



Banking...  
made easy

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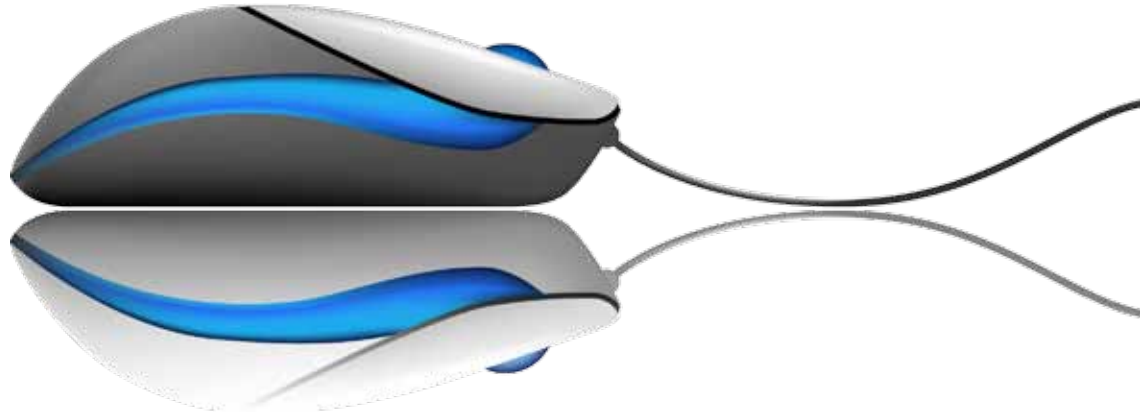
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With disciplined technological advancements, we are aiming to unlock the value of time, unlock the value of our systems, allowing and enabling multi-opportunities, multi-tasking, multi-benefits and multi-success.

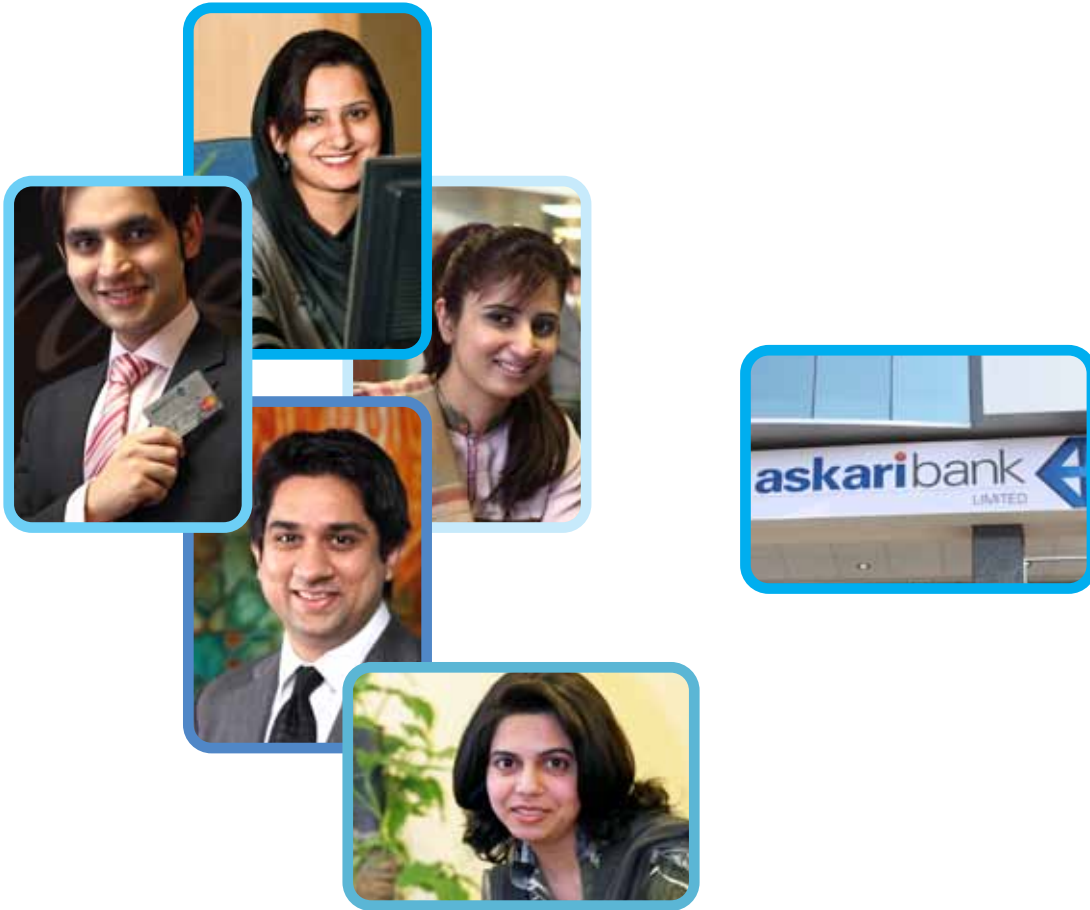




Banking

anytime, anywhere...

# 19 Years of banking



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

Askari Bank has since expanded into a network of 235 branches / sub-branches, including 31 dedicated Islamic banking branches, and a wholesale bank branch in Bahrain.

A shared network of 4,401 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As at December 31, 2010, the Bank had equity of Rs. 16.0 billion and total assets of Rs. 314.7 billion, with 885,764 banking customers, serviced by our 6,442 employees.

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



# Vision & Mission

A collection of white paper boats on a white surface, with one blue paper boat in the foreground. The boats are arranged in a line, receding into the background. The blue boat is in the foreground, slightly to the right, and is the only one of its color. The white boats are in the background, creating a sense of depth. The lighting is soft, casting gentle shadows on the surface.

## Our vision

To be the bank of first choice in the region

## Our mission

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



## Our thinking

Creating opportunities with innovation and technology

Commitment	Integrity	Fairness	Teamwork	Service
<b>Customers</b>	<b>Investors</b>	<b>Regulators</b>	<b>Employees</b>	<b>Communities</b>
Passionate about our customers' success, delighting them with the quality of our service	A distinctive investment, delivering outstanding performance, return and value	Exemplary compliance, governance and business ethics	Caring for our people and helping them to grow	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 priorities to attain brand recognition and competitive edge. We are continuously reviewing and 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 and internationally. Our phone and internet banking facilities allows customers to enjoy routine banking service from anywhere, any-time 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 technology solutions. This process is in the advanced stage and upon complete implementation, 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 behaviour, 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 885,764 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 behaviour 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.

# Products & Services

## Branch Banking

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



### Deposit Multiplier Account

Designed for individual investors / savers who aim to invest their funds for a longer term and for relatively higher returns. This is a term deposit for a ten years tenure and offers a competitive rate of return payable on maturity. This product is ideal for investors / savers who wish to start saving for their future today.



### Mahana Bachat Account

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



### Paishgi Munafa Account

Askari Paishgi Munafa Account is a unique term deposit designed to meet the immediate financial needs of individual investors / savers who want to invest their funds for a medium term. The most significant feature of this product is that the customer receives the entire profit upfront at the time of placing the deposit in a way that the investors / savers can fulfill your financial needs of today without depleting your savings.



### Value Plus Deposit Account

Askari Bank Value Plus Rupee Deposit Accounts offers value and flexibility. This product promises greater financial freedom and security, in an unmatched way. Now customers can open a "Value Plus Account" while enjoying the flexibility of a normal checking account.



### Investment Certificates

Askari Bank's Investment Certificates provide the added security, investment and monthly return to the customers. These certificates are negotiable and can be transferred to third party. Investment Certificates are available for a 3 months period and profit is payable on monthly basis through pre-printed tear-off coupons.



### Rupee Traveler Cheques

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



### Roshan Mustaqbil Deposit

The Askari Roshan Mustaqbil Deposit is a saving plan created for individual investors/savers who wish to invest now for a regular return at a later stage while keeping their principal intact. Customers can invest a substantial amount without having to block their entire savings like a regular term deposits. With Askari Roshan Mustaqbil Deposit customers can invest in the form of monthly deposits for a period of five years and get paid back the same monthly deposit amount every month for the next five years while receiving their principal amount in full at the end of the ten years. This way customers can double their investment in a period of ten years.



### Bancassurance

Bancassurance is the latest addition to our product profile. The Bank now offers innovative banking solutions with a touch of insurance in it by fusion of Banking, Wealth Management and Insurance Products. In partnership with M/s Eastern Federal Union (EFU) Life, the Bank is positioned to offer our valued customers with value added life insurance and wealth management products tailored to suit their long term financial requirements and protection plans through select branches. As an extended feature of bancassurance, the Bank has also pioneered a co-brand credit card 'Askari EFU Life co-Brand Credit Card'. This feature offers benefits such as cash back facility, standing charge option, reward points for each retail transaction conducted and much more.

## Corporate and Investment Banking

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



### Corporate Banking

The Corporate Banking works on a long-term relationship based business model to provide a single point within the bank for meeting all business requirements of its corporate and institutional customers, including public sector enterprises, with the primary objective of enhancing customer service.

Dedicated relationship managers for each of our corporate client ensure customer satisfaction, which remains top priority. Our relationship oriented outlook focuses upon providing a complete array of tailored financing solutions, that are practical and cost effective, some of which include:

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



### Investment Banking

The Investment Banking at Askari 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.

Whether a company is seeking to access the local or cross border syndications and debt capital markets, project financing needs, advisory services related to M&A or the local equity capital markets for raising capital, Askari Bank's CIBG is well positioned to provide due assistance. We can create and tailor the right structured solutions for business needs in order to enhance shareholders' wealth and market competitiveness

Investment Banking offers various and tailored financial solutions including debt syndications, project finance and advisory services, debt placements through capital markets as well as structured trade finance facilities.

## Consumer Banking

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



### Ask4Car

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



### Personal Finance

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



### Mortgage Finance

Whether you plan to construct a house, buy a constructed house, or renovate your home, Askari mortgage finance enables you to pursue your goal without any problems. Mortgage is a premium home financing product for customers aged between 23 – 65 years belonging to the upper, upper middle and middle income groups, residing in the urban areas of Pakistan



### Visa Debit Card

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



### Master Credit Card

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

# Products & Services contd.

## Agricultural Banking



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

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

## Islamic Banking

With the help of Shariah advisor and professional bankers, Askari Islamic banking provides Riba free and Sharia'a Compliant solutions to various customer segments through a modest branch network in major cities of Pakistan. It offers following main products:



### Ijarah Vehicle Finance

Ijarah is a rental agreement, under which the usufructs of an asset is transferred to the client on agreed terms and conditions. It is a Sharia'a compliant mode of finance, adopted by Askari Islamic Banking to meet the vehicle financing needs of its Islamic customers.



### Home Musharakah

Askari Islamic Banking offers Sharia'a compliant home financing to purchase, construct, improve and transfer of the property under the concept of Diminishing Musharakah. This means being able to cope with other financial commitment, while still having money left over for extras and unexpected expenses.

## Alternate Delivery Channels



### Internet (I-NET) Banking

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

### Call Center



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

### Auto Teller Machine (ATM)



Askari Bank is a member of two electronic ATM inter-bank connectivity platforms i.e., MNET and 1-link. Through this shared network of online 4,401 ATMs including Askari Bank's 233 dedicated ATMs covering all major cities in Pakistan supports the delivery channels for customer service. It provides services of e-banking and payment system products.

\* Above referred products and services are subject to various terms and conditions. Further details about the products listed above or additional offerings of Askari Bank, any of our branches (contact information given on page 194 to 201) may be contacted or telephone calls can be made **0800-00078** or our website [www.askaribank.com.pk](http://www.askaribank.com.pk) may be visited.



Bancassurance



Roshan Mustaqbil Deposit

Mahana Bachat

Paishgi Munafa

Export Financing

Personal Finance

Home Musharkah

Askari I Net



# Corporate Philosophy



## Corporate Objectives

- To achieve sustained growth and profitability in all areas of banking 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, strengthened 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 corporate 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.

## Statement of Ethics & Business Practices

Askari Bank seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical, and independent. In order to achieve these objectives, following principles of ethics and conduct are mandatory for all employees of the Bank:

- Render, with integrity, a responsible and effective service of high quality which is accessible by all customers, present and prospective.
- Not abuse the authority that he or she has been assigned as an employee of the Bank, in dealings with customers and other employees.
- Act judiciously, fairly and impartially with all customers when exercising any discretion in the performance of duties;
- Exercise powers conferred on them in a responsible manner particularly by:
  - performing all their duties impartially without favouring any customer and without regard to status, sex, race, religion, political beliefs or aspirations;
  - acting honestly, respectfully, transparently and in an accountable manner;
  - treating all persons with equal consideration and objectivity;
  - using any discretion vested in them judiciously, sensibly, impartially and reasonably.
- Refrain from divulging any information received in the course of their work and duties unless the performance of duty or the needs of justice require otherwise;
- Refrain from making wrong declaration to the Bank, other employees or customers.



- Resist and report any offers of bribes or other corruption emanating from any source.
- In their private life behave in a manner, which does not bring discredit to or impair the dignity or reputation of the Bank.
- Seek to attain the highest possible standards of performance; interpersonal relationships and exercise care for others in employment related activities.
- Take official decisions and enforce policies of the Bank within the ambit of law of the land faithfully and impartially.
- Respect and comply with the statement of ethics and business practices, if they have reason to believe that a violation of this Statement, laws or regulations has occurred or is about to occur, report the matter to the Bank's management.

### Corporate Culture

The Bank recognizes employees' behaviour and interaction with others as a vital part of their duties. In order to achieve the desired level of performance and corporate objectives, preservation of congenial and professional working environment is encouraged. Askari Bank seeks to create an environment where all persons are treated equitably and with respect, where person's rights are respected and where efforts of staff are encouraged and their achievements given due recognition.

### Professionalism

Professionalism embraces the necessary skills, qualification and knowledge to undertake tasks in a competent manner. Bank employees are expected to carry out their responsibilities in a professional manner at all times. They must conduct financial or other obligations in a prudent manner and should avoid situations that could reflect unfavorably on themselves, Bank or its customers.

### Customer Relationship

Knowing our customers and their needs is the key to our business success. Fairness, truthfulness and transparency governs our customer relationships in determining the transactional terms, conditions, rights and obligations. Employees should seek to understand customers' financial circumstances and needs to be able to provide them with most suitable products and services. All employees must ensure that any advice given to a customer is honest and fairly expressed and restricted to only those services or products where the Bank has the relevant expertise and authority.

### Maintaining Confidentiality

Bank employees have a duty to safeguard confidential information, which may come to their possession during their day-to-day work. Respect for customers' private affairs, merits the same care as does the protection of the Bank's own affairs or other interests. This duty of confidentiality involves not divulging information to third parties unless required by statutory authorities / law.

# Corporate Philosophy contd.

## Conflict of Interest

Circumstances should be avoided in which personal interest conflicts, or may appear to conflict, with the interest of the Bank or its customers.

Circumstances may arise where an employee, his / her spouse or family member directly or indirectly hold a business interest which conflicts or may conflict with the Bank's interest. In order to ensure that the Bank makes objective decisions, employee must declare in advance such interest to the management. Any involvement in an outside activity or any external position held by an employee:

- must not give rise to any real or apparent conflict with a customer's interest;
- must not adversely reflect on the Bank; and
- must not interfere with an employee's job performance.

Employees must not negotiate or contract on behalf of the Bank with an enterprise in which they have a direct or indirect interest.

Employees on the payroll of Askari Bank must not undertake any other employment, whether part time, temporary or other, or act as consultant, director or partner of another enterprise except with the prior permission of the Bank.

## Customer Due Diligence (CDD)

CDD is the process to ensure that the Bank is not used for any unlawful transactions. This is achieved by obtaining sufficient information about the customers to reasonably satisfy as to their reputation, standing and the nature of their business activities. Effective use of CDD discourages money laundering, which uses banks as vehicles to disguise or "launder" the proceeds of criminal activities. All employees, particularly working in the customer service areas, must establish the identity of every new customer from reliable identifying documents.

For existing customers, they must remain vigilant and aware of:

- activities not consistent with customer's business;
- unusual characteristics or activities;
- attempts to avoid reporting or record keeping requirement; and
- unusual or erratic movement of funds.

## Personal Investments

Employees must ensure that no conflict of interest arises between their personal transactions and corporate and customer responsibilities. Employees must never attempt to use their position to obtain an advantage to buy and sell investments. Employees shall not, at any time, carry out:

- short sales of marketable securities or currencies or any other form of trading which is speculative in nature in their own account or for the account of their spouse or family members.
- trading in shares, securities or currencies which involve improper use of unpublished price sensitive information for personal benefit.

## Relations with Regulators

Relationship with regulators is one of the most important relations, which Askari Bank maintains with the aim of developing mutual confidence and trust. All employees must comply in letter and spirit, with legal and regulatory requirements applicable to the activities in which the Bank is engaged.

## Relationship with competitors

Except in situations where the Bank is participating in a transaction with other bank(s), no employee shall have any 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.

## Gifts and entertainment

Gifts, business entertainment or other benefits from a customer or a supplier / vendor, which appear or may appear to compromise commercial relationships must not be accepted by the employees.

In the event that a gift must be accepted for reason of customer's insistence and sensitivity of relationship, such gifts must be surrendered to the Bank along with reasons of acceptance.

Under no circumstances an employee shall either directly or indirectly accept any amount of money, however small, as gift, gratuity, subscription or reward from any employee of the Bank, customer, supplier or vendor.

Customers who wish to express gratitude for the services of Askari Bank should be requested to send a letter of appreciation.

## Political Activities

No employee of the Bank shall contribute or lend money or items of any value to any of the political candidates or parties. This also includes using Bank's facilities, equipment, personnel etc. for the purpose. However, they shall be free to participate in political process as concerned individuals through means of voting. In case of an employee considering assuming any public office, prior specific information with all related reasons must be provided to the Bank for approval.

## Fraud, theft or illegal activities

Employees are expected to remain alert and vigilant with respect to frauds, thefts or illegal activities committed within the Bank premises.

## Harassment at workplace

Employees must avoid any behaviours that can be termed as harassment, offensive, threatening or disturbing to other employees.





# Corporate Information

## Board of Directors

Lt. Gen. Nadeem Taj  
Chairman  
Executive Director

Lt. Gen. (R) Imtiaz Hussain  
Executive Director

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

Mr. Zafar Alam Khan Sumbal  
Executive Director

Mr. Muhammad Riyazul Haque  
Non-Executive Independent Director

Mr. Shahid Mahmud  
Non-Executive Independent Director

Mr. Ali Noormahomed Rattansey, FCA  
Non-Executive Independent Director

Dr. Bashir Ahmad Khan  
Non-Executive Independent Director

Mr. Wazir Ali Khoja  
(NIT Nominee)  
Non-Executive Independent Director

Mr. M. R. Mehkari  
President & Chief Executive

## Audit Committee

Dr. Bashir Ahmad Khan  
Chairman

Mr. Ali Noormahomed Rattansey, FCA

Mr. Wazir Ali Khoja

## Company Secretary

Mr. M. A. Ghazali Marghoob, FCA

## Chief Financial Officer

Mr. Saleem Anwar, FCA

## Auditors

KPMG Taseer Hadi & 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)

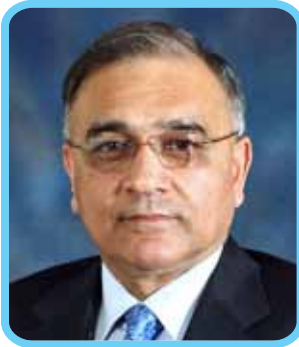
## Registrar and Share Transfer Office

THK Associates (Private) Limited  
Ground Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmad Road,  
P.O. Box: 8533  
Karachi-75530  
Tel: (92 21) 5689021, 5686658, 5685681  
Fax: (92 21) 5655595  
UAN: (92 21) 111 000 322

## Entity Ratings

Long Term: AA  
Short Term: A1 +  
by PACRA

# Directors' Profile



## **Lt. Gen. Nadeem Taj HI (M)**

Chairman Board of Directors

Lt. Gen. Nadeem Taj joined the Board of Directors on June 7, 2010.

He was commissioned in Pakistan Army in July 1972 and has had a distinguished career spanning a period of more than 38 years. He possesses MSc (Strategic Studies) degree from Quaid-i-Azam University, Islamabad. He has worked on various command, staff and instructional assignments during his illustrious career in the Pakistan Army.

He has been Commandant Pakistan Military Academy besides having been Director General ISI and has commanded a Corps.

He is currently serving as Adjutant General (AG) of the Pakistan Army.



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

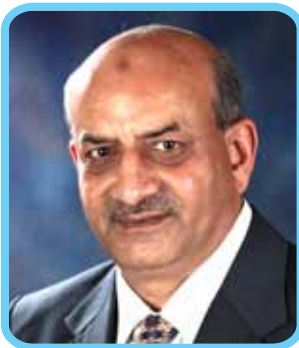
Director

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 the 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**

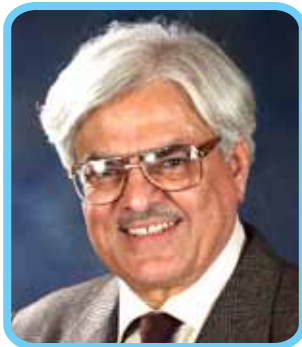
Director

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 38 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.

## Directors' Profile contd.



**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 Balochistan, 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 26 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.



**Mr. Ali Noormahomed Rattansey**

Director

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

He has 39 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, 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. Wazir Ali Khoja**

Director

Mr Wazir Ali Khoja, Chairman and Managing Director National Investment Trust (NIT) is a seasoned banker with more than 32 years of professional experience in the field of banking, finance and mutual fund industry.

Mr Khoja is a commerce graduate from the University of Sindh. He started his career from MCB Bank in 1965 as branch manager and worked up his way to become Senior Executive Vice President in 1996. His main area of expertise has been project finance, equity market operations and treasury affairs. Besides, he was also responsible for HR, Retail Products and Sports Division. By virtue of his proactive leadership, management skills and teamwork approach he had successfully turned MCB branches located in Sindh into profit during his tenure as General Manager. As Head of Sports Division at MCB, Mr. Khoja contributed in identifying and grooming young sporting talent to compete internationally in cricket, hockey and football. He also holds the position as member Governing Body of Pakistan Cricket Board (PCB). Mr. Khoja also served as Deputy Managing Director of NIT during 1994-95. Presently he is member on the Boards of prestigious institutions including Sui Southern Gas Co., Sui Northern Gas Co., Bank Al Habib, Habib Metropolitan Bank, Shell Pakistan, Fauji Fertilizer Company and Pak Telecom Mobile.



### **Mr. Muhammad Rafiquddin Mehkari**

President & Chief Executive

Mr. M. R. Mehkari with 40 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 served as Director, Exchange Policy Department from April 2000 to April 2004, where he took 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 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.

# Board Committees

## Executive Committee (EC)

### Composition:

- Lt. Gen. (R) Imtiaz Hussain  
Chairman
- Maj. Gen. (R) Saeed Ahmad Khan
- Mr Zafar Alam Khan Sumbal
- Mr Shahid Mahmud
- Mr M R Mehkari  
President & CE

### Terms of Reference:

The key functions of the EC are overseeing all operational, financial and administrative aspects of the Bank's business and in this regard, formulating, reviewing and/or revising policies including defining powers of the President & CE and/or other officials of the Bank and issuing directives for implementation thereof. Considering / approving such other matters which are beyond the established limits of the President & CE. Considering, approving, appointing and promoting executives in certain senior cadre and suspending, terminating their services with the consent / recommendation of the President & CE.

13 EC meetings were held during 2010.

## Audit Committee (AC)

### Composition:

- Dr Bashir Ahmad Khan  
Chairman
- Mr Ali Noormahomed Rattansey
- Mr Wazir Ali Khoja

### Terms of Reference:

AC is responsible for setting appropriate measures to safeguard the Bank's assets and in this regard determining effectiveness and efficiency of internal control systems; reviewing and recommending to the Board for approval of financial statements, statement on internal control, related party transactions and recommend appointment of external auditors. It is also mandated to receive, review and present to the Board, management letters issued by the external auditors; consider internal audit reports and report findings to the Board that require its attention; ensuring effective coordination between internal and external auditors. It is also responsible to reviewing scope of internal audit function. Determination and monitoring compliance to statutory / regulatory requirements and best practices

of corporate governance and taking up any other matter on the directions of the Board are also within its scope.

4 AC meetings were held during 2010.

## Risk Management Committee (RMC)

### Composition:

- Mr Zafar Alam Khan Sumbal  
Chairman
- Mr Wazir Ali Khoja
- Mr M R Mehkari  
President & CE

### Terms of Reference:

The main function of RMC is to review risk management strategies for identification, assessment, reporting, monitoring and controlling of risks ensuring that the risk management framework remains fully compliant with the regulatory requirements; development of risk management policies and parameters; approval and monitoring of limits in respect of credit, market, operation and other risks; carrying surveillance function on behalf of the Board and reporting to the Board matters requiring its attention; ensuring that the risk management function of the Bank is adequately resourced possessing required skill set to effectively perform its duties; reviewing periodic reports submitted to the SBP; and ensuring that the RMC is abreast of changing risk management techniques through organizing regular training programs for RMC members.

4 RMC meetings were held during 2010.

## Human Resource Committee (HRC)

### Composition:

- Mr Zafar Alam Khan Sumbal  
Chairman
- Dr Bashir Ahmad Khan

### Terms of Reference:

The key functions of HRC are to review and recommend to the Board human resource policies of the Bank, HR annual budgets and monitor variances; review of succession plan of senior management ensuring that all such position remain filled; reviewing employee training need assessment including training program organized / conducted for the Bank's employees; ensure adequacy of Bank's staff at all levels through regular review of staff strengths; perform any other task as per the directives of the Board.

3 HRC meetings were held during 2010.

# Management Committees

## Management Committee (ManCom)

### Composition:

- President & CE  
Chairman
- Group Head – Commercial Banking
- Group Head – Corporate & Investment Banking
- Group Head - Operations
- Group Head – Marketing & Strategic Planning
- Chief Information Officer
- Global Treasurer
- Chief Financial Officer
- Country Head - Human Resource
- Country Head - Compliance & Data
- Country Head - Consumer Banking Services
- Chief Credit Officer
- Executive Incharge – President Support
- Country Head - Risk Management
- Regional General Managers, North, Central & South

### Terms of Reference:

ManCom's primary responsibility is to ensure development, monitoring and management of effective governance throughout the Bank and in its wholly owned subsidiaries. It is responsible to set strategic direction of the Bank including its down the line communication within the Bank; developing business plans ensuring that these are aligned to strategic plan and monitoring of performance thereagainst. It is also mandated to ensure the health of operations and adequacy of returns of all business activities of the Bank.

## Asset Liability Management Committee (ALCO)

### Composition:

- President & CE  
Chairman
- Group Head – Commercial Banking
- Group Head – Marketing & Strategic Planning
- Group Head – Corporate & Investment Banking
- Global Treasurer
- Chief Financial Officer
- Chief Credit Officer
- Country Head - Risk Management
- Country Head - International Banking
- Regional General Managers, North, Central & South

### Terms of Reference:

ALCO is responsible for review and monitoring the liquidity management of the Bank, interest rate scenarios, market and foreign currency risks, by applying various techniques including stress testing and gap analysis, while considering external environment (economic forecasts etc.) and ensuring that these remain fully compliant with the regulatory requirements. ALCO also ensures that corrective / remedial measures, where necessary, are initiated. It is also responsible to review and approval new products, periodical declaration of deposit rates, setting targets, and monitoring performance thereagainst. It is also mandated to review performance of capital market activities within the Bank.



# Management Committees contd.

## Administrative Committee (AdmnCom)

### Composition:

- Group Head - Operations  
Chairman
- Country Head - International Banking
- Country Head - Electronic Technology
- Country Head - Human Resource
- Country Head - Establishment

### Terms of Reference:

AdmnCom is responsible for review, recommendation and approval of acquisition / disposal of operating assets. It also reviews and monitors progress of opening of new branches. It is also responsible to review and approve schedule of bank charges on various banking services offered by the Bank.

## Information Technology Steering Committee (ITSC)

### Composition:

- President & Chief Executive  
Chairman
- Group Head - Commercial Banking
- Group Head - Corporate & Investment Banking
- Group Head - Operations
- Group Head - Marketing & Strategic Planning
- Chief Information Officer
- Chief Financial Officer
- Country Head - Consumer Banking Services
- Country Head - Electronic Technology
- Country Head - Risk Management
- Country Head - Audit & Inspection
- Executive Incharge - President Support

### Terms of Reference:

IT Steering Committee's primary responsibility is to develop IT strategic plan including identifying high level risks and devising mitigation strategies; forecast future IT projects / requirements in line with business growth and provide necessary support & guidance; ensuring that all IT processes / establishments remain compliant with relevant IT standards including those of the SBP. It is also responsible to monitor IT governance structure, exercise oversight and ensure policies are developed to meet IT related organizational objectives.

## Disciplinary Action Committee (DAC)

### Composition:

- Executive In-charge - President Support  
Chairman
- Country Head - Human Resource
- Country Head - Compliance & Data
- Country Head - Legal Affairs
- Senior Executive - Operations

### Terms of Reference:

This Committee is mainly responsible for initiating and enforcing disciplinary action proceedings against Bank employees who are found involved in fraud / forgery and other serious offences / instances of misconduct, and take appropriate decisions as per the staff service rules of the Bank.

## Head Office Credit Committee (HOCC)

### Composition:

- President & Chief Executive  
Chairman
- Group Head - Commercial Banking
- Group Head - Corporate & Investment Banking
- Group Head - Operations
- Group Head - Marketing & Strategic Planning
- Chief Credit Officer
- Country Head - Special Asset Management

### Terms of Reference:

HOCC is mainly responsible for review and approval of credit strategy; review of risk appetite and tolerance limits; approval of credit / investment proposals; review of classified advances portfolio and watch-list accounts and initiate necessary corrective measures. It is also delegated with the powers to develop / maintain and approve the credit approval authority structure within the Bank to ensure smooth functioning. Various analysis & reviews on credit risk conducted by Risk Management Division of the Bank are also presented in the HOCC for review and monitoring health of Bank's credit portfolio.





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EXPERIENCE

# Notice of 19th Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Tuesday, March 29, 2011 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 18th Annual General Meeting held on March 30, 2010.
2. To receive, consider and adopt the financial statements for the year ended December 31, 2010 together with the Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the Bank for the year ending December 31, 2011 and to fix their remuneration.
4. To elect ten (10) Directors as fixed by the Board in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a period of three years in place of the following retiring directors namely:
  - Lt. Gen. Nadeem Taj
  - Lt. Gen. (R) Imtiaz Hussain
  - Maj. Gen. (R) Saeed Ahmed Khan
  - Mr. Zafar Alam Khan Sumbal
  - Dr. Bashir Ahmad Khan
  - Mr. Ali Noormahomed Rattansey
  - Mr. Shahid Mahmud
  - Mr. Muhammad Riyazul Haque
  - Mr. Wazir Ali Khoja- NIT nominee

## Special Business:

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

### Resolved that

- i) a sum of Rs. 642,744 thousand out of the general reserve as at December 31, 2010 be capitalized and be applied to the issue of 64,274,394 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 22, 2011 in the proportion of 10 shares for every hundred shares held that is 10 percent.
- ii) the bonus shares shall rank pari passu in all respects with the existing shares.
- iii) the sale proceeds of fraction shares 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.
- iv) the President and Chief Executive and Company Secretary of the Bank 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.

6. To consider and if deemed fit, approve and adopt the amendment in the Article 106 of the Articles of Association of the Bank and to pass the following 'Special Resolutions' with or without modification(s):

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

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

Remuneration Payable to Directors of the Company for attending Board Meetings shall not exceed Rs. 50,000 and remuneration payable to Directors of the Company for attending meetings of Board Committees shall not exceed Rs. 25,000 and a Director who performs extra service or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowance and perquisites etc, or partly in one way and partly in another) as the members may fix and the Company may also pay any Director all such reasonable expenses as may be incurred in attending and returning from Board meetings or meetings of Board Committees or which he may otherwise incur in or about the business of the Company.

**Resolved Further that** the President and Chief Executive and Company Secretary of the Bank be and are hereby authorized either singly or jointly, to take all steps necessary, ancillary and incidental for registering and amending the Articles of Association of the Company as stated above, including but not limited to filing of all the requisite statutory forms and all other documents as may be required to be filed with the Companies Registration Office, Securities and Exchange Commission of Pakistan and the State Bank of Pakistan and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the amendment in the Articles of Association."

7. To consider and if deemed fit pass the following 'Special Resolutions' under section 208 of the Companies Ordinance, 1984 with or without modification(s):

**"Resolved that** the Chief Executive Officer and Company Secretary of the Bank be and are hereby authorized to take all necessary steps to make long term investment in the share capital of Askari General Insurance Company Limited by way of subscription of 25% right issue of shares amounting to Rs. 12,735,860 and subscription of additional shares amounting to Rs. 5,548,390 from unsubscribed portion of Right Issue of shares in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest such investments as and when considered appropriate.

**Further Resolved that** the Chief Executive Officer and Company Secretary of the Bank be and are hereby authorized either singly or jointly, to take all necessary

steps to make investment (s) of up to Rs. 400 million as Seed /Core Capital in the open - end mutual funds / collective investments schemes to be launched by Askari Investment Management Limited (AIML) in future from time to time.

**Further Resolved that** the Board of Directors of Askari Bank Limited be and is hereby authorized to evaluate and approve above Seed / Core Capital investments to be made by the Bank in any particular open - end mutual fund to be launched by AIML in future.

**Resolved Further that** the President and Chief Executive and Company Secretary of the Bank be and are hereby authorized either singly or jointly, to complete any or all necessary required corporate and legal formalities for the completion of the transactions.”

8. 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 7, 2011

## Notes

1. The statement under section 160(1)(b) & (c) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business to be transacted at the meeting is annexed.
2. The Share Transfer books of the Bank will remain closed from March 23 to March 29, 2011 (both days inclusive). Transfers received at M/s THK Associates (Private) Limited, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmad Road, Karachi-75530, the Registrar and Share Transfer Office of the Bank at the close of the business on March 22, 2011 will be treated in time for purpose of the entitlement of bonus shares (B-15) to the transferees.
3. Any person who seeks to contest the election of directors shall file the following with the Bank at its registered office not later than fourteen days before the day of the above said meeting:
  - i) His/her intention to offer himself/herself for election of Directors in terms of Section 178(3) of the Companies Ordinance, 1984, [the Ordinance] together with (a) consent on Form 28 as prescribed by the Companies (Provisions and Forms) Rules, 1985 (b) a declaration with consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance [the Code] to the effect that he/she is aware of duties and powers of Directors as mentioned in the Ordinance, the Memorandum and Articles of Association of the Bank and the Listing Regulations of the Stock Exchanges and has read the relevant provisions contained therein; and (c) a declaration in accordance with clause (iii) and (iv) of the Code to the effect that he/she is not serving as a Director of more than ten listed companies; and he/she is a registered National Tax Payer (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
  - ii) A specified affidavit as prescribed in the State Bank of Pakistan [SBP] BPRD Circular No. 12 dated June 2, 2000 together with prescribed Questionnaire in accordance with Prudential Regulation No. G-1 and the 'Fit and Proper Test' for the appointment of Directors in terms of SBP BPD Circular No. 13 dated May 17, 2004 along-with two recent photographs and a copy of CNIC (Passport in case of foreign national). Copies of SBP circulars / annexures may be obtained from SBP website or from the office of the Company Secretary of the Bank. SBP circulars / annexures also list various persons who are not eligible to become director of a Bank. Any person with these anomalies is considered undesirable; and against the public interest in terms of SBP BPRD Circular No. 12 dated June 02, 2000.
4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
5. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
6. The instrument appointing a proxy, together with 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.
7. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

# Notice of 19th Annual General Meeting contd.

8. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
9. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
10. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
11. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

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

This statement sets out the material facts pertaining to the special business to be transacted at the 19th Annual General Meeting of the Bank to be held on March 29, 2011.

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

Term of office of the present Directors of the Bank will expire on March 29, 2011. The Board of Directors of the Bank will be re-constituted for a fresh term of three years by electing ten (10) Directors including one (1) nominee Director of NIT.

### Item No. 5 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. 642,744 thousand for issue of the proposed 10 % bonus shares and in this regard compliance has been made under Rule 6 of the Companies (Issue of Capital) Rules, 1996. Auditors' certificate in respect of adequacy of reserves has also been obtained.

### Item No. 6 of the Notice – Amendment in the Article

The Directors of the Bank have proposed amendment in Article 106 of the Articles of Association primarily to extend the remuneration payable to Directors for attending Board of Directors meetings and Board Committees meetings from the present amount of Rs. 25,000 to Rs. 50,000 and Rs. 5,000 to Rs. 25,000 respectively. The increase in remuneration is recommended in light of increase in work load and further to bring their remuneration in terms with practice in other banks.

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

### Existing

Remuneration Payable to the directors of the Company for attending Board Meetings shall not exceed Rs. 25,000 and remuneration payable to Directors of the Company for attending meetings of Board's sub-committee shall not exceed Rs. 5,000 and a Director who perform extra service or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowance and perquisites etc, or partly in one way and partly in another) as the members may fix and the Company may also pay any Director all such reasonable expenses as may be incurred in attending and returning from the meetings of Directors or committees or Directors or which he may otherwise incur in or about the business of the Company.

### Proposed

Remuneration Payable to Directors of the Company for attending Board Meetings shall not exceed Rs. 50,000 and remuneration payable to Directors of the Company for attending meetings of Board Committees shall not exceed Rs. 25,000 and a Director who performs extra service or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowance and perquisites etc, or partly in one way and partly in another) as the members may fix and the Company may also pay any Director all such reasonable expenses as may be incurred in attending and returning from Board meetings or meetings of Board Committees or which he may otherwise incur in or about the business of the Company.

### Interest of the Directors and their relatives

The Directors of the Bank and their relatives have no interest in the proposed amendments in the Articles of Association of the Bank except to the extent of the proposed remuneration payable for attending meetings.

### Item No. 7 of the Notice – Investment to be made by the Bank in Askari General Insurance Company Limited (AGICO)

The Bank intends to make long term investment in the share capital of Askari General Insurance Company Limited (AGICO) for an amount of up to Rs. 25.50 million by way of subscription of 25 % right issue amounting to Rs. 12.75 million and subscription of additional shares amounting to Rs. 5.55 million from unsubscribed portion of Right Issue and to disinvest such investments as and when considered appropriate.

AGICO was incorporated in 1995 under the Companies Ordinance, 1984 as a public limited company and commenced its business in the same year. AGICO is sponsored by Army Welfare Trust and is an associated undertaking of the Bank. AGICO's shares are listed on all three stock exchanges of Pakistan.



Following are material facts about the proposed Special Resolution:

(i) Name of the Investee Company	Askari General Insurance Company Limited
(ii) Nature, amount and extent of investment	Long term investment in the share capital of Askari General Insurance Company Limited (AGICO) by way of subscription of 25% right issue of shares amounting to Rs. 12,735,860 and subscription of additional shares amounting to Rs. 5,548,390 from unsubscribed portion of right issue of shares and to disinvest such investments as and when considered appropriate
(iii) Average market price of the shares intended to be purchased during preceding six months	Rs. 10.86 (on the basis of KSE data since July 1 to December 31, 2010).
(iv) Break-up value of shares intended to be purchased on the basis of last audited financial statements	Year ended (YE) December 31, 2009 (Audited) Rs. 13.17 Half year ended June 30, 2010 (Unaudited) Rs. 14.05
(v) Price at which shares will be purchased	At par value (i.e Rs. 10/- each)
(vi) Earning / (loss) per share [E/(L)PS] of AGICO in last three years	YE 2007                      YE 2008                      YE 2009 Rs. 2.54                      Re. 0.33                      Rs. (1.35)
(vii) Source of funds from where shares will be purchased	Surplus funds
(viii) Period for which investment will be made	As a long-term investment
(ix) Purpose of Investment	Equity in associated concern
(x) Benefits likely to accrue to the Bank and the shareholders from the proposed investments	Investment income
(xi) Interest of Directors and their relatives in AGICO	Nil

### Askari Investment Management Limited (AIML)

AIML is a wholly owned subsidiary of Askari Bank Limited which is licensed as a non-banking finance company (NBFC) to undertake asset management and investment advisory services under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Pursuant to Regulation No. 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (Regulations), the Asset Management Company is required to arrange a minimum amount of investment which is subject to certain restrictions under these Regulations. Askari Bank Limited, in order to ensure successful launch of the new funds of AIML, intends to make Seed/Core capital investments of up to Rs. 400 million in such open-end mutual funds/collective investment schemes to be launched by AIML from time to time in future.

AIML is currently managing five open-end mutual funds/collective investment schemes. Launch of new funds by AIML will increase its product platter and is expected to help in further expanding its business by capturing the market shares and thereby adding value to AIML and the Bank.

### Inspection of Documents

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

# Management

## Head Office

### M. R. Mehkari

President & Chief Executive

### 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  
& Acting Group Head Marketing & Strategic  
Planning

### 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

### Mr. Zulfiqar Ali Khan

Country Head, Corporate & Commercial  
Leasing

### Azhar Ahmad Sahibzada

Acting 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

#### Khurshid Zafar

Regional General Manager

#### Saif-ur-Rehman Khan

Area Manager, Karachi – III

#### Niaz Mohammad

Area Manager, Hyderabad

#### Qazi A.M. Khalid

Area Manager, Karachi – I

#### Mirajuddin Aziz

Area Manager, Karachi – II

#### Hasan Raza Kari

Area Manager, Karachi – IV

#### Saleem Sohail Butt

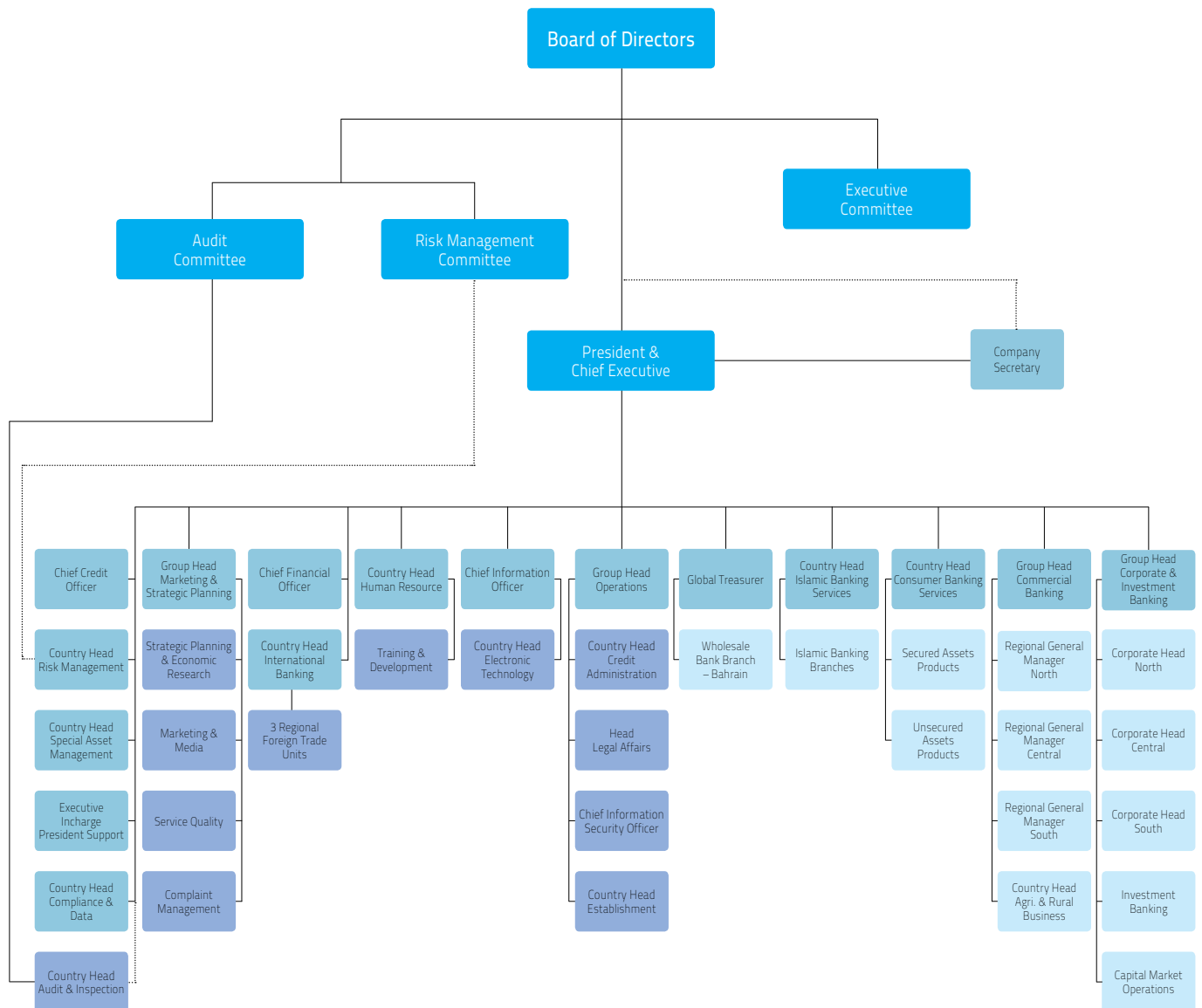
Area Manager, Quetta

### Wholesale Bank Branch, Bahrain

#### Khurram Dar

Branch Manager

# Organogram



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



# Risk Management Framework





# Entity Ratings



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. These 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 repayments.

# Corporate Social Responsibility



A group photo of Pakistan Veteran Championship participants

Askari Bank strongly believes that the success of an entity is directly connected with the well being of the society in which it operates, as business could not exist or prosper in isolation and it thus gives something back to the society in recognition of the benefits and advantages drawn from it.

In reply to the calls for relief for the affectees of massive floods of 2010, the Bank promptly responded and showed complete solidarity with the flood victims by contributing Rs.70 million towards their relief and rehabilitation. In addition, the employees of the Bank were mobilized to respond to this catastrophe in their personal capacities and also to donate 2 days salary, that generated additional Rs.16 million towards flood relief efforts.

The Bank, over the years, has supported and encouraged social development initiatives, which include improving and enhancing infrastructure facilities in the health care and education sectors of the country.

The Bank provides significant financial support to various educational institutions, all over the country. During the year, second tranche of Rs.16 million out of the total commitment of Rs.50 million was made towards endowment fund created by Institute of Business Administration, Karachi.

Some of the events sponsored by Askari Bank during the year 2010 are listed below:

## Sports

- Sponsorship of Pakistan Ladies National Tennis Championship
- 8th Chief of Army Staff Squash Championship
- Sponsorship of Karachi Deaf Cricket Tournament held at Bahawalpur
- Sponsorship of the annual events for Pakistan Swimming Federation
- Sponsorship of Pakistan Veteran Cricket Championship by Army Strategic Forces Command
- Sponsorship of Ibex Cup Open Golf Tournament by Ibex Golf Club Sargodha
- Sponsorship of 19th Corps Commander Cup Golf Tournament by Lahore Garrison Golf & Country Club
- Junior Davis Cup by Pakistan Tennis Federation
- Army Polo Championship by Army Polo Committee



A badminton player looks at opponent after a smash



Player in action in Junior Davis Cup



Pak Army rescuing children entrapped by flood



President & CE of the Bank presenting a cheque to the winner of 8th COAS squash championship



Winners of an event organized by Pakistan Swimming Federation

## Social

- Sponsorship of Social Evening at Marriot, Islamabad, by Al-Shifa Trust
- Sponsorship of DAWN Lifestyle Exhibition
- Sponsorship of workshop on "Personality Development & Stress Management" by M/s Initiators
- Sponsorship of "Screening Camp Program" by Al-Shifa Trust Eye Hospital, Sukkur

## Environment

- Sponsorship of campaign "Telephone a Tree"
- Sponsorship of F-10 roundabout, Islamabad
- Sponsorship of Park at Commercial Area, DHA, Lahore
- Sponsorship of Annual Garden & Spring Flower Competition by Station Headquarters, Malir Cantt

## Education

- Sponsorship of Zenith Leadership & Development Program by SHRS
- Sponsorship of College Annual Day Function by CMH Lahore Medical College
- Sponsorship of Pakistan CFO Conference at Marriot Hotel, Karachi
- Sponsorship of Pakistan Banking & Finance Technology Expo
- Sponsorship of "Annual Dinner" by Food Science & Technology Department University, Karachi
- Sponsorship of training sessions by Rotary Club of Lahore Midtown

# President's Message



Growing fiscal pressure on monetary management and the disruption caused by massive floods augmented the risks to macroeconomic price and stability of Pakistan's economy during 2010. Power outages, inflationary pressures and the resulting rise in the costs of inputs continued to weigh heavily on the producing sectors, particularly on industrial growth, and in turn on the financial services industry.

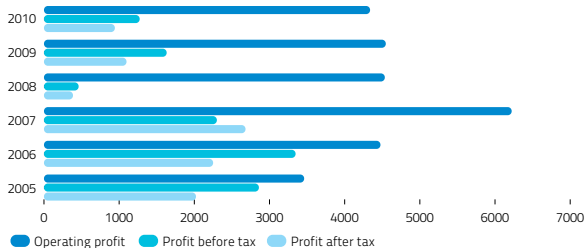
Askari Bank's balance sheet registered a strong growth of 24% during 2010, to Rs.315 billion, from Rs.254 billion at end 2009. This growth was pursued as part of our strategy to generate revenues to off-set the loss of earnings caused by rising non-performing loans, which peaked at 12.8 percent of the gross advances at the close of 2010. In this situation, expeditious recovery from classified accounts and improvement in problem accounts pose great challenges and have been assigned top priority for the ensuing year.

During 2010, the amalgamation of the erstwhile Askari Leasing Limited with and into the Askari Bank Limited was successfully completed and has resulted in an expansion of our customer reach and proposition.

The core principle of our business philosophy is to understand our customers' financial needs in the current environment and to offer them the right products and services backed by innovative technology-based solutions to support them in their financial success. As part of our strategy, we continued to strive for the best in offering technology-based solutions, which would also help us strengthen our control environment. The implementation of our technology initiatives made significant progress during 2010 and the core banking software, flexcube – a software of the Oracle Financial Services Software Limited, is running live in our 19 branches. It is planned for expansion to our entire branch network including our 31 dedicated Islamic banking branches. In addition, the Bank's data warehouse has become operational and is being fine-tuned in order to provide the management with accurate, real time information, enabling them to make prudent and timely decisions. In order to house our new technology initiatives, which mostly operate in a centralized environment, the Bank has made significant investments in infrastructure. A new premises was acquired in Islamabad and has been customized with high availability and data

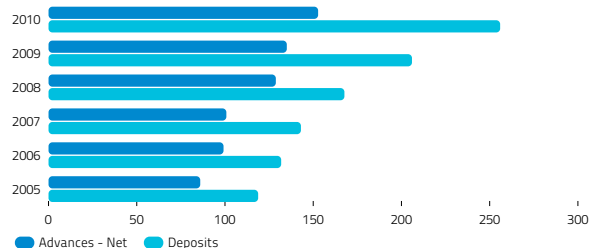
### Profits

(Rs. in million)



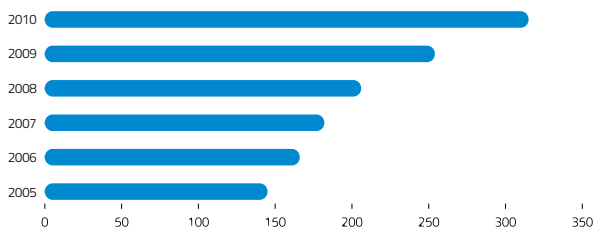
### Advances and Deposits

(Rs. in billion)



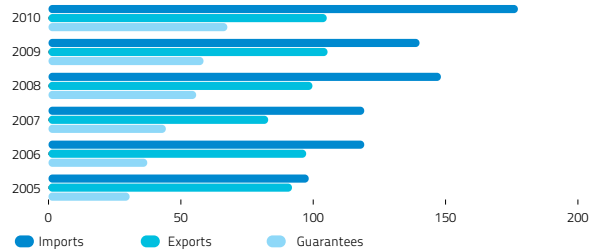
### Total Assets

(Rs. in billion)



### Foreign Trade and Guarantees

(Rs. in billion)



communication access while ensuring security as well as business continuity. As an important part of this facility, a new state-of-the-art data center has also been established with improved monitoring and control systems.

We will continue building our businesses by focusing on SME and commercial banking, which traditionally have been areas of our strength. Also, our focus on strengthening corporate banking, agriculture sector operations, and Islamic banking relationships will continue, supported by product and service innovations and improved service quality standards. At the same time we continue to look at diversification of our offerings' menu in order to improve our risk profile, as well as generate returns that will improve our capital adequacy.

In partnership with the Eastern Federal Union (EFU) Life Insurance Company, we have recently introduced Bancassurance in our selected branches in order to enhance transactional convenience while meeting the growth and protection needs of our customers. We are also actively working on

the branchless banking solution to the problem of low banking penetration in the country's rural, remote, and sparsely populated areas. This low-cost and potentially high-yield initiative is projected for launch during the first half of the ensuing year.

The current economic and business environment poses unprecedented challenges to the financial services industry. In these testing times, Askari Bank is focusing on strengthening the risk management framework in addition to our internal control systems. We are implementing the management of change in our institutional culture responsive to a dynamic environment. Acquiring new skills to better evaluate and mitigate risks will continue to be our focus. We have also charted out our strategy through a rolling strategic plan for the next three years which spells out our short to medium term goals including investment in our branch network expansion, our sales and service model backed by strengthened transaction processing, in our internal control systems, and in our overall efficiency – areas which are central to our progress.

We recognize our human resource as the key element in deliverables to our valued customers. In order to achieve our strategic objectives, we will further strengthen our reserve of talent and leadership powered by a strong performance culture backed by effective training framework.

Our strengths in terms of our strong brand name, entrepreneurial culture, innovative and technology-based offerings, and motivated employees will ensure that we seek out new growth opportunities in pursuit of our stated corporate objective of adding to the stakeholders value, and contributing to the economy and to the society in which we operate.

I would like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, our other stakeholders and the Bank's Board of Directors for their continued support, trust, and invaluable contribution.

M. R. Mehkari  
February 21, 2011

# Information Technology Initiatives



The Information Technology (IT) infrastructure of the Bank is undergoing a major overhaul under a project initiated in 2008. This involves replacement of the core banking system of the Bank as well implementation of a number of other applications with the aim of enhancing the Bank's capability to have a better control over its operations, enhance its MIS and to improve its customer services. Most of the new software products for achieving the above objectives were acquired in 2008 and projects for their implementation were initiated. These include the universal core banking system Flexcube which constitutes the single major initiative which is expected to transform the business paradigm within the Bank. Other applications include Human Resource Management (HRM), Risk Management, Supply Chain & Enterprise GL and Customer Relationship Management systems. Most of these systems went 'live' during 2010 with varying degrees of coverage. The HRM system is 'live'



for Head Office staff and will be expanded during 2011 to cover the entire Bank staff. The core banking system is 'live' in 19 branches is planned to expand to all conventional and Islamic banking branches by 2012.

Most of the new applications are well known international software products being adopted by the Bank. Technologically these operate on central servers with authorized users having browser based access to authorized users from identified locations over the Bank's intranet. Accordingly, the new IT infrastructure needed to be created at a central location with high availability and redundant data communication access mechanisms while ensuring security and business continuity.

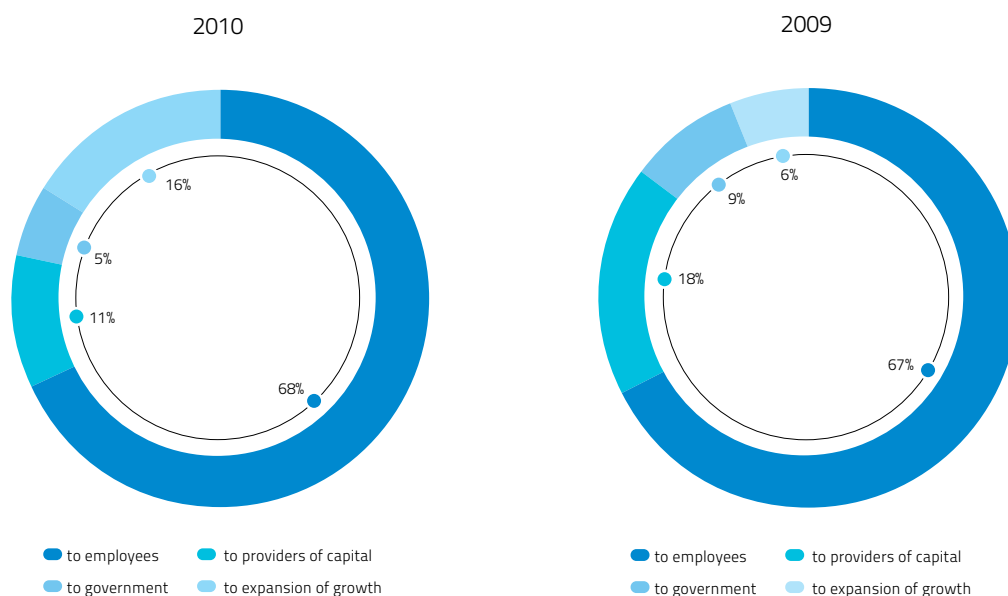


The Bank has therefore invested significantly in creating such an infrastructure. A new Data Center became operational during 2010 in a Bank owned building. This is a state-of-the-art Data Center with optimized cooling, redundant power supply systems, UPSs, monitoring and control systems designed to operate in high availability mode. A Disaster Recovery Center has also been created in another Bank-owned building with provision for real-time data replication to ensure minimal down-time even in case of a major disaster. Computer hardware necessary for the new centralized applications was acquired and installed at the new Data Center as well as the Disaster Recovery Center.

An important aspect of the new infrastructure is that operations of the Bank now have a high dependence on continuity, security and quality of data communication links for the end users. Accordingly, the centralized communication network has also been upgraded to meet these requirements and to have fail-over capability. Moreover, as the new systems are being made available to users in the field, the data communication for the end points was also upgraded such as the branches converted to Flexcube. An external Network Penetration Test was also carried out through an international company which found no major network security weaknesses.

# Value Added Statement

	2010		2009	
	Rs. in '000	% age	Rs. in '000	% age
<b>Value Added</b>				
Income from banking services	27,183,382		23,121,122	
Cost of services	18,008,418		14,188,630	
Valued added by banking services	9,174,964		8,932,492	
Non-banking services income	33,066		35,797	
Provision against non-performing assets	(3,064,382)		(2,914,893)	
<b>Total value added</b>	<b>6,143,648</b>		<b>6,053,396</b>	
<b>Value Allocated</b>				
to employees				
Salaries, allowances and other benefits	4,186,316	68.1	4,093,000	67.6
to providers of capital				
Cash dividend	-	-	-	-
Bonus shares	642,744	10.5	1,071,240	17.7
	642,744	10.5	1,071,240	17.7
to government				
Income tax	329,959	5.4	534,448	8.8
to expansion and growth				
Depreciation	684,196	11.1	645,958	10.7
Retained in business	300,433	4.9	(291,250)	- 4.8
	984,629	16.0	354,708	5.9
<b>Total value allocated</b>	<b>6,143,648</b>	<b>100.0</b>	<b>6,053,396</b>	<b>100.0</b>





# Our Network

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

North Region		Central Region		South Region		Wholesale Bank Branch (Bahrain)	
Islamabad	19	Lahore I	12	Karachi I	10	1	
Rawalpindi I	15	Lahore II	11	Karachi II	10		
Rawalpindi II	14	Sahiwal	8	Karachi III	11		
Peshawar	12	Faisalabad	11	Karachi IV	11		
Azad Kashmir	9	Gujranwala	11	Hyderabad	15		
Corporate	1	Multan	11	Quetta	10		
Islamic	9	Corporate	1	Corporate	1		
		Islamic	12	Islamic	10		
	79		77		78		<b>Total branches/sub-branches</b>
							<b>235</b>

Branch contact details are given on pages 194 to 201

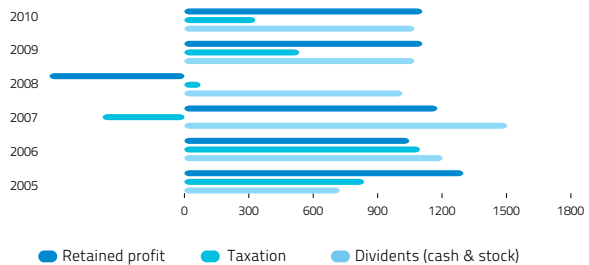
# Financial Review

## Profit

The operating profit (i.e. profit before provisions and taxation) of the Bank stood at Rs.4.34 billion; slightly below last year (2009:Rs.4.55 billion). Pre-tax profit was Rs. 1.27 billion as compared to Rs. 1.63 billion of the corresponding year. The net interest income registered an increase of 11%, despite heavy revenue suspensions owing to burgeoning NPLs. Non-interest income declined by 14% while administrative expenses increased by 12%.

## Distribution of Profits

(Rs. in million)



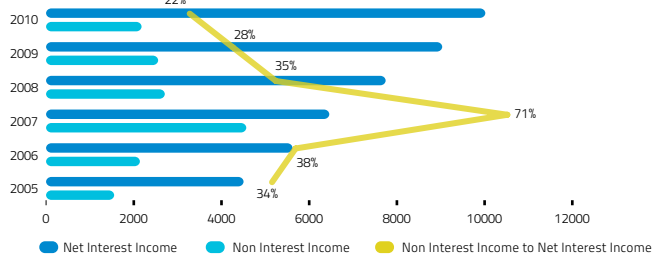
## Non mark-up / non interest income

The non mark-up / non interest income, declined by 14%, which was attributable mainly to 98% decline in income from dealing in foreign currencies and overall subdued economic activities during the period under review. The fee, commission and brokerage income also recorded a decline of 3% over last year. Gain on sale of investments increased by 48% reflecting improvement of the bourses during the year.

(The unusual rise at 71% as shown in the graph was attributable to a nonrecurring transaction in 2007).

## Non Interest Income

(Rs. in million)

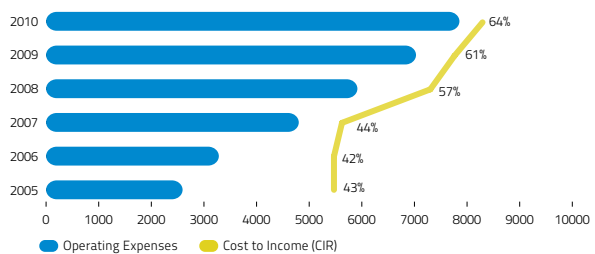


## Operating Expenses

The sharp increase in administrative expenses during the last few years has been reined-in and this year it has been restricted to 12% over last year, mainly through rationalization of operating expenses particularly employee related costs. The rise attributable to increase in number of branches from 226 to 235 and corresponding increase in staff, additional recurring expenses on new IT initiative, beside persistent inflationary upsurge. Cost to income ratio recorded a negative trend mainly due to strain on revenues.

## Operating Expenses

(Rs. in million)

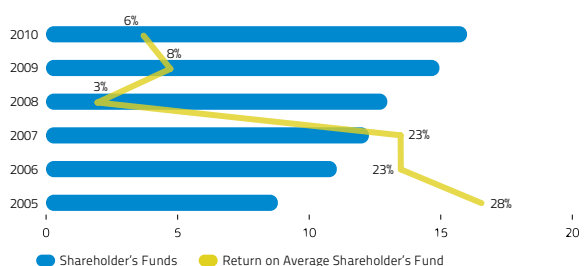


## Shareholders' funds

Shareholders' funds increased to Rs.16.00 billion at the end of December 31, 2010 from Rs. 14.95 billion of last year, registering an increase of 7%.

## Shareholders Funds

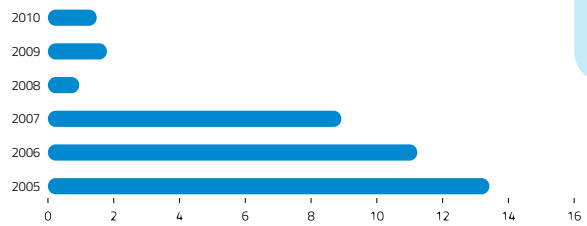
(Rs. in billion)



### Earnings per share

Earning per share (EPS) decreased from Rs. 1.79 per share (restated for bonus shares issued during 2010) of last year to Rs.1.48 per share for the year 2010. The decrease is mainly due to less than expected increase in net interest income, drop of 14% in non – mark-up income and 12% increase in operating expenses. Also, the increase in number of shares has resulted in EPS to show a declining trend.

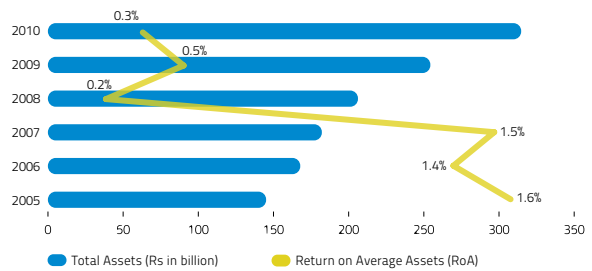
### Earning per Share (Rupees)



### Return on average assets

Return on average assets at the close of 2010 was 0.33% as against 0.48% last year, registering a decline of 15 bps due to 14% decrease in profit for the year against 24% increase in total assets.

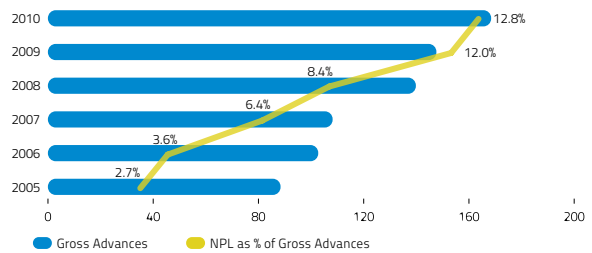
### Return on Average Assets



### Non-performing loans (NPLs) and provisions

During the year, NPLs increased by 22 percent. Part of this increase, 9% was attributable to erstwhile Askari Leasing Limited - which was amalgamated with and into the Bank. The categories of classification have been appropriately provided for in compliance with relevant Prudential Regulations (PR's) of the SBP. The cumulative provision against NPLs registered an increase of 24%. The ratio of NPLs as a percentage of gross advances increased to 12.8% as of December 31, 2010, against last year's 12.0%. The aggregate provisions covered 72% of the NPLs against 71% of last year.

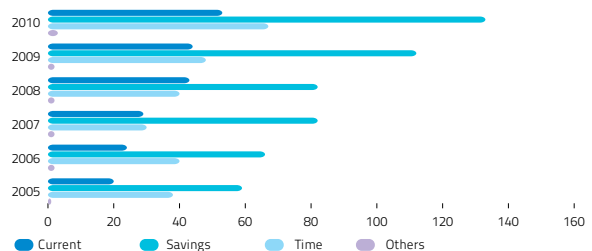
### Non-Performing Advances (Rs. in billion)



### Current, Savings and other deposits

At the close of 2010, customer deposits had reached Rs.256 billion from Rs.206 billion at end 2009, an increase of 24 percent during the year. Local currency deposits grew at 26.47% whereas foreign currency deposits grew by 12.11% - local currency deposits increased to Rs.220 billion from Rs. 174 billion as of December 31, 2009, while the foreign currency deposits stood at Rs.36 billion as on December 31, 2010. The aggregate number of deposit accounts reached 797,050 at end 2010 – an increase of 15% over last year.

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



# Financial Calendar

## 2010

1st Quarter Results issued on	April 26, 2010
2nd Quarter Results issued on	August 24, 2010
3rd Quarter Results issued on	October 27, 2010
19th Annual Report issued on	February 21, 2011
19th Annual General Meeting scheduled for	March 29, 2011
10% bonus shares announced	Within 45 days of AGM

## 2009

1st Quarter Results issued on	April 28, 2009
2nd Quarter Results issued on	August 20, 2009
3rd Quarter Results issued on	October 27, 2009
18th Annual Report issued on	February 23, 2010
18th Annual General Meeting scheduled for	March 30, 2010
25% bonus shares issued	Within 45 days of AGM

## Summarized Quarterly Financial Results

Rupees in million	2010				2009			
	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	37,532	33,920	36,188	35,522	33,031	34,363	38,251	32,364
Investments	70,385	78,258	81,243	102,260	33,815	39,620	58,332	67,046
Advances	139,075	144,883	148,111	152,784	120,218	129,130	124,959	135,034
Operating fixed assets	9,647	9,874	10,158	9,988	8,323	9,493	8,641	9,262
Other assets	11,672	13,100	13,893	14,191	9,184	9,573	10,611	10,621
<b>Total assets</b>	<b>268,311</b>	<b>280,035</b>	<b>289,593</b>	<b>314,745</b>	<b>204,572</b>	<b>222,179</b>	<b>240,793</b>	<b>254,327</b>
<b>Liabilities</b>								
Borrowings from financial institutions	23,962	24,067	25,211	25,555	23,289	16,735	19,965	19,300
Customers deposits	213,019	221,762	229,977	255,937	157,324	180,658	191,449	205,970
Sub-ordinated loans	5,995	5,994	5,993	5,993	2,996	2,996	5,370	5,995
Other liabilities	9,588	12,176	12,514	11,255	7,342	7,686	9,137	8,113
<b>Total liabilities</b>	<b>252,564</b>	<b>263,998</b>	<b>273,695</b>	<b>298,740</b>	<b>190,951</b>	<b>208,074</b>	<b>225,921</b>	<b>239,378</b>
<b>Shareholders' funds</b>								
Share capital	6,427	6,427	6,427	6,427	5,073	5,073	5,073	5,073
Reserves and unappropriated profit	7,394	7,464	7,464	8,393	7,279	7,547	8,138	8,070
Surplus on revaluation of assets	1,926	2,146	2,006	1,184	1,269	1,485	1,660	1,806
<b>Total shareholders' funds</b>	<b>15,747</b>	<b>16,038</b>	<b>15,898</b>	<b>16,004</b>	<b>13,621</b>	<b>14,105</b>	<b>14,871</b>	<b>14,949</b>
<b>Profit &amp; Loss</b>								
Total income	6,784	7,779	7,772	3,440	6,140	5,989	6,252	6,835
Mark-up / return / interest earned	6,135	7,206	7,178	7,433	5,563	5,416	5,483	6,199
Mark-up / return / interest expensed	4,003	4,312	4,691	4,931	3,167	3,073	3,479	3,910
Net mark-up / interest income	2,133	2,894	2,487	2,502	2,397	2,343	2,004	2,289
Non - mark-up / interest income	649	573	594	361	577	573	769	636
Fee, commission and exchange income	295	342	309	325	375	332	285	315
Other income	353	231	285	37	202	241	484	321
Operating expenses	1,874	1,999	2,227	1,755	1,676	1,682	1,809	1,863
Provisions against non-performing assets	402	888	560	1,214	791	860	70	1,194
Operating profit	907	1,468	854	1,109	1,298	1,234	963	1,062
Profit / (loss) before tax	505	580	293	(105)	507	374	894	(132)
Taxation - charge / (reversal)	177	194	65	(106)	190	106	302	(63)
<b>Profit / (loss) after taxation</b>	<b>328</b>	<b>386</b>	<b>228</b>	<b>1</b>	<b>317</b>	<b>268</b>	<b>592</b>	<b>(69)</b>
<b>Ratios</b>								
Return on average shareholders' funds (RoE)	8.6%	9.7%	5.7%	0.0%	9.5%	7.7%	16.3%	-1.9%
Return on average assets (RoA)	0.5%	0.6%	0.3%	0.0%	0.6%	0.5%	1.0%	-0.1%

# Share & Debt Information

## 1. Share Information

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.

### 1.1 Market symbols

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

### 1.2 Share price and volume

	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	19.11	2,746.56	0.93%	133.25	70.00	126.80	612,803,600
2006	200,433,239	11.05	21.04	2,771.11	0.76%	145.00	68.00	104.95	444,476,500
2007	300,649,859	12.27	29.99	4,329.91	0.69%	128.75	75.50	99.75	1,628,929,400
2008	405,877,308	12.97	5.91	1,857.18	0.32%	106.20	14.57	14.57	382,990,000
2009	507,346,700	14.95	13.85	2,753.54	0.50%	28.69	12.15	27.30	190,782,242
2010	642,744,335	16.37	11.37	3,268.95	0.35%	31.14	12.70	17.69	132,010,181

### 1.3 Record of share issues

Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
2005	Bonus @ 20%	25,116,947	251,169,474
2006	Bonus @ 33%	49,731,555	497,315,549
2007	Bonus @ 50%	100,216,620	1,002,166,196
2008	Bonus @ 35%	105,227,450	1,052,274,496
2009	Bonus @ 25%	101,469,326	1,014,693,261
2010	Shares issued to shareholders of erstwhile Askari Leasing Limited	28,273,315	282,733,150
2010	Bonus @ 20%	107,123,990	1,071,239,900
		642,743,940	6,427,439,396

## 2. Debts Information

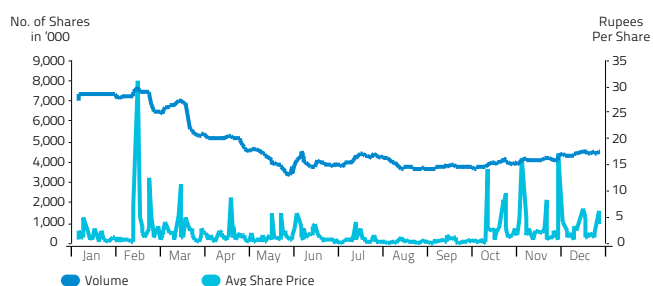
Askari Bank has issued the following Term Finance Certificates (TFCs) - unsecured sub-ordinated debt, listed on the Lahore Stock Exchange (LSE).

(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

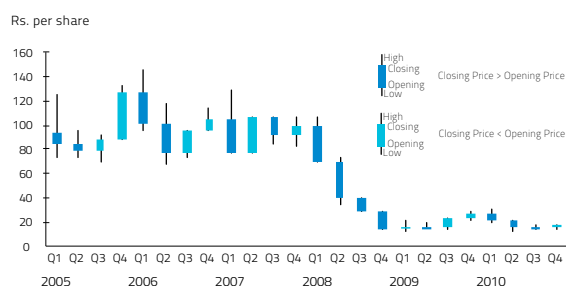
  

Market Symbols / IDs at LSE	AKBLTFC	AKBLTFC2	AKBLTFC3
Rating by PACRA	AA-	AA-	AA-
Market Price as at December 31, 2010 (based on marketable lots of Rs. 5,000)	5,000	5,000	5,000
Applicable Interest Rate (p.a.) as at December 31, 2010	14.31%	14.73%	15.76%

Price Volume Chart (2010)



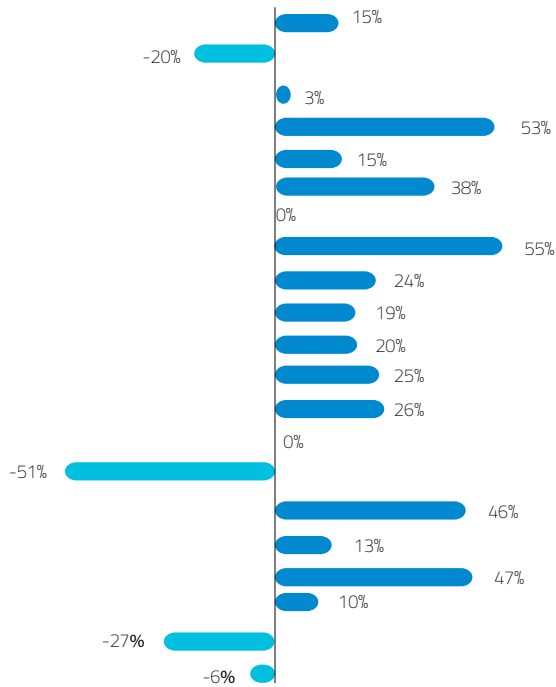
Quarterly Price Volume Chart (2005 to 2010)





## Balance Sheet Horizontal Analysis

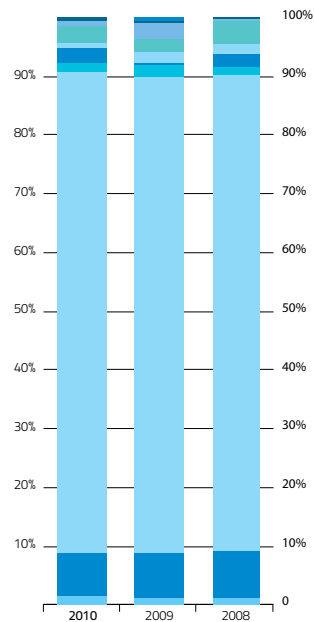
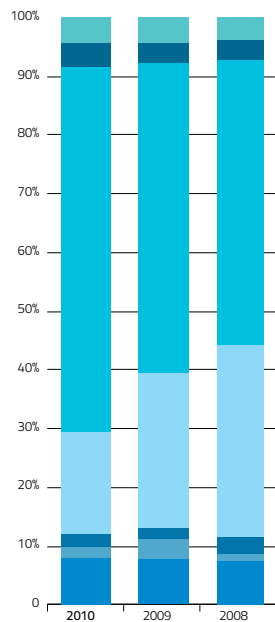
Cumulative average growth rate for the last three year - annualised



- Cash and balances with treasury banks
- Balances with other banks
- Lending to financial institutions
- Investments
- Advances
- Operating fixed assets
- Deferred tax assets
- Other assets
- Total assets
- Bills payable
- Borrowings
- Deposits and other accounts
- Sub-ordinated loans
- Liabilities against assets subject to finance lease
- Deferred tax liabilities
- Other liabilities
- Net assets
- Share capital/ Head office capital
- Reserves
- Unappropriated profit
- Surplus on revaluation of assets - net of tax

## Balance Sheet Vertical Analysis

Composition for the last three year



- Other assets
- Operating fixed assets
- Advances
- Investments
- Lending to financial institutions
- Balances with other banks
- Cash and balance with treasury banks

- Surplus on revaluation of assets - net of tax
- unappropriated profit
- Reserves
- Share capital/ Head office capital account
- Other tax liabilities
- Deferred tax liabilities
- Sub-ordinated loans
- Deposits and other accounts
- Borrowings
- Bill payable

# Six Years Performance

December 31	2005	2006	2007	2008	2009	2010
<b>Assets</b>						
<b>Rupees in million</b>						
Advances - net	85,977	99,179	100,780	128,818	135,034	152,784
Investments	25,708	28,626	39,431	35,678	67,046	102,260
Cash, short term funds and statutory deposits with SBP	27,489	30,605	31,297	24,464	32,364	35,523
Operating fixed assets	3,193	3,810	5,128	8,266	9,262	9,988
Other assets	2,733	3,813	5,535	8,965	10,621	14,190
<b>Total assets</b>	<b>145,100</b>	<b>166,034</b>	<b>182,172</b>	<b>206,191</b>	<b>254,327</b>	<b>314,745</b>
Non-performing loans	2,373	3,656	6,908	11,689	17,725	21,599
Provisions for non-performing loans	2,419	3,546	7,409	11,013	12,594	15,652
<b>Liabilities</b>						
Deposits	118,795	131,839	143,037	167,677	205,970	255,937
Refinance borrowings	9,778	13,378	9,918	13,902	13,700	12,426
Sub-ordinated loans	3,000	2,999	2,997	2,996	5,995	5,993
Other liabilities	4,714	6,764	13,954	8,645	13,713	24,384
<b>Shareholders' funds</b>						
Total shareholders' funds	8,813	11,053	12,266	12,971	14,949	16,004
Share capital	1,507	2,004	3,006	4,059	5,073	6,427
Reserves	6,088	7,615	9,093	7,976	8,070	8,393
Surplus on revaluation of assets	1,218	1,434	166	936	1,806	1,184
<b>Profitability</b>						
Interest income	8,781	12,597	15,143	18,394	22,587	27,952
Interest expenditure	4,278	6,977	8,686	10,651	13,554	17,937
Net interest income	4,503	5,620	6,458	7,743	9,033	10,016
Provision against non-performing assets	602	1,129	3,922	4,073	2,915	3,064
Fee, commission and exchange income	839	1,014	1,073	1,258	1,308	1,271
Other income	713	1,125	3,493	1,449	1,236	906
Operating expenses	2,594	3,283	4,802	5,916	7,030	7,855
Profit before taxation	2,859	3,347	2,300	461	1,632	1,273
Taxation	837	1,097	(381)	75	534	330
Profit after taxation	2,022	2,250	2,681	386	1,098	943
Operating profit	3,461	4,476	6,222	4,534	4,547	4,338
Total income	10,333	14,736	19,709	21,100	25,131	30,129
Total expenditure	7,474	11,389	17,409	20,640	23,499	28,856
<b>Cash flows</b>						
Operating activities	12,269	8,356	8,370	2,597	36,245	35,810
Investing activities	(8,319)	(3,715)	(13,527)	155	(32,063)	(37,311)
Financing activities	1,736	(226)	(203)	(446)	2,998	(3)
Changes in cash & cash equivalents	5,686	4,415	(5,359)	2,306	7,191	(1,501)
Cash & cash equivalents at end of the year	19,297	23,712	18,353	20,659	27,850	26,350
<b>Business transacted</b>						
<b>Rupees in billion</b>						
Imports	98.30	119.30	119.27	148.24	140.16	177.32
Exports	92.00	97.30	82.98	99.70	105.41	105.11
Guarantees	30.60	37.30	44.31	55.77	58.55	67.55
<b>Ratios</b>						
Return on average shareholders' funds (RoE) - %	27.70	22.60	22.99	3.06	7.86	6.09
Return on average assets (RoA) - %	1.60	1.40	1.54	0.20	0.48	0.33
Profit before tax ratio - %	32.56	26.57	15.19	2.51	7.23	4.55
Gross spread ratio - %	51.28	44.61	42.64	42.10	39.99	35.83
Income / Expense ratio - Times	1.38	1.29	1.13	1.02	1.07	1.04
Advance to deposits (CDR) - %	72.40	75.23	70.46	76.83	65.56	59.70
<b>Earning assets to total assets</b>						
Operating fixed assets to average shareholders' funds	43.70	38.36	43.98	65.51	66.34	64.54
Capital adequacy ratio (CAR)	11.00	10.90	9.35	9.22	11.75	10.30
Rate of cash dividends	15.00	10.00	15.00	-	-	-
Rate of bonus issue *	33.00	50.00	35.00	25.00	20.00	10.00
Price earning ratio (PE)	9.60	9.30	11.19	15.32	15.28	11.97
Dividend yield ratio - %	1.18	0.95	1.50	-	-	-
Dividend payout ratio - %	11.18	13.37	16.82	-	-	-
<b>Share information</b>						
<b>Rupees</b>						
Earnings per share (EPS)**	13.42	7.48	8.92	0.95	2.18	1.48
Net assets per share	58.48	55.15	40.80	31.96	29.47	24.90
Market value per share - year end	126.80	104.95	99.75	14.57	27.30	17.69
Market value per share - high	131.90	142.70	127.25	104.25	28.69	31.14
Market value per share - low	71.15	71.45	77.10	14.57	12.15	12.70
<b>Other information</b>						
<b>Numbers</b>						
Number of employees (Regular)	2,754	3,241	3,834	4,252	4,393	4,473
Number of branches	99	122	150	200	226	235

\* post balance sheet event

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





# Directors Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the 19th Annual Report of Askari Bank along with the audited financial statements and Auditors' Report thereon, for the year ended December 31, 2010.



## The Economy

Pakistan's economy is delicately poised with the macro-economic indicators remaining under stress in the aftermath of the unprecedented floods and due to the continued delays in the implementation of key economic reforms.

The extent of damage to private and public infrastructure and the delayed policy response to floods, energy shortages, direct and indirect impacts of supply disruptions, and weak consumer and business confidence, took its toll on the domestic economy during the current fiscal year. Agriculture suffered the most due to heavy rains and resulting floods and not only crops and livestock, but a large number of agro-based industries were faced with severe losses. However, increase in the prices of agriculture produce provided some respite to the farmers. Large scale manufacturing also recorded a decline mainly attributable to power disruptions, raw material shortages, and cut backs in development expenditure. The damage to road networks and power infrastructure also impeded overall industrial performance.

The services sector registered strong growth led by massive relief and rehabilitation efforts undertaken in the flood affected areas.

The monetary policy went through an important transition with further aggressive tightening. The State Bank of Pakistan (SBP) raised the policy rate by 50 bps in each of the three rate decisions during the first half of fiscal 2011. This resulted from demand pressures due to the expansion of the fiscal deficit, and its monetization; concerns over the direct and indirect inflationary consequences of cost-push shocks; and underlying structural weaknesses in the external account. While the gradual rise in benchmark rates started to impact the market lending rates, the net credit extended to the private sector registered an apparent increase. However, it may be argued that in real terms, the net credit to private sector registered effective contraction given that the apparent increase was for working capital and

that input costs have increased for many industries. The combination of increasing non-performing loans and high risk adjusted returns on government paper reflect clear crowding out of most private sector activities. In the money markets, primary market activity remained dominated by T-Bills. Also during the year, two successful auctions of Ijarah Sukuk attracted a lot of interest with acceptance of Rs.89 billion against the targeted Rs.80 billion. The deposit base of the banking system registered growth due to large inflows of remittances and sharp rise in government borrowings from the SBP. The banking sector spreads averaged at 7.46 percent for 2010, compared to 7.47 percent in 2009, decline of a mere 1bp. Although spreads in 2010 have remained flat, an uptick in month-wise data has been witnessed each month since June 2010, as lending rates trod upwards to adjust for rising KIBOR and discount rate, while deposit rates eased off. The Government reprioritized its spending pattern and scaled down development expenditures to create space for flood relief and poverty alleviation activities. However, collections continue to slide both in tax and non-tax revenues.

Pakistan's current account deficit registered contraction as a result of significant export growth, sustained inflows of workers' remittances, and private and official grants for flood relief. The financial account surplus, on the other hand, declined sharply and a large part of this decline was the result of a sharp fall in other investments despite the emergency loan for flood relief given by the IMF. The lower capital and finan-

cial account surpluses resulted in the decline of the overall external account compared to last year. Nevertheless, the overall surplus did help in shoring up country's foreign exchange reserves that reached US dollars 16.9 billion by end November 2010. This also kept the exchange rate relatively stable which depreciated by 0.35 percent during Jul-Nov period of fiscal 2011 compared to 2.6 percent in the same period last year.

The external sector had a mixed effect on local industry. Export demand declined for cement, pharmaceutical, and electric fans, as Pakistani manufacturers lost ground in some of the export markets that had been captured in the past two years. However, a gradual demand recovery in the United States and Europe provided a boost to the leather and textile sector with the export receipts of the latter growing largely as a result of the sharp increase in the price of cotton. Unlike last year, when the sharp fall in imports improved trade account, the deterioration recorded during fiscal 2011 is due primarily to an increase in the import bill which outpaced the rise in export earnings.

Recent estimates suggest that GDP growth is likely to be within the range of 2 to 3 percent, a sharp decline from 4.1 percent seen in fiscal 2010. Given that the major issues of expenditure management and revenue shortfalls largely remain unaddressed, fiscal performance remains a source of concern. There is a need for urgent reforms in the taxation system for broadening the tax base, including the implementation of much debated Reformed General

Sales Tax (RGST) and improved tax governance; and blocking leakages in the revenue collection system. This would allow for a lowering of the average tax rate in the economy in order to improve competitiveness. Increased fiscal resources are necessary for economic stability as well as in order to increase development spending in the social sectors, including health, education, and poverty alleviation. The Government is faced with considerable pressure to increase social sector spending and to build infrastructure, even as the cost of the anti-militancy campaign continues to mount. Broadening the tax base is inescapable in order to provide the needed essential services and public goods.

## Operating Results of the Bank

Your Bank's operating profit (before provisions against non-performing assets and taxation) for full year 2010 stood at Rs.4.34 billion against Rs.4.55 billion of last year – a decline of 4.6 percent. During the year under review, net total revenues increased by 5.4 percent despite substantial increase in suspension of revenues against non-performing loans. Non mark-up income declined by 14.4 percent reflecting slow down of trading business, eroding margins on trade finance and lesser arbitrage opportunities in the foreign exchange. Administrative expenses increased by 11.7 percent mainly due to additional expenses on branches opened/ upgraded during the year, and an increase in the recurring cost of the Bank's major investment in information technology. The profit before tax registered a decline of 22.0

# Directors Report to the Shareholders contd.

percent over the corresponding year while profit after tax declined by 14.1 percent.

The balance sheet footing stood at 315 billion as at December 31, 2010, registering an increase of 24.0 percent over Rs.254 billion as of December 31, 2009 while the equity of your Bank, excluding surplus on revaluation of assets, increased by 12.8 percent during the year under review.

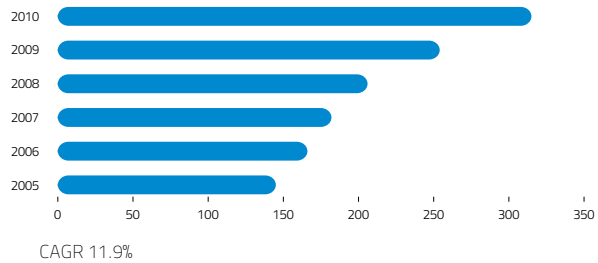
At the close of the year 2010, customer deposits had reached Rs.256 billion from Rs.206 billion at end 2009, an increase of 24.3 percent. During the year, fixed term deposits, which include recently launched new products of the Bank, remained a preferred choice showing an increase of 40.4 percent. Another reason for the increase in fixed deposits was the addition of deposit base of erstwhile Askari Leasing Limited (ALL) which stands amalgamated with the Bank on March 2, 2010.

By end 2010, gross advances increased to Rs.168 billion from Rs.148 billion, an increase of 14.1 percent, or 8.1 percent on a comparable basis, i.e. excluding the addition of advances of erstwhile ALL. The Bank continued to exercise effective credit risk management and remained watchful of the impact of advances growth on its capital adequacy ratio. The impact of increase in advances on mark-up revenues was partly off-set by the suspension of revenues on non-performing advances. Consequently, during the year under review, mark-up revenues on advances registered an increase of 8.7 percent. During the year under review, investments increased by 52.5 percent, from Rs.67 billion at end 2009 to Rs.102 billion at December 31, 2010. Correspondingly, incomes from investments also increased by 68.6 percent during the year under review.

Non-fund income declined by 14.4 percent over the last year, mainly due to decline in income derived from dealing in foreign currencies, and decrease in both volumes and margins of trade business handled by the Bank. Administrative expenses increased by 11.7 percent over last year owing to the addition of 9 new branches to the branch net work that has reached 235 from 226 as at the end of last year, upgraded status of 6 sub-branches to full service branches, corresponding increase in staff, increase in recurring cost of technology, and the new set-up of information technology department, besides overall

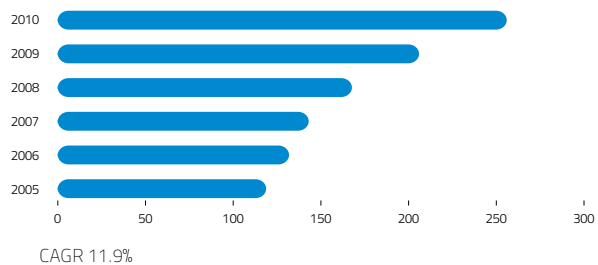
## Total Assets

(Rs. in billion)



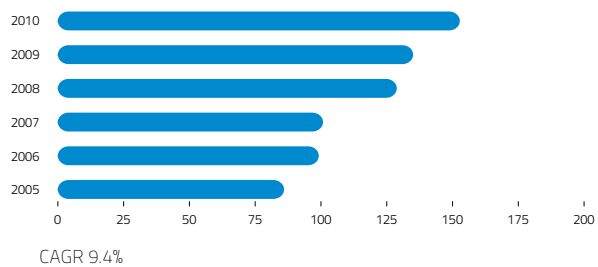
## Deposits

(Rs. in billion)



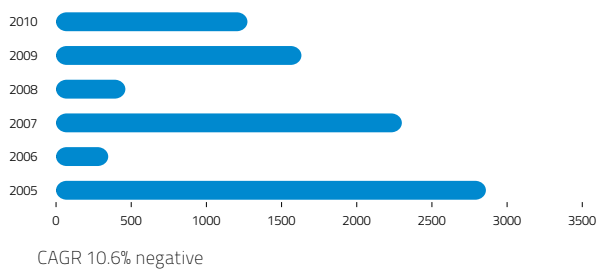
## Advances

(Rs. in billion)



## Profit before tax

(Rs. in billion)



cost escalations due to the inflationary upsurge during the year under review. Administrative expenses also include the Bank's contribution of Rs.70 million towards the relief and rehabilitation efforts carried out by the Armed Forces for the victims of the massive floods of 2010.

As of December 31, 2010, non-performing advances stood at Rs.21.6 billion against Rs. 17.7 billion as of December 31, 2009, an increase of 21.9 percent. This was mainly due to (a) further downgrade and addition of new accounts to classification categories as per SBP Prudential Regulations: 80.6 percent increase in the 'substandard' category, and 32.4 percent increase in the 'loss' category but a 28.8 percent reduction in the 'doubtful' category, reflecting conversion to 'loss' category; and (b) addition of NPLs of erstwhile ALL which amounted to Rs.1.56 billion as on December 31, 2010. Consequent upon the increase in NPLs and their further downgrade, the aggregate provision against non-performing advances stood at Rs.15.7 billion, reflecting an increase of 24.3 percent over last year. These include Rs.1.24 billion against NPLs of ALL. The provision reversal / write-offs for the year registered a decline of 32.2 percent over the last year on a comparable basis i.e. excluding ALL. The ratio of non-performing advances as a percentage of total advances increased to 12.8 percent as of December 31, 2010, against last year's 12.0 percent. The risk coverage of NPLs was 72.5 percent, as against last year's 71.0 percent. The classified accounts are being closely monitored / followed up for early revival and recovery. Strategies have been developed to enhance effective



management of the loan portfolio by stemming further flow of accounts into NPLs and boosting recovery through concerted efforts for overdue amounts, the benefits of which will be seen in the following years.

### Earnings Per Share

The earnings per share for the year ended December 31, 2010, worked out after taking into account the number of shares issued during 2010, was Rs.1.48 per share against last year's Rs. 1.79 per share, a decline of 17.3 percent.

### Appropriations

The Board of Directors recommends the following appropriations from profits for the year ended December 31, 2010:

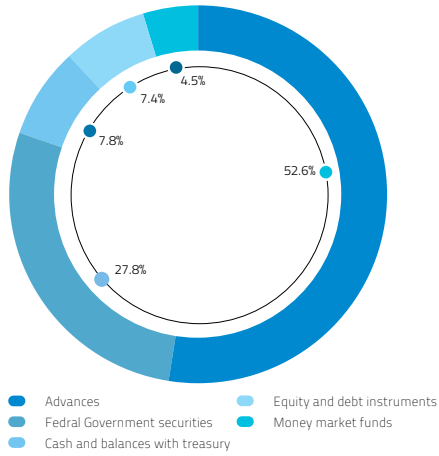
The appropriation of capital reserve (reserve for issue of bonus shares), amounting to Rs.642,744 thousand will enable the Bank to meet the enhanced Minimum (paid-up) Capital Requirement of Rs.7.0 billion, as required by SBP BSD Circular No.7 dated April 15, 2009.

Rupees in thousand	
Unappropriated profit for the year 2010	943,177
Appropriations:	
Statutory reserve	(188,635)
General reserve*	(754,542)
	(943,177)
	-
Transfer from general reserve to reserve for issue of bonus shares	642,744

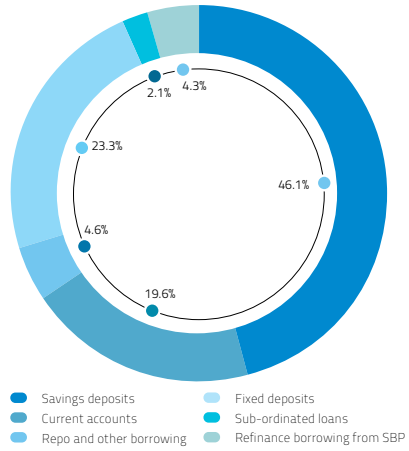
\* Includes FSV benefit, net of tax of Rs. 407,297 thousand, which in terms of SBP BSD Circular No. 2 of 2010 dated June 03, 2010 is not distributable as cash or stock dividend. Therefore, unappropriated profit for the year, net of statutory reserve, was transferred to general reserve. Reserve for issue of bonus shares of Rs. 642,744 thousand was created out of accumulated balance of general reserve free of non-distributable FSV benefit.

# Directors Report to the Shareholders contd.

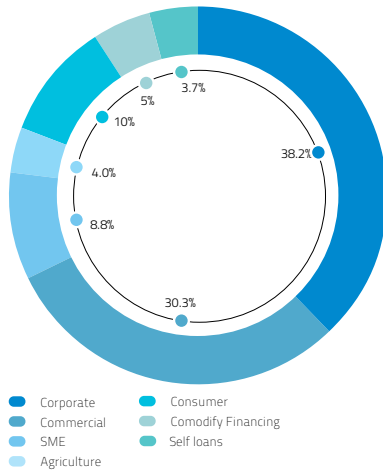
Assets Mix earning



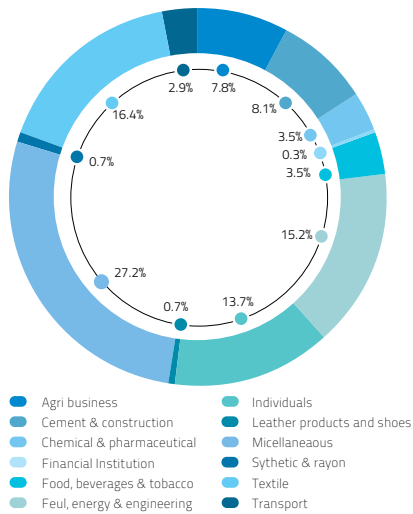
Laibility Mix- cost bearing



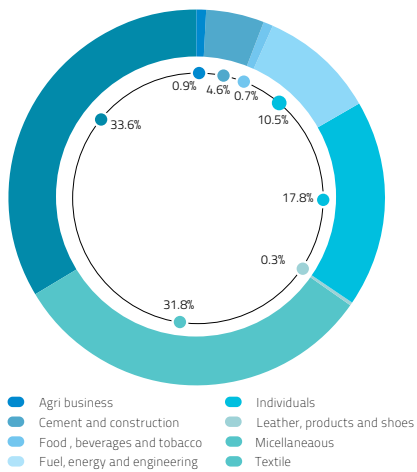
Advances by Segment



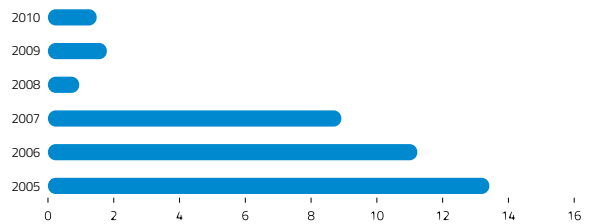
Advances by Sector



NPL by sector



Earning per Share (Rupees)



## Technology

The technology infrastructure of the Bank is undergoing a major overhaul under a project that involves replacement of the core banking system as well implementation of a number of other applications, aimed at enhancing the Bank's capability to improve its customer services and product offerings, backed by improved control over operations and enhanced MIS. The core banking system, Flexcube, which constitutes our major initiative, is 'live' in 19 branches and is planned for expansion to all conventional branches. This software is also planned for Islamic banking branches in 2012. Other applications include human resource management, risk management, supply chain management & enterprise GL, and customer relationship management systems. Most of these systems went 'live' during 2010 with varying degrees of coverage. As most of the new applications operate on central servers, the new IT infrastructure needed to be created at a central location with high availability and redundant data communication access mechanisms while ensuring security and business continuity. The Bank has therefore invested significantly in creating such an infrastructure. A new Data Center became operational during 2010 in a Bank-owned building specifically designed to house technology infrastructure and facilities. This is a state-of-the-art data center with optimized cooling reserve / backup redundant power supply systems, UPSs, and monitoring and control systems designed to operate in a high availability mode. A disaster recovery center has also been created in another Bank-owned premises with provision for



real-time data replication to ensure minimal down-time even in case of a major disaster. Computer hardware necessary for the new centralized applications was acquired and installed at the new Data Center as well as at the disaster recovery center. 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, and extensive training programs for existing and potential users of the core banking software.

### Risk Management Framework

The Risk management function is fundamental to the business of banking and is an essential element of our banking strategy. Your Bank has been pursuing a holistic approach towards implementation of effective risk management framework 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 appetite, risk infrastructure and risk measurement methodologies and tools. The Bank has established a comprehensive operational risk management framework based on appropriate risk management architecture, which assesses and measures the operational risks arising from systems, people, and processes. The Bank has strengthened its risk management abilities to proactively manage market, credit and operational risks, by creating an awareness of risk culture through training sessions; every employee is a risk manager at his workplace and can appreciate the basic concepts of risk based capital structure of the Bank.

# Directors Report to the Shareholders contd.



The Bank is exposed to various financial risks. In order to counter those risks, the concept of value at risk (VaR) and credit risk rating methodologies are in place. The latter enables us to determine probability of default (PD) and quantify expected credit loss as required by Basel II. Credit risk is further controlled by a system of limits by counterparty, by type of facilities / transactions, geographic area, and internal credit rating, thus dispersing risk and avoiding concentration in a particular area.

At present, a standardized approach is used for capital allocation for credit risk and market risks while operational risk required

capital allocation is based on the basic indicators approach. Efforts are underway to move towards advanced approaches of Basel-II and necessary tools and techniques are in development and testing phases. The Bank is at an advanced stage of implementing Credit Risk Environment Administration Management (CREAM®) and Reveleus® risk management software that will enable the Bank to automate credit approval and risk rating system processes, as well as assists with implementing Basel II Foundation Internal Risk Based (FIRB) approach for managing credit risk and VAR model for market risk.

## Human Resource

Your Bank fully recognizes its committed and competent human resource as the primary asset in providing value addition to its other stakeholders. Human resource functions are accordingly continuously modernized and reviewed in accordance with our strategic direction and objectives. During the year under review, human resource strategies were aligned with the prevalent economic and business conditions and were focused on employee rationalization, and cautious recruitment and promotion techniques in order to maximize employee output. Also during the year, with the amalgamation of ALL,



a comprehensive plan was rolled out for employee transfer / job rotations at various departments / divisions to gain & benefit from knowledge and skills cross functionally.

The first phase of PeopleSoft system software was successfully implemented which has partially integrated and automated human resource functions and processes. This web-based system provides expanded online services for staff on human resource related matters. The advance modules of the system automate many processes relating to selection and recruitment, training and development, performance management, and career and succession planning.

During the year under review, the training & development team of the Bank continued its pursuit for quality training to the Bank's staff in line with the 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. Our in-house training facilities conducted a record number of 526 courses, workshops, and skill development clinics in the disciplines of service and attitude, management and communication, IT, credit and finance, international trade, domestic banking operations, risk management, and on other subjects including a series of leadership development programs for senior management of the Bank.

### Statement on Internal Controls

Internal controls contribute to effective management by the Bank's

Board of Directors and the 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 the applicable laws and regulations and responsive to the Bank's own internal concerns. It is also responsible for assessing the effectiveness of internal controls and reporting thereon.

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 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, as stated above, 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 internal control framework, as envisaged under the SBP Guidelines on Internal Controls. 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 has completed detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. This will be followed by a detailed remediation and testing plans which are currently being worked at. After completion of these plans, the Bank will undertake complete implementation of initiatives to remove the gaps in a timely manner.

During the year 2010, 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 increasingly competitive environment in the banking sector and assumes its ability to take all measures necessary for the purpose.

# Directors Report to the Shareholders contd.

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, the strengthening of 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 an 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."

## Capital Adequacy

As of December 31, 2010, your Bank's capital adequacy ratio (CAR) stood at 10.3 percent against last year's 11.8 percent, while the SBP's minimum prescribed requirement stands at 10.0 percent. The reduction in CAR is mainly due to growth of risk assets during the year under review and also due to scheduled maturities of sub-ordinated debt issued by the Bank. The Bank will continue with aggressive profiling of risk assets; and, creating awareness amongst risk-takers in the Bank to be cognizant of the risk adjusted return, when making decisions that involves risks.

## 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 9 new conventional banking branches. Also, 6 sub-branches were upgraded and were assigned the status of full service branches to cater for the need of the market in which these operate. We now offer services through a network of 235 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, your Bank will be emphasizing on the consolidation of recent expansion and operations. Future expansion will be gradual and incremental.

## Islamic Banking

Your Bank's dedicated Islamic banking branch network has reached 29 full service branches and 2 sub-branches, distributed over 15 cities including federal and provincial capitals and other large cities. Our Islamic banking offerings are purely on Sharia'a basis and special care is exercised to ensure that there is no mixing of funds between conventional and Islamic banking.

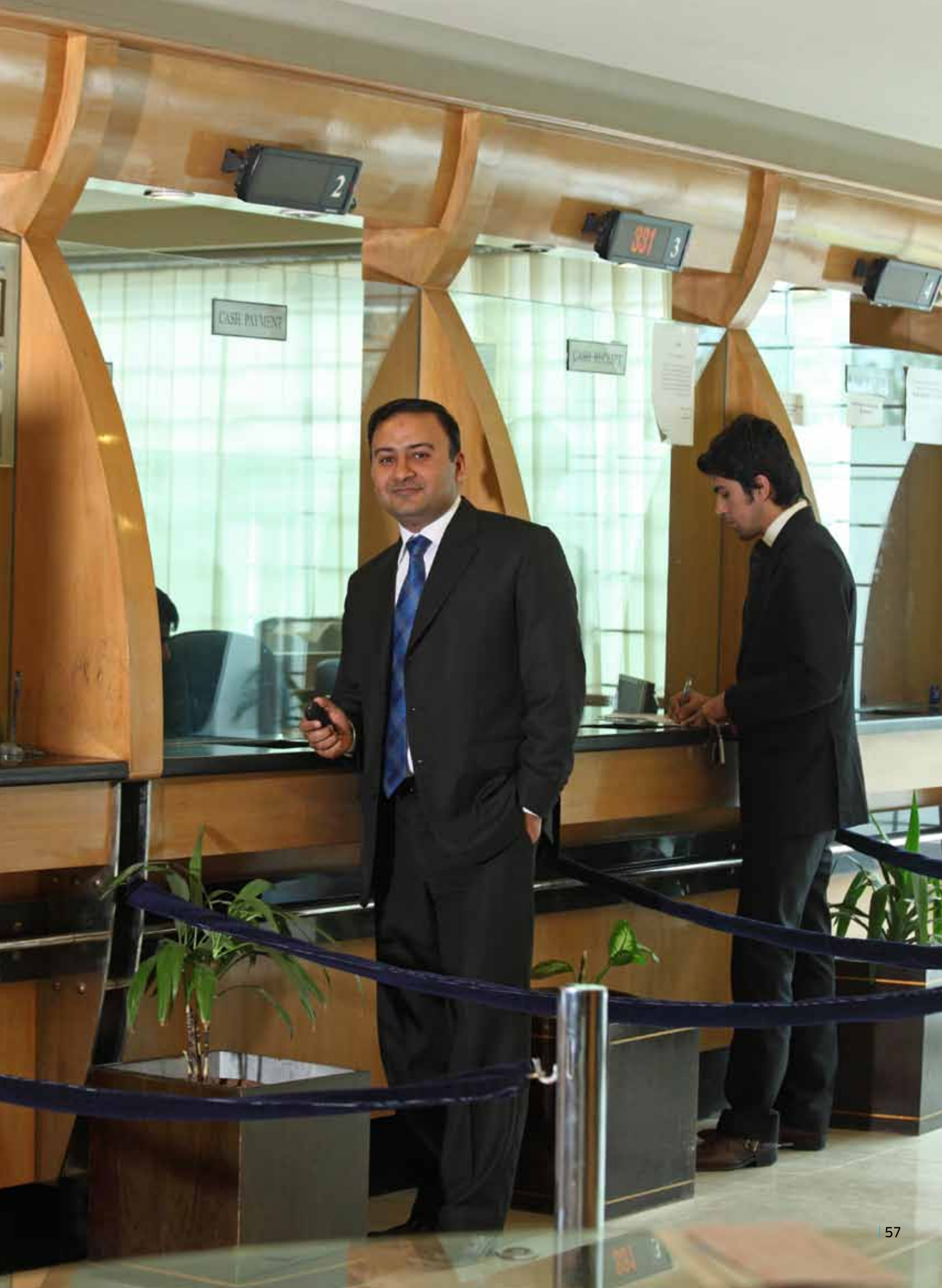
During the year under review, our Islamic banking business posted a net loss amounting to Rs.372 million, mainly due to increase in non-performing assets and the resulting revenue suspension, and the full-year impact of the operating expenses of 11 new branches opened last year. On the balance sheet side customer deposits increased by

24.2 percent, from Rs. 7.46 Billion, as at December 31, 2009 to Rs. 9.26 billion as at 31st December, 2010. The increase in deposits was backed by improvement in the deposit mix as the focus of our Islamic banking remained on relatively low cost core deposits on a Sharia'a Compliant basis. Islamic finance and investments portfolios increased by 6.72 percent from Rs. 8.19 Billion, as at 31st December, 2009 to Rs. 8.74 Billion, as at 31st December, 2010. Investment portfolios include recently issued Government of Pakistan Guaranteed Sharia'a Compliant Ijara Sukuk instruments.

Going forward, with recovery efforts against non-performing accounts already initiated and starting to yield results; number of branches which after completing incubation period are likely to increase contribution towards Sharia'a compliant earnings; and an increased focus on automation and improvement in Sharia'a compliant areas of business, the management is hopeful for a turnaround in our Islamic banking operations in the ensuing year.

## Askari Investment Management Limited (AIML)

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.



# Directors Report to the Shareholders contd.

AIML currently manages five open-end funds, 1) Askari Income Fund (AIF), size Rs. 1,283 million (2009: Rs. 2,096 million); 2) Askari Asset Allocation Fund, size Rs. 160 million (2009:Rs. 253 million); 3) Askari Islamic Income Fund, size Rs. 227 million (2009: Rs.197 million); 4) Askari Islamic Asset Allocation Fund, size Rs. 121 million (2009: Rs. 111 million); and 5) Askari Sovereign Cash Fund, size Rs. 2,354 million (2009: Rs. 1,095 million).

Consolidated financial statements of the Bank and AIML for the year ended December 31, 2010 are included in this annual report.

## Askari Securities Limited (ASL)

The Bank has a controlling interest in Askari Securities Limited (ASL) by virtue of 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 2010 was subdued mainly due to adverse market sentiments prevailing during most of the 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, 2010 are included in this annual report.

## Merger of Erstwhile Askari Leasing Limited (ALL)

The process of amalgamation of erstwhile Askari leasing Limited (ALL) with and into the Bank, which was initiated in 2009 was completed on the effective date of amalgamation i.e., March 3, 2010. As a result the entire assets & liabilities of the erstwhile ALL have been merged into the Bank as on that date, in consideration for the issue of 28.273 million shares of the Bank to the shareholders of formerly ALL and accordingly being reflected in the annexed financial statements of the Bank. Also, as a result of amalgamation, the authorized capital of the Bank has increased to Rs.13 billion from Rs.12 billion as on December 31, 2009.

The amalgamation has brought economies of scale and customers of ALL now enjoy a comprehensive range of commercial banking products. The Bank has also been benefited by the addition of leasing in its product offerings.

## Awards and Recognition

During the year, the Annual Report of the Bank for the year 2009 won the 3rd 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. We are thankful for this recognition of our efforts by these esteemed professional organizations.

## Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2010 is included in this report.

## Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, and changes in equity and cash flows.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by the internal audit department as are other such procedures. Such review processes will continue and any weakness in controls will be removed.
- 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.37 of the Karachi

Stock Exchange (Guarantee) Limited.

- Key operating data and financial data for the last six years, in summarized form, is 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, 2010, except as disclosed in the annexed financial statements.
- The following is the value of investment as at December 31, 2010:
  - Provident Fund Rs. 1,529 million, based on un-audited financial statements (2009: Rs. 1,446 million)
  - Gratuity Fund Rs. 671 million, based on un-audited financial statements (2009: Rs. 499 million )
- During 2010, seven meetings of the Board of Directors were held. Attendance by each Director was as follows:

Lt. Gen. Javed Zia (outgoing Chairman)	2
Lt. Gen. Nadeem Taj (incoming Chairman)	4
Lt. Gen. (R) Imtiaz Hussain	7
Maj. Gen. (R) Saeed Ahmed Khan	6
Mr. Zafar Alam Khan Sumbal	7
Mr. Muhammad Riyazul Haque	5
Mr. Shahid Mahmud	6
Mr. Ali Noormahomad Rattansey	4
Dr. Bashir Ahmad Khan	4
Mr. Tariq Iqbal Khan (Retired/NIT nominee)	2
Mr. Wazir Ali Khoja (NIT nominee)	3
Mr. M. R. Mehkari (President & Chief Executive)	7

## Auditors

The Auditors, M/s KPMG Taseer Hadi & Co, Chartered Accounts have completed their assignment for the year ended December 31, 2010 and shall retire at the conclusion of the 19th Annual General Meeting. 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 2011.

## Events After the Date of Statement of Financial Position

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 2011

With Pakistan's opting for IMF stabilization program, there are signs of stability in some economic fundamentals such as foreign exchange reserves. Exports are growing, are remittances. The key challenge for Pakistan's economy and policy makers is to ensure consolidation of economic stability through continued expenditure restraint, and improvement in the fiscal regime through a higher tax to GDP ratio, resolution of the energy crisis, control of the inflationary pressures, and, the continued enhancement of the competitiveness of our exports. The risks to the economy include the uncertainty on the security situation, the war on terror, and uncertainty about the tough economic decisions required. Within the Pakistani banking sector the ris-



ing 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 constraint in our growth potential. There are no easy answers. Given the challenges on hand, 2011 would therefore be a year of consolidation and economic stabilization.

## Acknowledgments

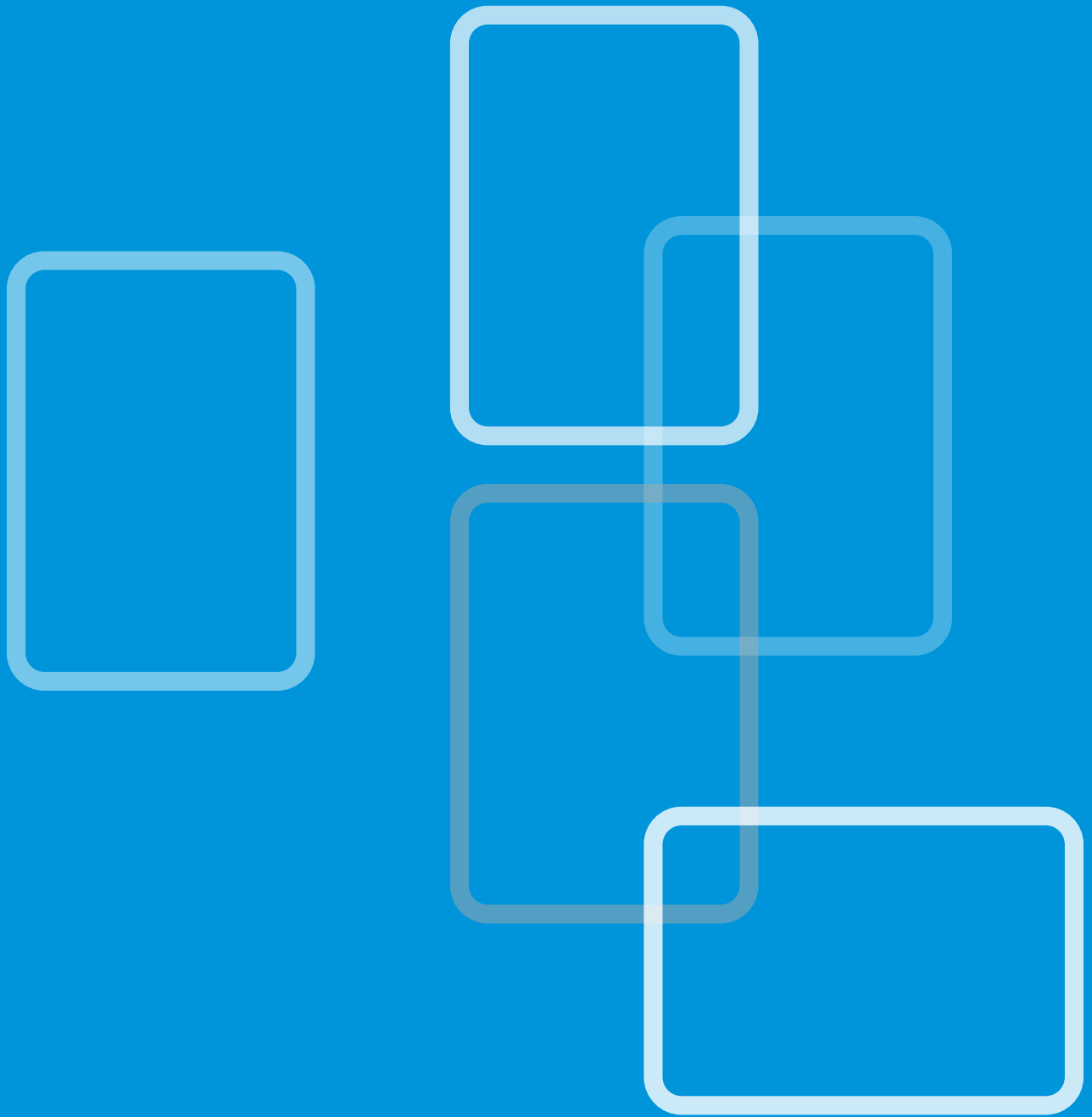
On behalf of the Board of the Bank, I like to express my sincere appreciation to the State Bank of Pakistan and other regulatory bodies for their guidance and support; to the shareholders, and the customers of the Bank, for their patronage and business; and to the employees of the Bank for their continued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

For & on behalf of the Board.

Lt Gen Nadeem Taj  
Chairman

Rawalpindi  
February 21, 2011





Unconsolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2010

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# Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2010

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 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 non-executive independent directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 non-executive Directors of which 1 non-executive independent Director represent minority shareholding.
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. Wazir Ali Khoja who has been exempted for the purpose of this clause by the Securities & Exchange Commission of Pakistan.
3. All Directors are resident directors of the Bank and registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year two casual vacancies occurred on the Board, which were 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 they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President and 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 except in the case of two meetings where the agenda was circulated 6 days before the date of the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members participated in orientation courses to apprise them of their duties and responsibilities.
10. The Board of Directors of the Bank has subsequent to the year end approved the appointment of Head of Internal Audit.
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 of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises of 3 members. All members are non-executive independent 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 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. Nadeem Taj**

Chairman

Rawalpindi  
February 21, 2011



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sixth Floor, State Life Building No. 5  
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## 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 the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Askari Bank Limited, ("the Bank") to comply with Regulation G-1 of the Prudential Regulations for Corporate/ Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, 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 are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on the effectiveness of such internal control, the Bank's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N-269 dated January 19, 2009 requires the Bank to place before the Board of Director 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2010.

Islamabad  
February 21, 2011

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Engagement Partner  
Muhammad Rehan Chughtai



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

We have audited the annexed unconsolidated statement of financial position of Askari Bank Limited ("the Bank") as at December 31, 2010 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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


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

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

- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2010 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.

The financial statements of the Bank for the year ended December 31, 2009 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2010.

Islamabad  
February 21, 2011



**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Engagement Partner  
Muhammad Rehan Chughtai

# Unconsolidated Statement of Financial Position

As at December 31, 2010

Rupees in '000	Note	2010	2009
<b>Assets</b>			
Cash and balances with treasury banks	7	22,565,188	19,385,843
Balances with other banks	8	3,784,862	8,364,261
Lendings to financial institutions	9	9,172,186	4,614,059
Investments	10	102,259,757	67,046,033
Advances	11	152,784,137	135,034,499
Operating fixed assets	12	9,987,963	9,261,609
Deferred tax assets		–	–
Other assets	13	14,190,459	10,621,142
		314,744,552	254,327,446
<b>Liabilities</b>			
Bills payable	14	3,089,984	2,945,670
Borrowings	15	25,554,777	19,300,163
Deposits and other accounts	16	255,936,503	205,970,227
Sub-ordinated loans	17	5,992,500	5,994,900
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	18	85,507	333,925
Other liabilities	19	8,081,139	4,833,489
		298,740,410	239,378,374
<b>Net assets</b>		16,004,142	14,949,072
<b>Represented By</b>			
Share capital	20	6,427,440	5,073,467
Reserves	21	7,691,319	7,235,710
Unappropriated profit		701,819	833,511
		14,820,578	13,142,688
Surplus on revaluation of assets - net of tax	22	1,183,564	1,806,384
		16,004,142	14,949,072

## Contingencies and commitments

23

The annexed notes 1 to 48 and Annexure - 1 and 2 form an integral part of these unconsolidated financial statements.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Unconsolidated Profit and Loss Account


For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
Mark-up / return / interest earned	26	27,952,162	22,586,736
Mark-up / return / interest expensed	27	17,936,616	13,554,078
Net mark-up / interest income		10,015,546	9,032,658
Provision against non-performing loans and advances - net	11.6	2,319,280	2,324,377
Impairment loss on available for sale investments		382,764	431,058
Provision for diminution in the value of investments	10.2.1	296,530	76,784
Provision against repurchase agreement lendings	9.5	65,808	82,674
Bad debts written off directly		-	-
		3,064,382	2,914,893
Net mark-up / interest income after provisions		6,951,164	6,117,765
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,271,467	1,307,699
Dividend income		209,922	162,537
Income from dealing in foreign currencies		13,011	528,159
Gain on sale of securities - net	28	212,527	143,717
Unrealised loss on revaluation of investments classified as held for trading - net		(354)	(1,918)
Other income	29	470,470	404,221
Total non-markup / interest income		2,177,043	2,544,415
		9,128,207	8,662,180
<b>Non mark-up / interest expenses</b>			
Administrative expenses	30	7,812,618	6,995,857
Other provisions / write offs		-	-
Other charges	31	42,453	34,368
Total non-markup / interest expenses		7,855,071	7,030,225
		1,273,136	1,631,955
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		1,273,136	1,631,955
Taxation – current	32	329,617	562,099
– prior years'		-	119,827
– deferred		342	(147,478)
		329,959	534,448
<b>Profit after taxation</b>		943,177	1,097,507
Unappropriated profit brought forward		833,511	308,980
Profit available for appropriation		1,776,688	1,406,487
Basic / diluted earnings per share - Rupees	33	1.48	1.79

The annexed notes 1 to 48 and Annexure - 1 and 2 form an integral part of these unconsolidated financial statements.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Unconsolidated Statement of Other Comprehensive Income


For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>Profit after taxation</b>	943,177	1,097,507
<b>Other comprehensive income</b>		
Effect of rescheduled / restructured classified advances	53,362	–
Effect of translation of net investment in wholesale bank branch	2,790	10,286
<b>Total comprehensive income</b>	999,329	1,107,793

The annexed notes 1 to 48 and Annexure - 1 and 2 form an integral part of these unconsolidated financial statements.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman



# Unconsolidated Cash Flow Statement

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>Cash flow from operating activities</b>			
Profit before taxation		1,273,136	1,631,955
Less: Dividend income		(209,922)	(162,537)
		1,063,214	1,469,418
Adjustments:			
Depreciation		684,196	645,958
Provision against non-performing advances - net		2,319,280	2,324,377
Impairment loss on available for sale investments		382,764	431,058
Provision for diminution in the value of investments		296,530	76,784
Provision against repurchase agreement lendings		65,808	82,674
Unrealised loss on revaluation of investments classified as held for trading - net		354	1,918
Net profit on sale of operating fixed assets		(2,180)	(3,683)
		3,746,752	3,559,086
		4,809,966	5,028,504
Increase in operating assets			
Lendings to financial institutions		(4,723,935)	(791,979)
Held for trading securities		92,578	40,428
Advances		(12,390,280)	(9,125,465)
Other assets (excluding advance taxation)		(1,101,989)	(1,015,675)
		(18,123,626)	(10,892,691)
Increase in operating liabilities			
Bills payable		144,314	360,842
Borrowings		5,138,995	4,110,015
Deposits		42,514,609	38,293,655
Other liabilities (excluding current taxation)		2,715,255	75,174
		50,513,173	42,839,686
Cash flow before tax		37,199,513	36,975,499
Income tax paid		(1,389,497)	(730,428)
Net cash flow from operating activities		35,810,016	36,245,071
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(35,382,050)	(31,688,582)
Net investments in held-to-maturity securities		(578,498)	1,108,448
Net investments in subsidiaries / associate		(61,237)	-
Dividend income		233,710	154,883
Investments in operating fixed assets - net of adjustment		(1,540,127)	(1,650,768)
Sale proceeds of operating fixed assets - disposed off		17,179	13,342
Net cash used in investing activities		(37,311,023)	(32,062,677)
<b>Cash flow from financing activities</b>			
(Payments) / receipt of sub-ordinated loans		(2,400)	2,998,800
Dividends paid		(293)	(825)
Net cash flow (used in) / from financing activities		(2,693)	2,997,975
Effect of revaluation of investment in wholesale bank branch		2,790	10,286
(Decrease) / increase in cash and cash equivalents		(1,500,910)	7,190,655
Cash and cash equivalents at beginning of the year	34	27,850,104	20,659,449
Cash and cash equivalents acquired on amalgamation of ALL		856	-
Cash and cash equivalents at end of the year	34	26,350,050	27,850,104

The annexed notes 1 to 48 and Annexure - 1 and 2 form an integral part of these unconsolidated financial statements.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2010

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Total
						General reserve	Un-appropriated profit	
<b>Balance as at January 1, 2009</b>	4,058,774	-	-	2,912,711	-	4,754,430	308,980	12,034,895
Translation reserve on revaluation of wholesale bank branch – note 6.12	-	42,437	-	-	-	-	(42,437)	-
<b>Balance as at January 1, 2009 – restated</b>	4,058,774	42,437	-	2,912,711	-	4,754,430	266,543	12,034,895
Total comprehensive income for the year ended December 31, 2009								
Net profit for the year ended December 31, 2009	-	-	-	-	-	-	1,097,507	1,097,507
Translation reserve on revaluation of wholesale bank branch	-	10,286	-	-	-	-	-	10,286
	-	10,286	-	-	-	-	1,097,507	1,107,793
Transfer to:								
Statutory reserve	-	-	-	221,559	-	-	(221,559)	-
General reserve	-	-	-	-	-	308,980	(308,980)	-
<b>Distribution to owners</b>								
Bonus shares declared / issued subsequent to year ended December 31, 2008	1,014,693	-	-	-	-	(1,014,693)	-	-
<b>Balance as at January 1, 2010 – restated</b>	5,073,467	52,723	-	3,134,270	-	4,048,717	833,511	13,142,688
Issue of shares and reserves arisen on amalgamation of Askari Leasing Limited	282,733	-	234,669	-	-	161,159	-	678,561
	5,356,200	52,723	234,669	3,134,270	-	4,209,876	833,511	13,821,249
Total comprehensive income for the year ended December 31, 2010								
Net profit for the year ended December 31, 2010	-	-	-	-	-	-	943,177	943,177
Effect of rescheduled / restructured classified advances – note 21.1	-	-	-	-	53,362	-	-	53,362
Translation reserve on revaluation of wholesale bank branch	-	2,790	-	-	-	-	-	2,790
	-	2,790	-	-	53,362	-	943,177	999,329
Transfer to:								
Statutory reserve	-	-	-	188,635	-	-	(188,635)	-
General reserve	-	-	-	-	-	886,234	(886,234)	-
<b>Distribution to owners</b>								
Bonus shares declared / issued subsequent to year ended December 31, 2009	1,071,240	-	-	-	-	(1,071,240)	-	-
<b>Balance as at December 31, 2010</b>	6,427,440	55,513	234,669	3,322,905	53,362	4,024,870	701,819	14,820,578

The annexed notes 1 to 48 and Annexure - 1 and 2 form an integral part of these unconsolidated financial statements.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

## 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 235 branches (2009: 226 branches); 234 in Pakistan and Azad Jammu and Kashmir, including 31 (2009: 31) Islamic Banking branches, 16 (2009: 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.

## 2. BUSINESS COMBINATION

The amalgamation of formerly Askari Leasing Limited (ALL) with and into the Bank, was completed during the first quarter of 2010, whereby the entire undertaking of ALL, including all properties, assets, liabilities, rights and obligations of ALL as at March 2, 2010 were amalgamated with and vest in the Bank in consideration for issue of 28.273 million fully paid ordinary shares to the shareholders of ALL which rank pari passu with the existing shares of the Bank.

ALL was incorporated in Pakistan as a public limited company on August 1, 1993 and was granted certificate of commencement of business on November 3, 1993. ALL was listed on Karachi, Lahore and Islamabad Stock Exchanges and principally engaged in the business of leasing. On the date of amalgamation, AWT held 57.66% of ALL's share capital.

## 3. BASIS OF PRESENTATION

3.1 These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.

3.2 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 various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

3.3 The financial results of the Islamic banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure-2 to these unconsolidated financial statements.

3.4 Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

## 4. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan 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 unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

In addition, Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountant of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. The IFAS 1 has not been adopted by standalone Islamic

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks' Association and Modarba Association of Pakistan have taken up the issue with SBP and SECP.

## **Standards, interpretations and amendments to published approved standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's unconsolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Bank's unconsolidated financial statements.
- IAS 24 Related Party Disclosures (revised 2009 – effective for annual periods beginning on or after January 01, 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's unconsolidated financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim unconsolidated financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the unconsolidated financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on unconsolidated financial statements of the Bank.

## **5. BASIS OF MEASUREMENT**

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

### **Use of critical accounting estimates and judgments**

The preparation of unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its 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 involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follow:

- i) classification of investments (note 6.5)
- ii) provision against investments (note 6.5), advances (note 6.6) and other assets (note 6.8)
- iii) valuation and impairment of available for sale securities (note 6.5)
- iv) useful life of property and equipments, revaluation of land (note 6.7)
- v) taxation (note 6.9)
- vi) staff retirement benefits (note 6.10)

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**6.1** Amalgamation of entity under common control is accounted for by applying Predecessor Value Method.

**6.2** SBP vide BSD circular letter No. 7 of 2010 dated April 20, 2010 has clarified that two statement approach shall be adopted in the preparation of quarterly, half yearly and annual financial statements as mentioned in the revised IAS-1 "Presentation of Financial Statements". Accordingly, the Bank has presented Profit and Loss account and Statement of Comprehensive Income separately in these unconsolidated financial statements. Further in accordance with this circular, the Bank has opted not to present the changes in fair value of available for sale securities in Statement of Comprehensive Income and accordingly such changes are included in surplus / (deficit) on revaluation of available for sale securities.

### **6.3 Cash and cash equivalents**

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

### **6.4 Sale and repurchase agreements**

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

### **6.5 Investments**

Investments are classified as follows:

#### **Held for trading**

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

#### **Available for sale**

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the 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 unconsolidated statement of financial position. Where the decline in prices of available for sale securities is significant or prolonged, it is considered impaired and included in profit and loss account. Foreign securities are carried at fair value, based on their current bid prices in active markets.

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 unconsolidated financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

#### **Held to maturity**

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

#### **Investment in subsidiaries and associate**

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

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

### **6.6 Advances**

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the 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 11.6.3.

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

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

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, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

The rentals received / receivable on above 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.

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

### Capital work-in-progress

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

### Owned assets

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

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the unconsolidated 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 12.2. 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.

In making estimates of the depreciation, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

## 6.8 Impairment

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

## 6.9 Taxation

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

### Current

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

## **Deferred**

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the date of unconsolidated statement of financial position, 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.

### **6.10 Staff retirement benefits**

#### **Defined benefit plan**

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". 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 unconsolidated profit and loss account. The amount recognised in the unconsolidated statement of financial position represents the present value of defined benefit obligations.

### **6.11 Revenue recognition**

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

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

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

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

### **6.12 Foreign currencies**

#### **Foreign currency transactions**

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

#### **Foreign operation**

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

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

Translation gains and losses were previously included in the unconsolidated profit and loss account, however, now translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" and on disposal are recognised in unconsolidated profit and loss account. Accordingly, comparative figures have been restated.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

## **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 unconsolidated statement of financial position.

### **6.13 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 unconsolidated profit and loss account is stated net off expected recoveries.

### **6.14 Off-setting**

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

### **6.15 Appropriations subsequent to the date of unconsolidated statement of financial position**

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

### **6.16 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.

#### **6.16.1 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 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.

#### **6.16.2 Geographical segments**

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



Rupees in '000	Note	2010	2009
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		3,698,621	3,277,097
Foreign currencies		1,093,497	1,095,997
		4,792,118	4,373,094
National Prize Bonds		18,146	19,920
With the State Bank of Pakistan in:			
Local currency current accounts	7.1	9,837,640	8,030,082
Foreign currency current account	7.1	1,914,623	1,658,246
Foreign currency deposit account	7.2	5,366,912	4,832,003
		17,119,175	14,520,331
With National Bank of Pakistan in :			
Local currency current accounts		635,749	472,498
		22,565,188	19,385,843

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

**7.2** This represents special cash reserve maintained with the State Bank of Pakistan and is remunerated at 0.00% (2009: 0.00%) per annum.

Rupees in '000	Note	2010	2009
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		389,770	423,913
On deposit accounts		480,534	1,071,723
Outside Pakistan			
On current accounts		1,243,196	1,476,070
On deposit accounts	8.1	1,671,362	5,392,555
		3,784,862	8,364,261

**8.1** These represent placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.03% to 0.20% (2009: 0.03% to 0.10%) per annum receivable on maturity.

Rupees in '000	Note	2010	2009
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	9.1	–	100,000
Repurchase agreement lendings (reverse repo)	9.2	8,349,938	3,866,733
Purchase under resale arrangement of equity securities	9.3	200,000	630,000
		8,549,938	4,496,733
Funded Trade Finance	9.4	770,730	–
Others		–	100,000
		9,320,668	4,696,733
Less: Provision against reverse repo	9.5	(148,482)	(82,674)
		9,172,186	4,614,059

**9.1** These carry mark-up at nil (2009: 12.6%) per annum.

**9.2** 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 12.6% to 13.2% (2009: 12% to 12.4%) per annum and maturities of upto 3 (2009: upto 3) months.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

- 9.3** These represent shares of companies purchased under resale agreement carrying mark-up at 18.01% (2009: 16.5% to 18.01%) per annum with maturity of upto 1 (2009: upto 1) month.
- 9.4** This represents finance provided by whole sale bank branch of the Bank to Ukrsibbank Kiev, Ukraine at mark-up rate of 4.62% per annum maturing on January 31, 2011.

Rupees in '000	2010	2009
<b>9.5 Particulars of provision against reverse repo</b>		
Opening balance	82,674	-
Charge for the year	65,808	82,674
Reversals	-	-
	65,808	82,674
Closing balance	148,482	82,674
<b>9.6 Particulars of lending</b>		
In local currency	8,549,938	4,696,733
In foreign currencies	770,730	-
	9,320,668	4,696,733

Rupees in '000	2010			2009		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>9.7 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	8,074,770	-	8,074,770	3,631,733	-	3,631,733
Pakistan Investment Bonds	275,168	-	275,168	235,000	-	235,000
Purchase under resale arrangement of listed shares	200,000	-	200,000	630,000	-	630,000
	8,549,938	-	8,549,938	4,496,733	-	4,496,733

- 9.7.1** Market value of securities held as collateral is Rs. 8,494,528 thousand.

## 10. INVESTMENTS

Rupees in '000	Note	2010			2009		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>10.1 Investments by types:</b>							
Held for trading securities							
Fully paid ordinary shares		21,914	-	21,914	116,410	-	116,410
Available for sale securities							
Market Treasury Bills		58,593,073	11,720,668	70,313,741	33,556,454	4,186,443	37,742,897
Pakistan Investment Bonds	10.18	6,399,771	1,261,467	7,661,238	4,645,193	336,807	4,982,000
Fully paid ordinary shares		1,063,673	-	1,063,673	2,380,016	-	2,380,016
Units of open end mutual funds	10.4	1,520,717	-	1,520,717	1,437,798	-	1,437,798
Fully paid preference shares	10.6	75,000	-	75,000	95,000	-	95,000
Term Finance Certificates		12,779,061	-	12,779,061	13,481,689	-	13,481,689
National Investment Trust (NIT) Units		222,681	-	222,681	278,472	-	278,472
National Investment Trust (NIT)							
Government Bond Fund		-	-	-	100,000	-	100,000
Sukuk Certificates	10.9	3,405,240	-	3,405,240	1,511,289	-	1,511,289
Government of Pakistan Euro Bonds	10.10	638,767	-	638,767	-	-	-
Foreign securities	10.11	199,210	-	199,210	195,965	-	195,965
		84,897,193	12,982,135	97,879,328	57,681,876	4,523,250	62,205,126
Held to maturity securities							
Term Finance Certificates		739,941	-	739,941	781,702	-	781,702
Pakistan Investment Bonds		1,101,980	-	1,101,980	1,133,369	-	1,133,369
Government of Pakistan Sukuk Bonds	10.2.4	-	-	-	1,261,681	-	1,261,681
Government of Pakistan Euro Bonds	10.2.4	957,964	-	957,964	167,306	-	167,306
Sukuk Certificates	10.13	2,013,203	-	2,013,203	897,508	-	897,508
Credit Linked Notes	10.14	428,184	-	428,184	421,208	-	421,208
		5,241,272	-	5,241,272	4,662,774	-	4,662,774
Investment in associate							
Askari General Insurance Company Limited	10.12	35,419	-	35,419	11,182	-	11,182
Investment in subsidiaries							
Askari Investment Management Limited	10.5	135,000	-	135,000	135,000	-	135,000
Askari Securities Limited	10.5	114,789	-	114,789	77,789	-	77,789
Investment at cost		90,445,587	12,982,135	103,427,722	62,685,031	4,523,250	67,208,281
Less: Provision for diminution in value of investments	10.2.1	(377,210)	-	(377,210)	(80,680)	-	(80,680)
Investments (net of provision)		90,068,377	12,982,135	103,050,512	62,604,351	4,523,250	67,127,601
Less: Unrealised deficit on revaluation of held for trading securities - net	10.16	(354)	-	(354)	(1,918)	-	(1,918)
Deficit on revaluation of available for sale securities - net		(684,936)	(105,465)	(790,401)	(71,646)	(8,004)	(79,650)
<b>Total investments</b>		<b>89,383,087</b>	<b>12,876,670</b>	<b>102,259,757</b>	<b>62,530,787</b>	<b>4,515,246</b>	<b>67,046,033</b>

**10.1.1** Market value of held to maturity securities as at December 31, 2010 is Rs. 5,112,366 thousand (2009: Rs. 4,483,052 thousand).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>10.2 Investments by segments:</b>			
Federal Government Securities	10.2.3		
Market Treasury Bills		70,313,741	37,742,897
Pakistan Investment Bonds		8,763,218	6,115,369
Government of Pakistan Sukuk Bonds	10.2.4	-	1,261,681
Government of Pakistan Euro Bonds	10.2.4	1,596,731	167,306
Sukuk Certificates		3,780,703	617,508
		84,454,393	45,904,761
Fully paid up ordinary shares / units			
Listed companies / funds	10.3	1,065,326	2,451,928
Unlisted companies	10.5	305,469	268,469
		1,370,795	2,720,397
Units of open end mutual funds	10.4	1,520,717	1,437,798
Fully paid preference shares			
Listed companies	10.6	50,000	95,000
Unlisted companies	10.6	25,000	-
Term Finance Certificates	10.7		
Listed Term Finance Certificates		1,899,488	1,974,580
Unlisted Term Finance Certificates		11,619,514	12,288,811
		13,519,002	14,263,391
Foreign Securities			
Mena Transformation Fund	10.11	199,210	195,965
Credit Linked Notes	10.14	428,184	421,208
		627,394	617,173
Other Investments			
Sukuk Certificates		1,637,740	1,791,289
National Investment Trust (NIT) - Units		222,681	278,472
National Investment Trust (NIT) Government Bond Fund		-	100,000
		1,860,421	2,169,761
Total investment at cost		103,427,722	67,208,281
Less: Provision for diminution in value of investments	10.2.1	(377,210)	(80,680)
Investments (net of provisions)		103,050,512	67,127,601
Less:			
Unrealised loss on revaluation of held for trading securities - net	10.16	(354)	(1,918)
Deficit on revaluation of available for sale securities - net		(790,401)	(79,650)
Total investments		102,259,757	67,046,033
<b>10.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		80,680	3,896
Charge for the year		296,530	76,784
Closing balance		377,210	80,680

Rupees in '000	2010	2009
<b>10.2.2 Particulars of provision in respect of type and segment</b>		
Available for sale securities		
Fully paid ordinary shares - unlisted	34,337	5,680
Preference shares - unlisted	25,000	-
Term finance certificates	32,873	-
Sukuk certificates	260,000	75,000
Held to maturity securities		
Term finance certificates	25,000	-
	377,210	80,680

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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2011 to December 2011	On maturity	11.99% to 13.66%	at maturity
Pakistan Investment Bonds	February 2011 to September 2019	On maturity	8% to 14%	semi-annually
Government of Pakistan Euro Bonds	June 2017	On maturity	6.88% to 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 Limited	September 26, 2011 to November 15, 2013	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
– Karachi Shipyard and Engineering Works	June 28, 2012	Semi-annually	6 months KIBOR plus 0.4%	semi-annually
– Sui Southern Gas Company Limited	June 28, 2012	Semi-annually	3 months KIBOR plus 0.8%	semi-annually
– WAPDA	July 13, 2017	On maturity	(Floor 1.5%, Cap 35%) 6 months KIBOR minus 0.25%	semi-annually

10.2.4 These represent investments by the wholesale bank branch.

### 10.3 Investments in listed companies shares / Units

No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
-	584,200	-	Adamjee Insurance Company Limited	-	48,972
2,590,166	1,758,701	8.17	Al-Meezan Mutual Fund	21,161	11,295
-	75,000	-	Allied Bank Limited	-	4,617
-	41,000	-	Summit Bank Limited (formerly Arif Habib Bank Limited)	-	43
900,369	-	28.96	Arif Habib Corporation Limited	26,073	-
-	1,300,000	-	Arif Habib Securities Limited	-	51,814
5,094,348	3,056,611	6.95	Askari General Insurance Company Limited - note 10.12	35,419	11,182
-	500,000	-	Atlas Bank Limited	-	2,427
10,278,134	10,257,114	4.43	Atlas Fund of Funds	45,532	42,934
82,430	235,620	60.91	Attock Cement Pakistan Limited	5,021	12,393
50,000	260,000	317.06	Attock Petroleum Limited	15,853	86,295
13,600	294,520	125.59	Attock Refinery Limited	1,708	42,409
3,481,913	2,757,095	11.98	Azgard Nine Limited	41,731	74,293
2,350,199	3,850,000	10.99	Bank Alfalah Limited	25,839	52,265
-	1,059,304	-	Bank Islami Pakistan Limited	-	6,218
-	364,061	-	Cherat Cement Company Limited	-	4,569
306,000	1,133,300	27.47	Crescent Steel Mills Limited	8,406	37,736
1,193,000	1,924,902	31.10	D. G. Khan Cement Company Limited	37,101	61,029
-	534,000	-	Engro Chemical (Pakistan) Limited	-	73,739
3,200,000	-	11.07	Fatima Fertilizer Company Limited	35,424	-
-	3,000,000	-	Fauji Cement Company Limited	-	25,324
-	1,600,000	-	Fauji Fertilizer Bin Qasim Limited	-	41,808
677,710	1,108,005	3.24	Golden Arrow Selected Stock Fund	2,196	3,525
-	600,000	-	Habib Bank Limited	-	68,713

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For the year ended December 31, 2010

No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
-	1,886,187	-	Hira Textile Mills Limited	-	7,878
-	509,342	-	Honda Atlas Cars (Pakistan) Limited	-	10,606
2,445,342	3,900,000	37.30	Hub Power Company Limited	91,223	81,281
-	5,400,000	-	IGI Investment Bank Limited	-	19,062
-	130,000	-	Indus Motor Company Limited	-	24,595
3,844,832	3,585,000	12.99	Jahangir Siddiqui and Company Limited	49,929	99,299
-	1,000,000	-	JS Bank Limited	-	5,080
-	1,038,000	-	JS Investments Limited	-	17,837
-	6,231,000	-	JS Large Capital Fund	-	29,385
380	1,760,093	39.47	Kot Addu Power Company Limited	15	67,318
144,501	1,239,613	77.09	Lucky Cement Limited	11,140	78,074
-	1,830,000	-	Maple Leaf Cement Company Limited	-	8,096
-	335,000	-	MCB Bank Limited	-	48,698
8,375,654	6,000,000	8.28	Meezan Balanced Fund	69,328	36,016
674,878	1,610,000	16.96	Meezan Bank Limited	11,448	23,264
-	2,100,000	-	MyBank Limited	-	11,952
-	1,300,000	-	National Bank of Pakistan	-	95,733
-	240,000	-	National Refinery Limited	-	47,526
-	150,000	-	Netsol Technologies Limited	-	4,401
11,965,000	10,726,500	3.16	NIB Bank Limited	37,809	64,647
600,643	1,300,000	22.87	Nishat (Chunian) Limited	13,738	14,039
133,818	200,000	62.58	Nishat Mills Limited	8,374	14,300
-	575,000	-	Oil and Gas Development Company Limited	-	40,958
513,300	513,300	129.60	Packages Limited	66,524	73,915
7,511,000	7,511,000	10.00	Pak Oman Advantage Fund	75,091	75,091
433,914	546,313	71.07	Pak Suzuki Motor Company Limited	30,840	59,133
-	650,000	-	Pakistan Oilfields Limited	-	92,779
-	553,675	-	Pakistan Petroleum Limited	-	81,139
-	100,000	-	Pakistan Premier Fund	-	650
2,850,700	2,800,000	19.85	Pakistan Re-Insurance Company Limited	56,599	97,809
-	1,800,000	-	Pakistan Strategic Allocation Fund	-	9,088
1,616,800	4,181,800	18.92	Pakistan Telecommunication Company Limited	30,596	77,963
3,616,399	2,059,900	14.66	PICIC Growth Fund	53,010	32,952
-	1,700,000	-	Samba Bank Limited	-	7,363
139,700	139,700	247.86	Shell Pakistan Limited	34,626	34,626
-	3,284,204	-	Soneri Bank Limited	-	36,356
2,800,000	2,520,000	32.64	Sui Northern Gas Pipelines Limited	91,395	92,484
-	1,718,264	-	Sui Southern Gas Company Limited	-	23,569
-	6,100	-	Tri Pak Films Limited	-	605
-	830,000	-	United Bank Limited	-	42,761
7,238,208	-	4.45	Wateen Telecom Limited	32,177	-
(Less) / add: (Deficit) / surplus on revaluation of shares / units - net				1,065,326	2,451,928
Market value as on December 31				998,789	2,623,642

## 10.4 Units of open end mutual funds

No. of units		Paid-up value/unit	Name of mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund - note 10.8 (a related party)	100,846	245,141
11,637,439	8,368,657	96.23	Askari Income Fund - note 10.8 (a related party)	1,119,871	888,667
1,095,837	1,000,000	91.25	Askari Islamic Asset Allocation Fund - note 10.8 (a related party)	100,000	100,000
1,105,776	1,000,000	90.43	Askari Islamic Income Fund - note 10.8 (a related party)	100,000	100,000
1,009,971	1,009,971	99.01	Askari Sovereign Cash Fund - note 10.8 (a related party)	100,000	100,000
-	100,568	-	Reliance Income Fund	-	3,990
Add / (less): Surplus / (deficit) on revaluation of units - net				1,520,717	1,437,798
Market value as on December 31				1,563,299	1,354,018

## 10.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding	Number of shares	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
		%		Rupees	Rupees in '000			
Askari Investment Management Limited – subsidiary	10.5.1	100	13,500,000	10	135,000	100,899	31 Dec 2010	Mr. Adnan Siddiqui
Askari Securities Limited – subsidiary	10.5.2	74	17,020,000	10	114,789	81,763	31 Dec 2010	Mr. Faheem Sardar
Khushhali Bank Limited	10.5.3	2.93	5,000,000	10	50,000	60,893	31 Dec 2009	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	10.5.4	5.26	568,044	10	5,680	–	–	Under liquidation
						305,469		

**10.5.1** 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).

**10.5.2** 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.

**10.5.3** 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.

**10.5.4** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2009: Rs. 5,680 thousand) is considered as impairment and has been fully provided for.

## 10.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share	Investee	Rate %	Book Value		Market Value	
2010	2009				2010	2009	2010	2009
Rupees					Rupees in '000		Rupees in '000	
<b>Listed</b>								
10,000,000	10,000,000	10	Chenab Limited	9.25	25,000	70,000	25,000	70,000
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
<b>Un-listed</b>								
2,500,000	–	10	First Dawood Investment Bank Limited	4 percent per annum	25,000	–	25,000	–
					75,000	95,000	75,000	95,000

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## 10.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2010	2009
2010	2009			Rupees in '000	
<b>Listed</b>					
13,669	13,669	Allied Bank Limited	4,992	68,236	68,263
65,000	35,000	Bank Alfalah Limited	2,687	174,626	174,693
30,000	30,000	Bank Al-Habib Limited	4,988	149,640	149,700
11,000	11,000	IGI Investment Bank Limited	1,240	13,645	26,908
-	27,400	NIB Bank Limited	-	-	123,871
8,000	8,000	Orix Leasing Limited	2,512	20,096	33,661
37,230	37,230	Pace Pakistan Limited	4,728	176,017	172,051
97,493	68,493	Pak Arab Fertilizer Limited	4,564	444,998	326,924
40,000	40,000	Pakistan Mobile Communication Limited	4,160	166,400	199,720
4,600	4,600	Faysal Bank Limited (formerly Royal Bank of Scotland)	3,743	17,218	22,959
12,000	12,000	Soneri Bank Limited	4,989	59,868	59,892
10,000	10,000	Standard Chartered Bank Limited	4,742	47,420	49,930
45,432	29,000	United Bank Limited	4,887	222,024	164,030
84,090	84,090	Worldcall Telecom Limited	4,035	339,300	401,978
Book value as on December 31				1,899,488	1,974,580
<b>Unlisted</b>					
140,000	140,000	AgriTech Limited (formerly Pak American Fertilizers Limited) (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,996	699,440	699,580
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	4,246	127,372	150,000
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,000	430,022	430,194
58,000	70,000	Bank Alfalah Limited (Chief Executive: Mr. Shakil Sadiq)	4,998	289,884	350,000
3,700	-	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	-
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 Corporation Limited (formerly Engro Chemical 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. Tanveer Safder Cheema)	3,750	874,999	1,166,665
233,333	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Muhammad Ibrahim Majoka)	3,750	874,999	1,166,665
233,333	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Javed Pervaiz)	3,750	874,999	1,166,665
74,900	74,900	Jahangir Siddiqui and Company Limited (Chief Executive: Mr. Muhammad Kamran Nasir)	4,860	363,981	360,106
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Nadir Rehman)	5,009	50,092	50,222
-	5,000	Kashf Foundation (Chief Executive: Ms. Sadaffe Abid)	-	-	10,714
-	455,800	National Transmission and Dispatch Company Limited (Chief Executive: Mr. Ameer-ur-Rehman)	-	-	2,279,000
2,700	2,200	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	82,048	221,530	220,050
10,077	-	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	-
50,000	50,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Nadeem Yousafzai)	4,997	249,850	249,950
45,092	-	Pakistan National Shipping Corporation (Chief Executive: Brig. Retd. Rashid Siddiqui SI(M))	5,000	225,461	-
1,098,600	642,800	Power Holding (Private) Limited (Chief Executive: Mr. Fazeel Asif)	5,000	5,493,000	3,214,000
10,000	10,000	Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000	50,000	50,000
Book value as on December 31				11,619,514	12,288,811



**10.7.1** These carry rate of return ranging from 8.45% to 17.36% (2009: 8.45% to 19.43%) per annum and having maturity periods of upto 8 years (2009: 9 years).

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

**10.9 Sukuk Certificates - Available for sale**

Name of Investee	Rate	Maturity	2010	2009
			Rupees in '000	
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	97,500	120,000
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	70,000	90,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3.5%, cap 25%)	June 20, 2014	155,556	200,000
K.S. Sulmanji and Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 2.4% p.a.	June 30, 2014	190,000	190,000
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.8% p.a.	December 20, 2015	241,500	241,500
Agritech Limited (formerly Pak American Fertilizer Limited)	Average of offer side of 6 month KIBOR plus 2% p.a.	August 5, 2017	300,000	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	12,559	19,789
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 31, 2013	2,000,000	-
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, 2016	178,125	190,000
			3,405,240	1,511,289
Less: Provision			(260,000)	(75,000)
			3,145,240	1,436,289

**10.10** These represent investments by wholesale bank branch carrying mark-up at 6.875% and 7.125% and having maturities upto June 2017.

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

**10.12** Investment in associate represents 25% (2009: 15%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed associated company. Summary of financial information of AGICO is given below:

Rupees in '000	Based on	
	September 30, 2010 (Un-audited)	December 31, 2009 (Audited)
Assets	1,653,006	1,195,751
Liabilities	1,359,275	927,340
Equity	293,731	268,411
Revenue	145,810	805,176
Profit / (loss) after tax	7,447	(27,545)

Fair value of investment in AGICO as at December 31, 2010 is Rs. 56,038 thousand (2009: Rs. 51,962 thousand).

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## 10.13 Sukuk Certificates - Held to maturity

Name of Investee	Rate	Maturity	2010	2009
			Rupees in '000	
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	202,500	270,000
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 04, 2016	150,704	150,842
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	1,250,000	-
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a. (floor 1.5%, cap 35%)	June 28, 2012	99,999	166,666
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			2,013,203	897,508
Less: Provision			(110,000)	-
			1,903,203	897,508

**10.14** This represents investment 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.

## 10.15 Quality of Available for Sale Securities

Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Market Treasury Bills - note 10.15.1	70,107,699	unrated	37,693,814	unrated
Pakistan Investment Bonds - note 10.15.1	7,303,354	unrated	4,943,072	unrated
Fully paid up ordinary shares - note 10.15.2				
Adamjee Insurance Company Limited	-	-	68,949	AA
Al-Meezan Mutual Fund	21,524	unrated	11,607	unrated
Summit Bank Limited (formerly Arif Habib Bank Limited)	-	-	275	A
Arif Habib Corporation Limited	22,410	unrated	-	-
Arif Habib Securities Limited	-	-	64,051	unrated
Atlas Bank Limited	-	-	1,720	A-
Atlas Fund of Funds	47,074	unrated	36,310	unrated
Attock Cement Limited	5,202	unrated	12,252	unrated
Attock Petroleum Limited	16,726	unrated	90,381	unrated
Attock Refinery Limited	-	-	29,589	AA
Azgard Nine Limited	33,636	SD	56,133	A+
Bank Alfalah Limited	26,346	AA/A1+	45,441	AA
Bank Islami Pakistan Limited	-	-	6,218	A
Cherat Cement Limited	-	-	4,569	unrated
Crescent Steel Mills Limited	8,418	A+	29,477	A+
D. G. Khan Cement Company Limited	35,994	unrated	62,675	unrated
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	-	-	92,368	AA
Fatima Fertilizer Company Limited	36,096	A/A1	-	-
Fauji Cement Company Limited	-	-	18,480	unrated
Fauji Fertilizer Bin Qasim Limited	-	-	41,808	unrated
Golden Arrow Selected Stock Fund	2,141	3 - Star	3,324	4 - Star
Habib Bank Limited	-	-	74,064	AA+
Hira Textile Mills Limited	-	-	5,470	unrated

Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Honda Atlas Cars Limited	-	-	9,739	unrated
Hub Power Company Limited	91,480	AA+/A1+	121,212	unrated
IGI Investment Bank Limited	-	-	19,062	A
Indus Motor Company Limited	-	-	25,548	unrated
Jahangir Siddiqui and Company Limited	40,765	AA/A1+	101,787	AA+
JS Bank Limited	-	-	5,080	A
JS Investments Limited	-	-	14,916	AA-
JS Large Capital Fund	-	-	28,663	unrated
Khushhali Bank Limited	50,000	A-/A-2	50,000	A-
Kot Addu Power Company Limited	15	unrated	80,735	unrated
Lucky Cement Limited	-	-	75,488	unrated
Maple Leaf Cement Company Limited	-	-	6,881	D
MCB Bank Limited	-	-	71,396	AA+
Meezan Balanced Fund	62,818	unrated	36,600	unrated
Meezan Bank Limited	11,405	AA-/A-1	25,341	A+
MyBank Limited	-	-	9,975	A-
National Bank of Pakistan	-	-	78,089	AAA
National Refinery Limited	-	-	42,437	AAA
NIB Bank Limited	35,297	AA-/A1+	51,487	AA-
Nishat (Chunian) Limited	13,647	A/A-2	27,560	unrated
Nishat Mills Limited	8,587	A+/A1	-	-
Oil and Gas Development Company Limited	-	-	60,836	AAA
Packages Limited	66,015	AA/A1+	73,915	AA
Pakistan Export Finance Guarantee Agency Limited	-	-	-	-
Pak Oman Advantage Fund	77,739	AA-	78,866	AA-
Pak Suzuki Motor Company Limited	30,296	unrated	48,600	unrated
Pakistan Oilfields Limited	-	-	138,462	unrated
Pakistan Petroleum Limited	-	-	91,003	unrated
Pakistan Premier Fund	-	-	595	3 - Star
Pakistan Re-Insurance Limited	46,324	unrated	73,080	unrated
Pakistan Strategic Allocation Fund	-	-	7,992	4 - Star
Pakistan Telecommunication Company Limited	23,630	unrated	73,809	unrated
PICIC Growth Fund	47,918	3 - Star	29,374	2 - Star
Samba Bank Limited	-	-	5,627	A
Shell Pakistan Limited	29,088	unrated	34,975	unrated
Soneri Bank Limited	-	-	36,356	AA-
Sui Northern Gas Pipelines Limited	74,872	AA/A1+	62,496	AA
Sui Southern Gas Company Limited	-	-	23,076	AA-
Tri Pak Films Limited	-	-	624	A+
United Bank Limited	-	-	46,760	AA+
Wateen Telecom Limited	26,347	unrated	-	-
Fully paid preference shares				
Chenab Limited	25,000	unrated	70,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	-	D	-	-
Units of open end mutual fund				
Askari Income Fund Units	1,119,871	-	888,668	3 - Star
Askari Asset Allocation Fund	100,846	-	157,359	unrated
Askari Islamic Asset Allocation Fund	120,734	-	111,247	unrated
Askari Islamic Income Fund	116,348	-	113,119	unrated
Askari Sovereign Cash Fund	105,500	-	104,002	unrated
Reliance Income Fund	-	-	3,990	unrated

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Term Finance Certificates				
Agritech Limited (formerly Pak American Fertilizer Limited)	595,187	CCC	685,864	AA-
Allied Bank Limited	67,027	AA-	66,145	AA-
Avari Hotels Limited	123,859	A-	140,730	A-
Azgard Nine Limited	394,255	CCC	425,853	AA-
Bank Alfalah Limited	288,777	AA-	344,550	AA-
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	669,416	AA	665,216	AA
Faisalabad Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
Gujranwala Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
IGI Investment Bank Limited	13,726	A+	27,311	A+
Islamabad Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
Jahangir Siddique and Company Limited	372,112	AA	376,333	AA+
KASB Securities Limited	49,522	A+	49,224	AA-
Kashf Foundation	-	-	10,540	A-
National Transmission and Dispatch Company Limited	-	-	2,279,000	unrated
NIB Bank Limited	-	-	125,659	A+
Orix Leasing Pakistan Limited	243,349	AA+	228,147	AA / AA+
Pace Pakistan Limited	180,543	A+	180,565	A+
Pak Arab Fertilizer Limited	444,471	AA	321,373	AA
Pakistan International Airlines Corporation Limited	249,850	unrated	249,950	unrated
Power Holding Private Limited	5,493,000	unrated	3,214,000	unrated
Shakarganj Mills Limited	50,000	D	44,037	D
United Bank Limited	121,886	AA	61,510	AA
World Call Telecom Limited	334,754	A	387,431	A
Bunny's Limited	13,875	unrated	-	-
Pak Hy Oils Limited	50,385	unrated	-	-
Pakistan National Shipping Corporation	225,461	unrated	-	-
	12,606,452		13,383,433	
National Investment Trust (NIT) Units	224,255	3 - Star	262,601	3 - Star
National Investment Trust (NIT) Government Bond Fund	-	-	101,335	unrated
Sukuk Certificates	3,405,098	unrated	1,510,362	unrated
Foreign securities				
Mena Transformation Fund	190,627	unrated	228,191	unrated
Government of Pakistan Euro Bonds - note 10.15.1	615,653	unrated	-	-
	97,058,247		62,119,796	

10.15.1 These are Government of Pakistan guaranteed securities.

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

10.15.3 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 securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

Rupees in '000	2010	2009
<b>10.16 Unrealized loss on revaluation of investments classified as held for trading</b>		
Fully paid ordinary shares	(354)	(1,918)

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

**10.18** 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	Note	2010	2009
<b>11. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		142,242,261	125,995,317
Outside Pakistan		57,940	2,106,040
		142,300,201	128,101,357
Net investment in lease finance - In Pakistan	11.2	8,791,362	-
Ijarah financing - In Pakistan	11.3	1,103,349	1,635,158
Net book value of assets / investments in Ijarah under IFAS 2 - In Pakistan	11.4	311,162	281,514
Bills discounted and purchased			
Payable in Pakistan		8,428,437	9,582,481
Payable outside Pakistan		7,501,252	8,027,833
		15,929,689	17,610,314
Advances - gross		168,435,763	147,628,343
Provision against non-performing advances	11.6		
Specific provision		(15,222,798)	(11,658,161)
General provision		(132,190)	(585,642)
General provision against consumer financing		(296,638)	(350,041)
		(15,651,626)	(12,593,844)
Advances - net of provision		152,784,137	135,034,499
<b>11.1 Particulars of advances - gross</b>			
<b>11.1.1</b> In local currency		161,400,226	139,014,592
In foreign currencies		7,035,537	8,613,751
		168,435,763	147,628,343
<b>11.1.2</b> Short term (for upto one year)		74,191,897	119,371,026
Long term (for over one year)		94,243,866	28,257,317
		168,435,763	147,628,343

# Notes to the Unconsolidated Financial Statements

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## 11.2 Net investment in lease finance - In Pakistan

Rupees in '000	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	3,809,836	2,521,875	-	6,331,711	-	-	-	-
Residual value	1,473,131	1,919,874	-	3,393,005	-	-	-	-
Minimum lease payments	5,282,967	4,441,749	-	9,724,716	-	-	-	-
Finance charges for future periods	(544,700)	(388,654)	-	(933,354)	-	-	-	-
Present value of minimum lease payments	4,738,267	4,053,095	-	8,791,362	-	-	-	-

## 11.3 Ijarah financing - In Pakistan

Rupees in '000	2010				2009			
	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	160,400	698,467	-	858,867	498,190	995,460	-	1,493,650
Residual value	110,976	312,453	-	423,429	65,374	419,405	-	484,779
Minimum Ijarah payments	271,376	1,010,920	-	1,282,296	563,564	1,414,865	-	1,978,429
Profit for future periods	(30,314)	(148,633)	-	(178,947)	(124,240)	(219,031)	-	(343,271)
Present value of minimum Ijarah payments	241,062	862,287	-	1,103,349	439,324	1,195,834	-	1,635,158

## 11.4 Net book value of assets / investments in Ijarah under IFAS 2

Rupees in '000	2010				2009			
	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	-	421,410	-	421,410	-	320,088	-	320,088
Accumulated depreciation on Ijarah	-	(110,248)	-	(110,248)	-	(38,574)	-	(38,574)
Net assets / investments in Ijarah	-	311,162	-	311,162	-	281,514	-	281,514

11.5 Advances include Rs. 21,598,648 thousand (2009: Rs. 17,725,451 thousand) which have been placed under non-performing status. These include Rs. 1,558,273 thousand relating to the business of formerly ALL which stands amalgamated with the Bank with effect from March 3, 2010. The category of classification is as detailed below:

Category of classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned - note 11.5.1	54,779	-	54,779	-	-	-	-	-	-
Substandard	1,155,321	-	1,155,321	257,673	-	257,673	257,673	-	257,673
Doubtful	2,484,033	-	2,484,033	684,625	-	684,625	684,625	-	684,625
Loss	17,904,515	-	17,904,515	14,280,500	-	14,280,500	14,280,500	-	14,280,500
	21,598,648	-	21,598,648	15,222,798	-	15,222,798	15,222,798	-	15,222,798

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 11.5.1	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

11.5.1 This represents classification made for agricultural finances.

#### 11.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2010				2009			
		Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
Opening balance		11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731
Adjustment of potential lease losses	11.6.2	1,198,104	-	44,107	1,242,211	-	-	-	-
Charge for the year		3,899,939	25,498	234	3,925,671	3,639,565	221,248	2,146	3,862,959
Adjustment due to change in estimate	11.6.3	-	(426,771)	-	(426,771)	-	-	-	-
Reversal for the year		(1,029,697)	(52,179)	(97,744)	(1,179,620)	(1,263,297)	(208,996)	(66,289)	(1,538,582)
Net charge / (reversal) for the year		2,870,242	(453,452)	(97,510)	2,319,280	2,376,268	12,252	(64,143)	2,324,377
Reversal of provision on rescheduled / restructured classified advances	21.1	(53,362)	-	-	(53,362)	-	-	-	-
Amounts written off	11.8	(450,347)	-	-	(450,347)	(743,264)	-	-	(743,264)
Closing balance		15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844

11.6.1 The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 2 of 2010 dated June 3, 2010 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 year by Rs. 626,611 thousand. The FSV benefit recognised in these unconsolidated financial statements is not available for payment of cash or stock dividend. Had the FSV benefit not recognised, profit before tax and profit after tax for the year would have been lower by Rs. 626,611 thousand (2009: Rs. 2,814,106 thousand) and Rs. 407,297 thousand (2009: Rs. 1,829,169 thousand) respectively.

11.6.2 Adjustment for potential lease losses represent provisions made against lease financing transferred to the Bank upon amalgamation of ALL.

11.6.3 During the year the management has revised the basis for determining the general provision, which is now being maintained at the rate of 0.1% (previously at the rate of 0.5%) on advances other than non-performing advances and consumer financing. This change in estimate has resulted in increase in profit before tax by Rs. 528,762 thousand.

#### 11.7 Particulars of provision against non-performing advances

Rupees in '000	2010				2009			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
In local currency	15,026,149	98,412	296,638	15,421,199	11,448,001	544,082	350,041	12,342,124
In foreign currencies	196,649	33,778	-	230,427	210,160	41,560	-	251,720
	15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844

# Notes to the Unconsolidated Financial Statements

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Rupees in '000	2010	2009
<b>11.8 Particulars of write-offs:</b>		
<b>11.8.1</b> Against provisions	450,347	743,264
Directly charged to profit and loss account	–	–
	450,347	743,264
<b>11.8.2</b> Write offs of Rs. 500,000 and above	449,464	742,967
Write offs of below Rs. 500,000	883	297
	450,347	743,264

**11.8.3** In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2010 is given at Annexure - 1.

Rupees in '000	Note	2010	2009
<b>11.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,220,051	401,575
Loans granted during the year		573,256	997,947
Repayments		(300,730)	(179,471)
Balance at end of year		1,492,577	1,220,051
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		580,240	631,904
Loans granted during the year		2,675,841	500,000
Repayments		(3,255,009)	(551,664)
Balance at end of year		1,072	580,240
		1,493,649	1,800,291
<b>12. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	1,670,316	1,489,066
Property and equipment	12.2	8,317,647	7,772,543
		9,987,963	9,261,609
<b>12.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		1,670,316	1,489,066
		1,670,316	1,489,066



## 12.2 Property and equipment

Rupees in '000	2010													
	COST / REVALUED AMOUNT						DEPRECIATION					Book value	Annual rate of depreciation	
	as at January 1, 2010	On merger with ALL	Additions	Adjustment note 12.2.2	Deletions/ transfers	as at December 31, 2010	as at January 1, 2010	On merger with ALL	Charge for the year	On deletions/ adjustment	as at December 31, 2010	as at December 31, 2010		
Land -freehold	1,414,802	-	225,000	-	-	1,639,802	-	-	-	-	-	1,639,802	-	
Land -leasehold	2,098,844	6,528	-	-	-	2,105,372	-	-	-	-	-	2,105,372	-	
Buildings on freehold land	783,563	-	171,160	(160,830)	-	793,893	214,950	-	23,952	-	188,824	605,069	5	
Buildings on leasehold land	1,414,220	417	-	-	-	1,414,637	313,679	35	53,733	-	367,447	1,047,190	5	
Renovation of premises	1,335,894	27,598	347,469	-	(9,823)	1,701,138	605,284	26,057	247,517	(7,343)	871,515	829,623	20	
Furniture, fixtures and office equipment	454,544	23,363	41,924	-	(3,537)	516,294	144,740	16,393	32,914	(1,828)	192,219	324,075	10	
Carpets	19,829	542	2,071	-	(610)	21,832	13,779	370	2,411	(484)	16,076	5,756	20	
Machine and equipments	1,078,525	26,842	165,697	-	(15,224)	1,255,840	529,367	19,957	123,390	(10,524)	662,190	593,650	20	
Computer equipments	1,487,718	48,419	405,052	-	(7,314)	1,933,875	604,415	41,742	204,986	(5,758)	845,385	1,088,490	20	
Vehicles	208,961	47,566	504	-	(11,911)	224,843	159,928	22,342	24,508	(7,483)	191,755	33,088	20	
Other assets	133,222	-	-	-	-	133,222	71,437	-	17,931	-	89,368	43,854	20	
	10,430,122	181,275	1,358,877	(160,830)	(48,419)	11,740,748	2,657,579	126,896	731,342	(33,420)	3,424,779	8,315,969		
Operating Lease - Vehicles	-	18,209	-	-	-	18,209	-	13,599	2,932	(7,540)	-	16,531	1,678	20
	10,430,122	199,484	1,358,877	(160,830)	(48,419)	11,758,957	2,657,579	140,495	684,196	(33,420)	3,441,310	8,317,647		

Rupees in '000	2009											
	COST / REVALUED AMOUNT					DEPRECIATION				Book value	Annual rate of depreciation	
	as at January 1, 2009	Additions	Deletions/ transfers	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	-	1,414,802	-	-	-	-	1,414,802	-		
Land -leasehold	2,098,844	-	-	2,098,844	-	-	-	-	2,098,844	-		
Buildings on freehold land	583,199	332,485	-	783,563	181,819	33,131	-	214,950	568,613	5		
Buildings on leasehold land	1,414,220	-	-	1,414,220	255,758	57,921	-	313,679	1,100,541	5		
Renovation of 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)	10,430,122	2,070,990	645,958	(59,369)	2,657,579	7,772,543			

12.2.1 Cost of fully depreciated property and equipment still in use is Rs. 546,995 thousand (2009: Rs. 206,422 thousand).

12.2.2 This represents revaluation adjustment of land, revalued in previous years, which at the time of revaluation was included in building and not adjusted against the cost of land.

# Notes to the Unconsolidated Financial Statements

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**12.3** The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2008 on the basis of their professional assessment of present market value. The amount of revaluation surplus on land is Rs. 1,697,325 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	472,659	Merchant and Associate, Sardar Enterprises, Tristar International
Lahore	980,226	Merchant and Associate, Arch & Decor
Islamabad	69,205	Empire Enterprises
Rawalpindi	1,803,835	Merchant and Associate, Industrial Consultants, Samsco
Quetta	187,720	Sadruddin Associates
	3,513,645	

Had the land not been revalued, the carrying amount of revalued land as at December 31, 2010 would have been Rs. 1,816,320 thousand.

## 12.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Honda Civic	1,427	832	595	571	As per Bank policy	Mr. Hafeez R. Qureshi - Ex Executive
Toyota Corolla	1,085	1,085	-	373	- do -	Syed Hassan Sajjad - Ex Executive
Suzuki Cultus	560	355	205	295	- do -	Syed Ali Shah Gillani - Ex Executive
Mercedes Benz	6,100	3,355	2,745	6,550	Negotiation	Mr. Muhammad Tariq Khan
Daikan Airconditioner Units	2,643	2,388	255	300	Trade in	Noor Refrigeration Services
Suzuki Bolan	367	67	300	345	Insurance Claim	Askari General Insurance Company Limited - a related party
Airconditioner Units	450	382	68	133	- do -	Adamjee Insurance Company Limited
Renovation of premises	8,770	6,867	1,903	1,792	- do -	- do -
Automated Teller Machines	3,030	1,057	1,973	390	- do -	- do -
	24,432	16,388	8,044	10,749		
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	23,987	17,032	6,955	6,430		
<b>2010</b>	48,419	33,420	14,999	17,179		
2009	69,028	59,369	9,659	13,342		

Rupees in '000	Note	2010	2009
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	13.1	7,441,717	6,379,680
Income / mark-up accrued in foreign currencies		146,993	142,876
Advances, deposits, advance rent and other prepayments		1,226,284	899,105
Advance taxation (payments less provisions)		2,839,632	1,977,943
Non banking assets acquired in satisfaction of claims	13.2	2,138,640	584,831
Un-realised gain on forward foreign exchange contracts - net		-	125,967
Suspense account		33,254	16,816
Stationary and stamps in hand		43,193	53,064
Dividend receivable		1,811	25,599
Others		417,056	415,720
		14,288,580	10,621,601
Less: Provision against other assets	13.3	(98,121)	(459)
Other assets - net of provision		14,190,459	10,621,142

**13.1** This balance has been arrived at after adjusting interest in suspense of Rs. 4,837,932 thousand (2009: Rs. 3,361,765 thousand).

**13.2** These include land and building acquired against settlement of loan to M/s AH International and Shahzad Siddique (Pvt) Limited which was classified under operating fixed assets. The balance has now been classified under other assets in line with the requirements of the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006. Market value of non banking assets acquired in satisfaction of claims is Rs. 4,141,590 thousand.

Rupees in '000	2010	2009
<b>13.3 Provision against other assets</b>		
Opening balance	459	459
Amount transferred on merger of ALL with and into Bank	97,662	-
Closing balance	98,121	459
<b>14. BILLS PAYABLE</b>		
In Pakistan	3,089,984	2,945,670
<b>15. BORROWINGS</b>		
In Pakistan	25,488,358	19,143,378
Outside Pakistan	66,419	156,785
	25,554,777	19,300,163
<b>15.1 Particulars of borrowings with respect to currencies</b>		
In local currency	25,488,358	19,143,378
In foreign currencies	66,419	156,785
	25,554,777	19,300,163

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>15.2 Details of borrowings - secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	11,009,687	11,920,153
Long term financing of export oriented projects	15.2.2	1,181,512	1,745,411
Long term financing facility	15.2.3	234,052	34,647
Repurchase agreement borrowings (repo)	15.2.4	6,916,233	3,699,972
		19,341,484	17,400,183
Repo borrowings from financial institutions	15.2.5	6,036,874	773,195
Unsecured			
Call borrowings	15.2.6	110,000	970,000
		25,488,358	19,143,378
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		66,419	156,785
		25,554,777	19,300,163

**15.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 10% (2009: 7.5%) per annum payable on a quarterly basis.

**15.2.2** These carry mark-up rate of 5% (2009: 5%) per annum payable on a quarterly basis.

**15.2.3** These carry mark-up ranging from 8.2% to 9.5% (2009: 7.25% to 7.7%) per annum payable on a quarterly basis.

**15.2.4** These are secured against pledge of Government Securities, and carry mark-up ranging from 12.71% to 12.86% (2009: 11.65% to 12.02%) per annum and have maturities upto 3 (2009: 4) days.

**15.2.5** These are secured against pledge of Government Securities, and carry mark-up ranging from 12% to 13.70% (2009: 11.65% to 12.02%) per annum and have maturities upto 2 (2009: 3) months.

**15.2.6** These represent borrowings at mark-up rate of 12% (2009: 11.5% to 12.6%) per annum and have maturity upto 1 day (2009: 3 months).

Rupees in '000	2010	2009
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	66,943,251	47,689,401
Savings deposits	132,060,695	110,297,787
Current accounts - non-remunerative	53,043,324	44,340,561
Special exporters' account	103,746	21,743
Margin accounts	3,067,234	1,853,597
Others	276,239	268,063
Financial institutions		
Remunerative deposits	437,397	1,494,658
Non-remunerative deposits	4,617	4,417
	255,936,503	205,970,227
<b>16.1 Particulars of deposits</b>		
In local currency	220,406,401	174,277,597
In foreign currencies	35,530,102	31,692,630
	255,936,503	205,970,227

Deposits include Rs. 12,648,967 thousand (2009: Rs. 6,466,754 thousand) due to related parties.

Rupees in '000	2010	2009
<b>17. SUB-ORDINATED LOANS</b>		
Term Finance Certificates – I	1,496,700	1,497,300
Term Finance Certificates – II	1,497,000	1,497,600
Term Finance Certificates – III	2,998,800	3,000,000
	5,992,500	5,994,900

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

	Term Finance Certificate - I	Term Finance Certificate - II	Term Finance Certificate - III
Outstanding amount - Rupees in thousand	1,496,700	1,497,000	2,998,800
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	-	-	Exercisable 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	2010	2009
<b>18. DEFERRED TAX LIABILITIES</b>		
Deferred credits/ (debits) arising due to:		
Accelerated tax depreciation	741,757	658,636
Provision against non-performing advances		
– excess of 1% of total advances	(322,083)	(275,021)
– classified in sub-standard category	(57,527)	(21,812)
	362,147	361,803
Deficit on revaluation of available for sale securities	(276,640)	(27,878)
	85,507	333,925

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009																								
<b>19. OTHER LIABILITIES</b>																										
Mark-up / return / interest payable in local currency	1,707,739	1,698,122																								
Mark-up / return / interest payable in foreign currencies	26,508	53,960																								
Unearned income / commission	232,043	165,858																								
Accrued expenses	361,119	407,187																								
Advance payments	63,769	223,682																								
Security deposit against lease / Ijarah financing	3,820,305	598,215																								
Unclaimed dividends	39,376	37,202																								
Un-realised loss on forward foreign exchange contracts - net	62,587	-																								
Branch adjustment account	781,487	990,844																								
Payable to defined benefit plan	981	949																								
Payable to defined contribution plan	354	24																								
Payable against purchase of listed shares	226,276	75,935																								
Withholding taxes payable	22,786	27,442																								
Federal excise duty payable	26,568	26,385																								
Workers' Welfare Fund	25,245	33,515																								
Others	683,996	494,169																								
	8,081,139	4,833,489																								
<b>20. SHARE CAPITAL</b>																										
<b>20.1 Authorized capital</b>																										
	<table border="1"> <thead> <tr> <th style="text-align: center;">2010</th> <th style="text-align: center;">2009</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">Number of shares</td> </tr> <tr> <td style="text-align: right;">1,300,000,000</td> <td style="text-align: right;">1,200,000,000</td> </tr> </tbody> </table>	2010	2009	Number of shares		1,300,000,000	1,200,000,000	<table border="1"> <thead> <tr> <th style="text-align: center;">2010</th> <th style="text-align: center;">2009</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">Number of shares</td> </tr> <tr> <td style="text-align: right;">13,000,000</td> <td style="text-align: right;">12,000,000</td> </tr> </tbody> </table>	2010	2009	Number of shares		13,000,000	12,000,000												
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1,300,000,000	1,200,000,000																									
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13,000,000	12,000,000																									
	Ordinary shares of Rs. 10 each																									
<b>20.2 Issued, subscribed and paid up capital</b>																										
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2010	2009																									
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67,500,000	67,500,000																									
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5,469,707	4,398,467																									
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6,427,440	5,073,467																									
	Ordinary shares of Rs. 10 each:																									
	Fully paid in cash																									
	Issued as bonus shares																									
	Issued on ALL merger																									

## 20.3 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 unconsolidated 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 date of unconsolidated statement of financial position, in this year.

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue reserve	2010	2009
<b>21. RESERVES</b>							
Balance as at January 01	52,723	-	3,134,270	-	4,048,717	7,235,710	7,709,578
Reserves arisen under scheme of amalgamation	-	234,669	-	-	161,159	395,828	-
Translation reserve on revaluation of wholesale bank branch	2,790	-	-	-	-	2,790	10,286
Transfer from profit and loss account	-	-	188,635	-	886,234	1,074,869	530,539
Bonus shares issued	-	-	-	-	(1,071,240)	(1,071,240)	(1,014,693)
Effect of rescheduled / restructured classified advances - note 21.1	-	-	-	53,362	-	53,362	-
Balance as at December 31	55,513	234,669	3,322,905	53,362	4,024,870	7,691,319	7,235,710

**21.1** This represents reserve created in compliance with BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan to account for the effect of provision reversed on restructuring / rescheduling of classified advances overdue for less than one year. This reserve is not available for payment of cash or stock dividend.

**21.2** General reserve as at December 31, 2010 include Rs. 2,649,255 thousand (2009: Rs. 2,241,958 thousand) in respect of net of tax benefit of 40% of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) held as collateral against non-performing advances allowed under BSD circular No. 2 of 2010 dated June 3, 2010 and referred in note 11.6.1 above. Reserves to that extent are not available for distribution by way of cash or stock dividend.

Rupees in '000	2010	2009
<b>22. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land	1,697,325	1,858,156
(Deficit) / surplus on revaluation of available for sale securities		
i) Federal Government securities	(587,040)	(88,010)
ii) Listed shares	(66,183)	173,632
iii) Units of open end mutual funds	42,582	(83,780)
iv) Other securities	(179,760)	(81,492)
	(790,401)	(79,650)
Less: related deferred tax effect	276,640	27,878
	(513,761)	(51,772)
	1,183,564	1,806,384
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
i) Government	2,831,783	2,755,086
ii) Others	5,573,276	6,862,016
	8,405,059	9,617,102

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009
<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.	13,102	12,354
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	53,461,593	56,911,331
ii) Banks and other financial institutions	912,992	1,083,718
iii) Others	11,418,793	10,404,884
	65,793,378	68,399,933
	65,806,480	68,412,287

**23.2.1** These include guarantees amounting to Rs. 952,115 thousand (2009: Rs. 823,183 thousand) against which the Bank is contesting court proceedings.

Rupees in '000	2010	2009
<b>23.3 Trade-related contingent liabilities</b>	45,264,462	25,410,721
<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.	1,177,959	1,157,959

## 23.5 Tax contingencies / status

- i) For the assessments carried out to date, approximate tax demands of Rs. 2,126 million and Rs. 53 million respectively, pertain to provision against non-performing loans (NPLs) and provision against diminution in the value of investments. For and up to the Tax Year 2006, the Appellate Tribunal Inland Revenue [ATIR] decided the appeals in favour of the Bank on the issue of provision against NPLs, while the matter of admissibility of provision for diminution in value of investment is pending adjudication by the Commissioner Inland Revenue (Appeals) [CIR (A)] as the tax authorities again disallowed the said expense in re-assessment proceedings.

The tax authorities have also filed reference applications before the High Court on the question of tax deductibility of provision against NPLs. The management is hopeful that High Court will uphold the decision of the ATIR.

For Tax Year 2008 the appeal is pending before ATIR. Assessment for the Tax Year 2009 has been set aside by the ATIR.

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. The Bank will not be required to pay tax on future realization, if any, of related receivables.

- ii) The department issued amended assessment orders for the Tax Years 2005 to 2008 by taxing commission & brokerage income at corporate tax rate instead of under final tax regime and allocating expenses to dividend / capital gains thereby raising tax demand of Rs. 681 million. Such issues however have been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank is in appeal with ATIR in respect of Tax Years 2005 to 2008. Assessment for the Tax Year 2009 has been set aside by the ATIR.



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

For and up to Assessment Years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the High Court. There is a potential tax exposure of Rs. 175 million, however its likelihood is considered low due to favorable decision of the High Court in parallel case.

Appeals have been filed by ALL with the ATIR for the Tax Years 2003 to 2007 against disallowance of "initial allowance on leased out vehicles" by the tax authorities. Related tax demand is Rs. 194 million.

For and up to Assessment Year 2002-2003 & Tax Years 2003, 2004 & 2007 the tax authorities have filed appeals with the ATIR against the decision of CIR (A) that minimum tax was not chargeable on lease rentals / income. The related tax demand is Rs. 68.50 million.

The above tax demands have been fully provided for by the management in these unconsolidated financial statements.

Rupees in '000	2010	2009
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	8,481,836	3,922,616
Sale and repurchase agreements	13,021,099	4,493,702
<b>23.7 Commitments in respect of forward exchange contracts</b>		
Purchase	27,763,508	24,552,607
Sale	12,370,573	17,646,611
<b>23.8 Commitments for the acquisition of operating fixed assets</b>	123,422	462,763
<b>23.9 Commitments to extend credit</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	1,706,580	2,332,650
<b>23.10 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company	350,000	-
<b>23.11 Bills for collection</b>		
Payable in Pakistan	643,119	5,626,908
Payable outside Pakistan	11,602,835	10,673,130
	12,245,954	16,300,038

- 23.11.1** Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of the 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.

#### **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.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

## 25. DERIVATIVE INSTRUMENTS

The Bank does not deal in derivative instruments.

Rupees in '000	Note	2010	2009
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	26.1	18,022,764	16,575,102
ii) Financial institutions		74,692	76,194
On investments			
i) Available for sale securities		8,531,430	4,840,476
ii) Held to maturity securities		425,135	471,026
On deposits with financial institutions		377,791	155,224
On securities purchased under resale agreements		520,350	468,714
		27,952,162	22,586,736

**26.1** This includes an amount of Rs. 18,868 thousand (2009: Rs. 162,389 thousand) on account of income received from related parties.

Rupees in '000	Note	2010	2009
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		15,023,859	11,569,560
On securities sold under repurchase agreements		913,089	501,514
On sub-ordinated loans		872,312	559,984
On call money borrowings		171,816	77,596
On refinance borrowings from SBP		864,061	751,131
On long term finance for export oriented projects from SBP		66,909	67,959
On other short term borrowings		24,570	26,334
		17,936,616	13,554,078
<b>28. GAIN ON SALE OF SECURITIES - NET</b>			
Federal Government Securities			
Market Treasury Bills		4,081	62,177
Pakistan Investment Bonds		12,640	14,336
Term Finance Certificates		5,294	(856)
Shares - Listed		158,909	47,015
Others		31,603	21,045
		212,527	143,717
<b>29. OTHER INCOME</b>			
Rent on property	29.1	30,886	32,114
Net profit on sale of property and equipment		2,180	3,683
Rent of lockers		14,140	12,506
Recovery of expenses from customers		423,264	355,918
		470,470	404,221

**29.1** This includes an amount of Rs. 22,343 thousand (2009: Rs. 20,072 thousand) on account of rent received from related parties.

Rupees in '000	Note	2010	2009
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		3,898,188	3,848,965
Charge for defined benefit plan	36.3	165,563	136,153
Contribution to defined contribution plan		122,565	107,882
Non-executive directors' fees, allowances and other expenses		1,070	655
Rent, taxes, insurance, electricity, etc.		957,305	817,629
Legal and professional charges		90,288	70,412
Brokerage and commission		167,246	127,828
Communications		291,466	299,713
Repairs and maintenance		534,869	300,588
Stationery and printing		127,072	114,969
Advertisement and publicity		135,277	71,492
Donations	30.1	86,015	18,000
Auditors' remuneration	30.2	7,066	7,500
Depreciation	12.2	684,196	645,958
Other expenditure (traveling, security services, etc.)		544,432	428,113
		7,812,618	6,995,857
<b>30.1 Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:</b>			
Institute of Business Administration Karachi		16,000	18,000
Army Miscellaneous Welfare Fund (for flood affectees)		70,015	-
		86,015	18,000

**30.1.1** Donations were not made to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	2010	2009
<b>30.2 Auditors' remuneration</b>		
Audit fee	2,500	2,500
Fee for the audit of wholesale bank branch	1,811	1,687
Fee for the audit of provident and gratuity funds	109	80
Special certifications, half year review and the audit of consolidated financial statements	1,915	2,714
Out-of-pocket expenses	731	519
	7,066	7,500
<b>31. OTHER CHARGES</b>		
Workers' Welfare Fund	25,245	33,515
Penalties imposed by the State Bank of Pakistan	17,208	853
	42,453	34,368
<b>32. TAXATION</b>		
For the year		
Current	329,617	562,099
Deferred	342	(27,651)
	329,959	534,448
For prior years		
Current	-	119,827
Deferred	-	(119,827)
	-	-
	329,959	534,448

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>32.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	1,273,136	1,631,955
Tax at applicable tax rate of 35 percent (2009: 35 percent)	445,598	571,184
Effect of:		
- Income chargeable to tax at lower rates	(98,700)	(40,634)
- Permanent differences	(16,939)	298
- Others	-	3,600
	329,959	534,448
<b>33. BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit for the year - Rupees in '000	943,177	1,097,507
Weighted average number of Ordinary Shares - numbers	638,018,811	614,470,625
Basic / diluted earnings per share - Rupees	1.48	1.79

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

Weighted average number of ordinary shares for 2009 has been restated to give effect of bonus shares issued during the year.

Rupees in '000	2010	2009
<b>34. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	22,565,188	19,385,843
Balances with other banks	3,784,862	8,364,261
Call money lendings	-	100,000
	26,350,050	27,850,104
<b>35. STAFF STRENGTH</b>	<b>Number of employees</b>	
Permanent	4,473	4,393
Temporary / on contractual basis	1,841	1,646
Commission based	128	120
Bank's own staff strength at end of the year	6,442	6,159
Outsourced	1,234	1,111
Total staff strength at end of the year	7,676	7,270

## 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.

Rupees in '000	2010	2009
<b>36.2 The amounts recognised in the unconsolidated statement of financial position are as follows:</b>		
Present value of defined benefit obligation	855,806	700,384
Fair value of plan assets	(676,422)	(481,384)
	179,384	219,000
Unrecognised actuarial losses	(179,384)	(219,000)
Net liability	-	-

Rupees in '000	2010	2009
<b>36.3 The amounts recognised in unconsolidated profit and loss account are as follows:</b>		
Current service cost	117,158	84,696
Interest on obligation	89,705	80,771
Expected return on plan assets	(62,580)	(49,032)
Actuarial loss recognised	21,280	19,718
	165,563	136,153
<b>36.4 Actual return on plan assets</b>	50,159	48,564
<b>36.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	700,384	538,472
Current service cost	117,158	84,696
Interest cost	89,705	80,771
Actuarial (gain) / loss	(30,757)	26,659
Benefits paid	(20,684)	(30,214)
Closing defined benefit obligation	855,806	700,384
<b>36.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	481,384	326,881
Expected return	62,580	49,032
Actuarial losses	(12,421)	(468)
Contributions by employer	165,563	136,153
Benefits paid	(20,684)	(30,214)
Closing fair value of plan assets	676,422	481,384

The Bank expects to contribute Rs. 146,592 thousand to its defined benefit gratuity plan in 2011.

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.

	2010		2009	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>36.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	462,722	68	317,047	66
Bank deposit account	213,700	32	164,337	34
	676,422	100	481,384	100

#### 36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2010 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2010	2009
Discount rate - per annum	14%	13%
Expected rate of increase in salaries - per annum	14%	13%
Expected rate of return on plan assets - per annum	14%	13%
Average expected remaining life of employees - years	7	8

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

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

Rupees in '000	2010	2009	2008	2007	2006
As at December 31, Defined benefit obligation	855,806	700,384	538,472	438,354	266,173
Plan assets	(676,422)	(481,384)	(326,881)	(248,040)	(212,931)
Deficit	179,384	219,000	211,591	190,314	53,242
Experience adjustments Actuarial gain/(loss) on obligation	30,757	(26,659)	(9,796)	(132,987)	(35,523)
Actuarial loss on plan assets	(12,421)	(468)	(27,756)	(6,747)	(489)

## 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.

## 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 leaves 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, 2010 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2010 was Rs. 165,902 thousand against related liability of Rs. 149,442 thousand carried at December 31, 2009. Expense for the year of Rs. 16,460 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2010	2009
Discount rate - per annum	14%	13%
Expected rate of increase in salaries - per annum	14%	13%
Leave accumulation factor - days	5	5

## 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Fees	65	105	1,005	655	-	-
Managerial remuneration	10,256	9,240	-	-	560,169	453,026
Charge for defined benefit plan	855	770	-	-	46,324	37,752
Contribution to defined contribution plan	854	770	-	-	46,016	37,737
Rent and house maintenance	4,675	4,158	-	-	252,314	203,862
Utilities	1,026	924	-	-	56,017	45,303
Medical	1,026	1,630	-	-	55,897	47,371
Special performance incentive / Bonus	3,634	1,540	-	-	126,658	75,314
	22,391	19,137	1,005	655	1,143,395	900,365
Number of persons	1	1	9	10	559	472

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

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

#### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets 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 6.6. The maturity profile and effective rates are stated in note 45.2.4.

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

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

Rupees in '000	2010								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	109,309	43,360	2,294,934	27,592,265	75,842	13,495	-	-	-
Total expenses	28,498	11,305	720,820	27,199,843	19,773	3,518	-	-	872,312
Net income / (loss)	80,811	32,055	1,574,114	392,422	56,069	9,977	-	-	(872,312)
Segment Assets (Gross)	60,544	45,576	20,376,943	310,487,446	42,007	7,475	-	-	-
Segment Non Performing Loans	-	-	3,835,918	17,762,730	-	-	-	-	-
Segment Provision Required	-	-	3,148,110	13,127,329	-	-	-	-	-
Segment Liabilities	1,150	865	15,298,249	277,265,384	798	142	-	-	6,173,822
Segment Return on net Assets (ROA) (%)	0.04	0.01	0.77	9.23	0.03	0.00	0.00	0.00	0.00
Segment Cost of funds (%)	0.01	0.00	0.27	10.10	0.01	0.00	0.00	0.00	0.32

	2009								
Total income	129,671	222,299	2,863,833	21,817,970	85,136	12,242	-	-	-
Total expenses	36,152	61,976	734,280	22,079,655	23,736	3,413	-	-	559,984
Net income / (loss)	93,519	160,323	2,129,553	(261,685)	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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 2.02% (2009: 4.99%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 2.10% (2009: 1.29%) of the total liabilities have been allocated to segments based on their respective assets.

#### 42. TRUST ACTIVITIES

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

# Notes to the Unconsolidated Financial Statements

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## 43. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 50.57% (2009: 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.

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

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

Rupees in '000	December 31, 2010						December 31, 2009					
	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employee funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employees funds
<b>Balances outstanding as at</b>												
- Advances	-	132,086	409	413	659	-	-	129,873	25	580,242	-	-
- Deposits	12,239,001	31,039	83,326	219,193	38,775	37,633	5,602,346	47,678	11,420	583,722	57,713	163,875
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	13,102	-	-	-	-	-	12,354	-	-
- Investment in shares - at cost	-	-	-	1,576,397	285,208	-	-	-	-	1,500,671	212,789	-
- Security deposits against lease	-	-	-	132	127	-	-	-	-	-	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,662	-	-	-	-	-	-	-
<b>Transactions during the year ended</b>												
- Net mark-up / interest earned	-	4,492	116	14,283	93	-	-	3,595	-	158,794	-	-
- Net mark-up / interest expensed	967,662	863	7,680	47,618	3,917	3,305	309,815	1,220	581	59,619	11,991	1,910
- Rent received against operating lease	-	-	-	3,769	-	-	-	-	-	-	-	-
- Contribution to employees' funds	-	-	-	-	-	288,128	-	-	-	-	-	244,035
- Rent of property / service charges received	13,578	-	-	4,874	3,891	-	7,662	-	-	12,137	273	-
- Rent of property / service charges paid	59,739	-	-	53,198	863	-	67,958	-	-	51,125	-	-
- Remuneration paid	-	206,063	-	-	-	-	-	155,434	-	-	-	-
- Post employment benefits	-	15,231	-	-	-	-	-	11,899	-	-	-	-
- Insurance claims received	-	-	-	-	1,479	-	-	-	-	3,356	-	-
- Insurance premium paid	-	-	-	-	35,123	-	-	-	-	32,529	-	-
- Dividend Income	-	-	-	66,196	-	-	-	-	-	-	-	-
- Security services costs	-	-	-	180,774	-	-	-	-	-	143,315	-	-
- Fee, commission and brokerage income	5	-	-	-	21	-	379	-	-	869	-	-
- Fees paid	-	65	1,005	-	-	-	-	105	655	-	-	-

## 44. CAPITAL ADEQUACY

### 44.1 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 the Bank 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 the 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.



## 44.2 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 reserve) 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 sub-ordinated 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 and capital reserves originated by restructuring of facilities (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 reserve etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term sub-ordinated 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 and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Bank's management of capital during the period.

# Notes to the Unconsolidated Financial Statements

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## 44.3 Capital adequacy ratio as at December 31, 2010

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.

### Regulatory capital base

Rupees in '000	2010	2009
<b>Tier I capital</b>		
Fully paid-up capital	6,427,440	5,073,467
Reserves (excluding foreign exchange translation reserve)	7,582,444	7,174,747
Unappropriated / unremitted profits (net of losses)	701,819	841,751
Less: Book value of intangibles - note 44.3.1	(1,256,294)	-
Deficit on account of revaluation of investments	-	-
Other deductions (represent 50% of the majority or significant minority investments in insurance and other financial entities)	(128,276)	(106,395)
<b>Total Tier I Capital</b>	<b>13,327,133</b>	<b>12,983,570</b>
<b>Tier II Capital</b>		
Sub-ordinated debt (upto 50% of total Tier I capital)	4,191,960	4,796,940
General provisions for loan losses subject to 1.25% of total risk weighted assets	482,190	935,683
Revaluation reserve (upto 45%)	532,604	800,328
Foreign exchange translation reserve	55,513	52,723
Less: Other deductions (represent 50% of the majority or significant minority investments in insurance and other financial entities)	(128,276)	(106,395)
<b>Total Tier II capital</b>	<b>5,133,991</b>	<b>6,479,279</b>
<b>Eligible Tier III capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>18,461,124</b>	<b>19,462,849</b>

44.3.1. The amount is included in note 12.

### Risk weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2010	2009	2010	2009
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
Claims on:				
Sovereigns other than PKR claims	171,571	146,702	1,715,708	1,467,024
Public Sector Entities (PSEs)	454,339	683,694	4,543,388	6,836,944
Banks	1,203,574	1,239,533	12,035,742	12,395,327
Corporates	8,434,032	7,595,901	84,340,322	75,959,014
Retail portfolio	2,265,253	2,263,186	22,652,531	22,631,864
Residential mortgage finance	371,880	384,920	3,718,804	3,849,196
Listed equities and regulatory capital instruments issued by others banks	102,623	320,405	1,026,232	3,204,048
Unlisted equity investments	36,094	33,021	360,941	330,212
Fixed Assets	873,167	984,644	8,731,669	9,846,440
Other Assets	388,554	187,261	3,885,539	1,872,608
Past Due Exposures	757,847	628,780	7,578,465	6,287,804
Forward Foreign Exchange Contracts	17,564	11,307	175,645	113,070

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2010	2009	2010	2009
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	106,821	6,018	1,068,205	60,175
Equity position risk	560,184	22,898	5,601,845	228,975
Foreign exchange risk	85,220	12,851	852,204	128,513
<b>Operational risk</b>	2,102,136	2,038,471	21,021,363	20,384,714
<b>Total</b>	<b>17,930,859</b>	<b>16,559,592</b>	<b>179,308,603</b>	<b>165,595,928</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			18,461,124	19,462,849
Total risk weighted assets			179,308,603	165,595,928
Capital adequacy ratio			10.30%	11.75%

#### 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.

# Notes to the Unconsolidated Financial Statements

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## 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.

### 45.1.1.1 Segment by class of business

	2010						2009					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	6,753,786	4.01	3,200,824	1.25	651,755	0.35	6,341,128	4.30	2,540,447	1.23	1,072,237	0.68
Automobiles and Allied	722,016	0.43	4,72,849	0.18	487,443	0.26	936,799	0.63	1,011,748	0.49	585,236	0.37
Cables / Electronics	2,677,920	1.59	2,001,460	0.78	628,031	0.34	6,654,032	4.51	1,956,777	0.95	515,161	0.33
Carpets	233,183	0.14	53,496	0.02	-	-	167,974	0.11	72,374	0.04	4,202	-
Cement	4,218,442	2.50	142,499	0.06	834,918	0.45	3,898,451	2.64	469,657	0.23	663,216	0.42
Chemicals / Pharmaceuticals	5,895,066	3.50	4,438,947	1.73	2,768,396	1.50	6,932,091	4.70	2,823,250	1.37	4,072,601	2.58
Engineering	646,605	0.38	104,383	0.04	1,152,601	0.62	342,837	0.23	55,908	0.03	1,001,645	0.63
Fertilizers	2,860,092	1.70	648,144	0.25	873,886	0.47	697,771	0.47	345,870	0.17	1,310,261	0.83
Food and Allied	2,409,456	1.43	390,886	0.15	1,646,827	0.89	2,254,348	1.53	227,324	0.11	570,060	0.36
Fuel / Energy	13,372,187	7.94	2,339,159	0.91	7,850,518	4.26	6,297,501	4.27	2,954,673	1.43	9,442,247	5.98
Ghee and Edible Oil	3,211,036	1.91	161,055	0.06	2,520,854	1.37	3,096,881	2.10	61,782	0.03	2,421,099	1.53
Glass and Ceramics	1,499,701	0.89	33,818	0.01	141,607	0.08	1,637,002	1.11	52,076	0.03	21,007	0.01
Hotels and Restaurants	259,380	0.15	296,062	0.12	18,475	0.01	200,844	0.14	317,336	0.15	8,473	0.01
Individuals	23,025,176	13.67	90,308,421	35.29	645,714	0.35	19,219,488	13.02	72,598,543	35.25	558,848	0.35
Insurance	53,575	0.03	103,027	0.04	-	-	-	-	168,282	0.08	1,607	-
Financial institutions / Investment companies	500,083	0.30	1,476,613	0.58	55,614,303	30.15	500,000	0.34	2,069,564	1.00	87,546,447	55.41
Leasing	-	-	3,545	-	-	-	601,042	0.41	115,030	0.06	-	-
Leather Products and Shoes	1,099,887	0.65	668,027	0.26	73,345	0.04	1,110,415	0.75	565,023	0.27	63,443	0.04
Modarabas	37,609	0.02	121	-	-	-	46,135	0.03	50	-	-	-
Paper and Board	690,303	0.41	352,777	0.14	422,119	0.23	398,770	0.27	77,799	0.04	398,088	0.25
Plastic products	709,205	0.42	157,343	0.06	867,917	0.47	587,669	0.40	141,311	0.07	960,800	0.61
Ready made garments	838,447	0.50	297,486	0.12	236,475	0.13	942,856	0.64	441,692	0.21	521,097	0.33
Real Estate / Construction	7,880,167	4.68	11,007,854	4.30	12,043,413	6.53	8,686,079	5.88	10,528,701	5.11	14,535,413	9.20
Rice Processing and trading	3,333,564	1.98	402,476	0.16	685,163	0.37	2,777,431	1.88	582,266	0.28	320,662	0.20
Rubber Products	100,450	0.06	45,671	0.02	439,532	0.24	137,429	0.09	54,774	0.03	97,696	0.06
Services												
(Other than Financial, Hotelling and Traveling)	2,710,786	1.61	6,382,578	2.49	773,818	0.42	2,556,054	1.73	5,785,847	2.81	777,982	0.49
Sports goods	607,079	0.36	86,562	0.03	115,855	0.06	580,611	0.39	76,490	0.04	161,511	0.10
Sugar	209,666	0.12	180,212	0.07	3,550	-	121,496	0.08	40,920	0.02	3,550	-
Surgical equipment / Metal Products	6,110,355	3.63	593,333	0.23	1,476,585	0.80	5,976,903	4.05	465,580	0.23	1,997,286	1.26
Synthetic and Rayon	986,379	0.59	64,623	0.03	7,776	-	1,115,062	0.76	19,512	0.01	66,604	0.04
Textile	26,759,447	15.89	1,991,484	0.78	5,109,561	2.77	27,240,388	18.45	1,512,762	0.73	4,333,202	2.74
Tobacco / Cigarette manufacturing	6,565	-	16,130	0.01	48,351	0.03	-	-	19,682	0.01	2,275	-
Transport and communication	4,818,192	2.86	7,252,372	2.83	6,907,985	3.74	4,572,958	3.10	5,200,927	2.53	2,885,873	1.83
Travel Agencies	120,783	0.07	258,068	0.10	266,741	0.14	114,151	0.08	156,349	0.08	353,421	0.22
Woolen	41,433	0.02	50,691	0.02	40,658	0.02	37,002	0.03	58,904	0.03	3,165	-
Public sector / Government	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25	16,047,820	10.87	59,438,689	28.86	18,604,892	11.77
Others	18,605,436	11.05	44,678,405	17.47	21,465,583	11.66	14,800,925	10.02	32,962,308	15.99	2,127,711	1.37
	168,435,763	100.00	255,936,503	100.00	184,470,978	100.00	147,628,343	100.00	205,970,227	100.00	158,009,018	100.00

### 45.1.1.2 Segment by sector

	2010						2009					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25	16,047,820	10.87	59,438,689	28.86	18,604,892	11.77
Private	144,003,457	85.49	180,661,401	70.59	126,819,755	68.75	131,580,523	89.13	146,531,538	71.14	139,404,126	88.23
	168,435,763	100.00	255,936,503	100.00	184,470,978	100.00	147,628,343	100.00	205,970,227	100.00	158,009,018	100.00

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

Rupees in '000	2010		2009	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	188,443	-	162,493	-
Automobiles and Allied	585,334	329,076	661,808	572,163
Brokerage house	599,848	21,296	-	-
Cables / Electronics	1,158,260	919,644	1,277,931	887,426
Cement	118,309	69,702	-	-
Chemicals / Pharmaceuticals	17,540	6,556	48,355	36,075
Commodities	467,603	344,356	497,388	383,109
Food and Allied	150,654	99,524	156,248	105,576
Fuel / Energy	1,661,568	1,552,350	1,609,741	1,354,425
Glass Manufacturing	1,214,620	986,661	1,110,342	785,230
Individuals	3,835,918	2,851,470	2,592,542	2,025,186
Leather Products and Shoes	57,638	33,764	50,915	28,407
Metal Industries	853,768	481,979	511,819	278,289
Paper Industries	388,752	160,024	398,770	173,005
Real Estate / Construction	869,246	87,224	1,911,855	41,644
Services (Other than Financial, Hotelling and Traveling)	166,763	120,907	113,737	109,252
Sports Goods	485,688	447,608	546,176	501,176
Textile	7,255,013	5,574,063	5,328,436	3,925,396
Transport and communication	353,622	341,095	-	-
Public sector / Government	85	73	-	-
Others	1,169,976	795,426	746,895	451,802
	21,598,648	15,222,798	17,725,451	11,658,161

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

Public sector / Government	85	73	-	-
Private	21,598,563	15,222,725	17,725,451	11,658,161
	21,598,648	15,222,798	17,725,451	11,658,161

**45.1.1.5 Geographical segment analysis**

Rupees in '000	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,037,943	311,560,719	15,800,645	184,457,621
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 45.1.1.5.1	235,193	3,183,833	203,497	13,357
Others	-	-	-	-
	1,273,136	314,744,552	16,004,142	184,470,978

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Rupees in '000	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,470,436	249,810,500	14,808,526	158,009,018
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 45.1.1.5.1	161,519	4,516,946	140,546	-
Others	-	-	-	-
	1,631,955	254,327,446	14,949,072	158,009,018

**45.1.1.5.1** These do not include intra group items of Rs. 2,833,365 thousand (2009: Rs. 4,270,733 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.

#### 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 2010 is presented below:

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

#### Credit exposures subject to standardised approach

Exposures	Rating category	2010			2009		
		Amount outstanding	Deduction CRM	Net Amount	Amount outstanding	Deduction CRM	Net Amount
Sovereigns	4,5	1,715,708	-	1,715,708	1,467,024	-	1,467,024
PSEs	1	7,337,304	-	7,337,304	2,801,570	10,000	2,791,570
PSEs	2	-	-	-	90,000	-	90,000
Banks	1,2,3	4,778,371	1,474,342	3,304,029	-	-	-
Banks	4,5	805,808	-	805,808	9,811,146	-	9,811,146
Corporates	1	8,323,252	-	8,323,252	6,316,860	-	6,316,860
Corporates	2	9,929,136	-	9,929,136	12,336,024	98,094	12,237,930
Corporates	3,4	649,989	-	649,989	1,829,888	48,757	1,781,131
Corporates	5,6	1,514,556	-	1,514,556	144,037	-	144,037
Unrated		234,525,317	36,597,864	197,927,453	220,013,333	26,449,674	193,563,659
Total		269,579,441	38,072,206	231,507,235	254,809,882	26,606,525	228,203,357

Following is the 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 the 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 the State Bank of Pakistan, 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 the 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)	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	283,558,673	263,109,195	15,392,935	35,842,413
U.S. Dollars	19,347,810	29,731,154	(11,135,124)	(21,518,468)
Pound Sterling	632,876	2,377,582	(1,730,066)	(3,474,772)
Japanese Yen	11,361	907	8,577	19,031
Euro	775,519	3,428,566	(2,536,322)	(5,189,369)
Other European Currencies	16,710	-	-	16,710
Other Currencies	413,640	7,499	-	406,141
	304,756,589	298,654,903	-	6,101,686

(Rupees in '000)	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	220,062,105	207,375,514	6,905,996	19,592,587
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
	245,065,837	239,044,449	-	6,021,388

## 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 the 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 re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Rupees in '000	2010											
	Effective Yield / Interest rate	Total	Exposed to yield/ interest risk								Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.00%	22,565,188	5,366,912	-	-	-	-	-	-	-	-	17,198,276
Balances with other banks	2.15%	3,784,862	2,151,896	-	-	-	-	-	-	-	-	1,632,966
Lendings to financial institutions	11.63%	9,172,186	7,241,898	1,930,288	-	-	-	-	-	-	-	-
Investments	11.94%	102,259,757	15,266,489	30,001,893	25,281,920	5,186,137	5,543,698	8,507,490	4,382,442	4,999,316	147,814	2,942,558
Advances	11.39%	152,784,137	15,806,300	16,126,983	19,908,695	22,349,919	31,564,920	28,037,532	4,087,101	2,719,820	12,182,867	-
Other assets		14,190,459	-	-	-	-	-	-	-	-	-	14,190,459
		304,756,589	45,833,495	48,059,164	45,190,615	27,536,056	37,108,618	36,545,022	8,469,543	7,719,136	12,330,681	35,964,259
<b>Liabilities</b>												
Bills payable		3,089,984	-	-	-	-	-	-	-	-	-	3,089,984
Borrowings	7.86%	25,554,777	13,743,314	8,705,151	3,106,312	-	-	-	-	-	-	-
Deposits and other accounts	6.75%	255,936,503	51,480,071	31,470,112	29,580,021	24,863,589	17,667,164	17,458,069	21,695,658	5,226,659	-	56,495,160
Sub-ordinated loans	14.55%	5,992,500	-	300	900	1,200	2,400	2,992,500	2,400	2,992,800	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		8,081,139	-	-	-	-	-	-	-	-	-	8,081,139
		298,654,903	65,223,385	40,175,563	32,687,233	24,864,789	17,669,564	20,450,569	21,698,058	8,219,459	-	67,666,283
On-balance sheet gap		6,101,686	(19,389,890)	7,883,601	12,503,382	2,671,267	19,439,054	16,094,453	(13,228,515)	(500,323)	12,330,681	(31,702,024)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements	12.91%	8,481,836	8,481,836	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	12.82%	13,021,099	13,021,099	-	-	-	-	-	-	-	-	-
Commitments to extend credits		1,706,580	1,706,580	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(6,245,843)	(6,245,843)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(25,635,733)	7,883,601	12,503,382	2,671,267	19,439,054	16,094,453	(13,228,515)	(500,323)	12,330,681	(31,702,024)
Cumulative yield / interest risk sensitivity gap			(25,635,733)	(17,752,132)	(5,248,750)	(2,577,483)	16,861,571	32,956,024	19,727,509	19,227,186	31,557,867	(144,157)

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## Mismatch of interest rate sensitive assets and liabilities

Rupees in '000	Effective Yield / Interest rate	Total	2009									Non-interest bearing financial instruments	
			Exposed to yield/ interest risk										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
<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		10,621,142	-	-	-	-	-	-	-	-	-	-	10,621,142
		245,065,837	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	-	31,706,632
<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
On-balance sheet gap		6,021,388	(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	-	(22,560,908)
<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	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(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	-	(22,560,908)
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	-	3,117,652

**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.

### 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 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.

#### 45.3.1 Maturities of Assets and Liabilities

Rupees in '000	2010									
	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	22,565,188	22,565,188	-	-	-	-	-	-	-	-
Balances with other banks	3,784,862	3,784,862	-	-	-	-	-	-	-	-
Lendings to financial institutions	9,172,186	7,241,898	1,930,288	-	-	-	-	-	-	-
Investments	102,259,757	15,266,489	30,023,453	25,809,078	5,976,874	6,861,592	8,507,490	4,382,442	5,284,525	147,814
Advances	152,784,137	15,806,300	16,126,983	19,908,695	22,349,919	31,564,920	28,037,532	4,087,101	2,719,820	12,182,867
Operating fixed assets	9,987,963	55,323	950,291	1,007,407	342,700	609,467	505,246	751,306	835,055	4,931,168
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	14,190,459	3,547,615	3,547,615	3,547,615	3,547,614	-	-	-	-	-
	314,744,552	68,267,675	52,578,630	50,272,795	32,217,107	39,035,979	37,050,268	9,220,849	8,839,400	17,261,849
<b>Liabilities</b>										
Bills payable	3,089,984	1,544,992	1,544,992	-	-	-	-	-	-	-
Borrowings	25,554,777	13,743,314	8,705,151	3,106,312	-	-	-	-	-	-
Deposits and other accounts	255,936,503	64,240,026	37,850,089	36,459,300	31,742,868	26,364,768	23,825,597	30,227,194	5,226,661	-
Sub-ordinated loans	5,992,500	-	300	900	1,200	2,400	2,992,500	2,400	2,992,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	85,507	-	(276,640)	-	-	-	-	-	362,147	-
Other liabilities	8,081,139	2,020,285	2,020,285	2,020,285	2,020,284	-	-	-	-	-
	298,740,410	81,548,617	49,844,177	41,586,797	33,764,352	26,367,168	26,818,097	30,229,594	8,581,608	-
<b>Net assets</b>	16,004,142	(13,280,942)	2,734,453	8,685,998	(1,547,245)	12,668,811	10,232,171	(21,008,745)	257,792	17,261,849
Share Capital	6,427,440									
Reserves	7,691,319									
Unappropriated profit	701,819									
Surplus on revaluation of assets	1,183,564									
	16,004,142									

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2010

## Maturities of Assets and Liabilities

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	19,385,843	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	9,261,609	37,130	834,759	903,823	318,578	575,191	478,194	686,291	216,454	5,211,189
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	10,621,142	330,104	6,756,721	282,416	3,106,399	145,502	-	-	-	-
	254,327,446	55,427,495	49,432,850	46,672,393	55,368,762	11,222,155	5,012,828	10,625,326	5,814,976	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	-
Net assets	14,949,072	(13,715,991)	5,906,269	17,812,269	29,027,140	(9,538,221)	(14,357,641)	(17,718,656)	2,783,242	14,750,661
Share Capital	5,073,467									
Reserves	7,235,710									
Unappropriated profit	833,511									
Surplus on revaluation of assets	1,806,384									
	14,949,072									

### 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

The Board of Directors in its meeting held on February 21, 2011 has proposed a cash dividend of Nil (2009: Nil). In addition, the directors have also announced a bonus issue of 10 percent (2009: 20 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2010 do not include the effect of the appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2011 as follows:

Rupees in '000	2010	2009
Transfer from unappropriated profit to:		
Proposed dividend	—	—
Reserve for issue of bonus shares	—	—
General reserve	701,819	833,511
Transfer from general reserve to:		
Reserve for issue of bonus shares	642,744	1,071,240

#### 47. GENERAL

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 unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss account.

#### 48. DATE OF AUTHORIZATION


These unconsolidated financial statements were authorised for issue on February 21, 2011 by the Board of Directors of the Bank.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Annexure-1

Annexure '1' referred to in note 11.8 to these unconsolidated financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2010.

(Rupees in '000)											
Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
1	Khyber Gadoon Enterprises (Pvt) Ltd. Institute of Engineers Building, Liberty Market, Lahore.	Ibadat Mehmood Bhatti Suleman Mansoor Uzma Suleman Marium Asif Bhatti	Mahmood Ali Bhatti Manzoor Ahmed Suleman Mansoor Asif M. Bhatti	38,293	5,613	-	43,906	27,937	5,613	-	33,550
2	Adam Motor Company Ltd. Plot No.DSU-11 Sector-2 Downstream Industrial Estate Bin Qasim, Karachi.	Omer Feroz Khan 42201-9829197-9 Syed Sajid Iqbal 42201-3831290-5 Khan Muhammad Ilyas 42201-0447768-3	Feroz-uddin Khan  Abdus Samad  Omer Daraz Khan (Late)	303,763	162,154	-	465,917	-	162,154	-	162,154
3	Texport International DP-24, Sector 12-D, North Karachi Industrial Area, Karachi.	Sohail Yousuf 42201-3084626-3	Muhammad Yousuf	4,754	2,226	-	6,980	2,530	2,186	-	4,716
4	Raja Traders F-352, SITE, Karachi.	Hymayun Riaz 322-86-048236	Riaz Yusuf	18,911	5,020	-	23,931	18,461	5,020	-	23,481
5	World Automobiles World House Group, 3A and 4A Main Shahrah-e-Faisal, Karachi.	Mahmood Trunkwala 517-89-182844	M.A. Rahim	28,037	7,167	-	35,204	27,587	7,167	-	34,754
6	Fateh Sports Wear Limited 706, Business & Finance Centre I.I. Chundrigar Road, Karachi.	Rauf Alam 41304-2303231-9 Aftab Alam 41304-9857401-9 Saeed Alam 41304-2303234-3 Roshan Ali 41304-2303243-1 Muhammad Mohsin 41304-2303244-7 Muhammad Naveed 41304-2303981-7 Jamila Alam Najma Roshan	Jan Alam  Jan Alam  Jan Alam  Abbas Ali  Roshan Ali  Roshan Ali	15,731	10,790	-	26,521	15,281	10,790	-	26,071
7	Sky Lark Traders Plot No.WS-103, Sector 16-B, North Karachi.	Aamer Ashraf 42101-1534346-7	Muhammad Ashraf	2,068	203	-	2,271	2,067	203	-	2,270
8	Ghaffar Corporation 104-Khayyam Chambers, Shahrah- e-Faisal, PECHS, Karachi.	Mehmood Abdul Ghaffar 42201-5117907-0 Meherun Nisa Ahmed (Mst) 42201-5117907-0	Abdul Ghaffar  Ahmed A. Ghaffar	4,255	631	-	4,886	3,805	631	-	4,436
9	Nawaz Ghee Mills (Pvt) Limited Cantt. Plaza, 3-7 Fakhar-e-Alam Road, Peshawar.	A. Rab Nawaz Khan 17301-6397377-1 Naveeda Nawaz (Mrs.) 17301-0663158-2 Mrs. Masooda Begum	Haji Amir Nawaz Khan  Rab Nawaz Khan  Sher Alam Khan	16,209	6,982	-	23,191	15,759	6,982	-	22,741

(Rupees in '000)

Outstanding liabilities at the beginning of the year											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
10	Mark Corporation (Pvt) Limited Redco Plaza, Blue Area, Islamabad.	Mirza Muhammad Minhas 706-86-020225 Mushtaq Ahmed Bhatti 101-48-379913 Raja Sajjad Hussain 101-53-082395 Mirza Mushtaq Ahmed 81302-1713923-1 Masood Qaim 101-47-115813	Mirza Ameer Baksh Mian Lal Din Raja Ghulam Farid Mirza M. Khan Ch. Qaim Din	18,764	8,484	-	27,248	18,314	8,484	-	26,798
11	Rachna Oil (Pvt) Limited Thokar Niaz Baig, 12-KM Multan Road, Lahore.	Ch. Abdul Hameed 358-52-493719 Zahid Hameed 31303-9629519-1 Bushra Zahid (Mrs) 227-55-348774 Shahid Hameed	Ch. Khan Muhammad Ch. Abdul Hameed Zahid Hameed Ch. Abdul Hameed	25,799	2,253	-	28,052	25,349	2,253	-	27,602
12	ANSW Enterprises 42, 3rd Floor, Sadiq Plaza, Shahrah-e-Quaid-e-Azam, Lahore.	Sh. Amjad Iqbal 35202-4339678-7 Shaheen Kausar (Mrs) 35202-3436181-8	Sh. M. Nazir Sh. Amjad Iqbal	21,756	2,798	-	24,554	21,306	2,798	-	24,104
13	Raja Weaving Mills Ltd. 38-A, Happy Homes, Main Gulberg Lahore.	Humayun Riaz 35201-1444152-3 Ali Riaz 42301-8237719-3 Riaz Yusuf 35201-1507794-9 Munaf Riaz 42301-7822722-1 Salma Riaz Aisha Riaz	Riaz Yusuf Riaz Yusuf Haji M. Riaz Riaz Yusuf Riaz Yusuf Munaf Riaz	16,215	8,347	-	24,562	15,765	8,347	-	24,112
14	M. Azam Khan Contractors Salim Khan (Shakh No.8) Mardan.	Muhammad Azam Khan 129-57-249697	Afzal Khan	2,495	1,019	-	3,514	2,045	1,019	-	3,064
15	Gemdeal Corporation Akbar Manzil, Katchery Bazar Faisalabad.	Mansoor Anwar Shaikh 35201-8850553-9 Sohail Anwar 33100-1597456-9	Sheikh Mushtaq Hussain Muhammad Hussain	2,349	3,027	-	5,376	2,348	3,027	-	5,375
16	Ahmed Enterprises Chak No.206/RB, Sadhwana, Tehsil Jaranwala, Dist. Faisalabad.	Javed Iqbal 33103-4007212-3	Bashir Ahmed	909	521	-	1,430	908	521	-	1,429
17	Quality Weaving Mills Ltd. 1191-B, Mumtazabad, Multan.	Sheikh Abdul Hakeem 36302-3354549-1 Sheikh Abdul Hameed 322-45-230454 Hakeem Un Nisa (Mst) 36302-8877734-4 Balqees Hakeem (Mst) 36302-6648015-2 Najma Hakeem (Ms) 322-87-597991 Tahira Hakeem (Ms) 322-87-597992 Nasira Hameed (Ms) 36302-7013384-0	Haji Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Hakeem Sh. Abdul Hakeem Sh. Abdul Hakeem	5,573	4,060	-	9,633	5,123	4,060	-	9,183

# Annexure-1

Annexure '1' referred to in note 11.8 to these unconsolidated financial statements

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
18	Al-Hamra International Sadia House, Mouza Kayanpur, Old Shujabad Road, Multan.	Muhammad Azeem Qureshi 36303-4851976-9 Muhammad Riaz Qureshi 322-93-749452 Muhammad Ayaz Qureshi 322-93-904737	M. Hayat M. Azeem M. Azeem	5,154	1,931	-	7,085	3,256	1,931	-	5,187
19	Salwa Enterprises Sadia House, Mouza Kayanpur, Old Shujabad Road, Multan.	Muhammad Azeem Qureshi 36303-4851976-9 Muhammad Riaz Qureshi 322-93-749452 Muhammad Ayaz Qureshi 322-93-904737	M. Hayat M. Azeem M. Azeem	2,983	-	-	2,983	2,982	-	-	2,982
20	Mehran Traders Sadia House, Mouza Kayanpur, Old Shujabad Road, Multan.	Muhammad Azeem Qureshi 36303-4851976-9 Muhammad Riaz Qureshi 322-93-749452 Muhammad Ayaz Qureshi 322-93-904737	M. Hayat M. Azeem M. Azeem	1,548	-	-	1,548	1,547	-	-	1,547
21	Sazco (Pvt) Limited 83, Shahrah-e-Quaid-e-Azam, Lahore.	Shiraz Taqi 270-59-554744 Ahmed Zaki 272-86-263052	I.A. Taqi I.A. Taqi	4,742	925	-	5,667	4,741	925	-	5,666
22	M. Saleem & Co. 24-Meco Market, Landa Bazar, Lahore.	Muhammad Saleem 35202-2188201-9	Muhammad Sharif	1,871	363	-	2,234	1,421	363	-	1,784
23	Musa Industries (Pvt) Ltd. 14, 1st Floor, Main Block, Fortress Stadium, Lahore.	Syed Hassan Raza Shah 35201-7335855-7 Sobia Khan (Mrs.) 121-91-681334	Syed Younus Shah Munir Ahmed Khan	4,932	469	-	5,401	4,482	469	-	4,951
24	Akbar Impex No.4, 2nd Floor, Nawab Plaza, Moon Market, Allama Iqbal Town, Lahore.	Muhammad Nadeem Akbar 54400-0372600-7	Ali Akbar	1,000	548	-	1,548	550	548	-	1,098
25	Friends Corporation Jugaitpir, Hasilpur Rd, Bahawalpur.	Hassan Pervez Khan 326-58-173487	Muhammad Khan	782	302	-	1,084	781	302	-	1,083
26	Fatima Cottton Ginning & Processing Factory Khairpur Road, Mouza Bella Wagha Tehsil Kahrur Pacca, Distt. Lodhran.	Sajjad Hussain 326-57-475352 Tahira Parveen (Mrs.) 326-92-173488 Shahnaz Akhtar (Mst)	Sadiq Muhammad Sajjad Hussain Sadiq Muhammad	5,030	1,792	-	6,822	4,580	1,792	-	6,372
27	Spencer Distribution Ltd. / Spencer Distribution 1st Floor, Accociated Chambers, 24 Link Mcleod road, Patiala Ground Lahore.	Asif Salam 35202-3143089-7 Arif Salam 35202-6580388-7 Dr. Masud Rashid 35202-2742965-9 S.M. Karamatullah 35202-6252173-5 Muhammad Munir 35200-1450011-7 Khadim Hussain	Sh. Abdusalam Sh. Abdusalam Abdul Rasheed Mian Sh. Inayat Ulla Mian Abdul Aziz	18,823	4,938	-	23,761	18,373	4,938	-	23,311



(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
28	Scantex (Pvt) Limited CIB-20, Sector 16, Korangi Industrial Area, Karachi.	S. Tahir Aziz 42301-0553546-3 S. Abdul Aziz 42301-0848747-3 S. Sohail Aziz 42301-9709832-7	S. Abdul Aziz  Mian Haji Allah Ditta  S. Abdul Aziz	5,349	2,172	-	7,521	4,899	2,172	-	7,071
29	Taha Hosiery B-239, Block-10, Gulshan-e-Iqbal Karachi.	Ammar Tariq 42301-0696481-5	Tariq Aziz	3,022	661	-	3,683	3,021	661	-	3,682
30	JRY Trading House Gul Muhammad Street, Jodia Bazar Karachi.	Rashid Zaman 42201-6148855-3 Jameel Ahmed 42101-3417381-5 Yaseen 42301-0293277-1	Muhammad Zaman  Abdul Majeed  M. Yaqub	11,770	5,025	-	16,795	11,769	5,025	-	16,794
31	A.K. Pipe Industries (Pvt) Ltd. No.1, G. Floor, Al-Rehman Chamber Brandreth Road, Lahore.	Muhammad Asghar 35202-5484941-9 Shaheena Asghar (Mrs) 35202-3626329-6 Ghazal Farrukh (Mrs.) 35202-0766949-4	Sh. Muhammad Afzal  Sh. Muhammad Asghar  Farrukh Aftab	119,488	4,483	-	123,971	119,038	4,483	-	123,521
32	Khurram Steel Traders No.296, Al-Hadeed Bazar, Lahore.	Muhammad Asghar 35202-5484941-9 Shaheena Asghar (Mrs) 35202-3626329-6 Ghazal Farrukh (Mrs.) 35202-0766949-4	Sh. Muhammad Afzal  Sh. Muhammad Asghar  Farrukh Aftab	14,980	29	-	15,009	14,979	29	-	15,008
33	Pearl Steel Traders No. 3, 4th Floor, Al-Rehman Chamber Brandreth Road, Lahore.	Muhammad Asghar 35202-5484941-9 Shaheena Asghar (Mrs) 35202-3626329-6 Ghazal Farrukh (Mrs.) 35202-0766949-4	Sh. Muhammad Afzal  Sh. Muhammad Asghar  Farrukh Aftab	28,098	943	-	29,041	28,097	943	-	29,040
34	Asadullah Steel Traders No.1, 1st Floor, Al-Rehman Chamber Brandreth Road, Lahore.	Muhammad Asghar 35202-5484941-9 Shaheena Asghar (Mrs) 35202-3626329-6 Ghazal Farrukh (Mrs.) 35202-0766949-4	Sh. Muhammad Afzal  Sh. Muhammad Asghar  Farrukh Aftab	11,873	225	-	12,098	11,872	225	-	12,097
35	MNH Trading Corporation 203, Kashif Centre, Shahra-e-Faisal Karachi.	Muhammad Ali 42201-0609647-7	Zafar Ali (Late)	24,900	4,276	-	29,176	8,491	4,276	-	12,767
Total				792,226	260,377	-	1,052,603	449,464	260,337	-	709,801

## Annexure-2

### Statement of Financial Position (Islamic Banking)

As at December 31, 2010

The Bank is operating 31 Islamic banking branches including 2 sub-branches at the end of 2010 as compared to 31 Islamic banking branches including 2 sub-branches at the end of 2009.

Rupees in '000	2010	2009
<b>Assets</b>		
Cash and balances with treasury banks	650,275	655,346
Balances with and due from Financial Institutions	712,130	1,232,181
Investments	5,145,884	2,314,008
Financing and Receivables		
- Murahaba	243,525	650,043
- Ijarah	1,284,925	1,863,205
- Musharaka	-	-
- Diminishing Musharaka	1,827,436	3,323,294
- Salam	105,534	22,069
- Other Islamic Modes	18,957	13,681
Other assets	792,546	950,884
<b>Total Assets</b>	<b>10,781,212</b>	<b>11,024,711</b>
<b>Liabilities</b>		
Bills payable	115,877	77,331
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	1,790,020	935,296
- Saving Accounts	2,426,234	2,028,559
- Term Deposits	4,800,529	3,647,582
- Others	14,793	2,945
- Deposits from Financial Institutions - remunerative	225,943	838,591
- Deposits from Financial Institutions - non remunerative	4,617	4,417
Due to head office	87,328	1,882,383
Other liabilities	619,522	689,235
	10,084,863	10,106,339
<b>Net assets</b>	<b>696,349</b>	<b>918,372</b>
<b>Represented By</b>		
Islamic Banking Fund	1,000,000	850,000
Reserves	-	-
Unappropriated/ Unremitted (loss) / profit	(303,651)	68,372
	696,349	918,372
Surplus/ (Deficit) on revaluation of assets	-	-
	696,349	918,372
<b>Remuneration to Shariah Advisor/Board</b>	<b>1,197</b>	<b>1,086</b>
<b>Charity fund</b>		
Opening Balance	2,371	487
Additions during the year	5,579	4,702
Payments/Utilization during the year	(5,250)	(2,818)
Closing Balance	2,700	2,371

## Annexure-2

### Profit and Loss Account (Islamic Banking)

For the year ended December 31, 2010

Rupees in '000	2010	2009
Profit / return earned on financings, investments and placements	978,123	1,182,490
Return on deposits and other dues expensed	547,100	683,262
Net spread earned	431,023	499,228
Provision against non-performing financings	138,794	63,484
Provision for diminution in the value of investments	185,000	75,000
Bad debts written off directly	-	-
	323,794	138,484
Income after provisions	107,229	360,744
<b>Other Income</b>		
Fee, commission and brokerage Income	16,654	12,288
Dividend income	-	-
Income from dealing in foreign currencies	2,395	2,154
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	21,897	22,507
Total other income	40,946	36,949
	148,175	397,693
<b>Other expenses</b>		
Administrative expenses	520,104	382,999
Other provisions / write offs	-	-
Other charges	94	2
Total other expenses	520,198	383,001
Extra Ordinary / unusual items	(372,023)	14,692
	-	-
(Loss) / profit before taxation	(372,023)	14,692

## Annexure-2

### Shariah Advisor's Report 2010

During 2010, increased emphasis was placed on strengthening the Shariah Compliance framework of the Islamic Banking Services. Numerous initiatives were undertaken, from developing and revising Shariah related manuals, improving processes for Shariah vetting and their methodical implementation. Capacity building to meet the training needs of Islamic Banking Services was also re-enforced.

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 Shariah Advisor, I have reviewed each class of transactions conducted during the year. Relevant documentation and procedures adopted in this connection have also been 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, affairs of Askari Bank Limited - Islamic Banking have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules, as well as with specific *fatawa* and rulings issued by me, as Shariah Advisor, from time to time.

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

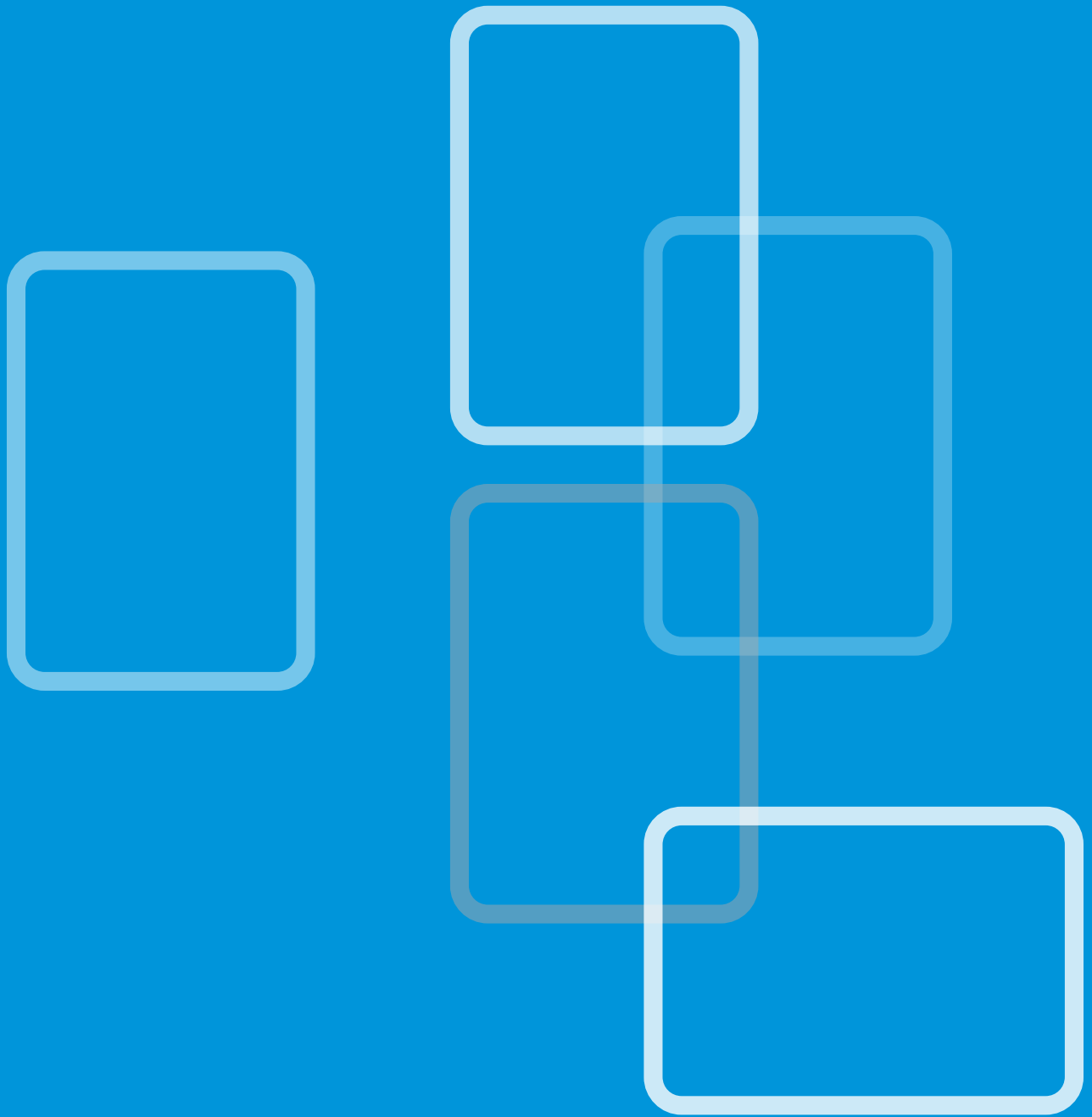
Any earnings that have been realized from sources, or means, prohibited by Shariah rules and principles have been credited to charity account.

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

May Allah Almighty bless our efforts!



**Dr. Muhammad Tahir Mansoori**  
Shariah Advisor



Consolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2010

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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Islamabad, Pakistan

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Internet www.kpmg.com.pk

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

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited ("the Bank") as at December 31, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity 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. The financial statements of one of the subsidiary companies, Askari Securities Limited were audited by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for this subsidiary, is based solely on the report of other auditor. Further the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity include amounts relating to the six months period from 01 January 2010 to 30 June 2010 which have been extracted from the financial statements of Askari Investment Management Limited for the year ended 30 June 2010 which were audited by another firm of chartered accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for this subsidiary, is based solely on the report of other auditor.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Askari Bank Limited as at December 31, 2010 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The consolidated financial statements of the Bank for the year ended December 31, 2009 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated February 23, 2010.

Islamabad  
February 21, 2011

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Engagement Partner  
Muhammad Rehan Chughtai

# Consolidated Statement of Financial Position

As at December 31, 2010

Rupees in '000	Note	2010	2009
<b>Assets</b>			
Cash and balances with treasury banks	7	22,565,190	19,385,850
Balances with other banks	8	3,787,538	8,374,640
Lendings to financial institutions	9	9,194,186	4,649,059
Investments	10	102,100,063	66,885,617
Advances	11	152,784,254	135,039,901
Operating fixed assets	12	10,084,422	9,332,361
Deferred tax assets		-	-
Other assets	13	14,264,476	10,686,010
		314,780,129	254,353,438
<b>Liabilities</b>			
Bills payable	14	3,089,984	2,945,670
Borrowings	15	25,554,777	19,300,163
Deposits and other accounts	16	255,908,149	205,912,903
Sub-ordinated loans	17	5,992,500	5,994,900
Liabilities against assets subject to finance lease	18	5,556	11,543
Deferred tax liabilities	19	85,507	333,925
Other liabilities	20	8,111,431	4,866,463
		298,747,904	239,365,567
<b>Net assets</b>		16,032,225	14,987,871
<b>Represented By</b>			
Share capital	21	6,427,440	5,073,467
Reserves	22	7,712,855	7,287,041
Unappropriated profit		679,638	803,716
		14,819,933	13,164,224
Non-controlling interest		28,728	17,263
		14,848,661	13,181,487
Surplus on revaluation of assets - net of tax	23	1,183,564	1,806,384
		16,032,225	14,987,871

## Contingencies and commitments

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



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman



# Consolidated Profit and Loss Account

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
Mark-up / return / interest earned	27	27,954,956	22,590,230
Mark-up / return / interest expensed	28	17,931,715	13,542,210
Net mark-up / interest income		10,023,241	9,048,020
Provision against non-performing loans and advances - net	11.6	2,319,280	2,324,377
Impairment loss on available for sale investments		382,764	431,058
Provision for diminution in the value of investments	10.2.1	267,873	76,784
Provision against repurchase agreement lendings	9.5	65,808	82,674
Bad debts written off directly		-	-
		3,035,725	2,914,893
Net mark-up / interest income after provisions		6,987,516	6,133,127
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,329,477	1,382,346
Dividend income		209,922	162,537
Income from dealing in foreign currencies		13,011	528,159
Gain on sale of securities - net	29	213,735	143,717
Unrealised loss on revaluation of investments classified as held for trading - net		(3,799)	(405)
Other income	30	471,707	409,191
Total non-markup / interest income		2,234,053	2,625,545
		9,221,569	8,758,672
<b>Non mark-up / interest expenses</b>			
Administrative expenses	31	7,937,367	7,124,693
Other provisions / write offs	12.5.1	30,136	-
Other charges	32	42,453	34,368
Total non-markup / interest expenses		8,009,956	7,159,061
Share of profit of associate	10.12	1,211,613	1,599,611
Extra ordinary / unusual items		38,014	-
		-	-
<b>Profit before taxation</b>		1,249,627	1,599,611
Taxation – current	33	329,824	561,584
– prior years'		-	119,827
– deferred		342	(150,664)
		330,166	530,747
<b>Profit after taxation</b>		919,461	1,068,864
Attributable to:			
Equity holders of the Bank		920,996	1,067,712
Non-controlling interest		(1,535)	1,152
		919,461	1,068,864

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



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>Profit after taxation</b>	919,461	1,068,864
<b>Other comprehensive income</b>		
Effect of rescheduled / restructured classified advances	53,362	–
Effect of translation of net investment in wholesale bank branch	2,790	10,286
<b>Total comprehensive income</b>	975,613	1,079,150
Attributable to:		
Equity holders of the Bank	977,148	1,077,998
Non-controlling interest	(1,535)	1,152
	975,613	1,079,150

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



**M. R. Mehkari**  
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Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Consolidated Cash Flow Statement

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>Cash flow from operating activities</b>			
Profit before taxation		1,249,627	1,599,611
Less: Dividend income		(209,922)	(162,537)
		1,039,705	1,437,074
Adjustments:			
Depreciation		695,092	657,184
Provision against non-performing advances - net		2,319,280	2,324,377
Impairment loss on available for sale investments		382,764	431,058
Provision for diminution in the value of investments		267,873	76,784
Provision against repurchase agreement lendings		65,808	82,674
Unrealised loss on revaluation of investments classified as held for trading - net		3,799	405
Net profit on sale of operating fixed assets		(2,311)	(4,857)
Finance charges on leased assets		989	1,732
Goodwill written off during the year		30,136	-
Share of profit of associate		(38,014)	-
		3,725,416	3,569,357
		4,765,121	5,006,431
Increase in operating assets			
Lendings to financial institutions		(4,723,935)	(791,979)
Held for trading securities		118,082	(10,426)
Advances		(12,384,995)	(8,546,036)
Other assets (excluding advance taxation)		(1,133,164)	(1,016,759)
		(18,124,012)	(10,365,200)
Increase in operating liabilities			
Bills payable		144,314	360,842
Borrowings		5,138,995	4,110,015
Deposits		42,543,579	38,407,591
Other liabilities (excluding current taxation)		2,715,040	87,840
		50,541,928	42,966,288
Cash flow before tax		37,183,037	37,607,519
Income tax paid		(1,393,681)	(736,294)
Net cash flow from operating activities		35,789,356	36,871,225
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(35,382,050)	(31,688,582)
Net investments in held-to-maturity securities		(578,498)	1,108,448
Proceeds from issue of share capital to non-controlling interest		13,000	-
Dividend income		233,710	154,883
Investments in operating fixed assets - net of adjustment		(1,612,780)	(2,243,197)
Sale proceeds of operating fixed assets - disposed off		22,523	18,732
Net cash used in investing activities		(37,304,095)	(32,649,716)
<b>Cash flow from financing activities</b>			
(Payments) / receipt of sub-ordinated loans		(2,400)	2,998,800
Lease obligations - net		(6,976)	(6,762)
Dividends paid		(293)	(825)
Net cash flow (used in) / from financing activities		(9,669)	2,991,213
Effect of revaluation of investment in wholesale bank branch		2,790	10,286
(Decrease) / increase in cash and cash equivalents		(1,521,618)	7,223,008
Cash and cash equivalents at beginning of the year	34	27,895,490	20,672,482
Cash and cash equivalents acquired on amalgamation of ALL		856	-
Cash and cash equivalents at end of the year	34	26,374,728	27,895,490

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



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
						General reserve	Un-appropriated profit			
<b>Balance as at January 1, 2009</b>	4,058,774	-	-	2,912,711	-	4,776,516	338,225	12,086,226	16,111	12,102,337
Translation reserve on revaluation of wholesale bank branch – note 6.13	-	42,437	-	-	-	-	(42,437)	-	-	-
<b>Balance as at January 1, 2009 – restated</b>	4,058,774	42,437	-	2,912,711	-	4,776,516	295,788	12,086,226	16,111	12,102,337
Total comprehensive income for the year ended December 31, 2009										
Net profit for the year ended December 31, 2009	-	-	-	-	-	-	1,067,712	1,067,712	1,152	1,068,864
Translation reserve on revaluation of wholesale bank branch	-	10,286	-	-	-	-	-	10,286	-	10,286
	-	10,286	-	-	-	-	1,067,712	1,077,998	1,152	1,079,150
Transfer to:										
Statutory reserve	-	-	-	221,559	-	-	(221,559)	-	-	-
General reserve	-	-	-	-	-	338,225	(338,225)	-	-	-
Distribution to owners										
Bonus shares declared / issued subsequent to year ended December 31, 2008	1,014,693	-	-	-	-	(1,014,693)	-	-	-	-
<b>Balance as at January 1, 2010 – restated</b>	5,073,467	52,723	-	3,134,270	-	4,100,048	803,716	13,164,224	17,263	13,181,487
Issue of shares and reserves arisen on amalgamation of Askari Leasing Limited	282,733	-	234,669	-	-	161,159	-	678,561	-	678,561
	5,356,200	52,723	234,669	3,134,270	-	4,261,207	803,716	13,842,785	17,263	13,860,048
Share of additional capital from sponsor shareholders	-	-	-	-	-	-	-	-	13,000	13,000
Total comprehensive income for the year ended December 31, 2010										
Net profit for the year ended December 31, 2010	-	-	-	-	-	-	920,996	920,996	(1,535)	919,461
Effect of rescheduled / restructured classified advances - note 22.1	-	-	-	-	53,362	-	-	53,362	-	53,362
Translation reserve on revaluation of wholesale bank branch	-	2,790	-	-	-	-	-	2,790	-	2,790
	-	2,790	-	-	53,362	-	920,996	977,148	(1,535)	975,613
Transfer to:										
Statutory reserve	-	-	-	188,635	-	-	(188,635)	-	-	-
General reserve	-	-	-	-	-	856,439	(856,439)	-	-	-
Distribution to owners										
Bonus shares declared / issued subsequent to year ended December 31, 2009	1,071,240	-	-	-	-	(1,071,240)	-	-	-	-
<b>Balance as at December 31, 2010</b>	6,427,440	55,513	234,669	3,322,905	53,362	4,046,406	679,638	14,819,933	28,728	14,848,661

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



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 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 235 branches (2009: 226 branches); 234 in Pakistan and Azad Jammu and Kashmir, including 31 (2009: 31) Islamic Banking branches, 16 (2009: 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. During the year the financial year end of AIML was changed from June 30 to December 31.

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 (Guarantee) Limited on December 24, 1999 and Karachi Stock Exchange (Guarantee) Limited on May 26, 2010. 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, 2010. Figures for consolidated profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity from the period from January 1, 2010 to June 30, 2010 have been extracted from the audited financial statements of these subsidiaries for the year ended June 30, 2010.

## 2. BUSINESS COMBINATION

The amalgamation of formerly Askari Leasing Limited (ALL) with and into the Bank, was completed during the first quarter of 2010, whereby the entire undertaking of ALL, including all properties, assets, liabilities, rights and obligations of ALL as at March 2, 2010 were amalgamated with and vest in the Bank in consideration for issue of 28.273 million fully paid ordinary shares to the shareholders of ALL which rank pari passu with the existing shares of the Bank.

ALL was incorporated in Pakistan as a public limited company on August 1, 1993 and was granted certificate of commencement of business on November 3, 1993. ALL was listed on Karachi, Lahore and Islamabad Stock Exchanges and principally engaged in the business of leasing. On the date of amalgamation, AWT held 57.66% of ALL's share capital.

## 3. BASIS OF PRESENTATION

- 3.1 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.
- 3.2 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 various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- 3.3 The financial results of the Islamic banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure-2 to the unconsolidated financial statements.
- 3.4 Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 4. 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) and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan 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 classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

In addition, Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountant of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. The IFAS 1 has not been adopted by standalone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks' Association and Modarba Association of Pakistan have taken up the issue with SBP and SECP.

### **Standards, interpretations and amendments to published approved standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Group's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Group's financial statements.
- IAS 24 Related Party Disclosures (revised 2009 – effective for annual periods beginning on or after January 01, 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Group's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the consolidated financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Group.

## 5. BASIS OF MEASUREMENT

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

### Use of critical accounting estimates and judgments

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

- i) classification of investments (note 6.6)
- ii) provision against investments (note 6.6), advances (note 6.7) and other assets (note 6.9)
- iii) valuation and impairment of available for sale securities (note 6.6)
- iv) useful life of property and equipments, revaluation of land (note 6.8)
- v) taxation (note 6.10)
- vi) staff retirement benefits (note 6.11)

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**6.1** Amalgamation of entity under common control is accounted for by applying Predecessor Value Method.

**6.2** SBP vide BSD circular letter No. 7 of 2010 dated April 20, 2010 has clarified that two statement approach shall be adopted in the preparation of quarterly, half yearly and annual financial statements as mentioned in the revised IAS-1 "Presentation of Financial Statements". Accordingly, the Group has presented consolidated Profit and Loss account and consolidated Statement of Comprehensive Income separately in these consolidated financial statements. Further in accordance with this circular, the Group has opted not to present the changes in fair value of available for sale securities in consolidated Statement of Comprehensive Income and accordingly such changes are included in surplus / (deficit) on revaluation of available for sale securities.

### 6.3 Basis of consolidation

#### Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML 100% holding (2009: 100%) and ASL 74% holding (2009: 74%).

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the entities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Material intra-group balances and transactions have been eliminated.

Non-controlling interest 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. Non-controlling interest is presented as separate item in the consolidated financial statements.

#### Associate

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

### 6.4 Cash and cash equivalents

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

### 6.5 Sale and repurchase agreements

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

## 6.6 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 consolidated profit and loss account in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

### Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the 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 consolidated statement of financial position. Where the decline in prices of available for sale securities is significant or prolonged, it is considered impaired and included in consolidated profit and loss account. Foreign securities are carried at fair value, based on their current bid prices in active markets.

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.

### Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, if any, in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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.

## 6.7 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 11.6.3.

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

The 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, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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

### Capital work-in-progress

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

### Owned assets

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

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying



amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the consolidated statement of financial position. Except to the extent actually 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 Group 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 12.2. 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 consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

In making estimates of the depreciation, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

#### **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 each balance sheet date 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.

### **6.9 Impairment**

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

### **6.10 Taxation**

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

#### **Current**

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

ASL falls in the ambit of presumptive tax regime regarding commission income under section 233A of the Income Tax Ordinance, 2001. Provision for the income tax is made in the consolidated 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 consolidated

# Notes to the Consolidated Financial Statements

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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.

## 6.11 Staff retirement benefits

### Defined benefit plan

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

### 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 salary.

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 consolidated statement of financial position represents the present value of defined benefit obligations.

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

## 6.12 Revenue recognition

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

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

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

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

Remuneration for assets management services is recognised on accrual basis.

## 6.13 Foreign currencies

### Foreign currency transactions

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

### Foreign operation

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

### Translation gains and losses

Translation gains and losses were previously included in the consolidated profit and loss account, however, now translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" and on disposal are recognised in consolidated profit and loss account. Accordingly, comparative figures have been restated.

## **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 consolidated statement of financial position.

### **6.14 Provisions**

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

### **6.15 Off-setting**

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

### **6.16 Appropriations subsequent to the date of consolidated statement of financial position**

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

### **6.17 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.

#### **6.17.1 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 Group.

##### **Asset Management**

It includes asset management and investment advisory services provided by AIML under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations).

##### **Retail Brokerage**

It includes share brokerage, investment advisory and consultancy services provided by ASL.

#### **6.17.2 Geographical segments**

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		3,698,623	3,277,104
Foreign currencies		1,093,497	1,095,997
		4,792,120	4,373,101
National Prize Bonds		18,146	19,920
With the State Bank of Pakistan in:			
Local currency current accounts	7.1	9,837,640	8,030,082
Foreign currency current account	7.1	1,914,623	1,658,246
Foreign currency deposit account	7.2	5,366,912	4,832,003
		17,119,175	14,520,331
With National Bank of Pakistan in :			
Local currency current accounts		635,749	472,498
		22,565,190	19,385,850

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

**7.2** This represents special cash reserve maintained with the State Bank of Pakistan and is remunerated at 0.00% (2009: 0.00%) per annum.

Rupees in '000	Note	2010	2009
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		391,581	427,020
On deposit accounts		481,399	1,078,995
Outside Pakistan			
On current accounts		1,243,196	1,476,070
On deposit accounts	8.1	1,671,362	5,392,555
		3,787,538	8,374,640

**8.1** These represent placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.03% to 0.20% (2009: 0.03% to 0.10%) per annum receivable on maturity.

Rupees in '000	Note	2010	2009
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	9.1	–	100,000
Repurchase agreement lendings (reverse repo)	9.2	8,349,938	3,866,733
Purchase under resale arrangement of equity securities	9.3	200,000	630,000
		8,549,938	4,496,733
Funded Trade Finance	9.4	770,730	–
Term deposits with MCB Bank Limited	9.5	22,000	35,000
Others		–	100,000
		9,342,668	4,731,733
Less: Provision against reverse repo	9.6	(148,482)	(82,674)
		9,194,186	4,649,059

**9.1** These carry mark-up at nil (2009: 12.6%) per annum.

**9.2** 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 12.6% to 13.2% (2009: 12% to 12.4%) per annum and maturities of upto 3 (2009: upto 3) months.

- 9.3** These represent shares of companies purchased under resale agreement carrying mark-up at 18.01% (2009: 16.5% to 18.01%) per annum with maturity of upto 1 (2009: upto 1) month.
- 9.4** This represents finance provided by wholesale bank branch of the Group to Ukrsibbank Kiev, Ukraine at mark-up rate of 4.62% per annum maturing on January 31, 2011.
- 9.5** This represents term deposit for a term of 3 months (2009: 100 days) and will mature on February 28, 2010. This term deposit carries mark-up at rate of 11.6% (2009: 11.25%) per annum. The deposit is pledged with MCB Bank Limited, Islamabad against running finance facility of Rs. 31,500 thousand available to ASL.

Rupees in '000	2010	2009
<b>9.6 Particulars of provision against reverse repo</b>		
Opening balance	82,674	-
Charge for the year	65,808	82,674
Reversals	-	-
	65,808	82,674
Closing balance	148,482	82,674
<b>9.7 Particulars of lending</b>		
In local currency	8,571,938	4,731,733
In foreign currencies	770,730	-
	9,342,668	4,731,733

Rupees in '000	2010			2009		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
<b>9.8 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	8,074,770	-	8,074,770	3,631,733	-	3,631,733
Pakistan Investment Bonds	275,168	-	275,168	235,000	-	235,000
Purchase under resale arrangement of listed shares	200,000	-	200,000	630,000	-	630,000
	8,549,938	-	8,549,938	4,496,733	-	4,496,733

- 9.8.1** Market value of securities held as collateral is Rs. 8,494,528 thousand.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 10. INVESTMENTS

Rupees in '000	Note	2010			2009		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
<b>10.1 Investments by types:</b>							
Held for trading securities							
Fully paid ordinary shares		48,783	-	48,783	167,270	-	167,270
Available for sale securities							
Market Treasury Bills		58,593,073	11,720,668	70,313,741	33,556,454	4,186,443	37,742,897
Pakistan Investment Bonds	10.18	6,399,771	1,261,467	7,661,238	4,645,193	336,807	4,982,000
Fully paid ordinary shares		1,063,673	-	1,063,673	2,380,016	-	2,380,016
Units of open end mutual funds	10.4	1,520,717	-	1,520,717	1,437,798	-	1,437,798
Fully paid preference shares	10.6	75,000	-	75,000	95,000	-	95,000
Term Finance Certificates		12,779,061	-	12,779,061	13,481,689	-	13,481,689
National Investment Trust (NIT) Units		222,681	-	222,681	278,472	-	278,472
National Investment Trust (NIT)							
Government Bond Fund		-	-	-	100,000	-	100,000
Sukuk Certificates	10.9	3,405,240	-	3,405,240	1,511,289	-	1,511,289
Government of Pakistan Euro Bonds	10.10	638,767	-	638,767	-	-	-
Foreign securities	10.11	199,210	-	199,210	195,965	-	195,965
		84,897,193	12,982,135	97,879,328	57,681,876	4,523,250	62,205,126
Held to maturity securities							
Term Finance Certificates		739,941	-	739,941	781,702	-	781,702
Pakistan Investment Bonds		1,101,980	-	1,101,980	1,133,369	-	1,133,369
Government of Pakistan Sukuk Bonds	10.2.4	-	-	-	1,261,681	-	1,261,681
Government of Pakistan Euro Bonds	10.2.4	957,964	-	957,964	167,306	-	167,306
Sukuk Certificates	10.13	2,013,203	-	2,013,203	897,508	-	897,508
Credit Linked Notes	10.14	428,184	-	428,184	421,208	-	421,208
		5,241,272	-	5,241,272	4,662,774	-	4,662,774
Investment in associate							
Askari General Insurance Company Limited	10.12	73,433	-	73,433	11,182	-	11,182
Investment at cost		90,260,681	12,982,135	103,242,816	62,523,102	4,523,250	67,046,352
Less: Provision for diminution in value of investments	10.2.1	(348,553)	-	(348,553)	(80,680)	-	(80,680)
Investments (net of provision)		89,912,128	12,982,135	102,894,263	62,442,422	4,523,250	66,965,672
Less: Unrealised deficit on revaluation of held for trading securities - net	10.16	(3,799)	-	(3,799)	(405)	-	(405)
Deficit on revaluation of available for sale securities - net		(684,936)	(105,465)	(790,401)	(71,646)	(8,004)	(79,650)
<b>Total investments</b>		<b>89,223,393</b>	<b>12,876,670</b>	<b>102,100,063</b>	<b>62,370,371</b>	<b>4,515,246</b>	<b>66,885,617</b>

**10.1.1** Market value of held to maturity securities as at December 31, 2010 is Rs. 5,112,366 thousand (2009: Rs. 4,483,052 thousand).

Rupees in '000	Note	2010	2009
<b>10.2 Investments by segments:</b>			
Federal Government Securities	10.2.3		
Market Treasury Bills		70,313,741	37,742,897
Pakistan Investment Bonds		8,763,218	6,115,369
Government of Pakistan Sukuk Bonds	10.2.4	-	1,261,681
Government of Pakistan Euro Bonds	10.2.4	1,596,731	167,306
Sukuk Certificates		3,780,703	617,508
		84,454,393	45,904,761
Fully paid up ordinary shares / units			
Listed companies / funds	10.3	1,103,384	2,452,788
Unlisted companies	10.5	55,680	55,680
		1,159,064	2,508,468
Units of open end mutual funds	10.4	1,547,542	1,487,798
Fully paid preference shares			
Listed companies	10.6	50,000	95,000
Unlisted companies	10.6	25,000	-
Term Finance Certificates	10.7		
Listed Term Finance Certificates		1,899,488	1,974,580
Unlisted Term Finance Certificates		11,619,514	12,288,811
		13,519,002	14,263,391
Foreign Securities			
Mena Transformation Fund	10.11	199,210	195,965
Credit Linked Notes	10.14	428,184	421,208
		627,394	617,173
Other Investments			
Sukuk Certificates		1,637,740	1,791,289
National Investment Trust (NIT) - Units		222,681	278,472
National Investment Trust (NIT) Government Bond Fund		-	100,000
		1,860,421	2,169,761
Total investment at cost		103,242,816	67,046,352
Less: Provision for diminution in value of investments	10.2.1	(348,553)	(80,680)
Investments (net of provisions)		102,894,263	66,965,672
Less:			
Unrealised loss on revaluation of held for trading securities - net	10.16	(3,799)	(405)
Deficit on revaluation of available for sale securities - net		(790,401)	(79,650)
Total investments		102,100,063	66,885,617
<b>10.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		80,680	3,896
Charge for the year		267,873	76,784
Closing balance		348,553	80,680

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>10.2.2 Particulars of provision in respect of type and segment</b>		
Available for sale securities		
Fully paid ordinary shares - unlisted	5,680	5,680
Preference shares - unlisted	25,000	-
Term finance certificates	32,873	-
Sukuk certificates	260,000	75,000
Held to maturity securities		
Term finance certificates	25,000	-
	348,553	80,680

## 10.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2011 to December 2011	On maturity	11.99% to 13.66%	at maturity
Pakistan Investment Bonds	February 2011 to September 2019	On maturity	8% to 14%	semi-annually
Government of Pakistan Euro Bonds	June 2017	On maturity	6.88% to 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 Limited	September 26, 2011 to November 15, 2013	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
– Karachi Shipyard and Engineering Works	June 28, 2012	Semi-annually	6 months KIBOR plus 0.4%	semi-annually
– Sui Southern Gas Company Limited	June 28, 2012	Semi-annually	3 months KIBOR plus 0.8% (Floor 1.5%, Cap 35%)	semi-annually
– WAPDA	July 13, 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

10.2.4 These represent investments by the wholesale bank branch.

## 10.3 Investments in listed companies shares / Units

No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
-	584,200	-	Adamjee Insurance Company Limited	-	48,972
2,590,166	1,758,701	8.17	Al-Meezan Mutual Fund	21,161	11,295
-	75,000	-	Allied Bank Limited	-	4,617
-	41,000	-	Summit Bank Limited (formerly Arif Habib Bank Limited)	-	43
900,369	-	28.96	Arif Habib Corporation Limited	26,073	-
-	1,300,000	-	Arif Habib Securities Limited	-	51,814
5,094,348	3,056,611	14.41	Askari General Insurance Company Limited - note 10.12	73,433	11,182
-	500,000	-	Atlas Bank Limited	-	2,427
10,278,134	10,257,114	4.43	Atlas Fund of Funds	45,532	42,934
82,430	235,620	60.91	Attock Cement Pakistan Limited	5,021	12,393
50,000	260,000	317.06	Attock Petroleum Limited	15,853	86,295
13,600	299,520	125.59	Attock Refinery Limited	1,708	43,186
3,481,913	2,757,095	11.98	Azgard Nine Limited	41,731	74,293
2,350,199	3,850,000	10.99	Bank Alfalah Limited	25,839	52,265
-	1,059,304	-	Bank Islami Pakistan Limited	-	6,218
-	364,061	-	Cherat Cement Company Limited	-	4,569
306,000	1,133,300	27.47	Crescent Steel Mills Limited	8,406	37,736
1,193,000	1,924,902	31.10	D. G. Khan Cement Company Limited	37,101	61,029
-	534,086	-	Engro Chemical (Pakistan) Limited	-	73,744
3,200,000	-	11.07	Fatima Fertilizer Company Limited	35,424	-
-	3,000,000	-	Fauji Cement Company Limited	-	25,324
-	1,600,000	-	Fauji Fertilizer Bin Qasim Limited	-	41,808
677,710	1,108,005	3.24	Golden Arrow Selected Stock Fund	2,196	3,525
-	600,000	-	Habib Bank Limited	-	68,713



No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
-	1,886,187	-	Hira Textile Mills Limited	-	7,878
-	509,342	-	Honda Atlas Cars (Pakistan) Limited	-	10,606
2,445,342	3,900,000	37.30	Hub Power Company Limited	91,223	81,281
-	5,400,000	-	IGI Investment Bank Limited	-	19,062
-	130,000	-	Indus Motor Company Limited	-	24,595
3,844,832	3,585,000	12.99	Jahangir Siddiqui and Company Limited	49,929	99,299
-	1,000,000	-	JS Bank Limited	-	5,080
-	1,038,000	-	JS Investments Limited	-	17,837
-	6,231,000	-	JS Large Capital Fund	-	29,385
380	1,760,093	39.47	Kot Addu Power Company Limited	15	67,318
144,501	1,239,613	77.09	Lucky Cement Limited	11,140	78,074
-	1,830,000	-	Maple Leaf Cement Company Limited	-	8,096
-	335,000	-	MCB Bank Limited	-	48,698
8,375,654	6,000,000	8.28	Meezan Balanced Fund	69,328	36,016
674,878	1,610,000	16.96	Meezan Bank Limited	11,448	23,264
-	2,100,000	-	MyBank Limited	-	11,952
-	1,300,000	-	National Bank of Pakistan	-	95,733
-	240,000	-	National Refinery Limited	-	47,526
-	150,000	-	Netsol Technologies Limited	-	4,401
11,965,000	10,726,500	3.16	NIB Bank Limited	37,809	64,647
600,643	1,300,000	22.87	Nishat (Chunian) Limited	13,738	14,039
133,818	200,000	62.58	Nishat Mills Limited	8,374	14,300
-	575,000	-	Oil and Gas Development Company Limited	-	40,958
513,300	513,300	129.60	Packages Limited	66,524	73,915
7,511,000	7,511,000	10.00	Pak Oman Advantage Fund	75,091	75,091
433,914	546,313	71.07	Pak Suzuki Motor Company Limited	30,840	59,133
-	650,000	-	Pakistan Oilfields Limited	-	92,779
-	553,675	-	Pakistan Petroleum Limited	-	81,139
-	100,000	-	Pakistan Premier Fund	-	650
2,850,700	2,800,000	19.85	Pakistan Re-Insurance Company Limited	56,599	97,809
-	1,800,000	-	Pakistan Strategic Allocation Fund	-	9,088
1,616,800	4,181,800	18.92	Pakistan Telecommunication Company Limited	30,596	77,963
3,616,399	2,059,900	14.66	PICIC Growth Fund	53,010	32,952
-	1,700,000	-	Samba Bank Limited	-	7,363
139,700	139,700	247.86	Shell Pakistan Limited	34,626	34,626
-	3,284,204	-	Soneri Bank Limited	-	36,356
2,801,800	2,521,800	32.64	Sui Northern Gas Pipelines Limited	91,439	92,562
-	1,718,264	-	Sui Southern Gas Company Limited	-	23,569
-	6,100	-	Tri Pak Films Limited	-	605
-	830,000	-	United Bank Limited	-	42,761
7,238,208	-	4.45	Wateen Telecom Limited	32,177	-
(Less) / add: (Deficit) / surplus on revaluation of shares / units - net				1,103,384	2,452,788
Market value as on December 31				(66,537)	171,604
				1,036,847	2,624,392

#### 10.4 Units of open end mutual funds

No. of units		Paid-up value/unit	Name of mutual funds	2010	2009
2010	2009	Rupees 2010		Rupees in '000	
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund - note 10.8 (a related party)	100,846	245,141
11,880,365	8,854,660	96.52	Askari Income Fund - note 10.8 (a related party)	1,146,696	938,668
1,095,837	1,000,000	91.25	Askari Islamic Asset Allocation Fund - note 10.8 (a related party)	100,000	100,000
1,105,776	1,000,000	90.43	Askari Islamic Income Fund - note 10.8 (a related party)	100,000	100,000
1,009,971	1,009,971	99.01	Askari Sovereign Cash Fund - note 10.8 (a related party)	100,000	100,000
-	100,568	-	Reliance Income Fund	-	3,990
Add / (less): Surplus / (deficit) on revaluation of units - net				1,547,542	1,487,798
				39,133	(82,157)
Market value as on December 31				1,586,675	1,405,641

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## 10.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding	Number of shares	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
		%		Rupees				
Khushhali Bank Limited	10.5.1	2.93	5,000,000	10	50,000	60,893	31 Dec 2009	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	10.5.2	5.26	568,044	10	5,680	–	–	Under liquidation
						55,680		

**10.5.1** This represents subscription by the Group 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.

**10.5.2** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2009: Rs. 5,680 thousand) is considered as impairment and has been fully provided for.

## 10.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share	Investee	Rate %	Book Value		Market Value	
2010	2009				2010	2009	2010	2009
Rupees				Rupees in '000		Rupees in '000		
<b>Listed</b>								
10,000,000	10,000,000	10	Chenab Limited	9.25	25,000	70,000	25,000	70,000
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
<b>Un-listed</b>								
2,500,000	–	10	First Dawood Investment Bank Limited	4 percent per annum	25,000	–	25,000	–
					75,000	95,000	75,000	95,000

## 10.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2010	2009
2010	2009			Rupees in '000	
<b>Listed</b>					
13,669	13,669	Allied Bank Limited	4,992	68,236	68,263
65,000	35,000	Bank Alfalah Limited	2,687	174,626	174,693
30,000	30,000	Bank Al-Habib Limited	4,988	149,640	149,700
11,000	11,000	IGI Investment Bank Limited	1,240	13,645	26,908
-	27,400	NIB Bank Limited	-	-	123,871
8,000	8,000	Orix Leasing Limited	2,512	20,096	33,661
37,230	37,230	Pace Pakistan Limited	4,728	176,017	172,051
97,493	68,493	Pak Arab Fertilizer Limited	4,564	444,998	326,924
40,000	40,000	Pakistan Mobile Communication Limited	4,160	166,400	199,720
4,600	4,600	Faysal Bank Limited (formerly Royal Bank of Scotland)	3,743	17,218	22,959
12,000	12,000	Soneri Bank Limited	4,989	59,868	59,892
10,000	10,000	Standard Chartered Bank Limited	4,742	47,420	49,930
45,432	29,000	United Bank Limited	4,887	222,024	164,030
84,090	84,090	Worldcall Telecom Limited	4,035	339,300	401,978
Book value as on December 31				1,899,488	1,974,580
<b>Unlisted</b>					
140,000	140,000	Agritech Limited (formerly Pak American Fertilizers Limited) (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,996	699,440	699,580
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	4,246	127,372	150,000
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,000	430,022	430,194
58,000	70,000	Bank Alfalah Limited (Chief Executive: Mr. Shakil Sadiq)	4,998	289,884	350,000
3,700	-	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	-
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 Corporation Limited (formerly Engro Chemical 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. Tanveer Safder Cheema)	3,750	874,999	1,166,665
233,333	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Muhammad Ibrahim Majoka)	3,750	874,999	1,166,665
233,333	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Javed Pervaiz)	3,750	874,999	1,166,665
74,900	74,900	Jahangir Siddiqui and Company Limited (Chief Executive: Mr. Muhammad Kamran Nasir)	4,860	363,981	360,106
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Nadir Rehman)	5,009	50,092	50,222
-	5,000	Kashf Foundation (Chief Executive: Ms. Sadaffe Abid)	-	-	10,714
-	455,800	National Transmission and Dispatch Company Limited (Chief Executive: Mr. Ameer-ur-Rehman)	-	-	2,279,000
2,700	2,200	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	82,048	221,530	220,050
10,077	-	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	-
50,000	50,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Nadeem Yousafzai)	4,997	249,850	249,950
45,092	-	Pakistan National Shipping Corporation (Chief Executive: Brig. Retd. Rashid Siddiqui SI(M))	5,000	225,461	-
1,098,600	642,800	Power Holding (Private) Limited (Chief Executive: Mr. Fazeel Asif)	5,000	5,493,000	3,214,000
10,000	10,000	Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000	50,000	50,000
Book value as on December 31				11,619,514	12,288,811

**10.7.1** These carry rate of return ranging from 8.45% to 17.36% (2009: 8.45% to 19.43%) per annum and having maturity periods of upto 8 years (2009: 9 years).

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

## 10.9 Sukuk Certificates - Available for sale

Name of Investee	Rate	Maturity	2010	2009
			Rupees in '000	
Eden Builders (Private) Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a. (floor 3.5%, cap 35%)	March 8, 2014	97,500	120,000
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	70,000	90,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3.5%, cap 25%)	June 20, 2014	155,556	200,000
K.S. Sulmanji and Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 2.4% p.a.	June 30, 2014	190,000	190,000
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.8% p.a.	December 20, 2015	241,500	241,500
Agritech Limited (formerly Pak American Fertilizer Limited)	Average of offer side of 6 month KIBOR plus 2% p.a.	August 5, 2017	300,000	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	12,559	19,789
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 31, 2013	2,000,000	-
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, 2016	178,125	190,000
			3,405,240	1,511,289
Less: Provision			(260,000)	(75,000)
			3,145,240	1,436,289

**10.10** These represent investments by wholesale bank branch carrying mark-up at 6.875% and 7.125% and having maturities upto June 2017.

**10.11** The Group has invested in MENA Transformation Fund I.L.P a closed ended fund having six years term.

## 10.12 Investment in associate

Investment in associate represents 25% (2009: 15%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed associated company.

Rupees in '000	2010	2009
Cost of investment	11,182	11,182
Acquired on merger with ALL	24,237	-
Share of profit - net of tax	38,014	-
	73,433	11,182

Summary of financial information of AGICO is given below:

Rupees in '000	Based on	
	September 30, 2010 (Un-audited)	December 31, 2009 (Audited)
Assets	1,653,006	1,195,751
Liabilities	1,359,275	927,340
Equity	293,731	268,411
Revenue	145,810	805,176
Profit / (loss) after tax	7,447	(27,545)

Fair value of investment in AGICO as at December 31, 2010 is Rs. 56,038 thousand (2009: Rs. 51,962 thousand).

### 10.13 Sukuk Certificates - Held to maturity

Name of Investee	Rate	Maturity	2010	2009
			Rupees in '000	
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years) p.a.	April 14, 2014	110,000	110,000
Educational Excellence Limited	Average of offer side of 6 month KIBOR plus 2.5% p.a.	November 19, 2013	202,500	270,000
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 04, 2016	150,704	150,842
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	1,250,000	-
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a. (floor 1.5%, cap 35%)	June 28, 2012	99,999	166,666
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			2,013,203	897,508
Less: Provision			(110,000)	-
			1,903,203	897,508

**10.14** This represents investment 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.

### 10.15 Quality of Available for Sale Securities

Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Market Treasury Bills - note 10.15.1	70,107,699	unrated	37,693,814	unrated
Pakistan Investment Bonds - note 10.15.1	7,303,354	unrated	4,943,072	unrated
Fully paid up ordinary shares - note 10.15.2				
Adamjee Insurance Company Limited	-	-	68,949	AA
Al-Meezan Mutual Fund	21,524	unrated	11,607	unrated
Summit Bank Limited (formerly Arif Habib Bank Limited)	-	-	275	A
Arif Habib Corporation Limited	22,410	unrated	-	-
Arif Habib Securities Limited	-	-	64,051	unrated
Atlas Bank Limited	-	-	1,720	A-
Atlas Fund of Funds	47,074	unrated	36,310	unrated
Attock Cement Limited	5,202	unrated	12,252	unrated
Attock Petroleum Limited	16,726	unrated	90,381	unrated
Attock Refinery Limited	-	-	29,589	AA
Azgard Nine Limited	33,636	SD	56,133	A+
Bank Alfalah Limited	26,346	AA/A1+	45,441	AA
Bank Islami Pakistan Limited	-	-	6,218	A
Cherat Cement Limited	-	-	4,569	unrated
Crescent Steel Mills Limited	8,418	A+	29,477	A+
D. G. Khan Cement Company Limited	35,994	unrated	62,675	unrated
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	-	-	92,368	AA
Fatima Fertilizer Company Limited	36,096	A/A1	-	-
Fauji Cement Company Limited	-	-	18,480	unrated
Fauji Fertilizer Bin Qasim Limited	-	-	41,808	unrated
Golden Arrow Selected Stock Fund	2,141	3 - Star	3,324	4 - Star
Habib Bank Limited	-	-	74,064	AA+
Hira Textile Mills Limited	-	-	5,470	unrated

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Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Honda Atlas Cars Limited	-	-	9,739	unrated
Hub Power Company Limited	91,480	AA+/A1+	121,212	unrated
IGI Investment Bank Limited	-	-	19,062	A
Indus Motor Company Limited	-	-	25,548	unrated
Jahangir Siddiqui and Company Limited	40,765	AA/A1+	101,787	AA+
JS Bank Limited	-	-	5,080	A
JS Investments Limited	-	-	14,916	AA-
JS Large Capital Fund	-	-	28,663	unrated
Khushhali Bank Limited	50,000	A-/A-2	50,000	A-
Kot Addu Power Company Limited	15	unrated	80,735	unrated
Lucky Cement Limited	-	-	75,488	unrated
Maple Leaf Cement Company Limited	-	-	6,881	D
MCB Bank Limited	-	-	71,396	AA+
Meezan Balanced Fund	62,818	unrated	36,600	unrated
Meezan Bank Limited	11,405	AA-/A-1	25,341	A+
MyBank Limited	-	-	9,975	A-
National Bank of Pakistan	-	-	78,089	AAA
National Refinery Limited	-	-	42,437	AAA
NIB Bank Limited	35,297	AA-/A1+	51,487	AA-
Nishat (Chunian) Limited	13,647	A/A-2	27,560	unrated
Nishat Mills Limited	8,587	A+/A1	-	-
Oil and Gas Development Company Limited	-	-	60,836	AAA
Packages Limited	66,015	AA/A1+	73,915	AA
Pakistan Export Finance Guarantee Agency Limited	-	-	-	-
Pak Oman Advantage Fund	77,739	AA-	78,866	AA-
Pak Suzuki Motor Company Limited	30,296	unrated	48,600	unrated
Pakistan Oilfields Limited	-	-	138,462	unrated
Pakistan Petroleum Limited	-	-	91,003	unrated
Pakistan Premier Fund	-	-	595	3 - Star
Pakistan Re-Insurance Limited	46,324	unrated	73,080	unrated
Pakistan Strategic Allocation Fund	-	-	7,992	4 - Star
Pakistan Telecommunication Company Limited	23,630	unrated	73,809	unrated
PICIC Growth Fund	47,918	3 - Star	29,374	2 - Star
Samba Bank Limited	-	-	5,627	A
Shell Pakistan Limited	29,088	unrated	34,975	unrated
Soneri Bank Limited	-	-	36,356	AA-
Sui Northern Gas Pipelines Limited	74,920	AA/A1+	62,496	AA
Sui Southern Gas Company Limited	-	-	23,076	AA-
Tri Pak Films Limited	-	-	624	A+
United Bank Limited	-	-	46,760	AA+
Wateen Telecom Limited	26,347	unrated	-	-
Fully paid preference shares				
Chenab Limited	25,000	unrated	70,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	-	D	-	-
Units of open end mutual fund				
Askari Income Fund Units	1,143,248	-	888,668	3 - Star
Askari Asset Allocation Fund	100,846	-	157,359	unrated
Askari Islamic Asset Allocation Fund	120,734	-	111,247	unrated
Askari Islamic Income Fund	116,348	-	113,119	unrated
Askari Sovereign Cash Fund	105,500	-	104,002	unrated
Reliance Income Fund	-	-	3,990	unrated

Rupees in '000	2010		2009	
	Market Value	Rating	Market Value	Rating
Term Finance Certificates				
Agritech Limited (formerly Pak American Fertilizer Limited)	595,187	CCC	685,864	AA-
Allied Bank Limited	67,027	AA-	66,145	AA-
Avari Hotels Limited	123,859	A-	140,730	A-
Azgard Nine Limited	394,255	CCC	425,853	AA-
Bank Alfalah Limited	288,777	AA-	344,550	AA-
Engro Corporation Limited (formerly Engro Chemical Pakistan Limited)	669,416	AA	665,216	AA
Faisalabad Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
Gujranwala Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
IGI Investment Bank Limited	13,726	A+	27,311	A+
Islamabad Electric Supply Company Limited	874,999	unrated	1,166,665	unrated
Jahangir Siddiqui and Company Limited	372,112	AA	376,333	AA+
KASB Securities Limited	49,522	A+	49,224	AA-
Kashf Foundation	-	-	10,540	A-
National Transmission and Dispatch Company Limited	-	-	2,279,000	unrated
NIB Bank Limited	-	-	125,659	A+
Orix Leasing Pakistan Limited	243,349	AA+	228,147	AA / AA+
Pace Pakistan Limited	180,543	A+	180,565	A+
Pak Arab Fertilizer Limited	444,471	AA	321,373	AA
Pakistan International Airlines Corporation Limited	249,850	unrated	249,950	unrated
Power Holding Private Limited	5,493,000	unrated	3,214,000	unrated
Shakarganj Mills Limited	50,000	D	44,037	D
United Bank Limited	121,886	AA	61,510	AA
World Call Telecom Limited	334,754	A	387,431	A
Bunny's Limited	13,875	unrated	-	-
Pak Hy Oils Limited	50,385	unrated	-	-
Pakistan National Shipping Corporation	225,461	unrated	-	-
	12,606,452		13,383,433	
National Investment Trust (NIT) Units	224,255	3 - Star	262,601	3 - Star
National Investment Trust (NIT) Government Bond Fund	-	-	101,335	unrated
Sukuk Certificates	3,405,098	unrated	1,510,362	unrated
Foreign securities				
Mena Transformation Fund	190,627	unrated	228,191	unrated
Government of Pakistan Euro Bonds - note 10.15.1	615,653	unrated	-	-
	97,081,672		62,119,796	

10.15.1 These are Government of Pakistan guaranteed securities.

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

10.15.3 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 securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

Rupees in '000	2010	2009
<b>10.16 Unrealized loss on revaluation of investments classified as held for trading</b>		
Fully paid ordinary shares	(3,799)	(405)

# Notes to the Consolidated Financial Statements

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

**10.18** 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	Note	2010	2009
<b>11. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		142,242,378	126,000,719
Outside Pakistan		57,940	2,106,040
		142,300,318	128,106,759
Net investment in lease finance - In Pakistan	11.2	8,791,362	-
Ijarah financing - In Pakistan	11.3	1,103,349	1,635,158
Net book value of assets / investments in Ijarah under IFAS 2 - In Pakistan	11.4	311,162	281,514
Bills discounted and purchased			
Payable in Pakistan		8,428,437	9,582,481
Payable outside Pakistan		7,501,252	8,027,833
		15,929,689	17,610,314
Advances - gross		168,435,880	147,633,745
Provision against non-performing advances	11.6		
Specific provision		(15,222,798)	(11,658,161)
General provision		(132,190)	(585,642)
General provision against consumer financing		(296,638)	(350,041)
		(15,651,626)	(12,593,844)
Advances - net of provision		152,784,254	135,039,901
<b>11.1 Particulars of advances - gross</b>			
<b>11.1.1 In local currency</b>			
In local currency		161,400,343	139,019,994
In foreign currencies		7,035,537	8,613,751
		168,435,880	147,633,745
<b>11.1.2 Short term (for upto one year)</b>			
Short term (for upto one year)		74,192,014	119,376,427
Long term (for over one year)		94,243,866	28,257,318
		168,435,880	147,633,745



## 11.2 Net investment in lease finance - In Pakistan

Rupees in '000	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	3,809,836	2,521,875	-	6,331,711	-	-	-	-
Residual value	1,473,131	1,919,874	-	3,393,005	-	-	-	-
Minimum lease payments	5,282,967	4,441,749	-	9,724,716	-	-	-	-
Finance charges for future periods	(544,700)	(388,654)	-	(933,354)	-	-	-	-
Present value of minimum lease payments	4,738,267	4,053,095	-	8,791,362	-	-	-	-

## 11.3 Ijarah financing - In Pakistan

Rupees in '000	2010				2009			
	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	160,400	698,467	-	858,867	498,190	995,460	-	1,493,650
Residual value	110,976	312,453	-	423,429	65,374	419,405	-	484,779
Minimum Ijarah payments	271,376	1,010,920	-	1,282,296	563,564	1,414,865	-	1,978,429
Profit for future periods	(30,314)	(148,633)	-	(178,947)	(124,240)	(219,031)	-	(343,271)
Present value of minimum Ijarah payments	241,062	862,287	-	1,103,349	439,324	1,195,834	-	1,635,158

## 11.4 Net book value of assets / investments in Ijarah under IFAS 2

Rupees in '000	2010				2009			
	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	-	421,410	-	421,410	-	320,088	-	320,088
Accumulated depreciation on Ijarah	-	(110,248)	-	(110,248)	-	(38,574)	-	(38,574)
Net assets / investments in Ijarah	-	311,162	-	311,162	-	281,514	-	281,514

11.5 Advances include Rs. 21,598,648 thousand (2009: Rs. 17,725,451 thousand) which have been placed under non-performing status. These include Rs. 1,558,273 thousand relating to the business of formerly ALL which stands amalgamated with the Bank with effect from March 3, 2010. The category of classification is as detailed below:

Category of classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned - note 11.5.1	54,779	-	54,779	-	-	-	-	-	-
Substandard	1,155,321	-	1,155,321	257,673	-	257,673	257,673	-	257,673
Doubtful	2,484,033	-	2,484,033	684,625	-	684,625	684,625	-	684,625
Loss	17,904,515	-	17,904,515	14,280,500	-	14,280,500	14,280,500	-	14,280,500
	21,598,648	-	21,598,648	15,222,798	-	15,222,798	15,222,798	-	15,222,798

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For the year ended December 31, 2010

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 11.5.1	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

11.5.1 This represents classification made for agricultural finances.

## 11.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2010				2009			
		Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
Opening balance		11,658,161	585,642	350,041	12,593,844	10,025,157	573,390	414,184	11,012,731
Adjustment of potential lease losses	11.6.2	1,198,104	-	44,107	1,242,211	-	-	-	-
Charge for the year		3,899,939	25,498	234	3,925,671	3,639,565	221,248	2,146	3,862,959
Adjustment due to change in estimate	11.6.3	-	(426,771)	-	(426,771)	-	-	-	-
Reversal for the year		(1,029,697)	(52,179)	(97,744)	(1,179,620)	(1,263,297)	(208,996)	(66,289)	(1,538,582)
Net charge / (reversal) for the year		2,870,242	(453,452)	(97,510)	2,319,280	2,376,268	12,252	(64,143)	2,324,377
Reversal of provision on rescheduled / restructured classified advances	22.1	(53,362)	-	-	(53,362)	-	-	-	-
Amounts written off	11.8	(450,347)	-	-	(450,347)	(743,264)	-	-	(743,264)
Closing balance		15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844

11.6.1 The State Bank of Pakistan amended the Prudential Regulations vide BSD Circular No. 2 of 2010 dated June 3, 2010 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 year by Rs. 626,611 thousand. The FSV benefit recognised in these consolidated financial statements is not available for payment of cash or stock dividend. Had the FSV benefit not recognised, profit before tax and profit after tax for the year would have been lower by Rs. 626,611 thousand (2009: Rs. 2,814,106 thousand) and Rs. 407,297 thousand (2009: Rs. 1,829,169 thousand) respectively.

11.6.2 Adjustment for potential lease losses represent provisions made against lease financing transferred to the Group upon amalgamation of ALL.

11.6.3 During the year the management has revised the basis for determining the general provision, which is now being maintained at the rate of 0.1% (previously at the rate of 0.5%) on advances other than non-performing advances and consumer financing. This change in estimate has resulted in increase in profit before tax by Rs. 528,762 thousand.

## 11.7 Particulars of provision against non-performing advances

Rupees in '000	2010				2009			
	Specific	General	Consumer financing -General	Total	Specific	General	Consumer financing -General	Total
In local currency	15,026,149	98,412	296,638	15,421,199	11,448,001	544,082	350,041	12,342,124
In foreign currencies	196,649	33,778	-	230,427	210,160	41,560	-	251,720
	15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844

Rupees in '000	2010	2009
<b>11.8 Particulars of write-offs:</b>		
<b>11.8.1</b> Against provisions	450,347	743,264
Directly charged to profit and loss account	–	–
	450,347	743,264
<b>11.8.2</b> Write offs of Rs. 500,000 and above	449,464	742,967
Write offs of below Rs. 500,000	883	297
	450,347	743,264

**11.8.3** In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2010 is given at Annexure - 1 to the unconsolidated financial statements.

Rupees in '000	Note	2010	2009
<b>11.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,224,877	402,506
Loans granted during the year		574,040	1,015,101
Repayments		(305,418)	(192,730)
Balance at end of year		1,493,499	1,224,877
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		580,240	631,904
Loans granted during the year		2,675,841	500,000
Repayments		(3,255,009)	(551,664)
Balance at end of year		1,072	580,240
		1,494,571	1,805,117
<b>12. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	1,670,541	1,489,772
Property and equipment	12.2	8,356,876	7,807,948
Intangible assets	12.5	57,005	34,641
		10,084,422	9,332,361
<b>12.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		1,670,541	1,489,772
		1,670,541	1,489,772

# Notes to the Consolidated Financial Statements

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## 12.2 Property and equipment

Rupees in '000	2010												
	COST / REVALUED AMOUNT					DEPRECIATION					Book value	Annual rate of depreciation	
	as at January 1, 2010	On merger with ALL	Additions	Adjustment note 12.2.2	Deletions/ transfers	as at December 31, 2010	as at January 1, 2010	On merger with ALL	Charge for the year	On deletions/ adjustment	as at December 31, 2010		as at December 31, 2010
Land -freehold	1,414,802	-	225,000	-	-	1,639,802	-	-	-	-	-	1,639,802	-
Land -leasehold	2,098,844	6,528	-	-	-	2,105,372	-	-	-	-	-	2,105,372	-
Buildings on freehold land	783,563	-	171,160	(160,830)	-	793,893	214,950	-	23,952	-	188,824	605,069	5
Buildings on leasehold land	1,415,220	417	-	-	-	1,415,637	313,687	35	53,782	-	367,504	1,048,133	5
Renovation of premises	1,355,211	27,598	349,143	-	(10,627)	1,721,325	612,893	26,057	251,521	(8,127)	882,344	838,981	20
Furniture, fixtures and office equipment	463,055	23,363	43,398	-	(5,834)	523,982	147,149	16,393	33,837	(3,170)	194,209	329,773	10
Carpets	19,829	542	2,071	-	(610)	21,832	13,779	370	2,411	(484)	16,076	5,756	20
Machine and equipments	1,078,525	26,842	165,697	-	(15,224)	1,255,840	529,367	19,957	123,390	(10,524)	662,190	593,650	20
Computer equipments	1,501,753	48,419	411,299	-	(7,985)	1,953,486	613,005	41,742	207,023	(6,198)	855,572	1,097,914	20
Vehicles	211,306	47,566	11,042	-	(12,952)	236,685	161,249	22,342	25,985	(7,934)	194,102	42,583	20
Other assets	133,222	-	-	-	-	133,222	71,436	-	17,931	-	89,367	43,855	20
	10,475,330	181,275	1,378,810	(160,830)	(53,232)	11,801,076	2,677,515	126,896	739,832	(36,437)	3,450,188	8,350,888	
Operating Lease - Vehicles	-	18,209	-	-	-	18,209	-	13,599	2,932	(7,540)	16,531	1,678	20
Assets held under finance lease	10,475,330	199,484	1,378,810	(160,830)	(53,232)	11,819,285	2,677,515	140,495	692,686	(36,437)	3,466,719	8,352,566	
Vehicles	16,015	-	-	-	(5,972)	10,043	5,882	-	2,406	(2,555)	5,733	4,310	
	10,491,345	199,484	1,378,810	(160,830)	(59,204)	11,829,328	2,683,397	140,495	695,092	(38,992)	3,472,452	8,356,876	

Rupees in '000	2009										
	COST / REVALUED AMOUNT				DEPRECIATION				Book value	Annual rate of depreciation	
	as at January 1, 2009	Additions	Deletions / transfers	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	-	1,414,802	-	-	-	-	1,414,802	-	
Land -leasehold	2,098,844	-	-	2,098,844	-	-	-	-	2,098,844	-	
Buildings on freehold land	583,199	332,485	-	783,563	181,819	33,131	-	214,950	568,613	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 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	
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	971,741	534,375	(4,363)	1,501,753	463,879	152,057	(2,931)	613,005	888,748	20	
Vehicles	225,665	5,690	(20,049)	211,306	150,203	28,283	(17,237)	161,249	50,057	20	
Other assets	131,411	1,811	-	133,222	52,429	19,007	-	71,436	61,786	20	
	9,140,676	1,990,262	(70,777)	10,475,330	2,083,829	653,462	(59,776)	2,677,515	7,797,815		
Assets held under finance lease	21,621	173	(5,779)	16,015	5,065	3,722	(2,905)	5,882	10,133		
Vehicles	21,621	173	(5,779)	16,015	5,065	3,722	(2,905)	5,882	10,133		
	9,162,297	1,990,435	(76,556)	10,491,345	2,088,894	657,184	(62,681)	2,683,397	7,807,948		

**12.2.1** Cost of fully depreciated property and equipment still in use is Rs. 546,995 thousand (2009: Rs. 206,422 thousand).

**12.2.2** This represents revaluation adjustment of land, revalued in previous years, which at the time of revaluation was included in building and not adjusted against the cost of land.

**12.3** The Group's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2008 on the basis of their professional assessment of present market value. The amount of revaluation surplus on land is Rs. 1,697,325 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	472,659	Merchant and Associate, Sardar Enterprises, Tristar International
Lahore	980,226	Merchant and Associate, Arch & Decor
Islamabad	69,205	Empire Enterprises
Rawalpindi	1,803,835	Merchant and Associate, Industrial Consultants, Samsco
Quetta	187,720	Sadrudin Associates
	3,513,645	

Had the land not been revalued, the carrying amount of revalued land as at December 31, 2010 would have been Rs. 1,816,320 thousand.

#### 12.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
Honda Civic	1,427	832	595	571	As per Group policy	Mr. Hafeez R. Qureshi - Ex Executive
Toyota Corolla	1,085	1,085	-	373	- do -	Syed Hassan Sajjad - Ex Executive
Suzuki Cultus	560	355	205	295	- do -	Syed Ali Shah Gillani - Ex Executive
Toyota Camry	3,230	1,292	1,938	1,938	- do -	Mr. Saeed Aziz Khan - Ex Chief Executive Officer of AIML
Honda Civic	1,834	611	1,223	1,273	- do -	Mr. Rizwan Hassan Khan - Ex Chief Financial Officer of AIML
Honda City	909	651	258	403	- do -	Mr. Adnan Muzaffar - Ex Fund Manager Fixed Income of AIML
Honda Civic	1,041	451	590	644	- do -	Mr. Ghulam Mustafa - Ex Head of IT and Administration of AIML
Mercedes Benz	6,100	3,355	2,745	6,550	Negotiation	Mr. Muhammad Tariq Khan
Daikan Airconditioner Units	2,643	2,388	255	300	Trade in	Noor Refrigeration Services
Suzuki Bolan	367	67	300	345	Insurance Claim	Askari General Insurance Company Limited - a related party
Airconditioner Units	450	382	68	133	- do -	Adamjee Insurance Company Limited
Renovation of premises	8,770	6,867	1,903	1,792	- do -	- do -
Automated Teller Machines	3,030	1,057	1,973	390	- do -	- do -
	31,446	19,393	12,053	15,007		
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 Group's executives / related party	27,758	19,599	8,159	7,516		
<b>2010</b>	<b>59,204</b>	<b>38,992</b>	<b>20,212</b>	<b>22,523</b>		
2009	76,556	62,681	13,875	18,732		

# Notes to the Consolidated Financial Statements

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Rupees in '000	Note	2010	2009
<b>12.5 Intangible assets</b>			
Goodwill	12.5.1	-	30,136
Islamabad Stock Exchange membership card		57,005	4,505
Closing balance		57,005	34,641
<b>12.5.1 Good will</b>			
Opening balance		30,136	30,136
Written-off during the year		(30,136)	-
Closing balance		-	30,136
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	13.1	7,442,095	6,380,759
Income / mark-up accrued in foreign currencies		146,993	142,876
Advances, deposits, advance rent and other prepayments		1,247,639	907,986
Advance taxation (payments less provisions)		2,853,423	1,987,757
Non banking assets acquired in satisfaction of claims	13.2	2,138,640	584,831
Un-realised gain on forward foreign exchange contracts - net		-	125,967
Suspense account		33,254	16,816
Stationary and stamps in hand		43,197	53,065
Dividend receivable		1,811	25,599
Others		455,545	460,813
		14,362,597	10,686,469
Less: Provision against other assets	13.3	(98,121)	(459)
Other assets - net of provision		14,264,476	10,686,010

**13.1** This balance has been arrived at after adjusting interest in suspense of Rs. 4,837,932 thousand (2009: Rs. 3,361,765 thousand).

**13.2** These include land and building acquired against settlement of loan to M/s AH International and Shahzad Siddique (Pvt) Limited which was classified under operating fixed assets. The balance has now been classified under other assets in line with the requirements of the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006. Market value of non banking assets acquired in satisfaction of claims is Rs. 4,141,590 thousand.

Rupees in '000	2010	2009
<b>13.3 Provision against other assets</b>		
Opening balance	459	459
Amount transferred on merger of ALL with and into Bank	97,662	-
Closing balance	98,121	459
<b>14. BILLS PAYABLE</b>		
In Pakistan	3,089,984	2,945,670
<b>15. BORROWINGS</b>		
In Pakistan	25,488,358	19,143,378
Outside Pakistan	66,419	156,785
	25,554,777	19,300,163
<b>15.1 Particulars of borrowings with respect to currencies</b>		
In local currency	25,488,358	19,143,378
In foreign currencies	66,419	156,785
	25,554,777	19,300,163

Rupees in '000	Note	2010	2009
<b>15.2 Details of borrowings - secured / unsecured</b>			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	11,009,687	11,920,153
Long term financing of export oriented projects	15.2.2	1,181,512	1,745,411
Long term financing facility	15.2.3	234,052	34,647
Repurchase agreement borrowings (repo)	15.2.4	6,916,233	3,699,972
		19,341,484	17,400,183
Repo borrowings from financial institutions	15.2.5	6,036,874	773,195
Unsecured			
Call borrowings	15.2.6	110,000	970,000
		25,488,358	19,143,378
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		66,419	156,785
		25,554,777	19,300,163

**15.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 10% (2009: 7.5%) per annum payable on a quarterly basis.

**15.2.2** These carry mark-up rate of 5% (2009: 5%) per annum payable on a quarterly basis.

**15.2.3** These carry mark-up ranging from 8.2% to 9.5% (2009: 7.25% to 7.7%) per annum payable on a quarterly basis.

**15.2.4** These are secured against pledge of Government Securities, and carry mark-up ranging from 12.71% to 12.86% (2009: 11.65% to 12.02%) per annum and have maturities upto 3 (2009: 4) days.

**15.2.5** These are secured against pledge of Government Securities, and carry mark-up ranging from 12% to 13.70% (2009: 11.65% to 12.02%) per annum and have maturities upto 2 (2009: 3) months.

**15.2.6** These represent borrowings at mark-up rate of 12% (2009: 11.5% to 12.6%) per annum and have maturity upto 1 day (2009: 3 months).

Rupees in '000	2010	2009
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	66,943,251	47,689,401
Savings deposits	132,035,332	110,245,202
Current accounts - non-remunerative	53,040,333	44,335,822
Special exporters' account	103,746	21,743
Margin accounts	3,067,234	1,853,597
Others	276,239	268,063
Financial institutions		
Remunerative deposits	437,397	1,494,658
Non-remunerative deposits	4,617	4,417
	255,908,149	205,912,903
<b>16.1 Particulars of deposits</b>		
In local currency	220,406,401	174,220,273
In foreign currencies	35,501,748	31,692,630
	255,908,149	205,912,903

Deposits include Rs. 12,610,192 thousand (2009: Rs. 6,409,041 thousand) due to related parties.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>17. SUB-ORDINATED LOANS</b>		
Term Finance Certificates – I	1,496,700	1,497,300
Term Finance Certificates – II	1,497,000	1,497,600
Term Finance Certificates – III	2,998,800	3,000,000
	5,992,500	5,994,900

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

	Term Finance Certificate - I	Term Finance Certificate - II	Term Finance Certificate - III
Outstanding amount - Rupees in thousand	1,496,700	1,497,000	2,998,800
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	-	-	Exercisable 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	2010			2009		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
<b>18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>						
Not later than one year	2,025	471	1,554	3,627	1,204	2,423
Later than one year and not later than five years	4,287	285	4,002	10,384	1,264	9,120
	6,312	756	5,556	14,011	2,468	11,543

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% and one year average KIBOR plus 3% per annum with no floor and no cap. The Group has the option to purchase the assets at the end of the lease tenure at the guaranteed residual value.



Rupees in '000			2010	2009
<b>19. DEFERRED TAX LIABILITIES</b>				
Deferred credits/ (debits) arising due to:				
Accelerated tax depreciation			741,757	661,212
Provision against non-performing advances				
- excess of 1% of total advances			(322,083)	(275,021)
- classified in sub-standard category			(57,527)	(21,812)
Excess of accounting book value of leased assets over leased liabilities			-	498
Pre commencement expenditure of AIML			-	(186)
Provision for staff gratuity and compensated absences of AIML			-	(559)
Unused tax loss of AIML			-	(12,126)
Deferred tax asset not recognised by AIML			-	9,797
			362,147	361,803
Deficit on revaluation of available for sale securities			(276,640)	(27,878)
			85,507	333,925
<b>20. OTHER LIABILITIES</b>				
Mark-up / return / interest payable in local currency			1,707,739	1,698,122
Mark-up / return / interest payable in foreign currencies			26,508	53,960
Unearned income / commission			232,043	165,858
Accrued expenses			368,809	409,652
Advance payments			63,769	223,682
Security deposit against lease / Ijarah financing			3,820,305	598,215
Unclaimed dividends			39,376	37,202
Un-realised loss on forward foreign exchange contracts - net			62,587	-
Branch adjustment account			781,487	990,844
Payable to defined benefit plan			4,738	949
Payable to defined contribution plan			354	24
Payable against purchase of listed shares			244,827	75,935
Withholding taxes payable			23,219	27,943
Federal excise duty payable			26,568	26,385
Workers' Welfare Fund			25,245	33,515
Others			683,857	524,177
			8,111,431	4,866,463
<b>21. SHARE CAPITAL</b>				
<b>21.1 Authorized capital</b>				
	2010	2009		
Number of shares				
1,300,000,000	1,200,000,000	Ordinary shares of Rs. 10 each	13,000,000	12,000,000
<b>21.2 Issued, subscribed and paid up capital</b>				
	2010	2009		
Number of shares				
67,500,000	67,500,000	Ordinary shares of Rs. 10 each:		
546,970,625	439,846,635	Fully paid in cash	675,000	675,000
28,273,315	-	Issued as bonus shares	5,469,707	4,398,467
		Issued on ALL merger	282,733	-
642,743,940	507,346,635		6,427,440	5,073,467

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 21.3 Capital Risk Management

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

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

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

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

The required minimum capital requirement can be achieved by the Group 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 audited consolidated financial statements will be counted towards the required paid up capital of the Group pending completion of the formalities for issuance of bonus shares. The Group intends to meet this requirement by way of bonus issue subsequent to date of consolidated statement of financial position, in this year.

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue reserve	2010	2009
<b>22. RESERVES</b>							
Balance as at January 01	52,723	-	3,134,270	-	4,100,048	7,287,041	7,731,664
Reserves arisen under scheme of amalgamation	-	234,669	-	-	161,159	395,828	-
Translation reserve on revaluation of wholesale bank branch	2,790	-	-	-	-	2,790	10,286
Transfer from consolidated profit and loss account	-	-	188,635	-	856,439	1,045,074	559,784
Bonus shares issued	-	-	-	-	(1,071,240)	(1,071,240)	(1,014,693)
Effect of rescheduled / restructured classified advances - note 22.1	-	-	-	53,362	-	53,362	-
Balance as at December 31	55,513	234,669	3,322,905	53,362	4,046,406	7,712,855	7,287,041

**22.1** This represents reserve created in compliance with BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan to account for the effect of provision reversed on restructuring / rescheduling of classified advances overdue for less than one year. This reserve is not available for payment of cash or stock dividend.

**22.2** General reserve as at December 31, 2010 include Rs. 2,649,255 thousand (2009: Rs. 2,241,958 thousand) in respect of net of tax benefit of 40% of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) held as collateral against non-performing advances allowed under BSD circular No. 2 of 2010 dated June 3, 2010 and referred in note 11.6.1 above. Reserves to that extent are not available for distribution by way of cash or stock dividend.

Rupees in '000	2010	2009
<b>23. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land (Deficit) / surplus on revaluation of available for sale securities	1,697,325	1,858,156
i) Federal Government securities	(587,040)	(88,010)
ii) Listed shares	(66,183)	173,632
iii) Units of open end mutual funds	42,582	(83,780)
iv) Other securities	(179,760)	(81,492)
	(790,401)	(79,650)
Less: related deferred tax effect	276,640	27,878
	(513,761)	(51,772)
	1,183,564	1,806,384

Rupees in '000	2010	2009
<b>24. CONTINGENCIES AND COMMITMENTS</b>		
<b>24.1 Direct credit substitutes</b>		
i) Government	2,831,783	2,755,086
ii) Others	5,573,276	6,862,016
	8,405,059	9,617,102
<b>24.2 Transaction-related contingent liabilities</b>		
Money for which the Group is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	13,102	12,354
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	53,461,593	56,911,331
ii) Banks and other financial institutions	912,992	1,083,718
iii) Others	11,418,793	10,404,884
	65,793,378	68,399,933
	65,806,480	68,412,287

**24.2.1** These include guarantees amounting to Rs. 952,115 thousand (2009: Rs. 823,183 thousand) against which the Group is contesting court proceedings.

Rupees in '000	2010	2009
<b>24.3 Trade-related contingent liabilities</b>	45,264,462	25,410,721
<b>24.4 Other contingencies</b>		
These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	1,177,959	1,157,959

**24.5 Tax contingencies / status**

- i) For the assessments carried out to date, approximate tax demands of Rs. 2,126 million and Rs. 53 million respectively, pertain to provision against non-performing loans (NPLs) and provision against diminution in the value of investments. For and up to the Tax Year 2006, the Appellate Tribunal Inland Revenue [ATIR] decided the appeals in favour of the Bank on the issue of provision against NPLs, while the matter of admissibility of provision for diminution in value of investment is pending adjudication by the Commissioner Inland Revenue (Appeals) [CIR (A)] as the tax authorities again disallowed the said expense in re-assessment proceedings.

The tax authorities have also filed reference applications before the High Court on the question of tax deductibility of provision against NPLs. The management is hopeful that High Court will uphold the decision of the ATIR.

For Tax Year 2008 the appeal is pending before ATIR. Assessment for the Tax Year 2009 has been set aside by the ATIR.

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. The Bank will not be required to pay tax on future realization, if any, of related receivables.

- ii) The department issued amended assessment orders for the Tax Years 2005 to 2008 by taxing commission & brokerage income at corporate tax rate instead of under final tax regime and allocating expenses to dividend / capital gains thereby raising tax demand of Rs. 681 million. Such issues however have been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank is in appeal with ATIR in respect of Tax Years 2005 to 2008. Assessment for the Tax Year 2009 has been set aside by the ATIR.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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

For and up to Assessment Years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the High Court. There is a potential tax exposure of Rs. 175 million, however its likelihood is considered low due to favorable decision of the High Court in parallel case.

Appeals have been filed by ALL with the ATIR for the Tax Years 2003 to 2007 against disallowance of "initial allowance on leased out vehicles" by the tax authorities. Related tax demand is Rs. 194 million.

For and up to Assessment Year 2002-2003 & Tax Years 2003, 2004 & 2007 the tax authorities have filed appeals with the ATIR against the decision of CIR (A) that minimum tax was not chargeable on lease rentals / income. The related tax demand is Rs. 68.50 million.

The above tax demands have been fully provided for by the management in these consolidated financial statements.

- iv) Income tax demand of Rs. 9,488 thousand, not acknowledged as debt, have been challenged by ASL and are currently in appeal; ASL expects favourable outcome of appeal.
- v) Group's share of income tax demand of Rs. 4,875 thousand, not acknowledged as debt, have been challenged by AGICO and are currently in appeal; AGICO expects favourable outcome of appeal.

Rupees in '000	2010	2009
<b>24.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	8,481,836	3,922,616
Sale and repurchase agreements	13,021,099	4,493,702
<b>24.7 Commitments in respect of forward exchange contracts</b>		
Purchase	27,763,508	24,552,607
Sale	12,370,573	17,646,611
<b>24.8 Commitments for the acquisition of operating fixed assets</b>	123,647	462,763
<b>24.9 Commitments to extend credit</b>		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	1,706,580	2,332,650
<b>24.10 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company	350,000	-
<b>24.11 Bills for collection</b>		
Payable in Pakistan	643,119	5,626,908
Payable outside Pakistan	11,602,835	10,673,130
	12,245,954	16,300,038

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

## 25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Group's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Group also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward

exchange contracts are managed by matching the maturities and fixing counter parties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

## 26. DERIVATIVE INSTRUMENTS

The Group does not deal in derivative instruments.

Rupees in '000	Note	2010	2009
<b>27. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	27.1	18,025,558	16,575,103
ii) Financial institutions		74,692	76,194
On investments			
i) Available for sale securities		8,531,430	4,840,476
ii) Held to maturity securities		425,135	471,026
On deposits with financial institutions		377,791	158,717
On securities purchased under resale agreements		520,350	468,714
		27,954,956	22,590,230

**27.1** This includes an amount of Rs. 18,891 thousand (2009: Rs. 162,389 thousand) on account of income received from related parties.

Rupees in '000	Note	2010	2009
<b>28. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		15,018,958	11,557,692
On securities sold under repurchase agreements		913,089	501,514
On sub-ordinated loans		872,312	559,984
On call money borrowings		171,816	77,596
On refinance borrowings from SBP		864,061	751,131
On long term finance for export oriented projects from SBP		66,909	67,959
On other short term borrowings		24,570	26,334
		17,931,715	13,542,210
<b>29. GAIN ON SALE OF SECURITIES - NET</b>			
Federal Government Securities			
Market Treasury Bills		4,081	62,177
Pakistan Investment Bonds		12,640	14,336
Term Finance Certificates		5,294	(856)
Shares - Listed		158,909	47,015
Others		32,811	21,045
		213,735	143,717
<b>30. OTHER INCOME</b>			
Rent on property	30.1	30,590	32,114
Net profit on sale of property and equipment		2,311	4,857
Rent of lockers		14,140	12,506
Recovery of expenses from customers		420,135	355,918
Others		4,531	3,796
		471,707	409,191

**30.1** This includes an amount of Rs. 18,452 thousand (2009: Rs. 19,799 thousand) on account of rent received from related parties.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	Note	2010	2009
<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		3,963,892	3,915,905
Charge for defined benefit plan	36.3	167,797	138,260
Contribution to defined contribution plan		127,304	107,882
Non-executive directors' fees, allowances and other expenses		1,070	655
Rent, taxes, insurance, electricity, etc.		973,786	834,828
Legal and professional charges		97,643	74,459
Brokerage and commission		172,711	138,096
Communications		292,310	299,974
Repairs and maintenance		536,752	302,365
Stationery and printing		129,067	117,587
Advertisement and publicity		138,283	74,124
Donations	31.1	86,015	18,000
Auditors' remuneration	31.2	7,971	9,156
Depreciation	12.2	695,092	657,184
Finance charges on leased assets		989	1,732
Other expenditure (traveling, security services, etc.)		546,685	434,486
		7,937,367	7,124,693
<b>31.1 Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:</b>			
Institute of Business Administration Karachi		16,000	18,000
Army Miscellaneous Welfare Fund (for flood affectees)		70,015	-
		86,015	18,000

**31.1.1** Donations were not made to any donee in which the Group or any of its directors or their spouses had any interest.

Rupees in '000	2010	2009
<b>31.2 Auditors' remuneration</b>		
Audit fee	2,990	2,940
Fee for the audit of wholesale bank branch	1,811	1,687
Fee for the audit of provident and gratuity funds	109	80
Special certifications, half year review and the audit of consolidated financial statements	2,265	3,839
Out-of-pocket expenses	796	610
	7,971	9,156
<b>32. OTHER CHARGES</b>		
Workers' Welfare Fund	25,245	33,515
Penalties imposed by the State Bank of Pakistan	17,208	853
	42,453	34,368
<b>33. TAXATION</b>		
For the year		
Current	329,824	561,584
Deferred	342	(30,837)
	330,166	530,747
For prior years		
Current	-	119,827
Deferred	-	(119,827)
	-	-
	330,166	530,747

Rupees in '000	2010	2009
<b>33.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	1,249,627	1,599,611
Tax at applicable tax rate of 35 percent (2009: 35 percent)	437,369	559,864
Effect of:		
- Income chargeable to tax at lower rates	(98,700)	(40,634)
- Permanent differences	(16,939)	298
- Opening deferred tax reversed by AIML	-	125
- Deferred tax not recognised during July to December by AIML	7,708	8,993
- Others	728	2,101
	330,166	530,747
<b>34. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	22,565,190	19,385,850
Balances with other banks	3,787,538	8,374,640
Call money lendings	-	100,000
Term deposits with MCB Bank Limited	22,000	35,000
	26,374,728	27,895,490
<b>35. STAFF STRENGTH</b>	<b>Number of employees</b>	
Permanent	4,559	4,461
Temporary / on contractual basis	1,845	1,669
Commission based	128	120
Group's own staff strength at end of the year	6,532	6,250
Outsourced	1,234	1,111
Total staff strength at end of the year	7,766	7,361

### 36. DEFINED BENEFIT PLAN

#### 36.1 General description

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 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	2010	2009
<b>36.2 The amounts recognised in the consolidated statement of financial position are as follows:</b>		
Present value of defined benefit obligation	857,959	705,452
Fair value of plan assets	(678,450)	(482,462)
	179,509	222,990
Unrecognised actuarial losses	(178,486)	(218,251)
Net liability	1,023	4,739

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

Rupees in '000	2010	2009
<b>36.3 The amounts recognised in consolidated profit and loss account are as follows:</b>		
Current service cost	118,833	86,446
Interest on obligation	90,413	81,261
Expected return on plan assets	(62,727)	(49,165)
Actuarial loss recognised	21,278	19,718
	167,797	138,260
<b>36.4 Actual return on plan assets</b>	50,422	48,638
<b>36.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	705,452	542,214
Current service cost	118,833	86,446
Interest cost	90,413	81,261
Actuarial (gain) / loss	(30,792)	25,745
Benefits paid	(25,947)	(30,214)
Closing defined benefit obligation	857,959	705,452
<b>36.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	482,462	327,885
Expected return	62,727	49,165
Actuarial gain / (loss)	(12,305)	(527)
Contributions by employer	171,513	136,153
Benefits paid	(25,947)	(30,214)
Closing fair value of plan assets	678,450	482,462

The Group expects to contribute Rs. 148,334 thousand to its defined benefit gratuity plan in 2011.

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

	2010		2009	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>36.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	462,722	68	317,047	66
Investment in mutual fund	-	-	415	-
Bank deposit account	215,728	32	165,000	34
	678,450	100	482,462	100

## 36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2010 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2010	2009
Discount rate - per annum	14%	13 - 14%
Expected rate of increase in salaries - per annum	14%	13 - 14%
Expected rate of return on plan assets - per annum	12 - 14%	13 - 14%
Average expected remaining life of employees - years	7 - 13	8 - 13



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

Rupees in '000	2010	2009	2008	2007	2006
As at December 31, Defined benefit obligation	857,959	705,452	542,214	440,376	266,173
Plan assets	(678,450)	(482,462)	(327,885)	(249,019)	(212,931)
Deficit	179,509	222,990	214,329	191,357	53,242
Experience adjustments Actuarial gain/(loss) on obligation	30,792	(25,745)	(9,624)	(133,140)	(35,523)
Actuarial loss on plan assets	(12,305)	(527)	(27,807)	(6,745)	(489)

### 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 leaves 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, 2010 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2010 was Rs. 165,902 thousand against related liability of Rs. 149,442 thousand carried at December 31, 2009. Expense for the year of Rs. 16,460 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2010	2009
Discount rate - per annum	14%	13%
Expected rate of increase in salaries - per annum	14%	13%
Leave accumulation factor - days	5	5

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Fees	65	105	1,005	655	-	-
Managerial remuneration	10,256	9,240	-	-	588,018	478,075
Charge for defined benefit plan	855	770	-	-	46,324	37,752
Contribution to defined contribution plan	854	770	-	-	47,496	39,118
Rent and house maintenance	4,675	4,158	-	-	252,748	203,935
Utilities	1,026	924	-	-	56,113	45,319
Medical	1,026	1,630	-	-	55,897	47,371
Special performance incentive / Bonus	3,634	1,540	-	-	126,658	75,314
Others	-	-	-	-	7,412	8,189
	22,391	19,137	1,005	655	1,180,666	935,073
Number of persons	1	1	9	10	575	495

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

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

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## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Group's accounting policy as stated in note 6.7. The maturity profile and effective rates are stated in note 45.2.4.

## 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2010								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	109,309	43,360	2,294,934	27,627,141	75,842	13,495	51,253	11,689	-
Total expenses	28,498	11,305	720,820	27,196,407	19,773	3,518	107,180	17,583	872,312
Net income / (loss)	80,811	32,055	1,574,114	430,734	56,069	9,977	(55,927)	(5,894)	(872,312)
Segment Assets (Gross)	60,544	45,576	20,376,943	310,245,534	42,007	7,475	89,323	159,509	-
Segment Non Performing Loans	-	-	3,835,918	17,762,730	-	-	-	-	-
Segment Provision Required	-	-	3,148,110	13,098,672	-	-	-	-	-
Segment Liabilities	1,150	865	15,298,249	277,237,027	798	142	13,869	21,982	6,173,822
Segment Return on net Assets (ROA) (%)	0.04	0.01	0.77	9.24	0.03	0.00	0.02	0.00	0.00
Segment Cost of funds (%)	0.01	0.00	0.27	10.10	0.01	0.00	0.04	0.01	0.32

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	21,817,952	85,136	12,242	67,127	17,515	-
Total expenses	36,152	61,976	734,280	22,067,787	23,736	3,413	115,413	13,423	559,984
Net income / (loss)	93,519	160,323	2,129,553	(249,835)	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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 2.05% (2009: 5.05%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 2.11% (2009: 1.30%) of the total liabilities have been allocated to segments based on their respective assets.

## 42. TRUST ACTIVITIES

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

### 43. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 50.57 % (2009: 50.17 %) of the Group's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Group. Also, the Group has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

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

Rupees in '000	December 31, 2010						December 31, 2009					
	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated company	Employee funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated company	Employees funds
<b>Balances outstanding as at</b>												
- Advances at the year end	-	132,086	409	413	-	-	-	129,873	25	580,242	-	-
- Deposits at the year end	12,239,001	31,039	83,326	219,193	37,965	37,633	5,602,346	47,678	11,420	542,212	41,510	163,875
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	13,102	-	-	-	-	-	12,354	-	-
- Investment in shares - at cost	-	-	-	1,576,397	35,419	-	-	-	-	1,489,489	11,182	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	-	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,662	-	-	-	-	-	3,664	-
- Reimbursable expenses on behalf of Askari Income Fund	-	-	-	1,405	-	-	-	-	-	5,278	-	-
- Management fee and commission receivable from Askari Income Fund	-	-	-	1,622	-	-	-	-	-	3,392	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	221	-	-	-	-	-	-	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	399	-	-	-	-	-	680	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	2,476	-	-	-	-	-	2,273	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	256	-	-	-	-	-	258	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	1,196	-	-	-	-	-	1,196	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	304	-	-	-	-	-	282	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	2,055	-	-	-	-	-	2,028	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	2,191	-	-	-	-	-	562	-	-
- Pre-paid insurance premium by AIML	-	-	-	196	-	-	-	-	-	321	-	-
- Payable to employee funds by AIML	-	-	-	-	-	1,023	-	-	-	-	-	4,842
- Director fee payable by AIML	-	-	220	-	-	-	-	-	-	-	-	-
<b>Transactions during the year ended</b>												
- Net mark-up / interest earned	-	4,492	116	14,283	-	-	-	3,595	-	158,794	-	-
- Net mark-up / interest expensed	967,662	863	7,680	47,618	3,711	3,305	309,815	1,220	581	57,198	2,421	1,910
- Rent received against operating lease	-	-	-	3,769	-	-	-	-	-	-	-	-
- Contribution to employees' funds	-	-	-	-	-	295,101	-	-	-	-	-	249,993
- Rent of property / service charges received	13,578	-	-	4,874	3,595	-	7,662	-	-	8,789	3,348	-
- Rent of property / service charges paid	59,739	-	-	53,198	-	-	67,958	-	-	51,125	-	-
- Remuneration paid	-	206,063	-	-	-	-	-	155,434	-	-	-	-
- Post employment benefits	-	15,231	-	-	-	-	-	11,899	-	-	-	-
- Insurance claims received	-	-	-	-	1,479	-	-	-	-	-	3,356	-
- Insurance premium paid	-	-	-	977	35,123	-	-	-	-	859	32,529	-
- Dividend Income	-	-	-	66,196	-	-	-	-	-	-	-	-
- Security services costs	-	-	-	181,022	-	-	-	-	-	143,855	-	-
- Fee, commission and brokerage income	1,055	-	27	51,986	21	-	379	-	-	81,533	32	-
- Recovery of expenses from Askari Asset Allocation Fund by AIML	-	-	-	103	-	-	-	-	-	-	-	-
- Recovery of expenses from Askari Income Fund by AIML	-	-	-	1,070	-	-	-	-	-	5,177	-	-
- Recovery of expenses from Askari Islamic Asset Allocation Fund by AIML	-	-	-	-	-	-	-	-	-	96	-	-
- Recovery of expenses from Askari Islamic Income Fund by AIML	-	-	-	203	-	-	-	-	-	1,173	-	-
- Recovery of expenses from Askari Sovereign Cash Fund by AIML	-	-	-	28	-	-	-	-	-	778	-	-
- Investment in units of Askari Income Fund by AIML	-	-	-	24,000	-	-	-	-	-	50,000	-	-
- Redemption of units of Askari Income Fund by AIML	-	-	-	50,000	-	-	-	-	-	-	-	-
- Lease rentals paid	-	-	-	-	-	-	-	-	-	242	-	-
- Fees paid	-	65	1,005	-	-	-	-	105	655	-	-	-

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## 44. CAPITAL ADEQUACY

### 44.1 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 the Bank while ASL is 74% owned by the Bank. Both these entities are included while calculating Capital Adequacy for the Group using full consolidation method. The fact that the Bank has neither any significant minority investments in banking, securities, or any other financial entities excludes it from a need for further consolidation. Furthermore, the Group does not indulge in any securitization activity that shields it from the risk inherent in securitization.

### 44.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group 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 Group are as follows:

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

#### Group's regulatory capital analysed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserve) and unappropriated profits (net of losses and non-controlling interest) 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 sub-ordinated 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 and capital reserves originated by restructuring of facilities (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 reserve etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term sub-ordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The Group 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 and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Group's management of capital during the period.

#### 44.3 Capital adequacy ratio as at December 31, 2010

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.

##### Regulatory capital base

Rupees in '000	2010	2009
<b>Tier I capital</b>		
Fully paid-up capital	6,427,440	5,073,467
Reserves (excluding foreign exchange translation reserve)	7,603,980	7,234,318
Unappropriated / unremitted profits (net of losses)	679,638	803,716
Non-controlling interest	28,728	17,263
Less: Book value of intangibles - note 44.3.1	(1,316,038)	(34,641)
Deficit on account of revaluation of investments	-	-
Other deductions (represent 50% of the majority or significant minority investments in insurance and other financial entities)	(36,717)	-
<b>Total Tier I Capital</b>	<b>13,387,031</b>	<b>13,094,123</b>
<b>Tier II Capital</b>		
Sub-ordinated debt (upto 50% of total Tier I capital)	4,191,960	4,796,940
General provisions for loan losses subject to 1.25% of total risk weighted assets	482,190	935,683
Revaluation reserve (upto 45%)	532,604	800,328
Foreign exchange translation reserve	55,513	52,723
Less: Other deductions (represent 50% of the majority or significant minority investments in insurance and other financial entities)	(36,717)	-
<b>Total Tier II capital</b>	<b>5,225,550</b>	<b>6,585,674</b>
<b>Eligible Tier III capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>18,612,581</b>	<b>19,679,797</b>

44.3.1. The amount is included in note 12.

##### Risk weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2010	2009	2010	2009
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
Claims on:				
Sovereigns other than PKR claims	171,571	146,702	1,715,708	1,467,024
Public Sector Entities (PSEs)	454,339	683,694	4,543,388	6,836,944
Banks	1,204,068	1,240,440	12,040,677	12,404,403
Corporates	8,436,744	7,595,901	84,367,443	75,959,014
Retail portfolio	2,265,262	2,263,592	22,652,619	22,635,916
Residential mortgage finance	371,880	384,920	3,718,804	3,849,196
Listed equities and regulatory capital instruments issued by others banks	102,623	320,405	1,026,232	3,204,048
Unlisted equity investments	36,094	33,021	360,941	330,212
Fixed Assets	876,838	988,255	8,768,382	9,882,550
Other Assets	391,867	192,837	3,918,673	1,928,365
Past Due Exposures	757,856	628,780	7,578,561	6,287,804
Forward Foreign Exchange Contracts	17,565	11,307	175,645	113,070

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Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2010	2009	2010	2009
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	106,821	6,018	1,068,205	60,175
Equity position risk	564,870	33,373	5,648,695	333,725
Foreign exchange risk	85,220	12,851	852,204	128,513
<b>Operational risk</b>	2,122,936	2,064,791	21,229,356	20,647,911
<b>Total</b>	17,966,554	16,606,887	179,665,533	166,068,870
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			18,612,581	19,679,797
Total risk weighted assets			179,665,533	166,068,870
Capital adequacy ratio			10.36%	11.85%

## 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 Group. The Group takes necessary measures to control such risk by monitoring credit exposures, limiting transactions with specific counter parties with increased likelihood of default and continually assessing the creditworthiness of counter parties.

The focus of the Group's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Group will also continue its emphasis on diversification of its assets to avert large single industry or group concentration exposures.

The Group 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 Group 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 Group 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 Group..

#### 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.

##### 45.1.1.1 Segment by class of business

	2010						2009					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	6,753,786	4.01	3,200,824	1.25	651,755	0.35	6,341,128	4.30	2,540,447	1.23	1,072,237	0.68
Automobiles and Allied	722,016	0.43	4,72,849	0.18	487,443	0.26	936,799	0.63	1,011,748	0.49	585,236	0.37
Cables / Electronics	2,677,920	1.59	2,001,460	0.78	628,031	0.34	6,654,032	4.51	1,956,777	0.95	515,161	0.33
Carpets	233,183	0.14	53,496	0.02	-	-	167,974	0.11	72,374	0.04	4,202	-
Cement	4,218,442	2.50	142,499	0.06	834,918	0.45	3,898,451	2.64	469,657	0.23	663,216	0.42
Chemicals / Pharmaceuticals	5,895,066	3.50	4,438,947	1.74	2,768,396	1.50	6,932,091	4.69	2,823,250	1.37	4,072,601	2.58
Engineering	646,605	0.38	104,383	0.04	1,152,601	0.62	342,837	0.23	55,908	0.03	1,001,645	0.63
Fertilizers	2,860,092	1.70	648,144	0.25	873,886	0.47	697,771	0.47	345,870	0.17	1,310,261	0.83
Food and Allied	2,409,456	1.43	390,886	0.15	1,646,827	0.89	2,254,348	1.53	227,324	0.11	570,060	0.36
Fuel / Energy	13,372,187	7.94	2,339,159	0.91	7,850,518	4.26	6,297,501	4.27	2,954,673	1.43	9,442,247	5.98
Ghee and Edible Oil	3,211,036	1.91	161,055	0.06	2,520,854	1.37	3,096,881	2.10	61,782	0.03	2,421,099	1.53
Glass and Ceramics	1,499,701	0.89	33,818	0.01	141,607	0.08	1,637,002	1.11	52,076	0.03	21,007	0.01
Hotels and Restaurants	259,380	0.15	296,062	0.12	18,475	0.01	200,844	0.14	317,336	0.15	8,473	0.01
Individuals	23,025,293	13.67	90,308,421	35.29	645,714	0.35	19,224,890	13.02	72,598,543	35.26	558,848	0.35
Insurance	53,575	0.03	103,027	0.04	-	-	-	-	168,282	0.08	1,607	-
Financial institutions / Investment companies	500,083	0.30	1,448,259	0.57	55,614,303	30.15	500,000	0.34	2,069,564	1.00	87,546,447	55.41
Leasing	-	-	3,545	-	-	-	601,042	0.41	115,030	0.06	-	-
Leather Products and Shoes	1,099,887	0.65	668,027	0.26	73,345	0.04	1,110,415	0.75	565,023	0.27	63,443	0.04
Modarabas	37,609	0.02	121	-	-	-	46,135	0.03	50	-	-	-
Paper and Board	690,303	0.41	352,777	0.14	422,119	0.23	398,770	0.27	77,799	0.04	398,088	0.25
Plastic products	709,205	0.42	157,343	0.06	867,917	0.47	587,669	0.40	141,311	0.07	960,800	0.61
Ready made garments	838,447	0.50	297,486	0.12	236,475	0.13	942,856	0.64	441,692	0.21	521,097	0.33
Real Estate / Construction	7,880,167	4.68	11,007,854	4.30	12,043,638	6.53	8,686,079	5.88	10,528,701	5.11	14,535,413	9.20
Rice Processing and trading	3,333,564	1.98	402,476	0.16	685,163	0.37	2,777,431	1.88	582,266	0.28	320,662	0.20
Rubber Products	100,450	0.06	45,671	0.02	439,532	0.24	137,429	0.09	54,774	0.03	97,696	0.06
Services (Other than Financial, Hotelling and Traveling)	2,710,786	1.61	6,382,578	2.50	773,818	0.42	2,556,054	1.73	5,785,847	2.81	777,982	0.49
Sports goods	607,079	0.36	86,562	0.03	115,855	0.06	580,611	0.39	76,490	0.04	161,511	0.10
Sugar	209,666	0.12	180,212	0.07	3,550	-	121,496	0.08	40,920	0.02	3,550	-
Surgical equipment / Metal Products	6,110,355	3.63	593,333	0.23	1,476,585	0.80	5,976,903	4.05	465,580	0.23	1,997,286	1.27
Synthetic and Rayon	986,379	0.59	64,623	0.03	7,776	-	1,115,062	0.76	19,512	0.01	66,604	0.04
Textile	26,759,447	15.89	1,991,484	0.78	5,109,561	2.77	27,240,388	18.45	1,512,762	0.73	4,333,202	2.74
Tobacco / Cigarette manufacturing	6,565	-	16,130	0.01	48,351	0.03	-	-	19,682	0.01	2,275	-
Transport and communication	4,818,192	2.86	7,252,372	2.83	6,907,985	3.74	4,572,958	3.10	5,200,927	2.52	2,885,873	1.83
Travel Agencies	120,783	0.07	258,068	0.10	266,741	0.14	114,151	0.08	156,349	0.08	353,421	0.22
Woolen	41,433	0.02	50,691	0.02	40,658	0.02	37,002	0.02	58,904	0.03	3,165	-
Public sector / Government	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25	16,047,820	10.87	59,438,689	28.87	18,604,892	11.78
Others	18,605,436	11.05	44,678,405	17.46	21,465,583	11.66	14,800,925	10.02	32,904,984	15.98	2,127,711	1.35
	168,435,880	100.00	255,908,149	100.00	184,471,203	100.00	147,633,745	100.00	205,912,903	100.00	158,009,018	100.00

##### 45.1.1.2 Segment by sector

	2010						2009					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25	16,047,820	10.87	59,438,689	28.87	18,604,892	11.78
Private	144,003,574	85.49	180,633,047	70.59	126,819,980	68.75	131,585,925	89.13	146,474,214	71.13	139,404,126	88.22
	168,435,880	100.00	255,908,149	100.00	184,471,203	100.00	147,633,745	100.00	205,912,903	100.00	158,009,018	100.00

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

Rupees in '000	2010		2009	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	188,443	-	162,493	-
Automobiles and Allied	585,334	329,076	661,808	572,163
Brokerage house	599,848	21,296	-	-
Cables / Electronics	1,158,260	919,644	1,277,931	887,426
Cement	118,309	69,702	-	-
Chemicals / Pharmaceuticals	17,540	6,556	48,355	36,075
Commodities	467,603	344,356	497,388	383,109
Food and Allied	150,654	99,524	156,248	105,576
Fuel / Energy	1,661,568	1,552,350	1,609,741	1,354,425
Glass Manufacturing	1,214,620	986,661	1,110,342	785,230
Individuals	3,835,918	2,851,470	2,592,542	2,025,186
Leather Products and Shoes	57,638	33,764	50,915	28,407
Metal Industries	853,768	481,979	511,819	278,289
Paper Industries	388,752	160,024	398,770	173,005
Real Estate / Construction Services	869,246	87,224	1,911,855	41,644
(Other than Financial, Hotelling and Traveling)	166,763	120,907	113,737	109,252
Sports Goods	485,688	447,608	546,176	501,176
Textile	7,255,013	5,574,063	5,328,436	3,925,396
Transport and communication	353,622	341,095	-	-
Public sector / Government	85	73	-	-
Others	1,169,976	795,426	746,895	451,802
	21,598,648	15,222,798	17,725,451	11,658,161

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

Public sector / Government	85	73	-	-
Private	21,598,563	15,222,725	17,725,451	11,658,161
	21,598,648	15,222,798	17,725,451	11,658,161

## 45.1.1.5 Geographical segment analysis

Rupees in '000	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,014,434	311,596,296	15,828,728	184,457,846
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 45.1.1.5.1	235,193	3,183,833	203,497	13,357
Others	-	-	-	-
	1,249,627	314,780,129	16,032,225	184,471,203



Rupees in '000	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,438,092	249,836,492	14,847,325	158,009,018
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East-Note 45.1.1.5.1	161,519	4,516,946	140,546	-
Others	-	-	-	-
	1,599,611	254,353,438	14,987,871	158,009,018

**45.1.1.5.1** These do not include intra group items of Rs. 2,833,365 thousand (2009: Rs. 4,270,733 thousand) eliminated upon consolidation of foreign branch results.

**45.1.1.5.2** Contingencies and commitments include amounts given in note 24 except bills for collection.

#### 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 2010 is presented below:

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

#### Credit exposures subject to standardised approach

Exposures	Rating category	2010			2009		
		Amount outstanding	Deduction CRM	Net Amount	Amount outstanding	Deduction CRM	Net Amount
Sovereigns	4,5	1,715,708	-	1,715,708	1,467,024	-	1,467,024
PSEs	1	7,337,304	-	7,337,304	2,801,570	10,000	2,791,570
PSEs	2	-	-	-	90,000	-	90,000
Banks	1,2,3	4,778,371	1,474,342	3,304,029	-	-	-
Banks	4,5	805,808	-	805,808	9,846,146	-	9,846,146
Corporates	1	8,323,252	-	8,323,252	6,316,860	-	6,316,860
Corporates	2	9,929,136	-	9,929,136	12,336,024	98,094	12,237,930
Corporates	3,4	649,989	-	649,989	1,829,888	48,757	1,781,131
Corporates	5,6	1,514,556	-	1,514,556	144,037	-	144,037
Unrated		234,660,844	36,597,864	198,062,980	220,130,095	26,449,674	193,680,421
Total		269,714,968	38,072,206	231,642,762	254,961,644	26,606,525	228,355,119

# Notes to the Consolidated Financial Statements

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

- 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 Group'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 Group's open positions in interest rate, currency, and equity products that are exposed to market movements. Traded market risk exposures arise from the Group'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 Group's capital investments in off-shore operations.

The Group 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 Group 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 Group 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 Group's own internally set limits.

#### 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 Group'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 Group 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)	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	283,497,791	263,116,689	15,392,935	35,774,037
U.S. Dollars	19,347,810	29,731,154	(11,135,124)	(21,518,468)
Pound Sterling	632,876	2,377,582	(1,730,066)	(3,474,772)
Japanese Yen	11,361	907	8,577	19,031
Euro	775,519	3,428,566	(2,536,322)	(5,189,369)
Other European Currencies	16,710	-	-	16,710
Other Currencies	413,640	7,499	-	406,141
	304,695,707	298,662,397	-	6,033,310
2009				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	220,017,345	207,362,707	6,905,996	19,560,634
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
	245,021,077	239,031,642	-	5,989,435

#### 45.2.2 Equity position risk

Equity position risk is the risk that the value of the Group's equity positions can change as a result of broad equity market and security-specific movements. The Group'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 Group in line with general limits prescribed by the 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.

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

The Group'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 Group 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 Group'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 Group's capital using sensitivity positions calculated using earlier of contractual repricing 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	2010												
	Effective Yield / Interest rate	Total	Exposed to yield/ interest risk								Non-interest bearing financial instruments		
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	0.00%	22,565,190	5,366,912	-	-	-	-	-	-	-	-	-	17,198,278
Balances with other banks	2.15%	3,787,538	2,152,761	-	-	-	-	-	-	-	-	-	1,634,777
Lendings to financial institutions	11.63%	9,194,186	7,241,898	1,952,288	-	-	-	-	-	-	-	-	-
Investments	11.94%	102,100,063	15,266,489	30,030,550	25,281,920	5,186,137	5,543,698	8,507,490	4,382,442	4,999,316	147,814	2,754,207	-
Advances	11.39%	152,784,254	15,806,417	16,126,983	19,908,695	22,349,919	31,564,920	28,037,532	4,087,101	2,719,820	12,182,867	-	-
Other assets		14,264,476	-	-	-	-	-	-	-	-	-	-	14,264,476
		304,695,707	45,834,477	48,109,821	45,190,615	27,536,056	37,108,618	36,545,022	8,469,543	7,719,136	12,330,681	35,851,738	-
<b>Liabilities</b>													
Bills payable		3,089,984	-	-	-	-	-	-	-	-	-	-	3,089,984
Borrowings	7.86%	25,554,777	13,743,314	8,705,151	3,106,312	-	-	-	-	-	-	-	-
Deposits and other accounts	6.75%	255,908,149	51,451,717	31,470,112	29,580,021	24,863,589	17,667,164	17,458,069	21,695,658	5,226,659	-	56,495,160	-
Sub-ordinated loans	14.55%	5,992,500	-	300	900	1,200	2,400	2,992,500	2,400	2,992,800	-	-	-
Liabilities against assets subject to finance lease	11.57%	5,556	127	364	341	723	1,801	2,200	-	-	-	-	-
Other liabilities		8,111,431	-	-	-	-	-	-	-	-	-	-	8,111,431
		298,662,397	65,195,158	40,175,927	32,687,574	24,865,512	17,671,365	20,452,769	21,698,058	8,219,459	-	67,696,575	-
On-balance sheet gap		6,033,310	(19,360,681)	7,933,894	12,503,041	2,670,544	19,437,253	16,092,253	(13,228,515)	(500,323)	12,330,681	(31,844,837)	-
<b>Off-balance sheet financial instruments</b>													
Purchase and resale agreements	12.91%	8,481,836	8,481,836	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	12.82%	13,021,099	13,021,099	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		1,706,580	1,706,580	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(6,245,843)	(6,245,843)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(25,606,524)	7,933,894	12,503,041	2,670,544	19,437,253	16,092,253	(13,228,515)	(500,323)	12,330,681	(31,844,837)	-
Cumulative yield / interest risk sensitivity gap			(25,606,524)	(17,672,630)	(5,169,589)	(2,499,045)	16,938,208	33,030,461	19,801,946	19,301,623	31,632,304	(212,533)	-

## Mismatch of interest rate sensitive assets and liabilities

2009													
Rupees in '000	Effective Yield / Interest rate	Total	Exposed to yield / interest risk									Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
<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		10,686,010	-	-	-	-	-	-	-	-	-	-	10,686,010
		245,021,077	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	-	31,612,685
<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
On-balance sheet gap		5,989,435	(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	-	(22,683,090)
<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	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(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	-	(22,683,090)
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	-	3,085,699

**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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 45.3 Liquidity Risk

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

### 45.3.1 Maturities of Assets and Liabilities

Rupees in '000	2010									
	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	22,565,190	22,565,190	-	-	-	-	-	-	-	-
Balances with other banks	3,787,538	3,787,538	-	-	-	-	-	-	-	-
Lendings to financial institutions	9,194,186	7,241,898	1,952,288	-	-	-	-	-	-	-
Investments	102,100,063	15,266,489	30,075,534	25,809,078	5,976,874	6,861,592	8,507,490	4,382,442	5,072,750	147,814
Advances	152,784,254	15,806,417	16,126,983	19,908,695	22,349,919	31,564,920	28,037,532	4,087,101	2,719,820	12,182,867
Operating fixed assets	10,084,422	56,250	952,146	1,010,189	348,489	620,467	514,721	756,253	837,733	4,988,174
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	14,264,476	3,566,119	3,566,119	3,566,119	3,566,119	-	-	-	-	-
	314,780,129	68,289,901	52,673,070	50,294,081	32,241,401	39,046,979	37,059,743	9,225,796	8,630,303	17,318,855
<b>Liabilities</b>										
Bills payable	3,089,984	1,544,992	1,544,992	-	-	-	-	-	-	-
Borrowings	25,554,777	13,743,314	8,705,151	3,106,312	-	-	-	-	-	-
Deposits and other accounts	255,908,149	64,211,672	37,850,089	36,459,300	31,742,868	26,364,768	23,825,597	30,227,194	5,226,661	-
Sub-ordinated loans	5,992,500	-	300	900	1,200	2,400	2,992,500	2,400	2,992,800	-
Liabilities against assets subject to finance lease	5,556	127	364	341	723	1,801	2,200	-	-	-
Deferred tax liabilities	85,507	-	(276,640)	-	-	-	-	-	362,147	-
Other liabilities	8,111,431	2,027,858	2,027,858	2,027,858	2,027,857	-	-	-	-	-
	298,747,904	81,527,963	49,852,114	41,594,711	33,772,648	26,368,969	26,820,297	30,229,594	8,581,608	-
<b>Net assets</b>	16,032,225	(13,238,062)	2,820,956	8,699,370	(1,531,247)	12,678,010	10,239,446	(21,003,798)	48,695	17,318,855
Share Capital	6,427,440									
Reserves	7,712,855									
Unappropriated profit	679,638									
Non-controlling interest	28,728									
Surplus on revaluation of assets	1,183,564									
	16,032,225									

## Maturities of Assets and Liabilities

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	9,332,361	77,749	834,758	903,823	318,577	575,191	478,194	686,291	216,454	5,241,324
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	10,686,010	330,153	6,757,874	282,516	3,169,792	145,675	-	-	-	-
	254,353,438	55,520,464	49,484,859	46,672,493	55,432,156	11,222,328	5,012,827	10,625,327	5,814,975	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	(13,638,801)	5,964,775	17,818,654	29,096,154	(9,533,956)	(14,354,846)	(17,713,909)	2,781,791	14,568,009
Share Capital	5,073,467									
Reserves	7,287,041									
Unappropriated profit	803,716									
Non-controlling interest	17,263									
Surplus on revaluation of assets	1,806,384									
	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 Group.

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

## 45.4.1 Operational risk disclosures Basel II

The Group 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 Group's resources, minimize losses and utilize opportunities.

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

The Board of Directors in its meeting held on February 21, 2011 has proposed a cash dividend of Nil (2009: Nil). In addition, the directors have also announced a bonus issue of 10 percent (2009: 20 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2010 do not include the effect of the appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2011 as follows:

Rupees in '000	2010	2009
Transfer from unappropriated profit to:		
Proposed dividend	–	–
Reserve for issue of bonus shares	–	–
General reserve	679,638	803,716
Transfer from general reserve to:		
Reserve for issue of bonus shares	642,744	1,071,240

## 47. GENERAL

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 consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

## 48. DATE OF AUTHORIZATION

These consolidated financial statements were authorised for issue on February 21, 2011 by the Board of Directors of the Bank.



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



**Dr. Bashir Ahmad Khan**  
Director



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



**Lt. Gen. Nadeem Taj**  
Chairman



# Pattern of Shareholding

As at December 31, 2010

Number of shareholders	Shareholding		Total shares held
	From	To	
2,489	1	100	105,263
3,937	101	500	1,099,042
2,814	501	1000	2,081,212
7,212	1001	5000	18,096,480
2,177	5001	10000	15,351,476
2,517	10001	110000	53,913,288
97	110001	330000	16,996,986
14	330001	530000	5,550,709
20	530001	825000	13,126,673
3	935001	1000000	2,886,145
22	1100001	9585000	85,381,187
7	11390001	305425000	428,155,479
21,309			642,743,940

## Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	20,856	124,078,750	19.30
Investment / brokerage companies	155	54,609,122	8.50
Insurance companies	16	21,990,953	3.42
Joint stock companies	31	34,063,258	5.30
Financial institutions	51	70,596,881	10.98
Modaraba and Mutual Funds	21	1,352,164	0.21
Charitable and other trusts	28	327,194,104	50.91
Foreign investors	150	8,858,630	1.38
Others	1	78	0.00
Total	21,309	642,743,940	100.00

## Held by

Particulars	Number of shareholders	Shares held	Percentage
<b>Associated company</b>			
Army Welfare Trust	1	325,014,793	50.57
<b>NIT / ICP</b>			
National Investment (Unit) Trust	1	29,217,190	4.55
Investment Corporation of Pakistan	1	8,325	0.00
<b>Directors &amp; Chief Executive</b>			
Lt. Gen. Nadeem Taj	1	2,421	0.00
Lt. Gen (R.) Imtiaz Hussain	1	3,047	0.00
Maj. Gen (R.) Saeed Ahmed Khan	1	3,047	0.00
Mr. Zafar Alam Khan Sumbal	1	3,047	0.00
Dr. Bashir Ahmad Khan	1	1,011	0.00
Mr. Shahid Mahmud	1	750	0.00
Mr. Muhammad Riyazul Haque	1	750	0.00
Mr. Ali Noor Mahomed Rattansey	1	750	0.00
	8	14,823	0.00
<b>Executives of the Bank</b>			
	18	64,458	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)	272	153,386,863	23.86
Individuals	20,965	126,710,201	19.71
Others	43	8,327,287	1.30
Total	21,309	642,743,940	100.00

**Note 1:** Individual include 8 directors holding 14,823 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

**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  
Banco de Chile
- 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 Czech 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  
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. MALTA**  
FIM Bank
- 40. MAURITIUS**  
The Mauritius Commercial Bank
- 41. MEXICO**  
HSBC Mexico SA
- 42. MONACO**  
BNP Paribas Private Bank Monaco
- 43. MOROCCO**  
Attijariwafa Bank  
Banque Marocaine du Commerce  
Exterieur SA  
Citibank Maghreb
- 44. NEPAL**  
Himalayan Bank Ltd  
Bank of Asia Nepal Limited  
Laxmi Bank Limited

# Correspondent Network

## 45. NETHERLANDS

Fortis Bank (Nederland) NV  
F Van Lanschot Bankiers NV  
ING Bank N.V.

## 46. NEW ZEALAND

Bank of New Zealand  
ANZ National Bank Ltd.

## 47. NORWAY

DNB Nor Bank ASA  
Nordea Bank Norge ASA

## 48. OMAN

Bank Muscat SAOG  
Bank Dhofar (S.A.O.G.)  
Oman International Bank SAOG

## 49. PANAMA

HSBC bank Panama

## 50. 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

## 51. PHILIPPINES

RIZAL Commercial Banking Corporation  
Security Bank Corporation

## 52. POLAND

Bank Polska Kasa Opieki SA  
Bank Handlowy Warszawa SA  
Bank BPH SA  
BRE Bank SA  
ING Bank Slaski SA  
Raiffeisen Bank Polska SA  
RBS Bank Polska SA

## 53. 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

## 54. QATAR

Doha Bank Ltd.  
Qatar National Bank

## 55. ROMANIA

UniCredit Tiriac Bank SA

## 56. RUSSIA

Bank of Moscow  
Promsv Yazbank AKB ZAO

## 57. 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

## 58. SINGAPORE

United Overseas Bank

## 59. SERBIA AND MONTENEGRO

UniCredit Bank Serbia JSC

## 60. SLOVAKIA

Citibank (Slovakia) as  
Postova Banka as  
UniCredit Bank Slovakia as

## 61. SLOVENIA

Banka Celje dd  
Nova Ljubljanska Banka D.D.  
SKB Banka DD  
UniCredit Banka Slovenija dd

## 62. SOUTH AFRICA

ABSA Bank Ltd.  
First Rand Bank Limited  
HBZ Bank Limited  
Habib Overseas Bank Limited  
Standard Bank of South Africa

## 63. SPAIN

Banco Espanol de Credito SA  
Banco Popular Espanol  
Banco Santander Central Hispano SA  
Citibank Espana S.A.  
Confederacion Espanola

## 64. SRI LANKA

Bank of Ceylon  
Hatton National Bank  
Seylan Bank Ltd  
Sampath Bank PLC  
Union Bank of Colombo Limited

## 65. SWEDEN

Nordea Bank AB (Publ)  
Swedbank A.B  
Skandinaviska Enskilda Banken

## 66. 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

## 67. TAIWAN

Taiwan Cooperative Bank  
Taichung Commercial Bank Ltd  
Union Bank of Taiwan

## 68. THAILAND

Bangkok Bank Public Co.  
Kasikornbank Public Company Limited  
The Siam Commercial Bank PCL  
United Overseas Bank (Thai) PCL

**282 Banks**  
of  
**77 Countries**  
of Origin,  
as on December 31, 2010

## 69. TUNISIA

Societe Tunisienne de Banque  
Tunis International Bank

## 70. TURKEY

Finansbank AS  
ING Bank AS  
Turk Ekonomy Bankasi AS  
Turkiye is Bankasi AS  
Yapi ve Kredi Bankasi AS

## 71. UKRAINE

JSCB Citibank (Ukraine)

## 72. UNITED ARAB EMIRATES

Abu Dhabi Commercial Bank  
Commercial Bank of Dubai  
Credit Europe Bank (Dubai) Ltd  
Dubai Islamic Bank  
Emirates Islamic Bank  
Emirates Bank International PJSC  
MashreqBank Psc  
National Bank of Fujairah  
Union National Bank  
United Arab Bank

## 73. 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

## 74. 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

## 75. UZBEKISTAN

Royal Bank of Scotland Uzbekiston NB

## 76. VIETNAM

Joint Stock Commercial Bank For  
Fireugn Trade of Vietnam  
Chohung Vina Bank

## 77. 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

# 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) 2894025

Fax: (051) 2894024

##### F-7 Markaz

13-I, F-7 Markaz, Jinnah Super Market, Islamabad.

PABX: (051) 2654412-15, 9102424

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) 2199000-11

Manager: (051) 9267278

Manager Ops: (051) 9267279

Fax: (051) 9267280

##### F-11 Markaz

Al-Karam Plaza, F-11 Markaz, Islamabad.

PABX: (051) 2114253 – 55

Direct: (051) 2114251-52

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,

Direct: (051) 2871144, 2271801

Fax: (051) 2271797

##### G-8 Markaz

12 H-1, G-8 Markaz, Islamabad.

Manager: (051) 2256537

Manager Ops: (051) 2256538

Accounts: (051) 2256539

Cash: (051) 2282084

Sys. Admin: (051) 2282083

Fax: (051) 2255761

#### Sabzi Mandi

Plot No. 3 – B, Razzaq Plaza, Sabzi Mandi, Sector I – 11/4, Islamabad.

PABX: (051) 4438168 -70

Direct: (051) 4438165-6

Fax: (051) 4438171

#### NESCOM

Plot No. 94, H – 11/4, Islamabad.

Direct: (051) 4437309

Fax: (051) 4437308

#### Capital Development Authority (CDA)

Old Naval Head Quarter, Melody Services Block, Sector G – 6, Islamabad.

Direct: (051) 2603396

Fax: (051) 2603397

#### NHQ, Naval Complex

Naval Headquarters, Naval Shopping Complex, E-8, Islamabad.

PABX: (051) 2856701, 2856801 & 2856901

Direct: (051) 2852001

Fax: (051) 2854401

#### Barakahu

525–Usman Plaza, Main Murree Road, Barakahu, District Islamabad.

PABX: (051) 2233647-8

Direct: (051) 2233645

Fax: (051) 2233649

#### (Sub-Branch)

Directorate General – ISI

Shahrah-e-Suharwardy, Islamabad.

PABX: (051) 9215457-8

Fax: (051) 9215459

#### (Sub-Branch)

Federal Government Employees Housing Foundation (FGEHF)

Plot No. 10, Basement, Mauve Area, Sector G-10/4, Islamabad.

Direct: (051) 2100016

Fax: (051) 2100017

#### (Sub-Branch)

Overseas Pakistanis Foundation (OPF)

OPF Building, Ground Floor, Shahrah-e-Jamhuriat G-5/2, Islamabad.

PABX: (051) 9214026-27

Direct: (051) 9214024

Fax: (051) 9214025

#### (Sub-Branch)

NCP Complex, Room No. 01, BOQ Building, NCP Complex, Shahdara Road, Near QAU Campus, Islamabad.

PABX: (051) 2077300

Direct: (051) 2077396

Fax: (051) 2077397

### RWP I – AREA

#### Rawalpindi

##### AWT Plaza

AWT Plaza, The Mall, Rawalpindi.

P.O. Box 1083,

PABX: (051) 9063150

Direct: (051) 9273178, 9063200

Fax: (051) 9273180, 75, 81

##### 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)**

Rising Sun Shopping Complex, 10 Corps  
Head Quarter, Chaklala Garrison,  
Rawalpindi.  
Mobile: (0321) 5246097  
Dir: (051) 5592004  
Fax: (051) 5592008

**(Sub-Branch)**

Kahota Research Laboratories (KRL), Qadeer  
Khan Road, Near Chathri Chowk, Rawalpindi.  
PABX: (051) 9268198-99  
Dir: (051) 9268195  
Mobile: (0333) 5115358

**(Sub-Branch)**

Hamza Camp, Stadium Road,  
Rawalpindi.  
Direct: (051) 4421965, 4855372  
Fax: (051) 4855371

**Taxila**

**Heavy Industries Taxila,**  
Allama Iqbal Avenue,  
Near Cantonment Market,  
Taxila.  
Mobile: 0300 – 5086860

**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) 5540516, 5540227  
Direct: (051) 5540388  
Fax: (051) 5540321

**General Headquarters (GHQ)**

Near Gate No. 4, GHQ, Rawalpindi.  
PABX: (051) 9271739-40, 561-31192  
Direct: (051) 9271738  
Fax: (051) 9271541

**Al-Shifa Eye Trust Hospital**

Jhelum Road, Rawalpindi.  
Direct: (051) 5488721  
PABX: (051) 5488720, 5806943,  
Fax: (051) 5488552

**Jarar Camp**

Shopping Complex, Jarar Camp, Mouza  
Budhial, Dhalla, Tehsil & Dist. Rawalpindi.  
Direct: (051) 5949048  
Direct: (051) 5949045  
Fax: (051) 5949047

**C.M.H**

Combined Military Hospital (CMH),  
Range Road, Rawalpindi.  
Direct: (0345) 5912008

**DHA, Islamabad**

DHA Mall, Jinnah Avenue,  
Defence Housing Authority,  
Phase-I, (Morgah), Islamabad.  
PABX: (051) 5788693-94  
Direct: (051) 5788691 / 5788601  
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,**  
Opposite DSP Office, Gujar Khan.  
PABX: (0513) 515671-74  
Direct: (0513) 515905  
Fax: (0513) 515676

**Chashma**

**Plot 1, Bank Square,**  
Chashma Barrage Colony,  
D.I. Khan Road, Chashma  
Distt. Mianwali.  
PABX: (0459) 241544  
Direct: (0459) 241667  
Fax: (0459) 242761

**Mianwali**

**Ballo Khail Road**  
Plot No. 55 & 56,  
Ballo Khail Road, Mianwali.  
PABX: (0459) 237903-4  
Direct: (0459) 237901-2  
Fax: (0459) 237905

**KRL Sumbalgah**

Kahota Research Laboratories  
Shopping Colony Centre, Near Gate  
1, K-Location, Tehsil Kahuta, Distt.  
Rawalpindi.  
Mob: 0300-5143137

**(Sub-Branch)**

Engineering in Chief (E in C Branch),  
General Head Quarter (GHQ),  
R.A. Bazar, Rawalpindi.  
Direct: (051) 9271711  
Fax: (051) 9171743

**(Sub-Branch)**

Bahria Town, Phase - VIII  
Plot No. 35, Linear Commercial, Safari Valley,  
Bahria Town, Rawalpindi.  
PABX: (051) 5705665-5705669  
Direct: (051) 5705667  
Fax: (051) 5705668

**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) 713363

**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) 616507  
Fax: (0995) 616508

**Allai**

**1st Floor, New Saadat Market,**  
Banna, Allai.  
Mobile : (0333) 5025995, 0334-5582980

**Gilgit**

**Main Bazar, Airport Road, Gilgit**  
PABX: (05811) 452023  
Direct: (05811) 452021  
Fax: (05811) 452026

**Peshawar**

**Peshawar Cantt.**  
3-9, Fakhr-e-Alam Road,  
Plaza Branch, Peshawar Cantt.  
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: 0923-631652, (0321) 9762340

# Branch Network

## AREA –AZAD KASHMIR

### Mirpur (AK)

Plot No. 629-B, Jabeer Tower, Bank Square  
Nangi, Mirpur, Azad Kashmir  
PABX: (05827) 445450 - 2  
Direct: (05827) 448393  
Fax: (05827) 448394

### 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) 465605

### 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

### Kharian

Raza Building, Main G.T. Road, Kharian.  
PABX: (053) 9240235-7  
Direct: (053) 9240134  
Fax: (053) 7536288

### Mangla Cantt.

Ground Floor, Community Centre, Adjacent  
Military Check Post, Mangla Road, Mangla.  
PABX: (0544) 639504-5  
Direct: (0544) 639502  
Fax: (0544) 639506

### (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

### Gulberg

10-E/II, Main Boulevard  
Gulberg-III, Lahore.  
PABX: (042) 99231336-37  
Dir: (042) 99231330  
Fax: (042) 99230035

### Main Market, Gulberg-II

32-E, Main Market  
Gulberg-II, Lahore.  
PABX: (042) 99268026-27  
Dir: (042) 99268023  
Fax: (042) 99268025

### Cavalry Ground

2nd Floor, 23-Commercial Area,  
Cavalry Ground, Lahore.  
PABX: (042) 36610563-6  
Dir: (042) 36676949  
Fax: (042) 36610562

### DHA-I

324-Z, Phase-II,  
DHA, Lahore.  
PABX: (042) 9264151-5  
Dir: (042) 9264158  
Fax: (042) 9264150

### DHA-II

63-T Block, CCA, Phase-II,  
DHA, Lahore.  
PABX: (042) 35707558-59  
Dir: (042) 35707556  
Fax: (042) 35707563

### Model Town

2-4, Central Commercial Market,  
Model Town, Lahore.  
PABX: (042) 5850575-6  
Dir: (042) 5915494  
Fax: (042) 5858564

### Qartaba Chowk

100-D, Lytton Road, Near Qartaba Chowk,  
Mozang, Lahore.  
PABX: (042) 37314500-5  
Dir: (042) 37314502  
Fax: (042) 37314555

### Tufail Road

12-Tufail Road,  
Lahore Cantt.  
PABX: (042) 99220940-5  
Dir: (042) 99220930  
Fax: (042) 99220946-47

### Zarar Shaheed Road

6-Block-B, Guldasth Town,  
Zarar Shaheed Road, Lahore.  
PABX: (042) 36632941-43  
Dir: (042) 36632945  
Fax: (042) 36632944

### DHA-V

41-CCA, (Central Commercial Area),  
Phase-V, DHA, Lahore.  
PABX: (042) 36183097  
Dir: (042) 36183095  
Fax: (042) 36183099

### M. A Johar Town

473-Block G-III,  
M.A Johar Town, Lahore.  
PABX: (042) 35290434-6  
Dir: (042) 35290440  
Fax: (042) 35313569

## LAHORE-II – AREA

### Lahore

#### Badami Bagh

165-B, Badami Bagh, Lahore.  
PABX: (042) 37727601-2  
Dir: (042) 37721318  
Fax: (042) 37704775

#### Circular Road

77-Circular Road, Lahore.  
PABX: (042) 37635920-22  
Dir: (042) 37633702 & 37633694  
Fax: (042) 37635919

#### Shad Bagh

Chowk Nakhuda, Umar Din Road,  
Wassanpura, Shad Bagh, Lahore.  
PABX: (042) 7289430 & 7285343  
Dir: (042) 7604071  
Fax: (042) 6264225

#### Shah Alam

5-C, Fawara Chowk,  
Shah Alam Market, Lahore.  
PABX: (042) 7642652-54  
Dir: (042) 7642650  
Fax: (042) 7642656

#### Ravi Road

35-Main Ravi Road, Lahore.  
PABX: (042) 7709873-4 & 7700516  
Dir: (042) 7731000  
Fax: (042) 7700517

#### Shahrah-e-Aiwan-e-Tijarat

7-A, Shahrah-e-Aiwan-e-Tijarat,  
Lahore.  
PABX: (042) 9203673-7  
Dir: (042) 9203081  
Fax: (042) 9203351

#### Shahdara

Opp. Darbar Allahoo Sheikhpura,  
Shahdara, Lahore.  
PABX: (042) 7919302-04  
Dir: (042) 7919300  
Fax: (042) 7919306

#### Urdu Bazar

6-Chattejee Road, Faqir Plaza,  
Urdu Bazar, Lahore.  
PABX: (042) 7247762-5  
Dir: (042) 7247771  
Fax: (042) 7247766

#### Baghbanpura

6/7, Shalimar Link Road,  
Baghbanpura, Lahore.  
PABX: (042) 6830361-63  
Dir: (042) 6830360  
Fax: (042) 6830367

#### Town Ship

48/10, B-I, Akbar Chowk,  
Township, Lahore.  
PABX: (042) 99262031-33  
Dir: (042) 99262035  
Fax: (042) 5124221

#### Bank Square, The Mall

47, Bank Square, The Mall,  
(Shahrah-e-Quaid-e-Azam) Lahore  
PABX: (042) 7211851-55  
Dir: (042) 7314196 & 7211860  
Fax: (042) 7211865

## CENTRAL REGION

## LAHORE-I – AREA

### Lahore

**Allama Iqbal Town,**  
14-Pak Block, Lahore.  
PABX: (042) 37494923-7  
Dir: (042) 37494922  
Fax: (042) 37494924

## SAHIWAL – AREA

### OKARA

**M.A Jinnah Road,**  
Chak # 2/42, M.A Jinnah Road,  
Tehsil & District, Okara.  
PABX: (044) 99200317-8  
Dir: (044) 2550002  
Fax: (044) 99200316

### Okara Cantt

117-D, Shahrah-e-Quaid-e-Azam,  
Civil Area, Okara Cantt.  
PABX: (044) 2880358-9  
Dir: (044) 2881644  
Fax: (044) 2881740

### Depalpur

**Katchey Road, Depalpur**  
District Okara.  
PABX: (044) 4541543-4  
Dir: (044) 4541541  
Fax: (044) 4541545

### Burewala

**95/1 C, College Road,**  
Burewala,  
PABX: (067) 3772206-8  
Dir: (067) 3772252  
Fax: (042) 3772204

### Vehari

**13, E Block, Karkhana Bazar, Vehari.**  
PABX: (067) 3366718-9  
Direct: (067) 3360727  
Fax: (067) 3366720

### Sahiwal

**48/B-I, High Street, Sahiwal.**  
PABX: (040) 4467738-39  
Dir: (040) 4467748  
Fax: (040) 4467746

### Phool Nagar

**Plot Khasra # 1193, Main Multan Road,**  
District Kasur, Phool Nagar.  
PABX: (049) 4510437  
Dir: (049) 4510431  
Fax: (049) 4510436

### Khanewal

**DAHA Plaza, Chowk Markazi,**  
Khanewal.  
PABX: (065) 9200971-74  
Dir: (065) 9200277  
Fax: (065) 9200273

## FAISALABAD - AREA

### Jhang

**Church Road, Saddar, Jhang.**  
PABX: (047) 9200383-4  
Dir: (047) 9200380  
Fax: (047) 9200385

### Khurrianwala

Jhumra Road, Khurrianwala, Tehsil  
Jaranwala, District Faisalabad.  
PABX: (041) 4364029, 4363229  
Dir: (041) 4000029  
Fax: (041) 4364030

### Sargodha

**80-Club Road, Old Civil Lines,**  
Sargodha.  
PABX: (048) 3725490, 3725590  
Dir: (048) 3722728, 3768410  
Fax: (048) 3725240

### Toba Tek Singh

**596-Mohallah Chamra Mandi,**  
Jhang Road, Toba Tek Singh.  
PABX: (046) 2516120-21  
Dir: (046) 2516131  
Fax: (046) 2516142

### Satayana Road,

585-I, Block-B, Peoples Colony # 1,  
Satayana Road, Faisalabad.  
PABX: (041) 8559205-7  
Dir: (041) 8559101  
Fax: (041) 8559204

### Chiniot

**Chah Dargahi Wala,**  
Chiniot # 2, Chiniot.  
PABX: (047) 6336377-8  
Dir: (047) 6336277  
Fax: (047) 6336279

### Pir Mahal

**Rajana Road, Pir Mahal,**  
District Toba Tek Singh.  
PABX: (046) 3366282-3  
Dir: (046) 3366280  
Fax: (046) 3366284

### Bhalwal

**Liaqat Shaheed Road, Bhalwal.**  
PABX: (048) 6644695-6  
Dir: (048) 6644693  
Fax: (048) 6644699

### Dijkot

**Chak # 263 RB, Faisalabad Road,**  
Dijkot, District Faisalabad.  
PABX: (041) 2672287  
Dir: (041) 2672285  
Fax: (041) 2672288

### Faisalabad

**Peoples Colony, Faisalabad.**  
PABX: (041) 8739326-8  
Dir: (041) 8739323  
Fax: (041) 8739321

### University Road, Faisalabad.

PABX: (041) 9201008-11  
Dir: (041) 9201001  
Fax: (041) 9201006-7

## GUJRANWALA – AREA

### Jalalpur Bhattian

**Ghalla Mandi, Jalalpur Bhattian.**  
PABX: (0547) 501013-14  
Dir: (0547) 501012  
Fax: (0547) 501015

### Lalamusa

**G. T Road, Lalamusa.**  
PABX: (0537) 519690-91  
Dir: (0537) 519694  
Fax: (0537) 519693

### Mandi Bahauddin

**Dr. Sakina Rizvi Road, Mandi Bahauddin.**  
PABX: (0546) 600385-86  
Dir: (0546) 600728  
Fax: (0546) 6816083

### Sialkot

**Paris Road, Sialkot.**  
P. O Box # 2890.  
PABX: (052) 4262806-8  
Dir: (052) 9250672  
Fax: (052) 4265532

### Sialkot Cantt.

Tariq Road, Sialkot Cantt.  
PABX: (052) 4299001-3  
Dir: (052) 4299005  
Fax: (052) 4299004

### Sheikhupura

**Property # B-IX-6S-44,**  
Main Lahore, Sargodha Road, Sheikhupura.  
PABX: (056) 3788031 & 3788071  
Dir: (056) 3788037  
Fax: (056) 3788084

### Daska

**Rest House Chowk, Gujranwala Road,**  
Daska, District Sialkot.  
PABX: (052) 6615815- 7  
Dir: (052) 6613634  
Fax: (052) 6615842

### Kamonke

**G. T Road, Kamonke.**  
PABX: (055) 6816080-82  
Dir: (055) 6816078  
Fax: (055) 6816083

### Gujranwala

**G. T Road, Gujranwala.**  
PABX: (055) 9200855-56  
(055) 9200861-62  
Dir: (055) 9200857  
Fax: (055) 9200858

### Gujranwala Cantt.

Kent Plaza, Quaid-e-Azam Avenue,  
PABX: (055) 3865371-72  
Dir: (055) 3865988  
Fax: (055) 3865994

### Gujrat

**Hassan Plaza,**  
G.T. Road, Gujrat.  
PABX: (053) 3530164-65  
Dir: (053) 3530178  
Fax: (053) 3530179

## MULTAN – AREA

### Hasilpur

**Baldia Road, Hasilpur.**  
PABX: (062) 2448030-2  
Dir: (062) 2448002  
Fax: (062) 2448035

### Multan

**Abdali Road**  
64/A-1, Abdali Road, Multan.  
PABX: (061) 9201391-94  
Dir: (061) 9201399  
Fax: (061) 9201395

# Branch Network

## **Bosan Road Multan**

Plot # 23, Near Multan Law College, Bosan Road, Multan.  
PABX: (061) 6510435-7  
Dir: (061) 6510434  
Fax: (061) 6510438

## **Rahim Yar Khan**

**Ashraf Complex, Model Town,**  
Rahim Yar Khan.  
PABX: (068) 5879851-3  
Dir: (068) 5879848  
Fax: (068) 5879850

## **Sadiqabad**

**78-D, Allama Iqbal Road,**  
New Town, Sadiqabad.  
PABX: (068) 5802377-78  
Dir: (068) 5802387  
Fax: (068) 5802374

## **Dera Ghazi Khan**

**Jampur Road, Dera Ghazi Khan.**  
PABX: (064) 9260669-70  
Dir: (064) 9260675  
Fax: (064) 9260674

## **Chowk Azam Layyah**

Mohallah Aiwan Colony, Chowk Azam, Tehsil & District Layyah  
PABX: (0606) 380112-3  
Dir: (0606) 372321  
Fax: (0606) 380114

## **Bahawalpur**

**1-Noor Mahal Road, Bahawalpur.**  
PABX: (062) 9255320-22  
Dir: (062) 9255325  
Fax: (062) 9255324

## **Channi Goth**

UCH Road, Channi Goth, Tehsil Ahmadpur East, District Bahawalpur.  
PABX: (062) 2783008-9  
Dir: (062) 2783444  
Fax: (062) 2783010

## **Vehari**

44-48 Multan Commercial Centre, Vehari.  
PABX: (061) 6241001-2  
Dir: (061) 6241907  
Fax: (061) 6241003

## **Dera Ghazi Khan (Sub-Branch)**

Shop # 1-2, Main Shopping Complex, Dera Ghazi Khan Cantonment, Dera Ghazi Khan.  
PABX: (0606) 380112-3  
Dir: (0606) 372321  
Fax: (0606) 380114

## **Jodia Bazar**

Abdullah Mansion, Bombay Bazar, Jodia Bazar, Karachi.  
PABX: (021) 32474851-55  
Direct: (021) 32473498  
Fax: (021) 32471224

## **M.A. Jinnah Road**

Survey No. 4, Sheet No. RB-7, Aram Bagh Quarters, M.A. Jinnah Road, Karachi.  
PABX: (021) 32217531-34  
Direct: (021) 32217490  
Fax: (021) 32217494

## **Marriot Road**

Rawalpindiwala Building, Marriot Road, Market Quarters, Karachi.  
PABX: (021) 32418425-28  
Direct: (021) 32418420  
Fax: (021) 32418429

## **New Challi**

Abdullah Square Building, Shahrah-e-Liaquat, New Challi, Karachi.  
PABX: (021) 32471042-44  
Direct: (021) 32471021  
Fax: (021) 32471023

## **North Napier Road**

Ishaq Chamber, North Napier Road, Karachi.  
PABX: (021) 32549581-2  
Direct: (021) 32549588  
Fax: (021) 32549585

## **Saima Trade Tower**

I.I. Chundrigar Road, Karachi. P.O. Box 1096.  
PABX: (021) 32630731-4,  
(021) 32624316, 32634610  
Direct: (021) 32624714, 32631178  
Fax: (021) 32631176

## **Timber Market**

Plot No. LA-7/116, Siddiq Wahab Road, Timber Market, Lawrence Quarters, Karachi.  
PABX: (021) 32770784-85, 32770737  
Direct: (021) 32770800  
Fax: (021) 32770055

## **Karachi Stock Exchange**

Office No. 55 & 56, Old Stock Exchange Building, Karachi.  
PABX: (021) 32446050-51, 32446053-54  
Direct: (021) 32446550  
Fax: (021) 32446559

## **Paper Market**

Plot No. 21, Frere Road, Shahrah-e-Liaquat, Serai Quarter, Karachi.  
PABX: (021) 32600909-11  
Direct: (021) 32600901  
Fax: (021) 32600912

## **Clifton**

Marine Trade Centre, Block-9, Clifton, Karachi. P.O. Box 13807.  
PABX: (021) 35868551-4 & 35832916  
Direct: (021) 35862868  
Fax: (021) 35868555

## **Khayaban-e-Ittehad, DHA**

Plot No. 25-C, Khayaban-e-Ittehad, Phase-II Extension, Defence Housing Authority (DHA), Karachi.  
PABX: (021) 35387491-2  
(021) 35384902-5  
Direct: (021) 35387493  
Fax: (021) 35387814

## **Korangi Industrial Area**

Plot No. ST 2/3, Sector 23, Main Korangi Road, Korangi Industrial Area, Karachi.  
PABX: (021) 35115024-25  
Direct: (021) 35115020  
Fax: (021) 35115027

## **Saddar**

Sindh Small Industries Building, Regal Chowk, Saddar, Karachi.  
PABX: (021) 32762840-2, 32741396-7  
Direct: (021) 32760506  
Fax: (021) 32760992

## **Khayaban-e-Sehar**

Plot No. 2C, Sehar Lane No. 04, Khayaban-e-Sehar, DHA Phase-VII, Karachi.  
PABX: (021) 35847012-13, 35847012-1  
(021) 35847251-52  
Direct: (021) 35847446  
Fax: (021) 35847022

## **DHA Phase-IV**

9th Commercial Street, DHA Phase-IV, Karachi.  
PABX: (021) 35313055-58  
Direct: (021) 35313091  
Fax: (021) 35313059

## **Bismillah Chowrangi, Korangi**

R-01, Sector No. 36 E, Bismillah Chowrangi, Area 5 D, Korangi No. 06, Karachi.  
PABX: (021) 35049330-31  
Direct: (021) 35049210  
Fax: (021) 35049352

## **Khayban-e-Bokhari, DHA Phase – VI**

43-C, Khayaban-e-Bokhari, DHA Phase-VI, Karachi.  
PABX: (021) 35242747-50  
Direct: (021) 35242745  
Fax: (021) 35242754

## **(Sub-Branch)**

PTA, Korangi, ST. 7, 7-A, Sector Pakistan Tanners Association, Korangi Industrial Area, Karachi.  
Direct: (021) 35116120  
Fax: (021) 35116121

## SOUTH REGION

### **KARACHI-I – AREA**

#### **Cloth Cloth Market**

Laxmidas Street, Karachi,  
PABX: (021) 32472611-5  
Direct: (021) 32472607  
Fax: (021) 32472605

### **KARACHI-II – AREA**

#### **Badar Commercial Area**

29-C, Badar Commercial Area, Street No. 1, Phase-V, DHA, Karachi-75500.  
PABX: (021) 35344175-77  
Direct: (021) 35344171  
Fax: (021) 35344174

### **KARACHI-III – AREA**

#### **Atrium Mall**

249- Staff Lines, Fatima Jinnah Road, Karachi.  
PABX: (021) 35650953, 35651046,  
(021) 35651048, 35651091  
Direct: (021) 35650940  
Fax: (021) 35651207



**Bahadurabad**

Zeenat Terrace, Block No. 3, Bahaduryar Jang Society, Bahadurabad, Karachi.  
PABX: (021) 99232565-68  
Direct: (021) 99232569  
Fax: (021) 99232574

**Federal B Area**

Plot No. ST-2/B, Block No. 14, Al-Siraj Square, Federal B Area, Karachi.  
PABX No. (021) 36806091-92  
Direct: (021) 36806152  
Fax: (021) 36806095

**Malir Cantt.**

Malir Cantt. Karachi.  
PABX: (021) 34491603-7  
Direct: (021) 34491601  
Fax: (021) 34491609

**Marston Road**

Shafiq Shopping Plaza, Marston Road, Karachi.  
PABX: (021) 32745722-4  
Direct: (021) 32745772  
Fax: (021) 32745644

**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) 34392875-76 & 34392887  
Direct: (021) 34392850  
Fax: (021) 34392886

**Shahrah-e-Faisal**

11-A, Progressive Square, Block 6, P.E.C.H.S., Karachi.  
PABX: (021) 34520026-9  
Direct: (021) 34526640  
Fax: (021) 34520030

**Tariq Road**

Plot No. 299-C & 300-C, Block No. 2, P.E.C.H.S, Main Tariq Road, Karachi.  
PABX: (021) 34301888-95  
Direct: (021) 34301887  
Fax: (021) 34301896

**MAKRO Saddar**

148/1, Opposite 603 Workshop, Mubarak Shaheed Road, Saddar, Karachi  
PABX: (021) 32792473-79  
Direct: (021) 32792471  
Fax: (021) 32792480

**Mehmoodabad**

Plot No. 1045, Street No. 4, Mehmoodabad, Karachi  
PABX: (021) 35315725-27  
Direct: (021) 35315729  
Fax: (021) 35315728

**(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****Bohra Pir**

Plot No. 22/1, Princess Street, Bohra Pir, Ranchore Line, Karachi.  
PABX: (021) 32744768-69  
Direct: (021) 32745961  
Fax: (021) 32744779

**Gabol Town**

Plot No. 1, Sector 12-B, North Karachi Industrial Area, Karachi  
PABX: (021) 36950330-31  
Direct: (021) 36950337  
Fax: (021) 36950335

**Gulistan-e-Jauhar**

Asia Pacific Trade Centre, Rashid Minhas Road, Karachi. P.O. Box: 75290.  
PABX: (021) 34632500-04  
Direct: (021) 34630166  
Fax: (021) 34632505

**Gulshan-e-Iqbal**

University Road, Gulshan-e-Iqbal, Karachi.  
PABX: (021) 99244365-69  
Direct: (021) 99244361  
Fax: (021) 99244364

**Hydri North Nazimabad**

Plot No. 5F/14-18, Al Burhan Arcade, Block-E, Barkat-e-Hydri, North Nazimabad, Karachi.  
PABX: (021) 36632904-05  
Direct: (021) 36632930  
Fax: (021) 36632922

**Metroville**

G-50, Block-3, Metroville, Karachi.  
PABX: (021) 36762532-4  
Direct: (021) 36762541  
Fax: (021) 36762527

**S.I.T.E.**

B-17, Estate Avenue, S.I.T.E, Karachi.  
PABX: (021) 32585914-17  
Direct: (021) 32585911  
Fax: (021) 32585525

**Manghopir**

Plot No. ST-2, Islamia Colony No. 1, Manghopir, Karachi.  
PABX: (021) 36697208  
Direct: (021) 36661654  
Fax: (021) 36696685

**Gulshan-e-Iqbal**

Plot No. FL-3/TH-8, KDA Scheme-24, Allama Shabir Ahmed Usmani Road, Block-3, Gulshan Chowranghi, Gulshan-e-Iqbal, Karachi.  
PABX: (021) 34834082-88  
Direct: (021) 34834080  
Fax: (021) 34834089

**Nagan Chowranghi**

R-429, Sector 11/C-1, North Karachi Township, Karachi.  
PABX: (021) 36950020-25  
Direct: (021) 36950015  
Fax: (021) 36950026

**(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) 641260  
Direct: (0723) 641626  
Fax: (0723) 642260

**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) 2783615-16, 2783618  
Direct: (022) 2784852  
Fax: (022) 2783617

**Shahrah-e-Noor Muhammad Market,**

C.S. Nos. 2611/1&2611/2  
Shahrah-e-Noor Muhammad Market, Hyderabad  
PABX: (022) 2613192-93  
Direct: (022) 2611590  
Fax: (022) 263191

**Jacobabad**

**Ward No. 05, Quaid-e-Azam Road,** Jacobabad.

PABX: (0722) 651867-68  
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

# Branch Network

## Sukkur

**Sarafa Bazar, Sukkur.**  
PABX: (071) 5628267-8  
Direct: (071) 5627247  
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,  
Katachery 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

## Pak Camp, Petaro

Pak Camp, Tufail Road, Petaro, Tehsil Kotri,  
District Jamshoro.  
Mobile: (0300) 3033226

## Tando Adam

C.S. No. 543/12, Plot No. A/12, Ward A,  
Gulshan-e-Suleman Road, Tando Adam.  
PABX: (0235) 574515-16  
Direct: (0235) 574513  
Fax: (0235) 574510

## QUETTA – AREA

### 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,

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) 2870171-6  
Fax: (081) 2870177

## Alamdard Road

Khasra No. 163 & 164, Opp. Tajai Khan  
Sports Complex, Alamdar Road, Quetta.  
PABX: (081) 2681216-17  
Direct: (081) 2681220  
Fax: (081) 2681221

## Chaman

Trunch Road, Off Mall Road,  
Chaman.  
PABX: (0826) 613330  
Direct: (0826) 614447  
Fax: (0826) 613331

## Gawadar

Airport Road, Gawadar.  
PABX: (0864) 211357-60  
Direct: (0864) 211357  
Fax: (0864) 211358

## Corporate Banking

### Razia Sharif Plaza,

Blue Area, Islamabad.  
Ground Floor, Razia Sharif Plaza,  
Jinnah Avenue, Blue Area,  
Islamabad.  
PABX: (051) 2273596-99  
Direct: (051) 2273591  
Fax: (051) 2273612

### Park Lane Towers, Lahore

172, Parklane Towers,  
Tufail Road, Lahore Cantt.  
PABX: (042) 36622491-95  
Direct: (042) 36622485  
Fax: (042) 36622490

### Bahria Complex, Karachi

Ground Floor, Bahria Complex-III,  
Moulvi Tamizuddin Road, Karachi.  
PABX: (021) 35615289-95  
Direct: (021) 35615332  
Fax: (021) 35615298

## 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

### NORTH REGION

#### 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

#### 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

Ground Floor, Daily Aaj Building,  
G.T. Road, Peshawar.  
Direct: (091) 2261609  
PABX: (091) 2261655-56  
Fax: (091) 2261654

##### Dalazak Road

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

## CENTRAL REGION

## Lahore

### Circular Road

Near Ram Gali, Circular Road, Lahore.  
Direct: (042) 37379301  
PABX: (042) 7379303-9  
Fax: (042) 7379310

### Gulberg

Plot No. 5-B, Main Gulberg,  
Near EFU Building, Jail Road, Lahore.  
Direct: (042) 99263395  
PABX: (042) 99263416-20  
Fax: (042) 9263420

### DHA

155, Block-Y, Phase-3C, Defence  
Housing Authority, Lahore Cantt.  
Direct: (042) 99264238  
PABX: (042) 9926423-5  
Fax: (042) 35692729

### Peco Road

Plot No. 875, Block-D, Faisal Town,  
Peco Road, Lahore.  
Direct: (042) 35221751  
PABX: (042) 35221756 – 57  
Fax: (042) 3 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) 35315622-3  
Fax: (042) 35315624

## 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-75-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

### Bhimber Road, Gujrat

Opposite UBL, Bhimer Road, Gujrat.  
Direct: (053) 3609604  
PABX: (053) 3609601-2  
Fax: (053) 3609603

## SOUTH REGION

## Karachi

### Jodia Bazar

Building 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) 2551111

### (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, Mehran 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

## 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

Khasra # 402 & 403,  
Qandhari Bazar,  
Shahrah-e-Iqbal, Quetta.  
Direct: (081) 2826124  
PABX: (081) 2826041-42  
Fax: (081) 2825331

# Statement of Financial Position in US\$

As at December 31, 2010

2010		2009		2010		2009	
US \$ in '000				Rupees in '000			
<b>Assets</b>							
263,499	230,122	Cash and balances with treasury banks	22,565,188	19,385,843			
44,197	99,289	Balances with other banks	3,784,862	8,364,261			
107,106	54,772	Lendings to financial institutions	9,172,186	4,614,059			
1,194,111	795,878	Investments	102,259,757	67,046,033			
1,784,096	1,602,943	Advances	152,784,137	135,034,499			
116,632	109,941	Operating fixed assets	9,987,963	9,261,609			
-	-	Deferred tax assets	-	-			
165,705	126,079	Other assets	14,190,459	10,621,142			
3,675,346	3,019,024		314,744,552	254,327,446			
<b>Liabilities</b>							
36,082	34,967	Bills payable	3,089,984	2,945,670			
298,409	229,105	Borrowings	25,554,777	19,300,163			
2,988,631	2,444,994	Deposits and other accounts	255,936,503	205,970,227			
69,976	71,163	Sub-ordinated loans	5,992,500	5,994,900			
-	-	Liabilities against assets subject to finance lease	-	-			
999	3,964	Deferred tax liabilities	85,507	333,925			
94,365	57,377	Other liabilities	8,081,139	4,833,489			
3,488,462	2,841,570		298,740,410	239,378,374			
186,884	177,454	<b>Net assets</b>	16,004,142	14,949,072			
<b>Represented by</b>							
75,055	60,225	Share capital/ Head office capital account	6,427,440	5,073,467			
89,813	85,892	Reserves	7,691,319	7,235,710			
8,195	9,894	Unappropriated profit	701,819	833,511			
173,063	156,011		14,820,578	13,142,688			
13,821	21,443	Surplus on revaluation of assets - net of tax	1,183,564	1,806,384			
186,884	177,454		16,004,142	14,949,072			

**Note:**

The above is for information only and conversion have been made @ 1US\$ = Pak Rs. 85.6367 as at December 31, 2010. (1US\$ = Pak Rs. 84.2416 as at December 31, 2009).

# Profit and Loss Account in US\$

For the year ended December 31, 2010

2010		2009		2010		2009	
US \$ in '000				Rupees in '000			
326,404	269,009	<b>Mark-up / return / interest earned</b>		27,952,162		22,661,754	
209,450	161,786	<b>Mark-up / return / interest expensed</b>		17,936,616		13,629,096	
116,954	107,223	Net mark-up / interest income		10,015,546		9,032,658	
27,083	27,592	Provision against non-performing loans and advances		2,319,280		2,324,377	
4,470	5,117	Impairment loss on available for sale investments		382,764		431,058	
3,463	911	Provision for impairment in the value of investments		296,530		76,784	
768	981	Provision against reverse repo		65,808		82,674	
-	-	Bad debts written off directly		-		-	
35,784	34,601			3,064,382		2,914,893	
81,170	72,622	Net mark-up / interest income after provisions		6,951,164		6,117,765	
		<b>Non mark-up/interest income</b>					
14,847	15,523	Fee, commission and brokerage income		1,271,467		1,307,699	
2,451	1,930	Dividend income		209,922		162,537	
152	6,392	Income from dealing in foreign currencies		13,011		538,445	
2,482	1,706	Gain on sale of investments - net		212,527		143,717	
-	-	Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(354)		-	
(4)	(23)	Other income		470,470		404,221	
5,494	4,798						
25,422	30,326	Total non-markup / interest income		2,177,043		2,554,701	
106,592	102,948			9,128,207		8,672,466	
		<b>Non mark-up/interest expenses</b>					
91,230	83,045	Administrative expenses		7,812,618		6,995,857	
-	-	Other provisions / write offs		-		5	
496	408	Other charges		42,453		34,368	
91,726	83,453	Total non-markup / interest expenses		7,855,071		7,030,230	
14,866	19,495			1,273,136		1,642,236	
-	-	Extra ordinary / unusual items		-		-	
14,866	19,495	<b>Profit before taxation</b>		1,273,136		1,642,236	
3,849	6,673	Taxation – current		329,617		562,099	
-	1,422	– prior years'		-		119,827	
4	(1,751)	– deferred		342		(147,478)	
3,853	6,344			329,959		534,448	
11,013	13,151	<b>Profit after taxation</b>		943,177		1,107,788	
9,733	3,668	Unappropriated profit brought forward		833,511		308,980	
20,746	16,819	Profit available for appropriation		1,776,688		1,416,768	
0.02	0.02	Basic / diluted earnings per share - US \$ / Rupees		1.48		1.79	

**Note:**

The above is for information only and conversion have been made @ 1US\$ = Pak Rs. 85.6367 as at December 31, 2010.  
(1US\$ = Pak Rs. 84.2416 as at December 31, 2009).

# 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 partly 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 29, 2011 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 Annual General Meeting of the Bank to be held on **Tuesday, March 29, 2011 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 \_\_\_\_\_ 2011.

Witnesses: \_\_\_\_\_

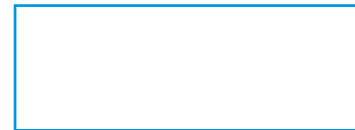
Name: \_\_\_\_\_

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.



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