  
S.I.T.E, Karachi  
Direct: (021) 2551112  
PABX: (021) 32551115-7  
Fax: (021) 2551114

#### (Sub-Branch)

Shahrah-e-Faisal  
Shop No. 7, Plot No. 110, Block 'A', Amber  
Plaza, SMCHS, Crossing Shahrah-e-Faisal,  
Karachi  
Direct: (021) 4544948  
PABX: (021) 34544949-50  
Fax: (021) 4544953

#### Abdullah Haroon Road,

Shop No. 5, Abdullah Haroon Road, Saddar,  
Karachi  
Direct: (021) 32711500  
PABX: (021) 32711506-7  
Fax: (021) 32711502

#### Clifton Branch

Shop No. 13 & 14, Mehraan Heights Blocks-8,  
KDA Scheme # 5, Clifton, Karachi  
Direct: (021) 35823377  
PABX: (021) 358296252-3  
Fax: (021) 35823379

### Hyderabad

#### Main Risala Road

F-73 & 74, Main Risala Road, Hyderabad  
Direct: (022) 2730961  
PABX: (022) 2730962  
Fax: (022) 2730970

### Lahore

#### Circular Road

Near Ram Gali, Circular Road, Lahore  
Direct: (042) 37379301  
PABX: (042) 37379303 – 9  
Fax: (042) 37379310

#### Gulberg

Plot no. 5 – B, Main Gulberg,  
Near EFU Building, Jail Road, Lahore  
Direct: (042) 99263393  
PABX: (042) 99263416 – 20  
Fax: (042) 99263420

**DHA**

155, Block Y, Phase – 3C, Defence Housing Authority, Lahore Cantt.  
Direct: (042) 99264238  
PABX: (042) 9926423-5  
Fax: (042) 5692729

**Peco Road**

Plot No. 875, Block – D, Faisal Town, Peco Road, Lahore  
Direct: (042) 5221751  
PABX: (042) 5221756 – 57  
Fax: (042) 5221758

**Azam Cloth Market**

Plot No. F-1079,F-1080, MashAllah Centre, Opposite Azam Cloth Market, Dehli Gate, Lahore  
Direct: (042) 37630928  
PABX: (042) 37630925-28  
Fax: (042) 37630910

**M.A. Johar Town**

Plot No. 77, Block – R-1,M.A. Johar Town, Lahore  
Direct: (042) 35315621  
PABX: (042) 35315624-5  
Fax: (042) 35315627

**Peshawar****Peshawar Cantt.**

1-2, Cantt. Plaza, Fakhr-e-Alam Road, Peshawar.  
PABX: (091) 9213740-41  
Direct: (091) 9213743  
Fax: (091) 9213742

**G.T. Road, Peshwar**

Ground Floor, Daily Aaj Building, G.T. Road, Peshawar.  
Direct: (091) 2261609  
PABX: (091) 2261655 – 56  
Fax: (091) 2261654

**Dalazak Road, Peshwar**

Khasra No.993/576, Opposite Tailu Mandi, Murad Khan Plaza, Dalazak Road, Peshawar.  
Direct: (091) 2244320  
PABX: (091) 2244322 –23  
Fax: (091) 2583729

**Kohat**

Plot No. KCB-III/10, KCB-III/ 12,KCB-III/12-A & KCB-III/12-F, Hangu Road, Kohat  
Direct: (0922) 510191  
PABX: (0922) 510914-15  
Fax: (0922) 510912

**Abbottabad**

Mansehra Road, Abbottabad  
Lodhi Golden Tower, Supply Bazar, Mansehra Road, Abbottabad.  
Direct: (0992) 336202  
PABX: (0992) 336262-3  
Fax: (0992) 336261

**Quetta****M.A. Jinnah Road**

2-14/2-3, Near Dr. Bano Road, Adjacent to Ahmed Complex, M.A. Jinnah Road, Quetta.  
Direct: (081) 2820910, 2820927  
PABX: (081) 2820922-23  
Fax: (081) 2820943

**Qandhari Bazar**

Qandhari Bazar, Shahrah-e-Iqbal Quetta.  
Direct: (081) 2826124  
PABX: (081) 2826041-42  
Fax: (081) 2826125

**Multan****Abdali Road**

Shop No. 33& 34, Khan Centre, Abdali Road, Multan  
Direct: (061) 4500262  
PABX: (061) 4500263 – 7  
Fax: (061) 4783093

**Gujranwala****G.T. Road**

BXII-7S-III, Near Din Plaza, G.T. Road, Gujranwala  
Direct: (055) 9201344, 9201348  
PABX: (055) 9201345 – 46  
Fax: (055) 9201347

**Faisalabad****Kohinoor City**

Plot No. C-11, Square No. 64, Kohinoor City, Jaranwala Road, Faisalabad  
Direct: (041) 9220620  
PABX: (041) 9220623 – 29  
Fax: (041) 9220622

**Sialkot****Paris Road**

Sharif Plaza, Ground Floor, Paris Road, Sialkot  
Direct: (052) 9250161  
PABX: (052) 9250163-65  
Fax: (052) 9250164

**G.T. Road, Sambrial**

Plot No. BI-847,Sahowala, G.T Road Sambrial, Dist. Sialkot.  
Direct: (052) 6522820  
PABX: (052) 6522822-23  
Fax: (052) 6522825

**Gujrat****Bhimber Road, Gujrat**

Opposite UBL, Bhimer Road, Gujrat.  
Direct: (053) 3609604  
PABX: (053) 3609601-2  
Fax: (053) 3609603

# Statement of Financial Position in US\$

As at December 31, 2009

2009		2008		2009		2008	
US \$ in '000				Rupees in '000			
<b>Assets</b>							
230,122	202,654	Cash and balances with treasury banks	19,385,843	16,029,635			
99,289	49,999	Balances with other banks	8,364,261	3,954,814			
54,772	56,635	Lendings to financial institutions	4,614,059	4,479,754			
795,878	451,055	Investments	67,046,033	35,677,755			
1,602,943	1,628,580	Advances	135,034,499	128,818,242			
116,884	104,508	Operating fixed assets	9,846,440	8,266,458			
-	-	Deferred tax assets	-	-			
119,137	113,333	Other assets	10,036,311	8,964,480			
3,019,025	2,606,764		254,327,446	206,191,138			
<b>Liabilities</b>							
34,967	32,679	Bills payable	2,945,670	2,584,828			
229,105	192,041	Borrowings	19,300,163	15,190,148			
2,444,994	2,119,845	Deposits and other accounts	205,970,227	167,676,572			
71,163	37,878	Sub-ordinated loans	5,994,900	2,996,100			
-	-	Liabilities against assets subject to finance lease	-	-			
3,964	164	Deferred tax liabilities	333,925	12,987			
57,377	60,167	Other liabilities	4,833,489	4,759,140			
2,841,570	2,442,774		239,378,374	193,219,775			
177,455	163,990	<b>Net assets</b>	14,949,072	12,971,363			
<b>Represented by</b>							
60,225	51,313	Share capital	5,073,467	4,058,774			
85,267	96,932	Reserves	7,182,987	7,667,141			
10,520	3,906	Unappropriated profit	886,234	308,980			
156,012	152,151		13,142,688	12,034,895			
21,443	11,839	Surplus on revaluation of assets - net of tax	1,806,384	936,468			
177,455	163,990		14,949,072	12,971,363			

Note:

The above is for information only and conversion have been made @ 1US\$ = Pak Rs. 84.2416 as at December 31, 2009. (1US\$ = Pak Rs. 79.0985 as at December 31, 2008).

# Profit and Loss Account in US\$

For the year ended December 31, 2009

2009		2008		2009		2008	
US \$ in '000				Rupees in '000			
269,009	232,537	<b>Mark-up / return / interest earned</b>		22,661,754		18,393,313	
161,786	134,651	<b>Mark-up / return / interest expensed</b>		13,629,096		10,650,719	
107,223	97,886	Net mark-up / interest income		9,032,658		7,742,594	
27,592	48,355	Provision against non-performing loans and advances		2,324,377		3,824,778	
5,117	–	Impairment loss on available for sale investments		431,058		–	
911	6	Provision for impairment in the value of investments		76,784		508	
981	–	Provision against reverse repo		82,674		–	
–	3,127	Bad debts written off directly		–		247,311	
34,601	51,488			2,914,893		4,072,597	
72,622	46,398	Net mark-up / interest income after provisions		6,117,765		3,669,997	
		<b>Non mark-up/interest income</b>					
15,523	15,899	Fee, commission and brokerage income		1,307,699		1,257,584	
1,929	2,195	Dividend income		162,537		173,621	
6,392	11,043	Income from dealing in foreign currencies		538,445		873,512	
1,706	465	Gain on sale of investments - net		143,717		36,743	
–	–	Unrealised (loss) / gain on revaluation of investments		–		–	
(23)	283	classified as held for trading - net		(1,918)		22,384	
4,798	4,338	Other income		404,221		343,156	
30,325	34,223	Total non mark-up / interest income		2,554,701		2,707,000	
102,947	80,621			8,672,466		6,376,997	
		<b>Non mark-up/interest expenses</b>					
83,045	74,643	Administrative expenses		6,995,857		5,904,169	
–	6	Other provisions / write offs		–		459	
408	139	Other charges		34,368		10,987	
83,453	74,788	Total non-markup / interest expenses		7,030,225		5,915,615	
19,494	5,833			1,642,241		461,382	
–	–	Extra ordinary / unusual items		–		–	
19,494	5,833	PROFIT BEFORE TAXATION		1,642,241		461,382	
6,673	220	Taxation – current		562,099		17,363	
1,422	(632)	– prior years'		119,827		(50,000)	
(1,751)	1,363	– deferred		(147,478)		107,794	
6,344	951			534,448		75,157	
13,150	4,882	PROFIT AFTER TAXATION		1,107,793		386,225	
3,668	27,116	Unappropriated profit brought forward		308,980		2,144,810	
16,818	31,998	Profit available for appropriation		1,416,773		2,531,035	
0.03	0.01	Basic / diluted earnings per share - US \$ / Rupees		2.18		0.76	

Note:

The above is for information only and conversion have been made @ 1US\$ = Pak Rs. 84.2416 as at December 31, 2009. (1US\$ = Pak Rs. 79.0985 as at December 31, 2008).



# Glossary of Financial & Banking Terms

## ACCEPTANCES

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.

## ACCRUAL BASIS

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

## BILLS FOR COLLECTION

A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.

## BONUS ISSUE (SCRIP ISSUE)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

## CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

## CASH EQUIVALENTS

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## COMMITMENT TO EXTEND CREDIT

Credit facilities approved but not yet utilized by the client as at the Balance sheet date.

## COMMITMENT TO EXTEND CREDIT

Commitments to extend credit are those commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

## CONTINGENCIES

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.

## COST / INCOME RATIO

Operating expenses as a percentage of total income.

## CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## CAGR

An abbreviation for Compound Annual Growth Rate.

## DEFERRED TAXATION

Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

## DERIVATIVES

Derivative is a financial instrument or other contract which has the following characteristics:

- (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

- (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (c) it is settled at a future date.

## EARNINGS PER SHARE

Profit after taxation divided by the weighted average number of ordinary share in issue.

## EFFECTIVE TAX RATE

Provision for taxation excluding deferred tax divided by the profit before taxation.

## EQUITY METHOD

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Income Statement reflects the investor's share of the results of operations of the investee.

## FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

## FORWARD EXCHANGE CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

## GROSS DIVIDENDS

The portion of profits distributed to the shareholders including the tax withheld.

**GUARANTEES**

An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.

**HISTORICAL COST CONVENTION**

Recording transactions at the actual value received or paid.

**INTEREST IN SUSPENSE**

Interest suspended on non-performing loans and advances.

**INTEREST SPREAD**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

**LIQUID ASSETS**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

**LOAN LOSSES AND PROVISIONS**

Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

**MARKET CAPITALISATION**

Number of ordinary shares in issue multiplied by the market value of share as at the year end.

**MATERIALITY**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

**NET ASSETS VALUE PER SHARE**

Shareholders' funds divided by the number of ordinary shares in issue.

**NET DIVIDENDS**

Dividend net of withholding tax.

**NET INTEREST INCOME**

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

**NON PERFORMING LOANS**

A loan placed on cash basis (i.e Interest Income is only recognized when cash is received) because in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.

**OFF BALANCE SHEET TRANSACTIONS**

Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

**PRICE EARNINGS RATIO (P/E RATIO)**

Market price of a share divided by earnings per share.

**PRUDENCE**

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

**RELATED PARTIES**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**RETURN ON AVERAGE ASSETS**

Profit after tax divided by the average assets.

**RISK WEIGHTED ASSETS**

On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

**REPURCHASE AGREEMENT**

Contract to sell and subsequently repurchase securities at a specified date and price.

**REVERSE REPURCHASE AGREEMENT**

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

**RETURN ON AVERAGE EQUITY**

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

**REVENUE RESERVE**

Reserves set aside for future distribution and investment.

**SHAREHOLDERS' FUNDS**

Total of Issued and fully paid share capital and capital and revenue reserves.

**STATUTORY RESERVE FUNDS**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

**SUBSIDIARY COMPANY**

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

# Notes

## AGM

On March 30, 2010 at 10:00 am  
Blue Lagoon Complex  
Opposite Outward Gate of  
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 Extra-ordinary General Meeting of the  
 Bank to be held on **Tuesday, March 30, 2010 at 10:00 a.m** at Blue Lagoon Complex opposite outward gate of Pearl Continental Hotel  
 Rawalpindi and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Witnesses: \_\_\_\_\_

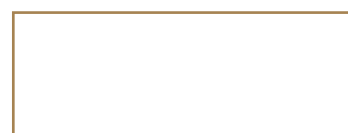
Name: \_\_\_\_\_

C.N.I.C. No./Passport No.: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



(Member's signature on  
 Rs. 5/- Revenue Stamp)

### NOTES:

#### A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member, all such instruments of proxy shall be rendered invalid.

The Company Secretary:

**ASKARI BANK LIMITED**

AWT Plaza, The Mall, P.O. Box No. 1084,  
Rawalpindi - Pakistan.



All our efforts are  
driven by the will to  
be instrumental in  
your success



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