

# The art of banking



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Floating through the air symbolizing notion of infinity with mesmerizing grace, diving forward, jumping upward and moving backward, reaching for the depths of flower, this little rainbow of dyes darts delicately from one flower to the next to distribute pollens for growth, blossoming nature's garden for everyone. This little creature is a marvel of nature, wonder of balance, miracle of reach, master of maneuverability and a noble agent for growth and distribution. It competes with the stillness of the air, striking precisely from the medley, swings in the palpitate space and continues graciously and selflessly through the journey of life.

Increasing our reach across the country since the beginning, continuously balancing our offering menu, aiming for the right choice for our customers, multiplying savings, investments and distributing returns, mitigating risks, accumulating gains, altering strategies and developing strengths all the way ... this is but an art of banking practiced at Askari Bank. An art so beautifully synonymous with the bird at our cover – the Hummingbird.





# Financial Highlights

	Rupees in million			
	2011	2010	Change	
TOTAL ASSETS	343,756	314,745	9%	▲
DEPOSITS	291,503	255,937	14%	▲
ADVANCES - net	150,711	152,784	-1%	▼
INVESTMENTS	133,757	102,260	31%	▲
SHAREHOLDERS' EQUITY	17,776	16,004	11%	▲
PROFIT BEFORE TAXATION	2,413	1,273	90%	▲
PROFIT AFTER TAXATION	1,628	943	73%	▲
CAPITAL ADEQUACY RATIO - percent	11.35	10.30	10%	▲
EARNINGS PER SHARE - Rupees	2.30	1.34	72%	▲
MARKET VALUE PER SHARE - Rupees	10.03	17.69	-43%	▼
NET BOOK VALUE PER SHARE - Rupees	25.14	24.90	1%	▲
NUMBER OF SHARES OUTSTANDING	707,018,334	642,743,940	10%	▲
NUMBER OF SHAREHOLDERS	20,283	21,309	-5%	▼

RETURN ON EQUITY (RoE)	
2011	2010
9.64%	6.09%

RoE measures how well the Bank is using shareholders' invested money. It is calculated by dividing profit after taxation available to shareholders by average shareholders' equity.

EARNINGS PER SHARE (EPS)	
2011	2010
Rs 2.30	Rs 1.34

EPS reflects profit after taxation generated per share. It is calculated by dividing profit after taxation available to shareholders by the average number of share outstanding during the year.

RETURN ON ASSETS (RoA)	
2011	2010
0.49%	0.33%

RoA measures how effectively the Bank utilizes its assets to generate returns. It is calculated by dividing profit after taxation by the simple average of total assets at the beginning and end of the year.

COST TO INCOME RATIO (CIR)	
2011	2010
67.28%	64.42%

CIR, also referred as 'productivity ratio', measures the overall efficiency of the Bank. It reflects aggregate non-markup expenses (operating expenses) incurred to earn the sum of the net markup income and non-markup income.



# 20 years

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's shares are listed on Karachi, Lahore and Islamabad stock exchanges.

Askari Bank has since expanded into a network of 245 branches / sub-branches, including 31 dedicated Islamic banking branches, and a Wholesale Bank Branch in the Kingdom of Bahrain.

A shared network of 5,319 online ATMs covering major cities of Pakistan, internet banking (i-net) and call centers operating on 24/7 basis supports the alternate delivery channels for customer service.

As at December 31, 2011 the Bank had equity of Rs. 17.8 billion and total assets of Rs. 343.8 billion, with 919,096 banking customers, serviced by our 5,994 employees. Askari Investment Management Limited and Askari Securities Limited are subsidiaries of Askari Bank primarily engaged in managing mutual funds and share brokerage, respectively.



# of banking



# Vision & Mission

## 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

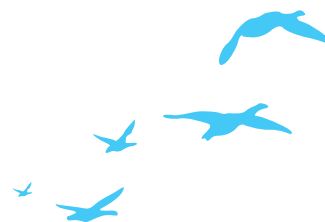


vision





# Our thinking



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 allow customers to enjoy routine banking service from anywhere, anytime in the world. We also pioneered an e-commerce venture in Pakistan. Our mobile ATMs are the first in Pakistan.

To further strengthen and enhance our technology platform, the Bank is in the process of replacing the existing technology with a comprehensive state-of-the-art 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 919,096 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.

*Banking for everyone*

The image features a man in a dark suit, white shirt, and dark tie, holding a laptop. The laptop screen displays the Askari Bank logo, which consists of a stylized 'A' inside a diamond shape. The screen also shows the text 'askari bank' and '01 PAISHGI MUNAFA'. Surrounding the laptop are various service icons and labels:

- AGRICULTURAL BANKING (leaf icon)
- VALUE PLUS DEPOSIT (tree icon)
- ASK4CAR (car icon)
- BANCASSURANCE (umbrella icon)
- MAHANA BACHAT (01 icon)
- RUPEE TRAVELLER CHEQUES (airplane icon)
- CREDIT CARD (shopping cart icon)
- IJARAH FINANCE (cloud icon)
- MORTGAGE FINANCE (house and people icon)
- I.NET BANKING (@ icon)
- CALL CENTER (phone icon)
- HOME MUSHARKAH (house icon)
- CORPORATE & INVESTMENT BANKING (briefcase icon)



# Products & Services

## Branch Banking

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

### Mahana Bachat

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, Askari Mahana Bachat Account caters to customers saving needs without blocking their funds for a longer duration.

### Paishgi Munafa

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 their financial needs of today without depleting their savings.

### Value Plus Deposit

Askari Value Plus Rupee Deposit Accounts offers value and flexibility. This product promises greater financial freedom and security with matching flexibility. Now customers can open a "Value Plus Account" while enjoying the features of a normal checking account.

Askari Value Plus Deposit has been enriched during 2011 with added benefits for individuals and business accounts.

### Current Account

Current accounts cater to the variety of financial needs of our diverse customer base with added benefits of free ATM card, cheque book, issue of demand drafts / payorders and much more. These products include value plus current accounts, basic account with no minimum balance requirement.

### Savings Account

A range of savings accounts offered by the Bank to both individual and institutional customers include Askari Special Deposit, Value Plus Savings besides normal saving account based on profit and loss sharing basis. Askari savings deposits offer attractive features and competitive returns and certain flexibility similar to current accounts.

### 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 parties. Investment Certificates are available for a three month period and profit is payable on a monthly basis through preprinted 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.

### Bancassurance

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

Bank has also pioneered a co-branded 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, we understand the unique business requirements of our corporate and institutional clients, and accordingly the Bank's Corporate and Investment Banking Group (CIBG) strives to meet their expectations through provision of customized and relationship based banking approach.

### Corporate Banking

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

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

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

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# *Focused on your banking needs*



## **Investment Banking**

Investment Banking focuses on origination and execution of a 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 markets.

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.

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.

## **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 the customer gets the most out of his / her loan; the product tenure ranges from one to five years and is designed primarily for salaried individuals.

### **Mortgage Finance**

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



## 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 Shariah 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 are transferred to the client on agreed terms and conditions. It is a Shariah 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 Shariah 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

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

### Call Center

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

### Automated Teller Machine (ATM)

Askari Bank is a member of two electronic ATM inter-bank connectivity platforms i.e., MNET and 1-link. Through this shared network of online 5,319 ATMs including Askari Bank's 256 dedicated ATMs covering 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 may be contacted at toll free 0800-00078 or our website [www.askaribank.com.pk](http://www.askaribank.com.pk) may be visited.

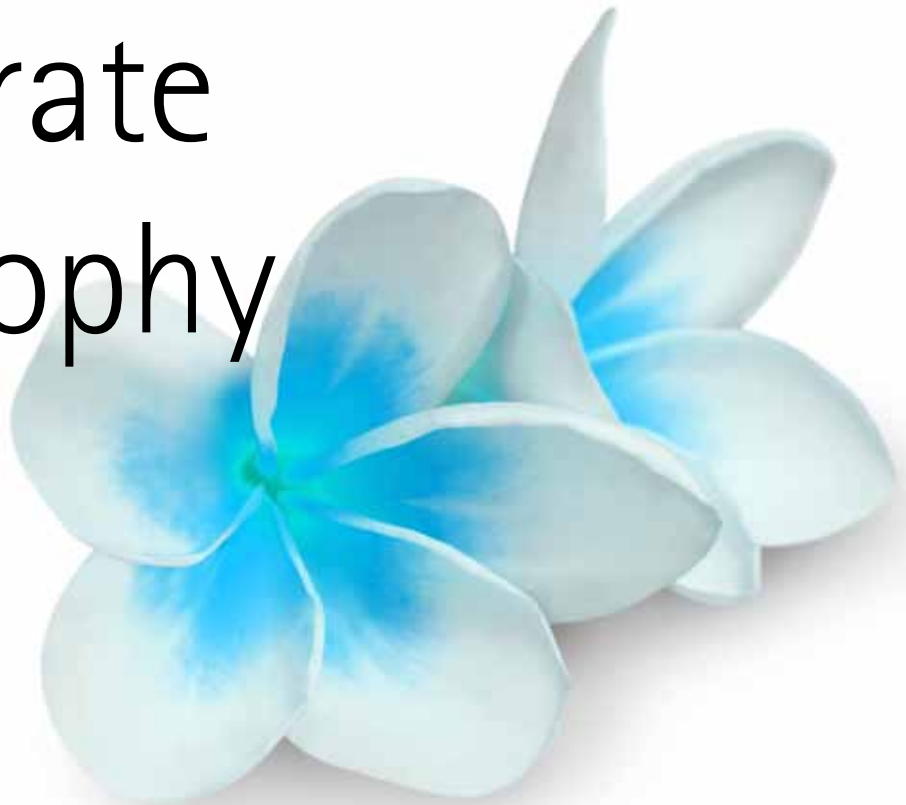
### Visa Debit Card

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.

# 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; and
- 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; and
- To create and leverage strategic assets and capabilities for competitive advantage.
- 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:

## 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;
- 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; and
- 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

Customer due diligence is a 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. Its effective use 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 identification

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; and
- 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.





*Smart  
way to  
bank*



# Corporate Information

## Board of Directors

Lt Gen Javed Iqbal  
Chairman

Lt Gen (R) Tahir Mahmood

Malik Riffat Mahmood

Mr. Zafar Alam Khan Sumbal

Dr. Bashir Ahmad Khan

Mr. Ali Noormahomed Rattansey, FCA

Mr. Shahid Mahmud

Mr. Muhammad Riyazul Haque

Mr. Wazir Ali Khoja

Khawaja Jalaluddin Roomi

Mr. M. R. Mehkari  
President & Chief Executive

## Audit Committee

Dr. Bashir Ahmad Khan  
Chairman

Mr. Ali Noormahomed Rattansey, FCA

Mr. Wazir Ali Khoja

Khawaja Jalaluddin Roomi

## Chief Financial Officer

Mr. Saleem Anwar, FCA

## Company Secretary

Mr. M. A. Ghazali Marghoob, 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)

## 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) 111 000 322  
Fax: (92 21) 35655595

## Entity Ratings

Long Term: AA

Short Term: A1 +

by Pakistan Credit Rating Agency (PACRA)

## Website

Detailed corporate information together with this annual report, product and service offerings along with contacts of branches / offices can be accessed at the Bank's website: [www.askaribank.com.pk](http://www.askaribank.com.pk)



# Directors' Profile



Name

**Lt Gen Javed Iqbal**

**Lt Gen (R) Tahir Mahmood**

Biography brief

Lt Gen Javed Iqbal was commissioned in Pakistan Army in March 1979 and has had a distinguished career spanning over a period of more than 32 years. He possesses Master in Science (MSc), Strategic Studies, degree from Quaid-e-Azam University, Islamabad. He has worked on various command and staff assignments during his illustrious career in the Pakistan Army.

He has been General Officer Commanding of two Divisions besides having been Director General Military Operations Directorate.

Lt Gen (R) Tahir Mahmood was commissioned in Pakistan Army in 1972. He is a graduate of Command and Staff College Quetta, Royal Jordanian Command and Staff College Jordan and National Defence University Islamabad. He has served on command, staff and instructional assignments at various tiers. He has done graduation in Military Sciences from Mouta University Amman, Jordan. He commanded Rawalpindi Corps and remained Inspector General Arms in General Headquarters as Principal Staff Officer to the Chief of the Army Staff.

He has served for 39 years in the Army during which he participated in various military operations and was thrice awarded for his performances in action. He was also conferred upon Hilal-i-Imtiaz (Military) for his meritorious service.

Term of office

Joined as Chairman of the Board on May 23, 2011

Joined the Board of Directors on January 19, 2012

Status

Non-Executive Director

Sponsor / Executive Director

Membership of board committees

None

Chairman of the Executive Committee

Other directorships / external appointments

Adjutant General (AG) of the Pakistan Army

Managing Director / Vice Chairman, Army Welfare Trust. He is also Chairman of the Boards of Askari General Insurance Co Ltd, Askari Cement Ltd, Askari Guards (Pvt) Limited, Askari Siddiqsons Limited, Askari Power Ltd, Askari Information System Ltd, Askari Aviation (Pvt) Ltd, Mobile Askari Lubricant Ltd and Askari Investment Management Limited.



**Malik Riffat Mahmood**

Mr Riffat is a Chartered Accountant by profession and has hands on experience of strategic planning, with proven skills of translating strategic vision into workable action plans.

He has also attended various professional trainings.



**Zafar Alam Khan Sumbal**

Mr Zafar Alam Khan Sumbal has been a director since inception of the Bank and he was also assigned an extra responsibility of the company secretary and he worked for this position till April 2005 and was then elevated as Director Corporate by the Board of Directors.

Before joining Askari Bank he had accumulated 22 years of banking experience both in Pakistan and abroad. His aggregate experience of banking and financial institutions is more than 40 year. He is a post-graduate in Economics. He is 'Certified Director' by the Pakistan Institute of Corporate Governance (PICG).

He has also attended various trainings and seminars in Pakistan and abroad.



**Dr Bashir Ahmad Khan**

Dr Bashir Ahmad Khan has more than 25 years of academic and professional experience and is presently working as Professor of Finance at Forman Christian (FC) College, where he has also served as Dean and Head of Department.

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 was co-editor of the first Casebook of finance cases published in Pakistan. He has played a key role in the launch of both customer-specific and open enrolment executive education programs for various institutions and 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 been on the Policy Board of the Securities and Exchange Commission of Pakistan and a member of the board of Askari Investment Management Limited, a subsidiary of Askari Bank.

Joined the Board of Directors on August 26, 2011

A founder Director of the Bank and has been re-elected since. He was last re-elected at the Annual General Meeting (AGM) of March 29, 2011

He joined the Board of Directors on September 1, 2008 and was re-elected at the AGM of March 29, 2011

Sponsor / Executive Director

Sponsor / Executive Director

Independent Director

A member of the Executive Committee, Budget Committee and Information Technology Committee

Chairman Risk Management Committee and member of the Executive Committee and Human Resource Committee

Chairman Audit Committee and member of the Human Resource Committee

He is Director Finance on the Board of Army Welfare Trust (AWT). He is also member of the Board of Directors of Askari Siddiqsons Ltd., Askari Cement Ltd., Askari Aviation (Pvt.) Ltd. Askari Information System, Askari Power Ltd. and Askari MAL Ltd.

He serves as Chief Executive Officer in one of the projects of Army Welfare Trust.

He is a professor of finance at Forman Christian Collage, Lahore.

# Directors' Profile contd.



**Ali Noormahomed Rattansey**

Mr Ali Noormahomed Rattansey has over 38 years of working experience. He is a fellow member of the Institute of Chartered Accountants in England & Wales and has been associated with A. F. Ferguson & Co. Chartered Accountants, Pakistan for 31 years (including 23 years as a partner). He has extensive experience in audit, accounting, tax and financial and corporate consultancy, with significant exposure to Pakistan corporate sector including subsidiaries of multinational companies operating in Pakistan.

He has participated in numerous trainings, workshops and seminars related to audit, finance and management.

He joined the Board of Directors on September 1, 2008 and was re-elected at the AGM of March 29, 2011

Independent Director

Member of the Audit Committee, Budget Committee and Information Technology Committee

He is a director of Jubilee General Insurance Company Limited and Jubilee Life Insurance Company Limited, and Chairman of Agha Khan Rural Support Programme.



**Shahid Mahmud**

Mr Shahid Mahmud is an engineer and also holds a master's degree in Defence and Strategic Studies from National Defence University with more than 26 years of professional experience in the field of communications and information technology. 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 a McCabe Fellow. He is also a member and 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 and Pakistan.

He joined the Board of Directors on September 1, 2008 and was re-elected at the AGM of March 29, 2011

Independent Director

Chairman Information Technology Committee and member of Executive Committee and Budget Committee

He is presently working as Chairman & Chief Executive Officer of Interactive Communication (Pvt) Limited and Interactive Convergence (Pvt) Limited., Interactive-E-Solutions (Pvt) Ltd. Diallog Broad band (Pvt) Ltd., Super Dialogue (Pvt) Ltd., Metrotel (Pvt) Ltd., Ertibatat (Pvt) Ltd., Interactive GIS., Interactive Cinecast., Interactive Consulting.



**Muhammad Riyazul Haque**

Mr Muhammad Riyazul Haque holds master's degrees in Development Economics [Williams College, USA]; Economic and Social Sciences [University of Manchester]; and English [GCU, Lahore]. He joined the Government of Pakistan in 1966. He has worked in all the provinces of Pakistan, and in districts, as Secretary to the Government of Baluchistan, as Joint Secretary in the President and the PM secretariat and in EAD, and as Additional Secretary [Banking and Foreign Exchange] in GoP. He has been a director on the boards of Habib Bank Limited and the Federal Bank for Cooperatives (FBC), and of Pak-Kuwait and Saudi-Pak Investment companies, as well as acting MD of FBC, and of Pak-Kuwait Investment Company.

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 for negotiations with international financial institutions and of the ADB with other countries. Mr. Haque has attended a large number of conferences and other moots in Pakistan and abroad, and associated with think tanks, and has travelled abroad extensively. He participated in the Directors' Orientation Program initiated by PICG and has qualified as 'Certified Director'.

He joined the Board of Directors on September 1, 2008 and was re-elected at the AGM of March 29, 2011

Independent Director

Chairman Human Resource Committee and Budget Committee

He is a director of First Dawood Investment Bank Limited.



**Wazir Ali Khoja**

Mr Wazir Ali Khoja is a seasoned banker with more than 32 years of professional experience in the field of banking, finance and mutual fund industry.

Having started his career from Muslim Commercial (MCB) Bank in 1965, as a Manager, Mr. Khoja worked up his way to become Senior Executive Vice President in 1996. He was the Head of HR Division besides being responsible for managing retail banking products and sports division. His main area of expertise has been project finance, equity market operations and treasury affairs. By virtue of his proactive leadership, management skills and teamwork approach he had successfully turned around MCB branches in the Sindh province into profit during his tenure as General Manager. As chief of sports division at MCB, Mr. Khoja contributed in identifying and grooming young talent of the country to compete internationally in cricket, hockey and football. He was also Deputy Managing Director of National Investment Trust Limited (NIT) during 1994-95.

Mr. Khoja is a Commerce Graduate from the University of Sindh.

Joined the Board of Directors on August 18, 2010 and was re-elected at the AGM of March 29, 2011

Non-Executive Director

A member of Audit Committee and Risk Management Committee

He is Chairman/Managing Director NIT; Member Governing Body of Pakistan Cricket Board. He is on the boards of Bank Al Habib, Fauji Fertilizer Company, Packages Ltd, Habib Metropolitan Bank, Pak Suzuki Motors Company, Burshane LPG (Pak), Sui Northern & Sui Southern Gas Cos., Pakistan State Oil, Pak Telecom Mobile & Sindh Bank Ltd.



**Khawaja Jalaluddin Roomi**

Mr Roomi belongs to Khawaja Family, known as well reputed business family of Southern Punjab. One of the largest exporters of yarn, fabric and leather products and one of the largest employers of the region. He is managing the family owned business as Director in the name and style of Mahmood Group of Industries and running ginning, spinning, weaving, garments and leather tannery. He has vast experience in leading different government, semi government and public limited companies. Specially having versatile knowledge in finance and marketing and leading all aspects of the business. He has been caretaker Minister of Industries (Punjab), President of Multan & DG Khan chamber of commerce and industry and Chairman of All Pakistan Bedsheets & Upholstery Manufacturers Association.

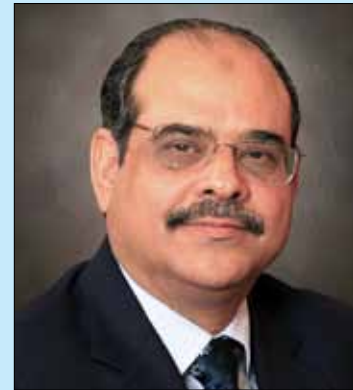
He attended financial analytical courses from Stratchlyde Business School, Glasgow, UK. Has interacted with a variety of people during and managing more than eight thousand employees, traveled in most parts of the world for business development, gained enough knowledge of human characters and psychology and such opportunities have enabled him to develop good inter-personal skills.

Joined the Board of Directors on March 29, 2011

Independent Director

A member of Audit Committee and Risk Management Committee

He is Chairman Board of Management of Nishtar Medical College & Allied Hospitals and Director on the Board of Pakistan International Airlines, Punjab Industrial Development Management Co., Mahmood Textile Mills Ltd, Masood Fabrics Ltd and Roomi Fabrics Ltd. He is CEO of Masood Spinning Mills Ltd, Roomi Enterprises (Pvt) Ltd and Roomi Foods (Pvt) Ltd.



**M. R. Mehkari**

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

He started his career in 1971 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 several major initiatives like liberalizing foreign Exchange regime etc. He was also a member of Corporate Management Team and Monetary & Exchange Rate Policy Committee at State Bank of Pakistan.

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.

He was appointed as President & CE since June 4, 2008

President & Chief Executive

A member of Executive Committee and Risk Management Committee

He is a Director of Khushhali Bank and Askari investment Management Limited, a subsidiary of Askari Bank. He is the Vice Chairman Executive Committee Pakistan Banks Association (PBA) and also the Chairman of the Accounting and Taxation Committee of the PBA.

# Board Committees

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## Executive Committee (EC)

- Lt. Gen. (R) Tahir Mahmood  
Chairman
- Malik Riffat Mahmood
- Mr Zafar Alam Khan Sumbal
- Mr Shahid Mahmud
- Mr M R Mehkari  
President & CE

## Terms of Reference

The key functions of the EC comprise of overseeing all operational, financial and administrative aspects of Bank's business, and in this regard, formulating, reviewing and revising policies including defining powers of the President & CE and other key management employees 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 / recommendations of President & CE.

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## Audit Committee (AC)

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

## Terms of Reference

AC is responsible for setting appropriate measures to safeguard the Bank's assets and in this regard determining the effectiveness and efficiency of internal control systems; reviewing and recommending for Board's approval the periodical financial statements, statement on internal control, related party transactions and recommendation for 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 submit findings to the Board that require its attention; ensuring effective coordination between internal and external auditors. It also reviews the 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 the scope of the AC.

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## Risk Management Committee (RMC)

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

## Terms of Reference

The core function of RMC is to review the risk management strategies for identification, assessment, reporting, monitoring and controlling of risks. RMC oversees that the risk management framework remains compliant with the regulatory requirements and that appropriate risk management policies and parameters are in place; approval and monitoring of limits in respect of credit, market, operational and other risks; carrying out risk related surveillance function on behalf of the Board and reporting on matters requiring Board's attention; ensuring that the risk management function of the Bank is adequately resourced with requisite skills to effectively discharge assigned roles and responsibilities.; and ensuring that the RMC is kept abreast of changing risk management techniques through effective training programs.





## Human Resource Committee (HRC)

- Mr Muhammad Riyazul Haque  
Chairman
- Mr Zafar Alam Khan Sumbal
- Dr Bashir Ahmad Khan

### Terms of Reference

The key functions of HRC comprise of review of Bank's human resource policies, to keep them aligned with the environment and recommend them for Board's approval, review of human resource annual budgets and monitor progress thereagainst; review of succession plan for senior management ensuring that key positions remain adequately filled at all times; reviewing employee training need assessment including adequacy of training programs organized for Bank employees; review Bank's staff strength and reports on human resource management and practices; perform any other task as per the directive of the Board / EC.

## Budget Committee (BC)\*

- Mr Muhammad Riyazul Haque  
Chairman
- Malik Riffat Mahmood
- Mr Ali Noormahomed Rattansey
- Mr Shahid Mahmud

### Terms of Reference

The key functions of the budget committee are to carry out detailed reviews of the proposed budgets of operating expenses, capital expenses and financial impacts of human resource headcount and to recommend the same for Board's approval. The reviews include evaluation of the basis / assumptions used, budgeting techniques applied including analysis of trend and ratios in relation to revenues. It is also mandated to review budgetary variances reported on periodic basis with reasons of significant variations and highlighting matters, if any, for the attention of the Board.

## Information Technology Committee (ITC)\*

- Mr Shahid Mahmud  
Chairman
- Malik Riffat Mahmood
- Mr Ali Noormahomed Rattansey

### Terms of Reference

The main functions of the ITC are to review, monitor and take necessary decisions on matters relating to Bank's IT projects including those relating to the implementation of core banking software, detailed reviews of IT related expense budgets for both capital and recurring nature and recommending the same for Board's approval, monitoring progress against approved annual budgets and review ongoing IT projects and initiatives.

Board Committee		Dates and attendance of Board Committees																							
		Executive						Risk				Audit				Human Resource									
Name of Directors	Attendance / total Meetings	20-Jan-11	18-Feb-11	22-Mar-11	22-Apr-11	25-May-11	22-Jun-11	20-Jul-11	22-Aug-11	20-Sep-11	17-Oct-11	22-Nov-11	27-Dec-11	31-Mar-11	24-Jun-11	23-Sep-11	21-Dec-11	18-Feb-11	22-Apr-11	19-Aug-11	14-Oct-11	1-Jun-11	28-Sep-11	12-Oct-11	9-Dec-11
Lt. Gen.(R) Tahir Mahmood **	0/12																								
Mr Zafar Alam Khan Sumbal	12/12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓												
Mr Shahid Mahmud	7/12	✓	✓		✓	✓		✓		✓	✓	✓	✓												
Mr Malik Riffat Mahmood ****	2/12										✓	✓	✓												
Mr M. R. Mehkari	12/12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓												
Lt. Gen.(R) Imtiaz Hussain ***	11/12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓												
Maj. Gen.(R) Saeed Ahmed Khan ***	7/12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓												
Mr Zafar Alam Khan Sumbal **	4/4													✓	✓	✓	✓								
Mr Wazir Ali Khoja	3/4													✓	✓	✓	✓								
Khawaja Jalaluddin Roomi *****	0/4																								
Mr M. R. Mehkari	4/4													✓	✓	✓	✓								
Dr Bashir Ahmad Khan **	4/4																	✓	✓	✓	✓				
Mr Ali Noormahomed Rattansey	4/4																	✓	✓	✓	✓				
Mr Wazir Ali Khoja	2/4																		✓	✓					
Khawaja Jalaluddin Roomi *****	0/4																								
Mr Muhammad Riyazul Haque **	2/4																						✓	✓	✓
Mr Zafar Alam Khan Sumbal	4/4																					✓	✓	✓	✓
Dr Bashir Ahmad Khan **	3/4																					✓	✓	✓	✓

\* The Board's Budget and IT Committees were formed recently; hence meetings of these committees were not held in 2011

\*\* Chairmen of respective committees \*\*\* Left during 2011 \*\*\*\* Joined in August 2011 \*\*\*\*\* Joined the Board in March 2011; however became member of RMC in October 2011 and AC in 2012.

# Management Committees

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## Management Committee (ManCom)

- President & CE, *Chairman*
- Group Head Corporate & Investment Banking
- Group Head Business Transformation
- Group Head Marketing & Strategic Planning
- Group Head Operations
- Group Head Commercial Banking
- Chief Information Officer
- Global Treasurer
- Chief Financial Officer
- Country Head Risk Management
- Country Head Consumer Banking Services
- Chief Credit Officer
- Country Head Human Resource
- Country Head Compliance & Data
- 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 its subsidiaries. It is responsible to set strategic direction of the Bank including its understanding and communication across the Bank; developing business plans ensuring that these are aligned with strategic objectives and monitoring performance thereagainst. Mancom is also mandated to ensure the health of operations and adequacy of returns on all business activities of the Bank.

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## Asset Liability Management Committee (ALCO)

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

## Terms of Reference

ALCO is responsible for reviewing 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 performances there-against. It is also mandated to review performance of capital market and treasury activities of the Bank.

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## Head Office Credit Committee (HOCC)

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

## 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 initiation of 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 HOCC for review and monitoring the health of Bank's credit portfolio.



## Disciplinary Action Committee (DAC)

- Executive Incharge - President Support Office  
Chairman
- Group Head Operations
- Chief Credit Officer
- Country Head Human Resource
- Head Legal Affairs

### Terms of Reference

The 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.

## Information Technology Steering Committee (ITSC)

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

### 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.

## Administrative Committee (AdminCom)

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

### Terms of Reference

AdminCom is responsible for review, recommendation and approval of acquisition / disposal of operating assets. It is 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.

# Notice of 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Thursday, March 29, 2012 at 10:00 am at Blue Lagoon Complex near Pearl Continental Hotel, Rawalpindi to transact the following business:

## Ordinary Business

1. To confirm the minutes of the 19th Annual General Meeting held on March 29, 2011.
2. To receive, consider and adopt the financial statements for the year ended December 31, 2011 together with the Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the Bank for the year ending December 31, 2012 and to fix their remuneration.

## Special Business

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

### Resolved that

- i) "a sum of Rs. 1,060,528 thousand out of the general reserve as at December 31, 2011 be capitalized and be applied to the issue of 106,052,750 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 21, 2012 in the proportion of 15 shares for every hundred shares held that is 15 %.
- 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 the stock market.

iv) the President & 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.

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

By Order of the Board



Rawalpindi

M. A. Ghazali Marghoob

March 8, 2012

Company Secretary

## Notes

1. The statement under section 160(1) (b) & (c) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business to be transacted at the meeting is given below.
2. The Share Transfer books of the Bank will remain closed from March 22 to March 29, 2012 (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 21, 2011 will be treated in time for purpose of the entitlement of bonus shares (B-16) to the transferees.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
4. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity

(other than GoP and SBP), its common seal should be affixed on the instrument.

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

## 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 20th Annual General Meeting of the Bank to be held on Thursday, March 29, 2012.

### Item No. 4 of the Notice – Issue of Bonus Shares

The Directors are of the view that the reserves / profits are adequate for the capitalization of a sum of Rs. 1,060,528 thousand for issue of the proposed 15 % bonus shares and in this regard compliance has been made under Rule 6 of Companies (Issue of Capital) Rules, 1996. Auditors' certificate in respect of adequacy of reserves has also been obtained.



*Aiming for  
innovative  
banking  
solutions*

**askari**



# Management

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

## Head Office

**S. Suhail Rizvi**  
Group Head-Business Transformation

**Haseeb Saulat**  
Group Head-Marketing & Strategic Planning

**Javed Iqbal**  
Chief Information Officer

**Rehan Mir**  
Global Treasurer

**Khalid Muhammad Khan**  
Group Head-Operations

**Khawaja Shaukat Iqbal**  
Country Head-Agriculture & Rural Business

**Farooq Abid Tung**  
Country Head-Special Asset Management

**Saleem Anwar**  
Chief Financial Officer

**Muhammad Munir Ahmed**  
Country Head-Electronic Technology

**Lubna Azam Tiwana**  
Country Head-Risk Management

**Zahid Mehmood Chaudhry**  
Country Head-International Banking

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

**Farrukh Iqbal Khan**  
Chief Credit Officer

**Hassan Aziz Rana**  
Head-Legal Affairs

**Muhammad Ahmed Ghazali Marghoob**  
Company Secretary

**Babar Waseim**  
Country Head-Establishment

**Zain Ul Abidin**  
Country Head-Compliance & Data

**Abdul Farooq**  
Acting Country Head-Human Resource

**Muhammad Iftikhar Baloch**  
Head-Central Processing Unit

**Abdul Waseem**  
Country Head-Credit Administration

**Shahid Abbasi**  
Country Head-Audit & Inspection

## Commercial Banking

**Khurshid Zafar**  
Group Head-Commercial Banking

### North Region

**Syed Tauqir Haider Rizvi**  
Regional General Manager

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

**Tanveer Afzal Khan**  
Area Manager-Peshawar

**Sheikh Muhammad Ibrar Ali**  
Area Manager-Rawalpindi-II

**Muhammad Tayyab Khan**  
Area Manager-Islamabad

**Sher Afgan Khanzada**  
Area Manager-Rawalpindi-I

### Central Region

**Tahir Yaqoob Bhatti**  
Regional General Manager

**Saulat Hameed**  
Area Manager-Lahore-II

**Ejaz Musarrat**  
Area Manager-Lahore-I

**Mushtaq Ahmed**  
Area Manager-Gujranwala

**Tariq Waheed**  
Area Manager-Faisalabad

**Javed Iqbal**  
Area Manager-Multan

**Adnan Asghar**  
Area Manager-Sahiwal

### South Region

**Mirajuddin Aziz**  
Regional General Manager

**Saif Ur Rehman Khan**  
Area Manager-Karachi-III

**Irfan Malik**  
Area Manager-Karachi-II

**Maqbool Ahmed Soomro**  
Area Manager-Hyderabad

**Hassan Raza Kari**  
Area Manager-Karachi-IV

**Saleem Sohail Butt**  
Area Manager-Quetta

**Ahsan Noor**  
Area Manager-Karachi-I

## Corporate Banking

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

**Shahzad Ahmed Cheema**  
Regional Head Corporate, North

**Muhammad Anwar Sheikh**  
Regional Head Corporate, Central

**Khawaja Haider Hassan**  
Regional Head Corporate, South

## Islamic Banking

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

## Consumer Banking

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

## Wholesale Bank Branch, Bahrain

**Khurram Dar**  
Branch Manager



# Entity Ratings

by PACRA

Long term

AA

Short term

A1+

Definitions by Pakistan Credit Rating Agency Limited (PACRA) :

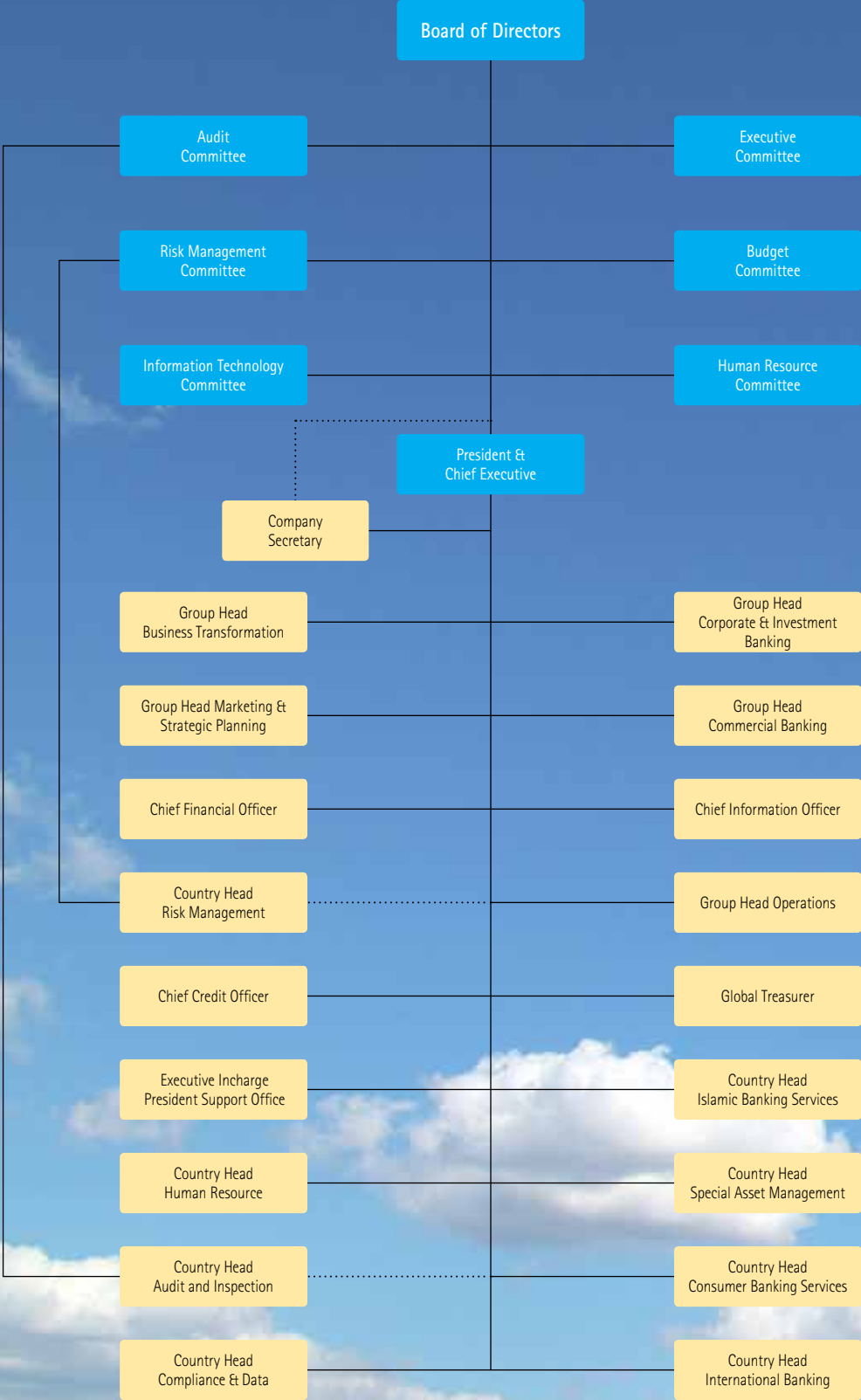
## AA

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.

# Organogram







# Corporate Social Responsibility



At Askari Bank, Corporate Social Responsibility (CSR) is an integral part of our strategy and the way-to-do business. As a socially responsible corporate entity, we believe in taking initiatives which makes us add value to peoples' lives and the environment around them. We endeavor to promote public interest, through sponsoring various events, in activities that lead to community growth and development. The Bank actively participates in activities and initiatives meant for the welfare of less privileged in the society. This is done by donating to various charities and other organizations working for the betterment of society. Similarly, the Bank also works hand-in-hand with non-governmental organizations working towards social development and peoples' uplift.

## Environment

A greener and more beautiful Pakistan is one of our CSR objectives. We love to think green and this passion is equally reflected in our sponsorships of various activities meant for creating awareness and improving the ambiance for healthy living. During the year 2011, the Bank sponsored:

- 3-day event "ENO Pak @ Roots : Pakistan Green" organized by Roots School System
- Maintenance of F-10 roundabout, Islamabad
- Jashan-e-Baharan 2011 festivity and spring walk in Lahore and Islamabad

## Education

For us, investing in education is in fact investing in our future. Therefore, supporting educational programs aimed at enhancing learning opportunities for our youth is a source of immense importance for meeting our CSR objectives. During the year 2011, the Bank made valuable contribution towards this noble cause by donating / sponsoring:

- Rs. 16 million – a third & final tranche of the total commitment of Rs. 50 million - towards endowment fund created by the Institute of Business Administration, Karachi.
- Zenith – Leadership & Development program organized by Strategic Human Resource Society.



## Sports

- Talent Gymnasium 2011 – an event unionized by a professional body, Association of Chartered Certified Accountants.
- National Youth Camp 2011 arranged by Pakistan Red Crescent Society of Pakistan.
- Library at Girl's High School, Islamabad – a project of Iqra University, Islamabad.
- A workshop, "DISCOVER" designed for the alumnae of the National University of Science & Technology, Islamabad.
- Young Leaders Conference 2011 arranged by the School of Leadership.

The year 2011 is marked by our efforts for the promotion of sporting activities through providing funding support for the following events:

- Corps Commander Golf Tournament
- Golf Championship held in Lahore
- Chief of Army Staff (COAS) Open Golf Championship of Rawalpindi Golf Club
- Chief of Army Staff (COAS) International Squash Championship – an event of Punjab Squash Association
- FIFA World Cup Pre-qualifying match – Pak Vs Bangladesh

- 31st Punjab Open Golf Tournament, an activity arranged by Gujranwala Golf & Country Club
- NESCOM Golf Tournament 2011 organized by DESTO
- Golf Tournament at Islamabad Golf Club organized by the Institute of Chartered Accountants, Pakistan

# President's Message



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

Askari Bank will be completing twenty years of successful operations in 2012. During its life span, the Bank has become the eighth largest bank of the country in terms of the asset base. It has a nationwide network of 244 branches / sub-branches, and a Wholesale Bank Branch in the Kingdom of Bahrain.

## Objectives & Strategies

Askari Bank's vision is 'to be the bank of first choice in the region' and in this direction, we endeavor to achieve excellence in all areas of banking activities in order to make it an outstanding customer-centric institution. Our strategic decisions and the palette of resources are being aligned to serve our valued customers to their complete satisfaction by delivering optimal and timely solutions to meet their financial needs.

Askari Bank is consistently focused on building long term shareholders value as the primary objective. The strength of our brand name, our strategic network expansion, and the depth of our customer relationships, give us a solid foundation on which to build and grow in the future.

The primary focus of our long term strategy is maintained on increasing market share by mobilizing our resources; developing retail, commercial, agriculture and Islamic banking; introducing initiatives for corporate and investment banking; and capitalizing on emerging business opportunities, backed by innovative technology solutions provided by our surging IT infrastructure. Management priorities are derived from this strategic direction.

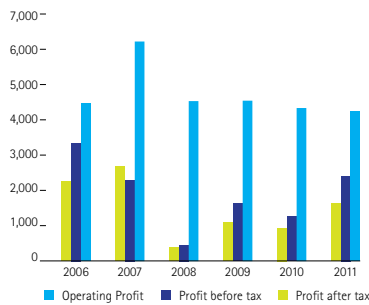
## External Environment

### (full year 2011)

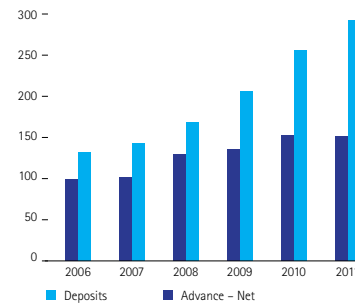
The first half of 2011 saw a relatively stable trend of market rates, which moved to a gradual decline during the second half of the year in line with the aggregate 200 bps reduction in policy rate introduced by the State Bank of



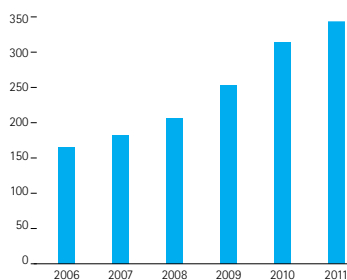
### Profits (Rupees in million)



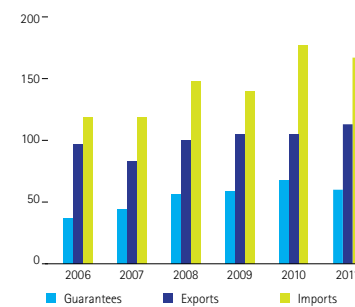
### Advances and Deposits (Rupees in billion)



### Total Assets (Rupees in billion)



### Trade and Guarantees (Rupees in billion)



Pakistan (SBP) in two tranches, 50 bps in July 2011 and 150 bps in October of 2011. Askari Bank re-priced its earning asset portfolios in line with the market rates and staggered the corresponding impact on returns on customer deposits, although this affected the net spreads of the Bank. During the year under review, the demand for private sector credit remained low, due in part to the decline in cotton prices compared to previous year, lower demand for fixed investment loans by the industrial sector, and, most recently delayed crushing of sugarcane by sugar mills. Accordingly, the expansion of banking assets was driven by an increase in available investment portfolios.

The issues of improvement in tax to GDP ratio, government borrowings, austerity measures in the public sector, power sector reforms, circular debt management, and turnaround in public sector enterprises are some of the key

issues that warrant immediate attention of the economic managers. Some of these could be addressed by the recently announced reform agenda; however implementation of the agenda and attention to the others remains the key.

## Performance Review

### Financial Statements

#### (2011 vs. 2010)

During 2011, Askari Bank's financial performance showed marked improvement over the previous year. Profit before and after taxation rose by 89.51 percent and 72.58 percent, respectively. Customer deposits at Rs. 292 billion and total assets at Rs. 344 billion, at year end 2011, registered a growth of 13.90 percent and 9.22 percent, respectively. The internal factors contributing to the financial performance comprise efficient asset and liability management, focus on market-oriented

product and service offerings, attempt to control over operating expenses, strategic expansion, and an improving technology platform, despite the external factors and the economic environment remaining largely subdued. The growth of Bank's balance sheet, countered the impact of increases in non-performing loans on the revenue generation capacity of the Bank. Aggregate non-performing loans as a percentage of gross advances were 14.13 percent. However, the provision coverage ratio was over 70 percent. Vigorous efforts are underway to retrieve the situation by effecting recoveries of infected loans. Significant progress was achieved in this during the year under review.

During 2011, the Bank launched the fourth issue of Term Finance Certificates, worth Rs. 1 billion primarily to supplement the capital adequacy ratio of the Bank. The ratio stood at 11.35 percent (2010: 10.30 percent) against the requirement of 10 percent in 2011. Also, the requirement of minimum paid-up capital of Rs. 8.0 billion is planned to be met by the proposed issue of bonus shares at the rate of 15 percent, thereby raising the paid-up capital of the Bank to Rs. 8.13 billion.

### IT Initiatives

The implementations of Bank's core banking software, flexcube, is continuing as per plan. A total of 82 branches have been converted and are using the software in a live environment. Simultaneously, significant progress was also made towards the implementation of certain other key applications, i.e. human resource management, risk management, supply chain management, and enterprise general ledger, and customer relationship management. The Bank's capabilities to improve its customer service and product offerings, will be enhanced by these developments backed by improved internal controls and enhanced MIS. The implementation of flexcube is expected to be completed in all conventional banking branches during the year 2012.

## Business Initiatives

We strive to enhance our product range through product innovations and enhancements. During the year a significant headway has been made towards completing the institutional arrangements for branchless banking initiative (mobile phone banking) which is planned for launch in the ensuing year. Bancassurance product was launched in 2010 in collaboration with our partner Eastern Federal Union (EFU) Life Insurance Company gained momentum during the year under review.

## Risk Management

Askari Bank fully understands that risk management is critical given the various risks that the Bank is inherently exposed to in addition to internal control systems. An effective risk management framework is in place for appropriate assessment and monitoring of risks. We continue to strive for the management of change in our institutional culture to make it more professional and responsive to a dynamic environment.

## Human Resource

We recognize human resource as the key element in deliverables to our valued customers and as such places great emphasis on the attraction, development, and motivation and retention of our work force. The Bank's three training academies fully equipped to meet the growing training needs of the Bank's employees, are being effectively utilized. During the year, coverage of payroll automation through the centralized human resource management PeopleSoft was enlarged to cover the entire Bank staff, besides the implementation of other modules of the system including the absence / leave management.

## Three Years Strategic Plan 2011-13

The three-years strategic plan of the Bank for the year 2011 to 2013 approved by the Board of Directors during the year under review sets out goals and targets for the key areas of business and operations of the Bank. The progress against the plan is monitored. During the year under review, the first of the three-year period, certain targets were met or exceeded while corrective measures are being evaluated for targets missed. The plan serves as an effective performance measurement tool. Following a review of progress against the plan, key performance indicators are changed to reflect the Board's and managements' priorities in line with the evolving situation.

## Appreciations

The management and staff of the Bank worked tirelessly to achieve the impressive results of 2011. I take this opportunity to thank all members of the management and staff for a job well done.

Our Board of Directors took a keen interest in the affairs of the Bank especially in setting the strategic direction, in formulation of policies and in supervision of critical areas. I would like to thank them for the guidance and counsel. I would also like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, and our valued customers, for their patronage and trust, and their invaluable support.



M. R. Mehkari

February 14, 2012



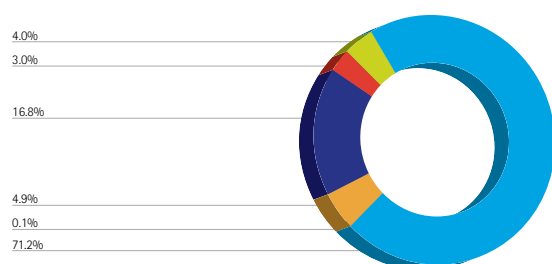
askari bank



# Value Added Statement

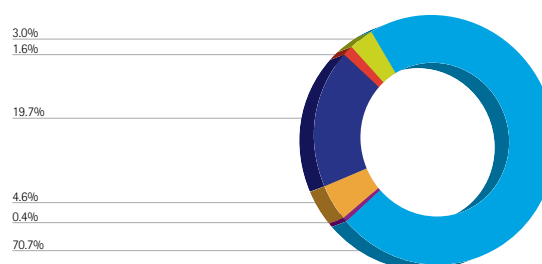
	2011 Rs. in '000	% age	2010 Rs. in '000	% age
<b>Value Added</b>				
Income from banking services	31,747,872		27,183,382	
Cost of services	3,517,847		2,898,544	
Valued added by banking services	28,230,025		24,284,838	
Non-banking services income	38,037		33,066	
Provision against non-performing assets	(1,830,842)		(3,064,382)	
<b>Total value added</b>	<b>26,437,220</b>		<b>21,253,522</b>	
<b>Value Allocated</b>				
to employees				
Salaries, allowances and other benefits	4,451,077	16.8	4,186,316	19.7
to government				
Income tax	785,053	3.0	329,959	1.6
to providers of capital				
Cash dividend	-	-	-	-
Bonus share	1,060,528	4.0	642,744	3.0
	1,060,528	4.0	642,744	3.0
to providers of finance				
as financial charges	18,816,220	71.2	15,023,859	70.7
to society				
as donations	16,000	0.1	86,015	0.4
to expansion and growth				
Depreciation	741,172	2.8	684,196	3.2
Retained in business	567,170	2.1	300,433	1.4
	1,308,342	4.9	984,629	4.6
<b>Total value allocated</b>	<b>26,437,220</b>	<b>100.0</b>	<b>21,253,522</b>	<b>100.0</b>

2011



■ To providers of finance
 ■ To employees
 ■ To expansion and growth
 ■ To providers of capital
 ■ To society
 ■ To government

2010



■ To providers of finance
 ■ To employees
 ■ To expansion and growth
 ■ To providers of capital
 ■ To society
 ■ To government





# Our Network

North Region		Central Region		South Region		Wholesale Bank Branch (Bahrain)	
Islamabad	18	Lahore I	13	Karachi I	10		
Rawalpindi I	17	Lahore II	13	Karachi II	12		
Rawalpindi II	16	Sahiwal	7	Karachi III	11		
Peshawar	12	Faisalabad	12	Karachi IV	12		
Azad Kashmir	9	Gujranwala	11	Hyderabad	15		
Corporate	1	Multan	12	Quetta	10		
Islamic	8	Corporate	1	Corporate	1		
		Islamic	13	Islamic	10		
	81		82		81	<b>Total branches / sub-branches</b>	<b>245</b>

Branch contact details can be accessed at Bank's website: [www.askaribank.com.pk](http://www.askaribank.com.pk)

*The art of  
reaching  
out*

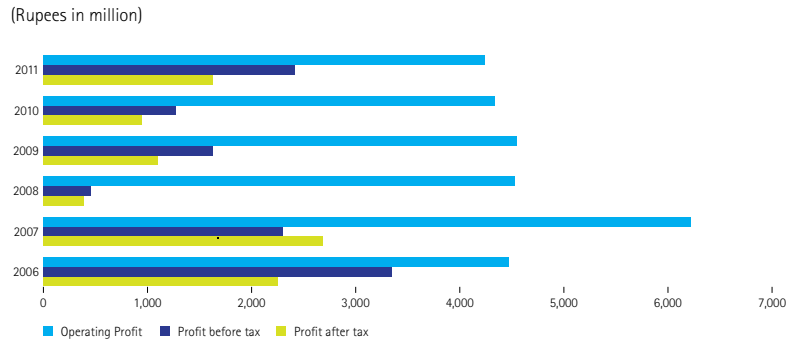


# Financial Review

## Profit

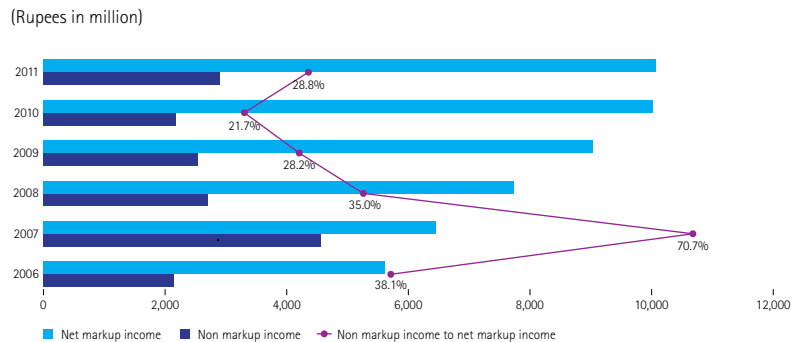
During 2011, operating profit of the Bank remained under stress owing to (a) profit suspensions against non-performing loans (NPLs) - restricting growth of net markup income at 7 percent; and (b) 11 percent growth in operating expenses, resulting in operating profit to remain marginally below the last year's level despite a 4% increase in non markup income.

However, profit before and after taxation registered a healthy growth of 90 percent and 73 percent, respectively, mainly due to decline in provisions / impairment against NPLs / investments by over 40 percent due to recognition of FSV benefit during the year.



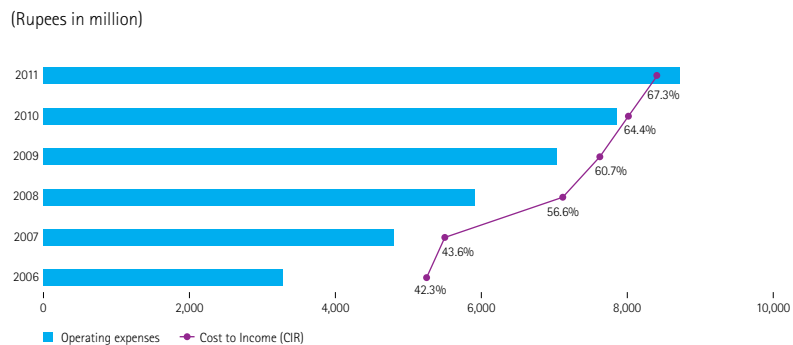
## Non mark-up income

Despite slowdown of trading activities and eroding margins on trade business, the Bank posted an increase of about 4 percent in non mark-up income. During full year 2011, the composition of non-markup revenue streams was largely maintained, with fee and commission income encompassing over 40 percent of aggregate non markup income, followed by income from dealing in foreign currencies at around 27 percent. The total income from investments - gain on sale and dividend income - registered a growth of 41 percent over last year.



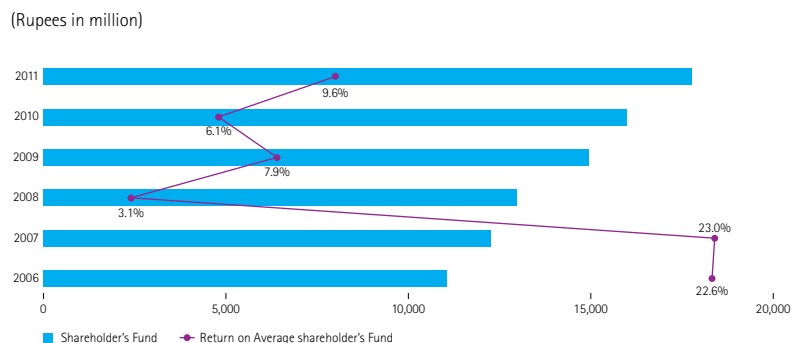
## Operating Expenses

The aggregate operating expenses for the year 2011 outpaced the aggregate revenue growth with an increase of 11 percent over the corresponding period last year; attributable mainly to a 6 percent increase in employee related costs, 9 percent rise in rent & taxes, 90 percent surge in repair & maintenance expenses - owing mainly to increased recurring costs on new IT initiatives - 8 percent increase in depreciation expenses. As a result, cost to income ratio of the Bank deteriorated to 67.28 percent from 64.42 of last year.



## Shareholders' funds

The shareholders' funds / equity recognized an increase of 11 percent over last year reflecting the accumulation of profit after taxation for the year 2011 of Rs. 1,628 million; while additional reserves of Rs. 59 million were also created during the year in respect of exchange translation reserve and capital reserve, respectively. The surplus on revaluation of assets - net of taxation - showed an increase of 7 percent primarily due to improved M2M position of available for sale investments. The net book value per share of the Bank increased to Rs. 25.14 as on December 31, 2011 from Rs. 24.90 at end 2010.

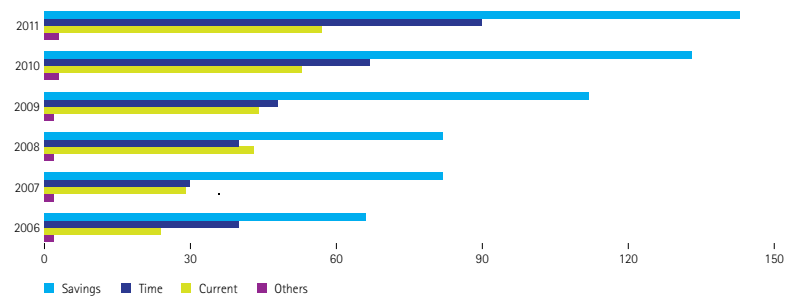




## Customer deposits

Customer deposits as on December 31, 2011, registered a growth of 14 percent over last year. The major increase was in term / fixed deposits which grew by 34 percent while current and saving deposits exhibited a rise of 7 percent. Fixed term deposits accounted for 31 percent of the total deposits compared with 26 percent of last year. The number of deposit accounts showed a net increase of 99,404 accounts or 13 percent.

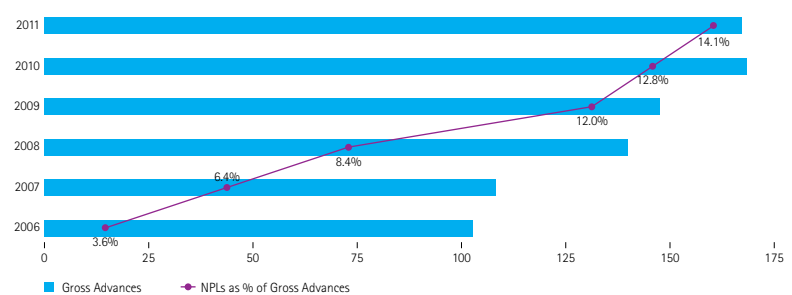
(Rupees in billion)



## Non-performing loans (NPLs)

The NPLs of the Bank as on December 31, 2011 increased by 9.5 percent over last year; the increase was mainly in 'loss' category, 17 percent, while aggregate classification in other than 'loss' categories declined by 28 percent; requiring additional provisions against such NPLs, which was off-set by the recognition of FSV benefit under the revised basis allowed by the SBP. The increase in NPLs and decrease in gross advances, resulted in deterioration of NPL to advances ratio to 14.13 percent against 12.82 percent at end 2010. The coverage ratio (provisions vis-a-vis NPLs) declined by almost 2 percentage points and was reported at 70.49 percent.

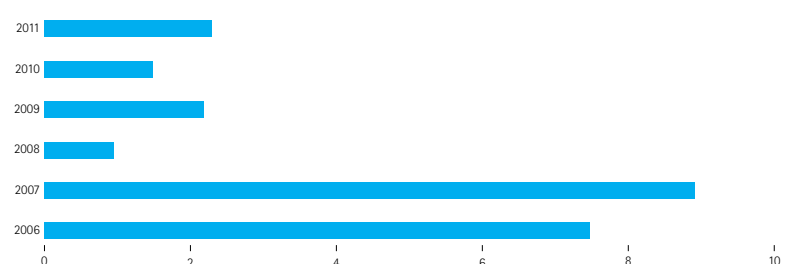
(Rupees in billion)



## Earnings per share (EPS)

The EPS of the Bank for the year 2011 was recorded at Rs. 2.30 against Rs. 1.34 of the corresponding period, last year, reflecting an increase of 72 percent mainly due to a 73 percent increase in profit after taxation of the Bank for the year 2011.

(Rupees)



## Return on average assets (RoA)

The RoA of the Bank for the year 2011 increased to 0.49 percent mainly due to increase in profit after taxation by 73 percent over last year, which was partly offset by the growth of 16 percent in average assets of the Bank during 2011 over 2010.

(Rupees in billion)



# Financial Calendar

## 2011

1st Quarter Results issued on	April 26, 2011
2nd Quarter Results issued on	August 24, 2011
3rd Quarter Results issued on	October 18, 2011
20th Annual Report issued on	February 14, 2012
20th Annual General Meeting scheduled for	March 29, 2012
15% bonus shares announced	Within 45 days of AGM

## 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 held on	March 29, 2011
10% bonus shares issued	April 11, 2011

## Summarized Quarterly Financial Results

Rupees in million	2011				2010			
	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	31,788	31,022	31,040	33,995	37,532	33,920	36,188	35,522
Investments	113,134	125,588	121,335	133,757	70,385	78,258	81,243	102,260
Advances	139,336	147,570	150,164	150,711	139,075	144,883	148,111	152,784
Operating fixed assets	9,907	9,685	9,551	9,349	9,647	9,874	10,158	9,988
Other assets	13,972	15,545	16,077	15,944	11,672	13,100	13,893	14,191
Total assets	308,137	329,410	328,167	343,756	268,311	280,035	289,593	314,745
<b>Liabilities</b>								
Borrowings from financial institutions	23,464	19,719	38,042	17,273	23,962	24,067	25,211	25,555
Customers deposits	249,758	274,710	255,353	291,503	213,019	221,762	229,977	255,937
Sub-ordinated loans	5,992	5,991	5,991	6,990	5,995	5,994	5,993	5,993
Other liabilities	12,309	12,205	11,429	10,213	9,588	12,175	12,514	11,256
Total liabilities	291,523	312,625	310,815	325,980	252,564	263,998	273,695	298,740
<b>Shareholders' funds</b>								
Share capital	7,070	7,070	7,070	7,070	6,427	6,427	6,427	6,427
Reserves and unappropriated profit	8,360	8,512	8,815	9,439	7,722	8,178	8,407	8,393
Surplus on revaluation of assets	1,184	1,203	1,467	1,267	1,598	1,432	1,064	1,184
Total shareholders' funds	16,614	16,785	17,352	17,776	15,747	16,037	15,898	16,004
<b>Profit &amp; Loss</b>								
Total income	9,029	8,404	9,392	8,845	6,784	7,779	7,772	7,794
Mark-up / return / interest earned	8,442	7,607	8,887	7,830	6,135	7,206	7,178	6,809
Mark-up / return / interest expensed	5,475	5,529	6,170	5,525	4,002	4,312	4,691	4,931
Net mark-up / interest income	2,967	2,078	2,717	2,305	2,133	2,894	2,487	1,878
Non - mark-up / interest income	587	796	505	1,014	649	573	594	985
Fee, commission and exchange income	295	353	262	284	295	342	309	325
Other income	292	444	244	730	353	231	285	660
Operating expenses	2,197	1,946	2,297	2,286	1,874	1,999	2,227	1,754
Provisions against non-performing assets	542	678	417	195	402	888	560	1,214
Operating profit	1,357	929	925	1,033	907	1,468	854	1,109
Profit before tax	815	251	508	838	505	580	293	(105)
Taxation	277	86	208	215	177	194	65	(106)
Profit after taxation	538	165	301	624	328	386	228	1
<b>Ratios (percent)</b>								
Return on average shareholders' funds (RoE)	13.2%	4.0%	7.0%	14.2%	8.3%	9.7%	5.7%	0.0%
Return on average assets (RoA)	0.7%	0.2%	0.4%	0.7%	0.5%	0.6%	0.3%	0.0%



# Share & Debt Information

## 1. Share Information

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

### 1.2 Market symbols

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

### 1.3 Share price and volume

(Rupees)

Year	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
2011	707,018,400	16.37	7.09	2,945.78	0.24%	19.25	8.50	10.03	110,231,037

### 1.4 Record of share issues

Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
2005	Bonus @ 20%	25,116,947	251,169,474
2006	Bonus @ 33%	49,731,555	497,315,549
2007	Bonus @ 50%	100,216,620	1,002,166,196
2008	Bonus @ 35%	105,227,450	1,052,274,496
2009	Bonus @ 25%	101,469,326	1,014,693,261
2010	Share issued to shareholders of erstwhile Askari Leasing Limited	28,273,315	282,733,150
2010	Bonus @ 20%	107,123,990	1,071,239,900
2011	Bonus @ 10%	64,274,394	642,743,940
		707,018,334	7,070,183,340

## 2. Debts Information

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

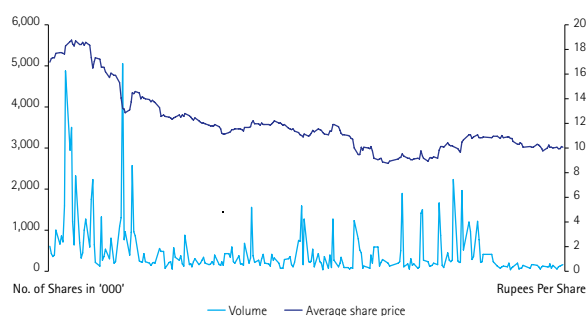
(Rupees in million)	TFC - I	TFC - II	TFC - III	TFC - IV
IPO investors	1,000	1,125	2,375	1,000
General Public	500	226	19	-
Underwriters	-	149	606	-
	1,500	1,500	3,000	1,000

Market Symbols / IDs at LSE	AKBLTFC	AKBLTFC2	AKBLTFC3	Un-listed
Rating by PACRA	AA-	AA-	AA-	AA-
Market Price as at December 31, 2011 (based on marketable lots of Rs. 5,000 and 1,000,000)	5,000	5,000	5,000	1,000,000
Applicable Interest Rate (p.a.) as at December 31, 2011	14.87%	13.39%	14.42%	13.74%

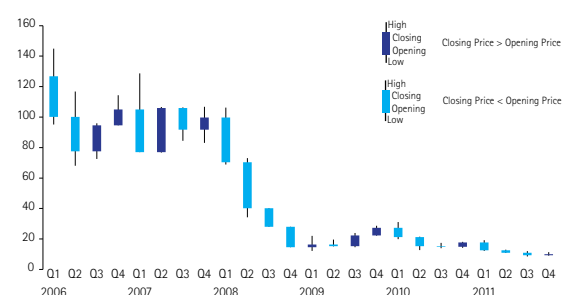
### Price Volume Chart

(During the year 2011)



### Quarterly Price Volume Chart

(During the year 2006 to 2011)



# Horizontal & Vertical Analysis

FINANCIAL POSITION	Source Data						Horizontal Analysis					
	2011	2010	2009	2008	2007	2006	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006	2006 Vs 2005
	Rupees in million						Variance %					
<b>Assets</b>												
Cash and balances with treasury banks	26,168	22,565	19,386	16,030	13,356	14,879	16	16	21	20	-10	26
Balances with other banks	6,235	3,785	8,364	3,955	3,497	7,333	65	-55	111	13	-52	32
Lendings to financial institutions	1,592	9,172	4,614	4,480	14,444	8,393	-83	99	3	-69	72	-17
Investments	133,757	102,260	67,046	35,678	39,431	28,626	31	53	88	-10	38	11
Advances	150,711	152,784	135,034	128,818	100,780	99,179	-1	13	5	28	2	15
Operating fixed assets	9,349	9,988	9,262	8,266	5,128	3,810	-6	8	12	61	35	19
Other assets	15,945	14,190	10,621	8,964	5,535	3,813	12	34	18	62	45	40
	343,756	314,745	254,327	206,191	182,172	166,034	9	24	23	13	10	14
<b>Liabilities</b>												
Bills payable	2,756	3,090	2,946	2,585	2,627	1,839	-11	5	14	-2	43	40
Borrowings	17,273	25,555	19,300	15,190	17,554	14,964	-32	32	27	-13	17	42
Deposits and other accounts	291,503	255,937	205,970	167,677	143,037	131,839	14	24	23	17	8	11
Sub-ordinated loans	6,990	5,993	5,995	2,996	2,997	2,999	17	0	100	0	0	0
Deferred tax liabilities	83	86	334	13	472	736	-3	-74	2471	-97	-36	30
Other liabilities	7,374	8,081	4,833	4,759	3,220	2,603	-9	67	2	48	24	27
	325,980	298,740	239,378	193,220	169,906	154,980	9	25	24	14	10	14
<b>Net Assets</b>	17,776	16,004	14,949	12,971	12,266	11,053	11	7	15	6	11	25
<b>Represented by</b>												
Share capital	7,070	6,427	5,073	4,059	3,006	2,004	10	27	25	35	50	33
Reserves	8,136	7,691	7,236	7,667	6,950	5,815	6	6	-6	10	20	30
Unappropriated profit	1,302	702	834	309	2,143	1,800	86	-16	170	-86	19	11
	16,509	14,821	13,143	12,035	12,100	9,619	11	13	9	-1	26	27
Surplus on revaluation of assets - net of tax	1,267	1,184	1,806	936	166	1,434	7	-34	93	463	-88	18
	17,776	16,004	14,949	12,971	12,266	11,053	11	7	15	6	11	25
<b>PROFIT AND LOSS</b>												
Mark-up / return / interest earned	32,766	27,329	22,587	18,393	15,143	12,597	20	21	23	21	20	43
Mark-up / return / interest expensed	22,700	17,937	13,554	10,651	8,686	6,977	27	32	27	23	24	63
Net mark-up / interest income	10,067	9,392	9,033	7,743	6,458	5,620	7	4	17	20	15	25
Provision against non-performing loans and advances	1,630	2,319	2,324	3,825	3,920	1,128	-30	0	-39	-2	247	77
Impairment loss on available for sale investment	122	383	431	-	-	-	-68	-11	100	-	-	-100
Provision for impairment in the value of investments	44	297	77	-	2	1	-85	286	15015	-66	299	-
Provision against reverse repo	35	66	83	-	-	-	-47	-20	100	-	-	-
Bad debts written off directly	-	-	-	247	-	-	-	-	-100	100	-	-
	1,831	3,064	2,915	4,073	3,922	1,129	-40	5	-28	4	248	87
Net mark-up / interest income after provisions	8,236	6,328	6,118	3,670	2,536	4,491	30	3	67	45	-44	15
<b>Non mark-up/interest income</b>												
Fee, commission and brokerage income	1,194	1,271	1,308	1,258	1,073	1,014	-6	-3	4	17	6	21
Dividend income	289	210	163	174	137	109	38	29	-6	27	25	114
Income from dealing in foreign currencies	772	731	538	874	656	584	6	36	-38	33	12	64
Gain on sale of investments - net	307	213	144	37	2,361	112	45	48	291	-98	1999	12
Unrealised gain on revaluation of investments classified as held for trading - net	-	(0)	(2)	22	2	(2)	-100	-82	-109	1195	-175	297
Other income	340	376	404	343	337	322	-10	-7	18	2	5	56
Total non-markup / interest income	2,903	2,800	2,554	2,707	4,565	2,139	4	10	-6	-41	113	38
	11,139	9,128	8,672	6,377	7,101	6,630	22	5	36	-10	7	22
<b>Non mark-up/interest expenses</b>												
Administrative expenses	8,639	7,813	6,996	5,904	4,790	3,277	11	12	18	23	46	26
Other provisions / write offs	-	-	-	0	-	-	-	-	-100	-	-	-
Other charges	87	42	34	11	12	6	104	24	213	-9	96	235
Total non-markup / interest expenses	8,726	7,855	7,030	5,916	4,802	3,283	11	12	19	23	46	27
Extra ordinary / unusual items	2,413	1,273	1,642	461	2,300	3,347	90	-22	256	-80	-31	17
Profit before taxation	2,413	1,273	1,642	461	2,300	3,347	90	-22	256	-80	-31	17
Taxation - current	833	330	562	17	99	984	153	-41	3138	-82	-90	19
- prior years'	-	-	120	(50)	(234)	-	-	-100	-340	-79	-100	-100
- deferred	(48)	0	(147)	108	(246)	113	-14039	-100	-237	-144	-318	-43
	785	330	534	75	(381)	1,097	138	-38	611	-120	-135	31
Profit after taxation	1,628	943	1,108	386	2,681	2,250	73	-15	187	-86	19	11
Unappropriated profit brought forward	702	834	309	2,145	1,800	1,618	-16	170	-86	19	11	5
Profit available for appropriation	2,330	1,777	1,416	2,531	4,481	3,868	31	25	-44	-44	16	9
Basic / diluted earnings per share - Rupees	2.30	1.34	1.79	0.76	6.61	7.48						



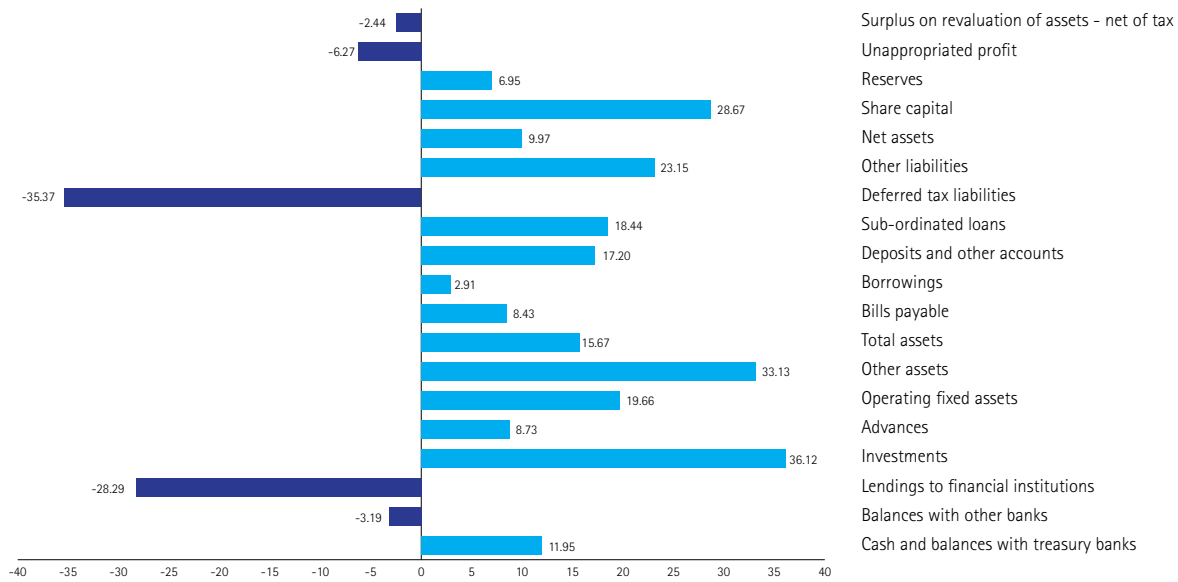
Vertical Analysis						
2011	2010	2009	2008	2007	2006	
Variance %						
8	7	8	8	7	9	
2	1	3	2	2	4	
0	3	2	2	8	5	
39	32	26	17	22	17	
44	49	53	62	55	60	
3	3	4	4	3	2	
5	5	4	4	3	2	
100	100	100	100	100	100	
1	1	1	1	2	1	
5	9	8	8	10	10	
89	86	86	87	84	85	
2	2	3	2	2	2	
0	0	0	0	0	0	
2	3	2	2	2	2	
100	100	100	100	100	100	
5	5	6	6	7	7	
40	40	34	31	25	18	
46	48	48	59	57	53	
7	4	6	2	17	16	
93	93	88	93	99	87	
7	7	12	7	1	13	
100	100	100	100	100	100	
100	100	100	100	100	100	
69	66	60	58	57	55	
31	34	40	42	43	45	
5	8	10	21	26	9	
0	1	2	-	-	-	
0	1	0	0	0	0	
0	0	0	-	-	-	
-	-	-	1	-	-	
6	11	13	22	26	9	
25	23	27	20	17	36	
4	5	6	7	7	8	
1	1	1	1	1	1	
2	3	2	5	4	5	
1	1	1	0	16	1	
0	0	0	0	0	0	
1	1	2	2	2	3	
9	10	11	15	30	17	
34	33	38	35	47	53	
26	29	31	32	32	26	
-	-	-	0	-	-	
0	0	0	0	0	0	
27	29	31	32	32	26	
7	5	7	3	15	27	
-	-	-	-	-	-	
7	5	7	3	15	27	
3	1	2	0	1	8	
-	-	1	0	-2	-	
0	0	-1	1	-2	1	
2	1	2	0	-3	9	
5	3	5	2	18	18	
2	3	1	12	12	13	
7	7	6	14	30	31	



# Horizontal & Vertical Analysis contd.

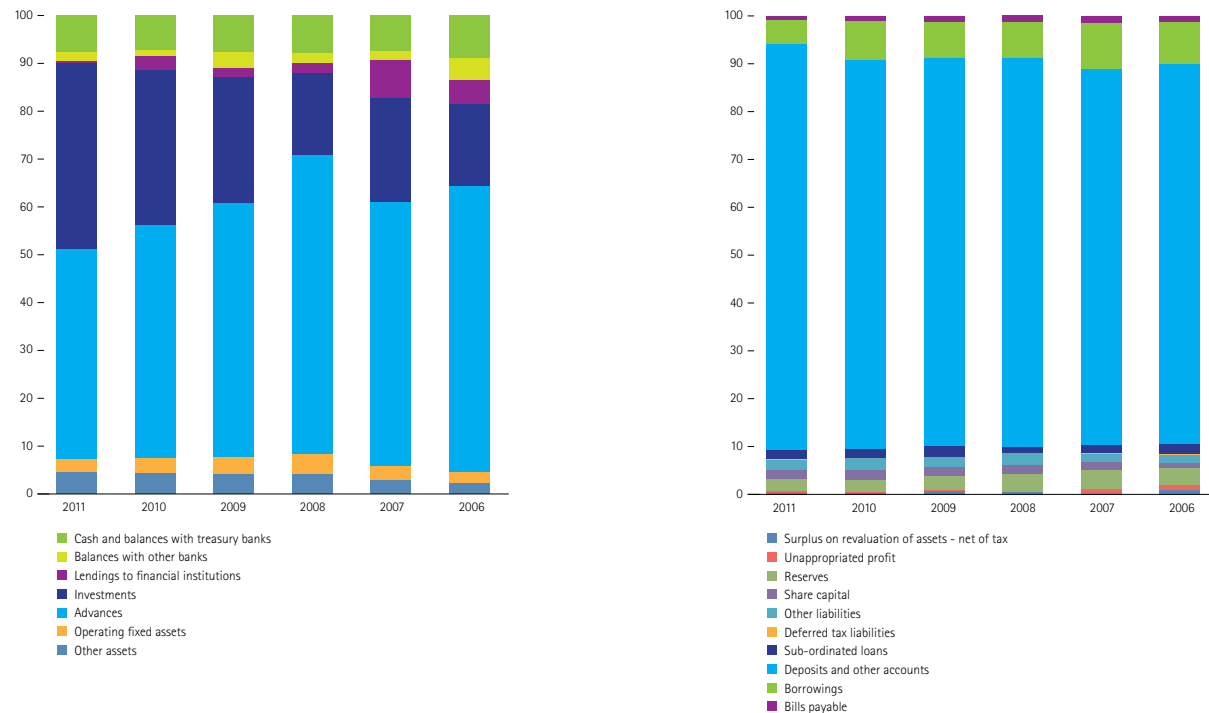
## Balance Sheet Horizontal Analysis

(Cumulative average growth rate for the last six year – annualised)



## Balance Sheet Vertical Analysis

(Composition for the last six years)

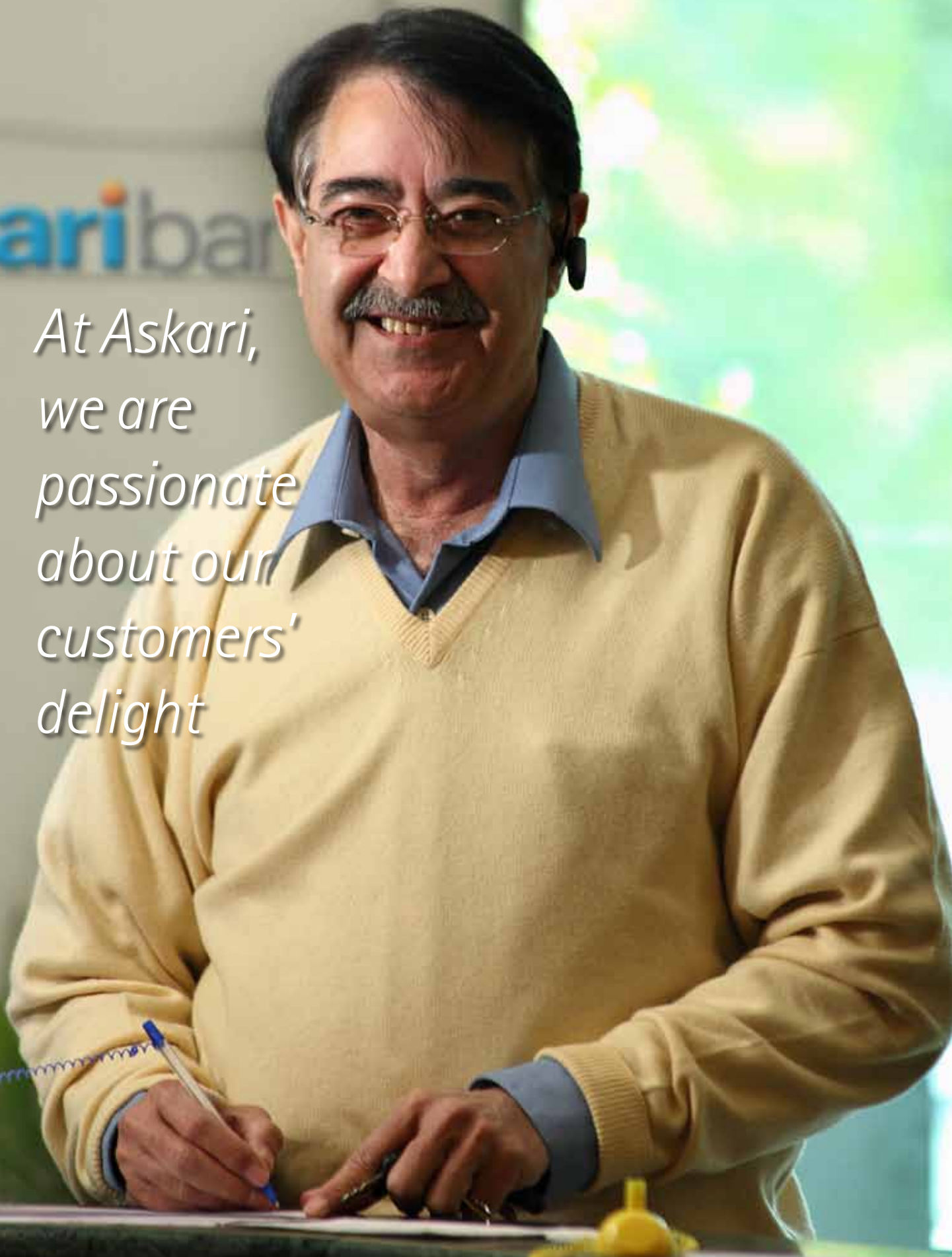






Askari Bank

*At Askari,  
we are  
passionate  
about our  
customers'  
delight*



# Six Years' Performance

December 31	2006	2007	2008	2009	2010	2011
<b>Assets</b>						<b>Rupees in million</b>
Advances - net	99,179	100,780	128,818	135,034	152,784	150,711
Investments	28,626	39,431	35,678	67,046	102,260	133,757
Cash, short term funds and statutory deposits with SBP	30,605	31,297	24,464	32,364	35,522	33,995
Operating fixed assets	3,810	5,128	8,266	9,262	9,988	9,349
Other assets	3,813	5,535	8,965	10,621	14,190	15,945
<b>Total assets</b>	<b>166,034</b>	<b>182,172</b>	<b>206,191</b>	<b>254,327</b>	<b>314,745</b>	<b>343,756</b>
Non-performing loans	3,656	6,908	11,689	17,725	21,599	23,646
Provisions for non-performing loans	3,546	7,409	11,013	12,594	15,652	16,669
<b>Liabilities</b>						
Deposits	131,839	143,037	167,677	205,970	255,937	291,503
Refinance borrowings	13,378	9,918	13,902	13,700	12,425	9,238
Sub-ordinated loans	2,999	2,997	2,996	5,995	5,993	6,990
Other liabilities	6,764	13,954	8,645	13,713	24,386	18,248
<b>Total liabilities</b>	<b>154,980</b>	<b>169,906</b>	<b>193,220</b>	<b>239,378</b>	<b>298,740</b>	<b>325,980</b>
<b>Shareholders' funds</b>						
Share capital	2,004	3,006	4,059	5,073	6,427	7,070
Reserves	7,615	9,093	7,976	8,070	8,393	9,439
Surplus on revaluation of assets	1,434	166	936	1,806	1,184	1,267
<b>Total shareholders' funds</b>	<b>11,053</b>	<b>12,266</b>	<b>12,971</b>	<b>14,949</b>	<b>16,004</b>	<b>17,776</b>
<b>Profitability</b>						
Interest income	12,597	15,143	18,394	22,587	27,329	32,766
Interest expenditure	6,977	8,686	10,651	13,554	17,937	22,700
<b>Net interest income</b>	<b>5,620</b>	<b>6,458</b>	<b>7,743</b>	<b>9,033</b>	<b>9,392</b>	<b>10,067</b>
Provision against non-performing assets	1,129	3,922	4,073	2,915	3,064	1,831
Fee, commission and exchange income	1,014	1,073	1,258	1,308	1,271	1,194
Other income	1,125	3,493	1,449	1,236	1,529	1,709
Operating expenses	3,283	4,802	5,916	7,030	7,855	8,726
<b>Profit before taxation</b>	<b>3,347</b>	<b>2,300</b>	<b>461</b>	<b>1,631</b>	<b>1,273</b>	<b>2,413</b>
Taxation	1,097	(381)	75	534	330	785
<b>Profit after taxation</b>	<b>2,250</b>	<b>2,681</b>	<b>386</b>	<b>1,097</b>	<b>943</b>	<b>1,628</b>
<b>Operating profit</b>	<b>4,476</b>	<b>6,222</b>	<b>4,534</b>	<b>4,546</b>	<b>4,338</b>	<b>4,244</b>
<b>Total income</b>	<b>14,736</b>	<b>19,709</b>	<b>21,100</b>	<b>25,130</b>	<b>30,129</b>	<b>35,669</b>
<b>Total expenditure</b>	<b>11,389</b>	<b>17,409</b>	<b>20,640</b>	<b>23,499</b>	<b>28,856</b>	<b>33,257</b>
<b>Cash flows</b>						
Operating activities	8,356	8,370	2,597	36,245	35,810	36,492
Investing activities	(3,715)	(13,527)	155	(32,063)	(37,311)	(31,456)
Financing activities	(226)	(203)	(446)	2,998	(3)	997
Changes in cash & cash equivalents	4,415	(5,359)	2,306	7,191	(1,501)	6,053
Cash & cash equivalents at end of the year	23,712	18,353	20,659	27,850	26,350	32,403
<b>Business transacted</b>						<b>Rupees in billion</b>
Imports	119.30	119.27	148.24	140.16	177.32	166.51
Exports	97.30	82.98	99.70	105.41	105.11	112.71
Guarantees	37.30	44.31	55.77	58.55	67.55	59.63



	2006	2007	2008	2009	2010	2011 Percentage
<b>Profitability Ratios</b>						
Profit before tax	26.57	15.19	2.51	7.22	4.55	7.36
Gross Yield on Earning Assets	9.16	9.97	11.02	11.48	11.42	11.55
Return on average assets (RoA)	1.40	1.54	0.20	0.48	0.33	0.49
Gross spread	44.61	42.64	42.10	39.99	35.83	30.72
Cost to income (CIR)	42.31	43.56	56.61	60.73	64.42	67.28
Return on average shareholders' funds (RoE)	22.60	22.99	3.06	7.85	6.09	9.64
Return on Capital employed	4.74	5.70	0.80	1.63	0.84	1.39
<b>Liquidity Ratios</b>						
Advance to deposits (CDR)	75.23	70.46	76.83	65.56	59.70	51.70
Current	1.09	1.21	1.26	1.22	0.97	1.84
Cash to Current Liabilities	0.21	0.15	0.15	0.17	0.13	0.24
<b>Investment/market Ratios</b>						
Price earning (PE)	9.30	11.19	15.32	12.52	11.95	4.36
Price to Book	1.27	1.65	0.29	0.54	0.36	0.21
Dividend yield	0.95	1.50	-	-	-	-
Dividend payout	13.37	16.82	-	-	-	-
Cash dividends *	10.00	15.00	-	-	-	-
Stock dividend *	50.00	35.00	25.00	20.00	10.00	15.00
Earnings per share (EPS)** – Rupees	7.48	8.92	0.95	2.18	1.48	2.30
Market value per share - year end – Rupees	104.95	99.75	14.57	27.30	17.69	10.03
Market value per share - high – Rupees	142.70	127.25	104.25	28.69	31.14	19.25
Market value per share - low – Rupees	71.45	77.10	14.57	12.15	12.70	8.50
<b>Capital Structure Ratios</b>						
Income / Expense	1.29	1.13	1.02	1.07	1.04	1.07
Capital adequacy (CAR)	10.90	9.35	9.22	11.75	10.30	11.35
Earning assets to total assets	87.62	86.91	85.14	85.71	86.34	86.05
Weighted average cost of deposits	4.65	5.33	5.49	6.19	6.51	6.87
Net assets per share	55.15	40.80	31.96	29.47	24.90	25.14
Operating fixed assets to average shareholders' funds	38.36	43.98	65.51	66.34	64.54	55.35
<b>Other information</b>						
						Numbers
Number of employees (Regular)	3,241	3,834	4,252	4,393	4,473	4,470
Number of branches	122	150	200	226	235	245

\* post balance sheet event \*\* based on number of shares outstanding at each year end

# Directors' Report to the Shareholders

## Entity & Business Environment

On behalf of the Board of Directors, I am pleased to present the 20th Annual Report of Askari Bank along with the audited financial statements and Auditors' Report thereon, for the year ended December 31, 2011.

Askari Bank is a scheduled commercial bank incorporated in 1991 and is engaged primarily in the banking business as defined in the Banking Companies Ordinance, 1962. The Army Welfare Trust holds a significant portion of Bank's share capital. Askari Bank operates through a network of 245 full service/sub branches in major cities and towns of Pakistan and Azad Jammu and Kashmir, and has a Wholesale Bank Branch in the Kingdom of Bahrain.

### Subsidiary Companies

Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL), are the two subsidiary companies of the Bank with ownership of 100 percent and 74 percent, respectively. The primary business of AIML is to manage mutual funds and provide advisory services. ASL is engaged in the business of share brokerage, investment advisory, and consultancy services.

### Pakistan's Banking Sector

Pakistan's banking sector consists of scheduled commercial banks, Islamic banks, specialized banks, development finance institutions, investment banks, and microfinance institutions. Collectively, these institutions offer a wide array of products and services both on the assets and liabilities side catering to the savings, investments, and financing needs of the country's

population, especially its business sectors and activities.

Prior to the banking industry reforms, banking business in Pakistan was predominantly in the public sector owing to the nationalization of banks during the 70s. In the early 90s, market-based reforms were introduced and private sector was encouraged to supplement and support Pakistan's banking sector. Over the years these reforms have transformed the major part of our financial sector into a vibrant banking system backed by a strong legislative framework and an excellent regulatory and supervisory regime. The banking sector of Pakistan, which now comprises of 34 banks, includes 29 commercial banks - 22 indigenous and 7 foreign and 5 Islamic banks - plays a pivotal role in the growth of country's economy.

The local private sector banks collectively hold approximately 80 percent of the assets of the banking system. Askari is an indigenous bank, operates in a highly competitive environment. It endeavors to manage and increase its market share by offering innovative products and services backed by improved service quality and efficient operational processes. Askari Bank's share in total deposits and advances of scheduled banks as on December 31, 2011 stands at approximately 5.0 percent and 4.8 percent, respectively.



# The Economy

Pakistan's economy has been undergoing a turbulent period during recent years despite stabilization attempts aimed at generating growth and employment and improving the quality of life of the people. This period has also been marked by the continuing and intensified security challenges the country has confronted since 2001. In addition, the country has faced multiple natural calamities such as earthquakes and floods, commodity and oil prices shocks, and the fallout of the global financial crises, which tested the resilience of the economy.

## Gross Domestic Products

The GDP growth of 2.4 percent during fiscal 2011 was achieved despite the floods that impacted adversely on the growth target of 4.5 percent. Agriculture sector recorded a modest growth of 1.2 percent, while large scale manufacturing grew by 1.7 percent reflecting the impact of severity of the energy shortages and tariff hikes. The relatively stronger performance of the services sector, which grew by 4.1 percent, boosted the overall growth rate which nevertheless remained below its potential.

## Inflation / Fiscal Deficit

During most of the fiscal 2011, managing inflation was a key concern as a relatively stable or declining trend during earlier part of the year was reversed with the rising food and oil prices. The combination of inflationary upsurge and dried-up external financing flows due to difficulties in the IMF program, and insufficient funds from non-bank sources raised the pressures on SBP borrowings to finance the fiscal deficit through most of the first half of the fiscal 2011. The end of fiscal 2011 saw macro-framework stability on the back of austerity, resource mobilization measures, and some bold pricing decisions.



## Monetary Policy

Given the situation, SBP kept its tight monetary policy stance and raised the policy rate by 150 bps, staggered in three stages of 50 bps each, since the beginning of fiscal 2011. In the aftermath of floods, the policy rate was further increased by another 100 bps. These policy measures were in response to carryover of macroeconomic stresses and increase in aggregate demand. Inflation started moderating and some fiscal discipline was restored. Taking some comfort from declining inflation and with a view to supporting private sector credit and investment growth, the policy rate was reduced to 12 percent in two rounds, 50 bps in July 2011 and 150 bps in October 2011.

## External Sector

The most significant development during the year was the performance of the external sector, which moved towards a surplus in the current account. This was achieved by export growth and remittances recording a strong

performance. The combined effect of these positive developments was reflected in the growth of external reserves which touched a historic high during the second half of fiscal 2011.

The recent measures for fiscal correction aimed at contributing to a faster recovery and to a resumption of growth. The emerging fiscal situation has reinforced the urgent need to increase the tax base, rationalize expenditure, and to better insulate the economy from shocks. The economic stabilization program of the Government includes raising domestic revenues, broadening of tax base, austerity to reduce fiscal deficit, debt management strategy, restructuring of PSEs, tight monetary policy to check inflation, building foreign exchange reserves to stabilize the exchange rate, promoting exports, incentivizing home remittance, power sector reforms, and promoting growth. This comprehensive reforms agenda takes into account the major challenges on the horizon; its effective implementation is likely to put Pakistan's economy on the growth trajectory.



## Review of operating results

### Profit & Loss Account

#### Profit before & after taxation

Askari Bank's profit after tax stood at Rs. 1.628 billion for the year ended December 31, 2011, compared to Rs. 0.943 billion for full year 2010, an increase of 72.58 percent, while profit before tax rose to Rs. 2.413 billion from Rs. 1.273 billion, an increase of 89.51 percent. The increase in profits before and after tax is attributable mainly to a 40.24 percent decline in provisions against non-performing assets and impairment losses on investment portfolios.

#### Operating profit

During the year under review, our operating profit (i.e. profit before provisions and impairment against non-performing assets and taxation) was reported at Rs. 4.244 billion, registering a decline of 2.14 percent over last year's Rs. 4.337 billion, as the 6.37 percent increase in aggregate revenues was outpaced by a 11.09 percent increase in operating and administrative expenses.

#### Mark-up revenues and expenses

Net mark-up revenues increased by 7.18 percent in 2011 despite a significant rise in revenue suspensions against non-performing loans. This trend also reflected through a 2.20 percent decline

in revenues from advances despite the aggregate gross advances maintaining the last year's level. During the year under review, the lending activity tilted towards investments which increased by 30.80 percent, and was the reason for a major shift in the composition of markup revenues in favor of investments, which comprised of 45.13 percent of the aggregate markup revenues as compared to last year's 32.05 percent. As for markup expense lines, the composition was generally consistent with last year as the cost on customer deposits accounted for around 82.89 percent of the aggregate markup expense. During 2011, aggregate markup expense increased by 26.55 percent reflecting an increase in the volume of remunerative customer deposits which stood at 79.61 percent of the total deposits as on December 31, 2011 as against 77.97 percent at the close of last year, as well as the upward trend of market rates during most of the year under review as compared to 2010.



### Non mark-up revenue

During 2011, aggregate non mark-up income increased by 3.66 percent despite continued slow down of trading activity and eroding margins on trade finance. The 6.09 percent decline in fee, commission and brokerage income attributable to lesser trade activities, was largely compensated by incomes derived from non-core banking areas, i.e. active trading in money and stock market – due to the improvement in bourses. During the year under review, income from dealing in foreign currencies also registered a rise of 5.72 percent as the Bank was able to optimize on the arbitrage opportunities provided by the trends in foreign exchange dealings and transactions.

### Operating expenses

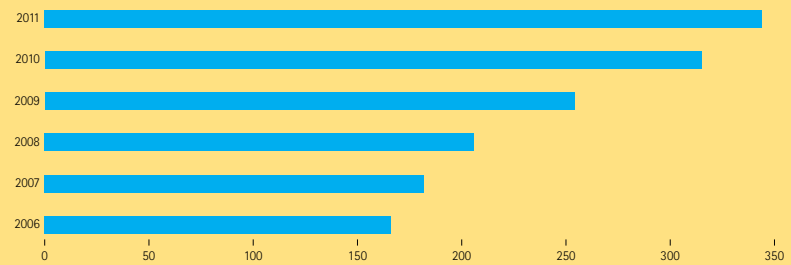
Askari Banks' aggregate operating and administrative expenses increased by 11.09 percent during the year under review, mainly reflecting the inflationary upsurge, increased recurring cost of the Bank's major investment in information technology, and additional expenses on branches opened during the year. The cost to income ratio (CIR) i.e., percentage of administrative expenses to total revenues, deteriorated to 67.28 percent for the year under review from 64.42 percent for last year, due to the combination of revenue losses on account of profit suspensions against NPLs and increase in administrative expenses, as explained above. The Bank is committed to arrest this trend.

### Provision against NPLs

During the year under review, the provisions for NPLs chargeable to revenues, declined by 29.71 percent mainly due to a 193.14 percent increase in permissible forced sales values (FSV) benefit amounting to Rs. 1,838 million recognized by the Bank during 2011 against Rs. 627 million recognized in 2010. This increase is attributable to the

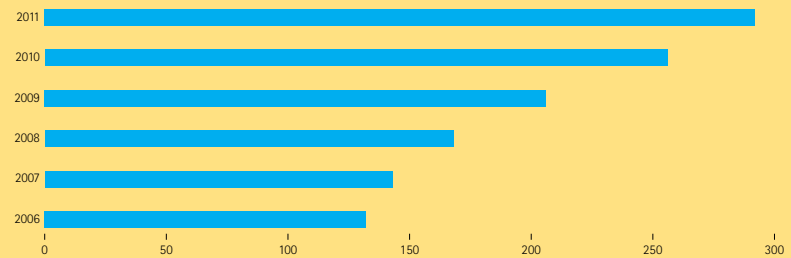
### Total Assets

(Rupees in billion)



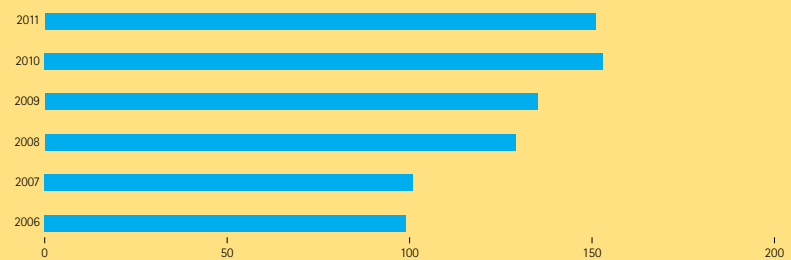
### Deposits

(Rupees in billion)



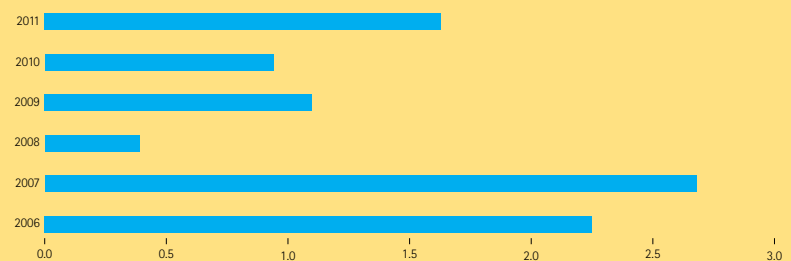
### Advances - net

(Rupees in billion)



### Profit before tax

(Rupees in billion)



# Directors' Report to the Shareholders contd.

revised basis introduced by the SBP for computation of FSV benefit vide BSD circular No. 1 of 2011 dated October 21, 2011. The detailed financial impact of the FSV benefit on profits on revised and previous basis is explained in Note 10.6.2 of the annexed audited financial statements.

## Earnings per share

The earnings per share for the year ended December 31, 2011 amounted to Rs. 2.30 per share against last year's Rs. 1.34 per share on a diluted basis, an increase of 71.64 percent.

## Appropriations

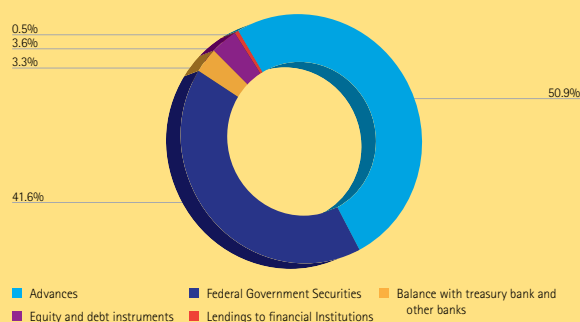
The Board of Directors recommends the following appropriations from profits for the year ended December 31, 2011:

	Rupees in thousand
Profit after tax for the year 2011	1,627,698
Appropriations:	
Statutory reserve @20%	(325,540)
General reserve*	(1,302,158)
<b>Total appropriations</b>	<b>(1,627,698)</b>
<b>Transfer from general reserve to reserve for issue of bonus shares</b>	<b>1,060,528</b>

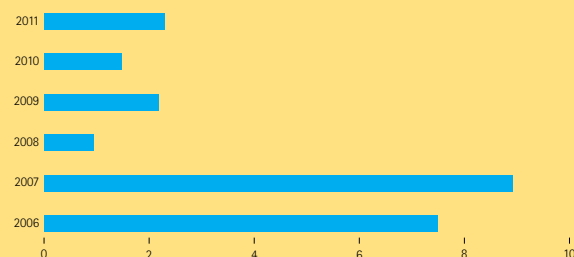
\* Includes FSV benefit, net of tax of Rs. 1,194,754 thousand, which in terms of BSD Circular No. 1 of 2011 dated October 21, 2011 is not distributable as cash or stock dividend. Therefore, unappropriated profit for the year, net of statutory reserve, was transferred to general reserve. Reserve for issue of bonus shares of Rs. 1,060,258 thousand was created out of accumulated balance of general reserve free of non-distributable FSV benefit.

The appropriation of capital reserve (reserve for issue of bonus shares), amounting to Rs. 1,060,528 thousand will enable the Bank to meet the enhanced Minimum (paid-up) Capital Requirement of Rs. 8.0 billion for the year 2011, as required by SBP BSD Circular No. 7 dated April 15, 2009.

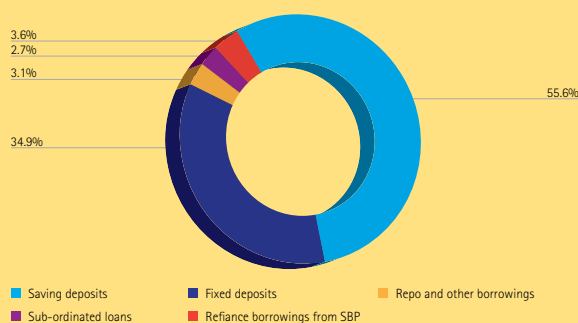
## Assets Mix – Earning



## Earnings per share (Rupees)



## Liability Mix – Cost Bearing







## Balance Sheet

Your Bank's balance sheet footing reached Rs. 343.756 billion as at December 31, 2011, registering an increase of 9.22 percent over Rs. 314.745 billion as of December 31, 2010 while the shareholders equity, excluding surplus on revaluation of assets, increased by 11.39 percent during the year under review.

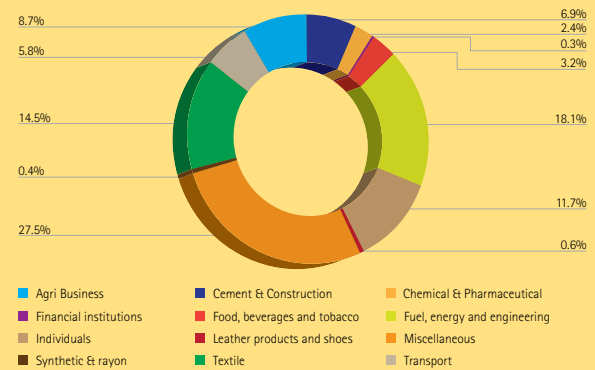
## Customer deposits

At the close of the year 2011, customer deposits had reached Rs. 291.503 billion from Rs. 255.937 billion at end 2010, an increase of 13.90 percent. During the year, fixed term deposits increased by 33.73 percent reflecting the preferences of our customers. While current and saving accounts registered a growth of 6.87 percent. The composition of remunerative deposits to total deposits registered a marginal increase, and stood at 79.61 percent as on December 31, 2011 compared with 77.97 percent of the corresponding year.

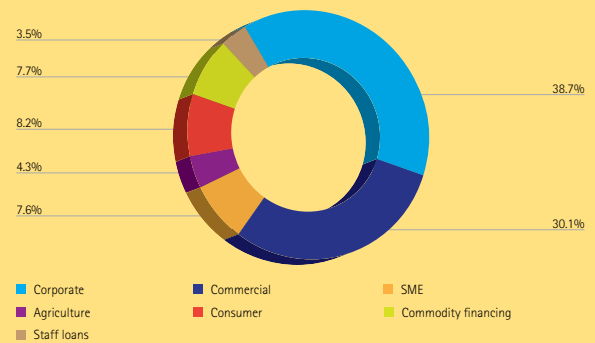
## Advances

By end 2011, gross advances declined marginally to Rs. 167.379 billion, from Rs. 168.436 billion at the close of 2010. The Bank remained watchful of the enhanced levels of credit risk elements prevalent in the system, and of the impact of advances' growth on its capital adequacy ratio. Given this situation the credit strategy continued to focus on the growth of advances which offered optimal risk adjusted returns. During the year under review, the increase in the levels of net non-performing advances, which had maintained a rising trend during the recent years, decelerated and the aggregate non-performing loans stood at Rs. 23.646 billion at end 2011, against Rs. 21.599 billion as of December 31, 2010, an increase of 9.48 percent. This was mainly due to addition of certain accounts to the main classification categories as per SBP Prudential Regulations with downgrade in certain categories: 28.78 percent and 29.38 percent reduction in the 'substandard' and 'doubtful' categories, respectively, while a 17.21 percent increase in 'loss', reflecting conversion of the former two categories to 'loss' category. Consequent upon the increase in NPLs and further downgrade, the cumulative provision against non-performing advances stood at Rs. 16.67 billion, reflecting a net increase of 6.50 percent. The Bank has been pursuing a twofold strategy for achieving improvement in NPLs; (a) expeditious recovery from the recognized non-performing loan portfolio and (b) restructuring / rescheduling of certain inflected loans. As a result, the reversals of provision on these two accounts increased by 106.51 percent during the year under review.

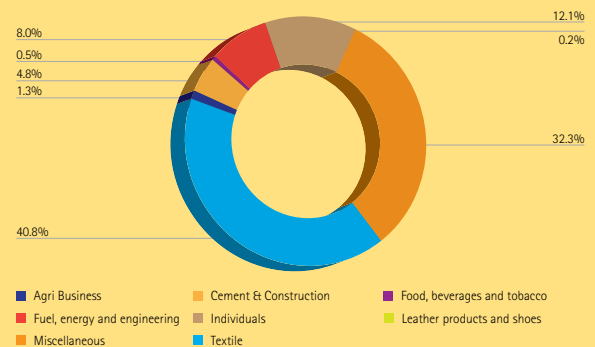
## Advances by Sector



## Advances by Segment



## NPL by Sector



# Directors' Report to the Shareholders contd.



The ratio of non-performing advances as a percentage of gross advances increased to 14.13 percent as of December 31, 2011, against last year's 12.82 percent mainly due to the disproportionate rise in NPLs to the overall decline in gross advances, though marginally, during the year under review. The risk coverage of NPLs was 70.49 percent, as against last year's 72.47 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 to collect for overdue amounts.

## Investments

As stated earlier, your Bank's aggregate investments increased by 30.80 percent, from Rs. 102.260 billion at end 2010 to

Rs. 133.757 billion as of December 31, 2011. A significant portion of this increase was concentrated in Federal Government Securities, which were also aimed to balance the increased requirement of prescribed liquidity management ratios. Other components of investments generally maintained the previous year's level.

## Assets against claims

During the year, the Bank acquired properties worth Rs. 1.347 billion against satisfaction of claims of borrowers, increasing the aggregate value of such properties to Rs. 3.486 billion (aggregate market value of Rs. 5.500 billion) at the end of 2011 compared to Rs. 2.139 billion as on December 31, 2010. As per the SBP guidelines, the cost of these assets is grouped in other assets (note 12 to the financial statements).

## Staff Strength

The Bank's total staff strength in various categories including regular, contractual, as well as outsourced, as of December 31, 2011 was reduced by 399 employees and stood at 7,277 employees compared to 7,676 as on December 31, 2010. The reduction is mainly in the area of temporary / contractual staff, where headcount showed a reduction of 401 or 21.78 percent; while strength of permanent staff maintained at the previous year's level. As a result of overall reduction in staff, the increase in employee costs was restricted at 6.32 percent.

## Technology

As stated in our earlier communication, 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.

#### **Core banking and other applications**

During the year under review, the Bank achieved significant progress towards the implementation of various technology initiatives and the core banking system, Flexcube, which constitutes our major initiative, is currently 'live' in 82 branches and is planned for expansion to all conventional branches during the ensuing year. This software is also planned for Islamic banking branches for which design and customization work is currently underway. Other applications include human resource management, risk management, supply chain management and enterprise

general ledger, and customer relationship management systems. Most of these systems are live with varying degrees of coverage.

#### **Other IT initiatives**

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 state of the art Data Center is fully operational in a Bank-owned building specifically designed to house technology infrastructure and facilities. 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.

#### **I.Net banking**

During the year under review, the Bank re-launched its new and improved Askari Internet Banking i.net banking. Our valued customers now have the enhanced level of customer convenience while managing their banking transaction through the internet, with the latest, user friendly and adequately secured internet banking facility.

#### **Risk Management Framework**

Your Bank has been pursuing a holistic approach towards the implementation of a sound risk management framework in all areas of banking activity as the risk management function is recognized as a fundamental to the business of banking and it is an essential element of our banking strategy.

Bank's risk management framework comprises of a risk management

# Directors' Report to the Shareholders contd.

committee of the board at the supervisory level, which oversees that risk policies, risk appetite and risk management methodologies and risk measurement tools are in place. Also that it is supported by an independent risk management function that ensures implementation of these policies and performance of these functions and that the risks are managed within the pre-defined and tolerable levels through effective monitoring of the three main areas of risks namely, credit risk, market risk and operational risk, across the Bank. Our risk management framework remains compliant with the relevant directives and regulations and international best practices, particularly those relating to implementation of Basel-II.

## Credit risk

In the area of credit risk management, a credit evaluation system comprising of well-designed credit appraisal, sanctioning, and credit review, ensures that the lending decision are in line with Bank's strategic objectives, prudent and aim to maintain asset quality at all times.

## Market risk

Banking is inherently exposed to market risks, whether arising from changes in interest rates, currency exchange rates, credit spreads, or share prices. Our market risk management attempts to ensure that various exposures in financial markets are actively managed while maintaining an efficient risk return profile. In the area of market risks, the Bank applies widely used concept of value at risk (VaR). Also, the asset liability management committee actively monitors the sensitivities of interest rates and maturity profiles of both assets and liabilities.

## Operational risk

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 system, people, and processes.

## Basel-II

Basel II standardized approach is currently in use for calculating the capital adequacy for credit risk with comprehensive approach for credit risk mitigation. Standardized approach is also used for capital allocation for credit risk and market risks while allocation for capital required for operational risk 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 testing and implementation phases.

The Bank has implemented Credit Risk Environment Administration Management (CREAM®) that had automated the credit approval and risk rating processes, while Reveleus®, risk management software is in the advanced stages of implementation. This will enable the Bank to automate capital allocation and monitoring, implementation of Basel II Foundation Internal Risk Based (FIRB) approach for managing credit risk, and VaR model for market risk.

## Human Resource

Our energetic human resource is recognized as our primary strength that governs our product and service deliverables and is the key in the process of value addition to our shareholders. Human resource functions are continually updated 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 initiatives which aim to promote a performance-oriented environment where employees work with dedication and coordination.

The implementation of our human resource management software 'PeopleSoft' made significant headway during the year with the centralization of the payroll, time and attendance, and absence management systems. This web-based system provides expanded online services for staff on HR related matters. The advance modules of the system will automate many processes relating to selection and recruitment, training and development, performance management, and career and succession planning. The centralization of HR related activities will improve discipline and control over such matters, besides improving the compliance and service standards of the Bank.

## Training and development

Our training and development teams continued their pursuit for quality training of Bank employees in line with the training policy. Training goals were determined in light of the well-defined training need assessments. In-house training facilities conducted 223 courses, workshops, and skill development clinics mainly in the disciplines of service and attitude, management and communication, IT, credit and finance, international trade, domestic banking operations, and risk management. In the area of IT related training, special trainings programs were designed and conducted for existing and potential users of our core banking software 'flexcube' to enable them to optimally utilize the software features for improved banking and customer services. The Bank will continue its endeavor to attract, and retain the talented human resource.

## Internal Controls

Internal controls contribute to effective management by the management and oversight by the Bank's Board of Directors. While the Board recognizes its responsibility as envisaged in the relevant regulations, the management of the Bank



tries its best to ensure the establishment and maintenance of adequate and effective systems of internal control in compliance with the applicable laws and regulations by identifying control objectives, devising and reviewing appropriate policies, and establishing relevant control systems and procedures. It is also responsible for assessing the effectiveness of internal controls and report on them to the Board.

While all significant policies and procedural manuals are already in place and their review / updation and improvement is an ongoing process which the management actively follows, the preparation of policy / procedure document for certain other banking activities are being developed.

The management is also cognizant of its responsibility of putting a system in place for the authentication of transactions, scrutiny of collateral and documentation,

and identifying areas requiring improvement and devising appropriate remedial action on a timely basis. As stated above, a complete revamp of its existing IT platform is one of the major moves in this direction.

Although the internal control system in the Bank is designed to minimize the risk of failure, these cannot be eliminated completely. The best that could be done is to keep inevitable failures within tolerable limits.

#### **Internal control over financial reporting**

The Bank is in the process of adopting an internationally accepted internal control framework, as envisaged under various SBP directives and guidelines. 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. These are followed by a detailed remediation and testing plans which are currently being worked at.

During the year 2011, the Bank continued its focus in making the system of internal controls yet more effective and efficient in order to ensure that no material compromise is made in implementing the desired control procedures, and that a suitable control 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

# Directors' Report to the Shareholders contd.



the banking sector and assumes its ability to take all measures necessary for the purpose.

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

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 operations environment."

## Capital Adequacy

As of December 31, 2011, your Bank's capital adequacy ratio (CAR) stood at 11.35 percent against last year's 10.30 percent, while the SBP's minimum prescribed requirement stands at 10 percent. The improvement in CAR is mainly due to growth in equity i.e. total eligible capital due to retention of profits and a sub-ordinated debt worth Rs. 1 billion issued during the year, with aggregate risk assets at the same level as that of year end 2010. 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 the outreach of its branch network has direct implications for the services that it provides to its customers. During the year, your bank opened 10 new conventional banking branches. We now offer services through a network of 245 full service / sub-branches, including 31 dedicated Islamic banking branches, and a Wholesale Bank Branch in Bahrain. Through this network, we are able to offer our wide range of products and services to our customers. Given the current economic conditions, your Bank will continue to place emphasis on the consolidation of recent expansion, and incremental expansion.

## Islamic Banking

Our Islamic product and service offerings available through our dedicated Islamic banking branch network of 29 full service branches and 2 sub-branches, are based entirely on Shariah principles. Special care is exercised to ensure that there is no mixing of funds between conventional and Islamic banking.

During 2011, Islamic Banking posted a profit of Rs. 98.549 million, a sharp

recovery from last year's loss of Rs. 372.02 million, due mainly to a net reversal of provision against non-performing assets amounting to Rs. 78.301 million, compared to a net charge of Rs. 323.794 million last year. At the close of 2011, the asset-base of Islamic banking stood at Rs. 14.96 billion, an increase of 38.78 percent over Rs. 10.78 billion as of December 31, 2010. Customer deposits increased by 27.86 percent from Rs. 9.26 billion, on December 31, 2010, to Rs. 11.84 billion, at the close of 2011. The increase in deposits was backed by improvement in the deposit mix as we focused on relatively low-cost deposits on a Shariah compliant basis. The aggregate Islamic financing marginally reduced from Rs. 3.48 billion to Rs. 3.04 billion during the year under review, as the Bank remained watchful of the current economic environment. However, our Sukuk investments portfolio increased by 82.29 percent from Rs. 5.42 billion at end 2010 to Rs. 9.88 billion as on December 31, 2011 mainly comprising of Government of Pakistan Guaranteed Ijarah Sukuk instruments.

The pace of recovery achieved by Islamic Banking will be further strengthened through an increased focus on automation, improvement in Shariah compliant areas of business, and effective marketing to create awareness of Askari Islamic Banking, which shall be strategically used to position our products more effectively in the market.

## Subsidiaries

### Askari Investment Management Limited

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



AIML is operating with five open-end funds namely, 1) Askari Sovereign Cash Fund (ASCF), size Rs. 7,370.79 million; 2) Askari High Yield Scheme, size Rs. 1,904.71 million; 3) Askari Islamic Income Fund, size Rs. 604.70 million; 4) Askari Asset Allocation Fund, size Rs. 167.71 million; and 5) Askari Islamic Asset Allocation Fund, size Rs. 112.96 million. Catering to the needs of both individual and institutional investment segments, AIML and its funds follow an objective-based investment methodology, where financial performance is defined as a return against an investment benchmark, as distinct from the conventional investing methodologies.

Consolidated financial statements of the Bank and AIML for the year ended December 31, 2011 are included in this report.

### Askari Securities Limited

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

ASL is an incorporated public limited company and a corporate member of Islamabad Stock Exchange (Guarantee) Limited, engaged primarily in share brokerage, and investment advisory and consultancy services. During the year, ASL mainly focused on strategically positioning itself in the market which was aided by acquisition of a seat at the Karachi Stock Exchange and upgraded technology infrastructure. Simultaneously, with the improved market sentiment ASL has been able to post better results during the year under review. With evidence of improving investor confidence at the bourses, we believe that ASL will show better results in the years to come.

Consolidated financial statements of the Bank and ASL for the year ended December 31, 2011 are included in this report.

# Corporate Sustainability

The corporate sustainability of the Bank encompasses all areas of its activities; whether it be business or its operations; relationships with regulator or customers; caring for the society or its human resource.

## Core Values and Conduct

The Bank strives to establish high standards of good governance and professionalism, transparency in its business and operational decisions, and fully secured and compliant systems and controls in order to protect interests of stakeholders. We at Askari Bank have defined a set of core values for ourselves – commitment, integrity, fairness, teamwork and service – to guide us in all we do. Also, a comprehensive 'Code of Ethics and Conduct' is in place, which is required to be read, understood, and signed by all employees each year, as an aid and guidance for discharging their duties diligently and in compliance with best practices. We, therefore, are cognizant of the need to work beyond financial considerations, and to go the extra mile to ensure that we are perceived as a corporate body that exists not just for profits, but as a wholesome entity created for the good of the society and for improving the quality of life of the communities we serve.

## Corporate Social Responsibility

As a constructive partner in the communities in which it operates, Askari Bank has been taking concrete action to realize its social responsibility objectives, thereby building value for its shareholders and customers. For the last many years, the Bank has supported various social and community initiatives

by supporting environmental and health-care projects and social, cultural, and educational programs.

The notable contributions and events under CSR program are covered in this report separately.

Askari Bank is the bank of first choice for the Armed Forces of Pakistan and in this regard we offer special account operating facilities to foreign contingent and salary accounts, branches / sub-branches are opened in cantonments and other army establishments including installing dedicated ATM machines.

## Human Resource

The Bank continued to invest in the development of its human capital. Our human resource policies try to ensure that we maintain high standards as an equal opportunity employer; we maintain special employment quota for special persons and encourage their hiring.

## Safety and Security

The Bank is ISO 27001 certified. It follows high standards of information security management thereby ensuring occupational health and safety of people and data.

## Contribution to Exchequer

During 2011, the Bank contributed Rs. 953 million to the national exchequer on account of income tax. Thus, a considerable portion of the net income that the Bank earned was rendered as government revenue for the country's socioeconomic needs. Similarly, a substantial amount was also deposited into the government treasury as a tax collecting agent.

# Directors' Report to the Shareholders contd.

## Awards

During the year, the Annual Report of the Bank for the year 2010 won the second 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 good work by these esteemed professional organizations.

Significantly, the annual report for 2010 was awarded Joint second runner-up position in the banking sector by the South Asian Federation of Accountants, an Apex body of the SAARC countries.



## Corporate Governance

### Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2011 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 with a view to removing any weakness.
- 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, are included in this report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2011, except as disclosed in annexed financial statements.
- The following is the value of investment as at December 31, 2011:

- Provident Fund Rs. 1,858.65 million, based on un-audited financial statements (December 31, 2010: Rs. 1,528.91 million)
- Gratuity Fund Rs. 850.07 million, based on un-audited financial statements (December 31, 2010: Rs. 671.00 million)

- During 2011, eight meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of directors	Attendance
Lt. Gen. Nadeem Taj (outgoing Chairman)	2
Lt. Gen. Javed Iqbal (incoming Chairman)	5
Lt. Gen. (R) Imtiaz Hussain (retired)	8
Maj. Gen. (R) Saeed Ahmed Khan (retired)	4
Malik Riffat Mahmood	3
Mr. Zafar Alam Khan Sumbal	8
Dr. Bashir Ahmad Khan	7
Mr. Ali Noormahomed Rattansey	3
Mr. Shahid Mahmud	7
Mr. Muhammad Riyazul Haque	7
Mr. Wazir Ali Khoja	6
Khawaja Jalaluddin Roomi	4
Mr. M. R. Mehkari (President & Chief Executive)	8





## Performance Review Criteria

### President & Chief Executive (P&CE)

The stewardship position of P&CE is appraised by the Board on a periodic basis. The Board gives strategic direction through developing medium-term strategic plans and staggering it into annual budgets / business plans whereby key operational, business and financial targets are set, with a monitoring mechanism. The performance against all financial and non-financial targets are periodically reviewed, with further directions for corrective measures, where required. The performance of P&CE is also evaluated based on independent review reports of the SBP and external / internal auditors. Therefore, the BoD while giving full authority to P&CE, ensures that corporate goals and objectives remain aligned with vision and mission and corporate objectives of the Bank.

### Board of Directors

The Board's role of oversight and its effectiveness is evaluated by the Board itself by evaluating the extent of efforts / contribution made by it, in terms of:

- Thoroughness – forming sub-committees for important areas and devising their terms of reference and reviewing compliance thereagainst.
- Commitment – number of time the Board and its sub-committees met during the year.
- Documentation – review & approval of policies made during the year.
- Strategy formulation – developing plans and their regular review.
- Monitoring – devising monitoring mechanism and its implementation.
- Strategic decisions – taken by it and gauging impacts against expected benefits.
- Training & development – attendance of courses / workshops by directors.

## Auditors

The Auditors, M/s KPMG Taseer Hadi & Co, Chartered Accounts have completed their assignment for the year ended December 31, 2011 and shall retire at the conclusion of the 20th Annual General Meeting. As advised by the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the auditors for the year 2012.

### Events After the Balance Sheet Date

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

# Prospects and Plans

### Offer to Purchase AWT's Shareholding in Askari Bank

During the year, the Sponsors of Askari Bank, Army Welfare Trust (AWT) approved a non-binding indicative offer made by Fauji Foundation to purchase (alone or together with one or more of its affiliated entities) up to 100 percent of AWT's shareholding in Askari Bank Limited, subject to obtaining of all regulatory approvals under the applicable laws and regulations. An intimation to this effect has already been forwarded to Islamabad, Lahore, and Karachi stock exchanges on December 15, 2011. It is expected that the successful consummation of this proposal will provide the platform for maintaining and strengthening the Bank's competitive advantage to play a leading role in the financial sector of Pakistan while maximizing value for its shareholders.

## Prospects for 2012

The key challenge for Pakistan's economy and policy makers is to ensure consolidation of economic stability and improvement in the fiscal regime through a higher tax to GDP ratio, expenditure restraint, resolution of the energy crisis, control of the inflationary pressures, and 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 prospects and timing of the tough economic decisions required. Within the Pakistani banking sector rising NPLs are 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 export growth potential. There are no easy answers. Given the challenges on hand, 2012 is expected to be a year to watch for measures of consolidation and economic stabilization.

### Acknowledgments

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

For and on behalf of the Board.

Lt Gen Javed Iqbal  
Chairman, Board of Directors

Rawalpindi  
February 14, 2012



*Striving for  
excellence in  
service*

Unconsolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2011

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## Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2011

This statement is being presented 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 Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Bank's shares are listed for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 2 non-executive Directors including Chairman BoDs and 5 independent Directors represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Bank Limited, except Mr. Wazir Ali Khoja (MD – NIT) 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Directors were elected in Annual General Meeting (AGM) subsequent to completion of 3 years of previous term. The number of directors increased from 10 to 11. Subsequent to the election 2 casual vacancies occurred, which were filled within the prescribed period. The President & CE was given another term of contract for 3 years after completion of previous term of same 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. This year another director and Company Secretary completed Directors' Certification Program offered by Pakistan Institute of Corporate Governance (PICG). Now 2 directors have completed the said Certification Program.
7. 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.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
12. 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.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.

14. During the year Head Internal Audit was replaced internally with the approval of Audit Committee and the Board.
15. The Board has formed an Audit Committee. It comprises of 3 members. All members are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee were fully complied with.
17. The Board has set-up an effective internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All material information required under the relevant rules have been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
21. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



Lt. Gen. Javed Iqbal

Chairman

Rawalpindi  
February 14, 2012



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

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

## Review Report to the Members

On 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, 2011.

Islamabad  
February 14, 2012

**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, 2011 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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





KPMG Taseer Hadi &amp; Co.

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2011 and its true balance of the profit, its changes in equity and cash flows for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad  
February 14, 2012

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

Engagement Partner  
Muhammad Rehan Chughtai

# Unconsolidated Statement of Financial Position

As at December 31, 2011

Rupees in '000	Note	2011	2010
<b>Assets</b>			
Cash and balances with treasury banks	6	26,168,181	22,565,188
Balances with other banks	7	6,235,055	3,784,862
Lendings to financial institutions	8	1,591,584	9,172,186
Investments	9	133,756,712	102,259,757
Advances	10	150,710,709	152,784,137
Operating fixed assets	11	9,348,815	9,987,963
Deferred tax assets		-	-
Other assets	12	15,945,250	14,190,459
		343,756,306	314,744,552
<b>Liabilities</b>			
Bills payable	13	2,756,032	3,089,984
Borrowings	14	17,273,470	25,554,777
Deposits and other accounts	15	291,502,993	255,936,503
Sub-ordinated loans	16	6,990,100	5,992,500
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	83,024	85,507
Other liabilities	18	7,374,421	8,081,139
		325,980,040	298,740,410
Net assets		17,776,266	16,004,142
<b>Represented by</b>			
Share capital	19	7,070,184	6,427,440
Reserves	20	8,136,440	7,691,319
Unappropriated profit		1,302,158	701,819
		16,508,782	14,820,578
Surplus on revaluation of assets – net of tax	21	1,267,484	1,183,564
		17,776,266	16,004,142

## Contingencies and commitments

22

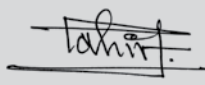
The annexed notes 1 to 48 and Annexure – 1 and 2 form an integral part of these unconsolidated financial statements.



M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



# Unconsolidated Profit and Loss Account

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
Mark-up / return / interest earned	25	32,766,351	27,328,908
Mark-up / return / interest expensed	26	22,699,583	17,936,616
Net mark-up / interest income		10,066,768	9,392,292
Provision against non-performing loans and advances – net	10.6.1	1,630,123	2,319,280
Impairment loss on available for sale investments		122,421	382,764
Provision for diminution in the value of investments	9.2.1	43,596	296,530
Provision against repurchase agreement lendings	8.4	34,702	65,808
Bad debts written off directly		-	-
		1,830,842	3,064,382
Net mark-up / interest income after provisions		8,235,926	6,327,910
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,193,986	1,271,467
Dividend income		289,470	209,922
Income from dealing in foreign currencies		772,495	730,693
Gain on sale of securities – net	27	307,212	212,527
Unrealised loss on revaluation of investments classified as held for trading – net		-	(354)
Other income	28	339,758	376,042
Total non-markup / interest income		2,902,921	2,800,297
		11,138,847	9,128,207
<b>Non mark-up / interest expenses</b>			
Administrative expenses	29	8,639,312	7,812,618
Other provisions / write offs		-	-
Other charges	30	86,784	42,453
Total non-markup / interest expenses		8,726,096	7,855,071
		2,412,751	1,273,136
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		2,412,751	1,273,136
Taxation – current	31	832,723	329,617
– prior years'		-	-
– deferred	31	(47,670)	342
		785,053	329,959
<b>Profit after taxation</b>		1,627,698	943,177
Unappropriated profit brought forward		701,819	833,511
Profit available for appropriation		2,329,517	1,776,688
Basic / diluted earnings per share – Rupees	32	2.30	1.34

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) Tahir Mahmood  
Director

Lt. Gen. Javed Iqbal  
Chairman

# Unconsolidated Statement of Comprehensive Income

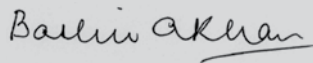
For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>Profit after taxation</b>	1,627,698	943,177
<b>Other comprehensive income</b>		
Effect of rescheduled / restructured classified advances	40,723	53,362
Effect of translation of net investment in Wholesale Bank Branch	19,783	2,790
<b>Total comprehensive income</b>	<b>1,688,204</b>	<b>999,329</b>

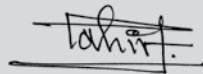
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M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



# Unconsolidated Cash Flow Statement

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>Cash flow from operating activities</b>			
Profit before taxation		2,412,751	1,273,136
Less: Dividend income		(289,470)	(209,922)
		2,123,281	1,063,214
Adjustments:			
Depreciation / amortization		817,806	684,196
Provision against non-performing advances – net		1,630,123	2,319,280
Impairment loss on available for sale investments		122,421	382,764
Provision for diminution in the value of investments		43,596	296,530
Provision against repurchase agreement lendings		34,702	65,808
Unrealised loss on revaluation of investments classified as held for trading – net		–	354
Gain on sale of operating fixed assets		(20)	(2,180)
		2,648,628	3,746,752
		4,771,909	4,809,966
Decrease / (increase) in operating assets			
Lendings to financial institutions		7,545,900	(4,723,935)
Held for trading securities		21,560	92,578
Advances		(862,910)	(12,390,280)
Other assets (excluding advance taxation)		(276,227)	(1,101,989)
		6,428,323	(18,123,626)
(Decrease) / increase in operating liabilities			
Bills payable		(333,952)	144,314
Borrowings		(8,281,307)	5,138,995
Deposits		35,566,490	42,514,609
Other liabilities (excluding current taxation)		(706,499)	2,715,255
		26,244,732	50,513,173
Cash flow before tax		37,444,964	37,199,513
Income tax paid		(953,125)	(1,389,497)
Net cash flow from operating activities	33.1	36,491,839	35,810,016
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(31,917,887)	(35,382,050)
Net investments in held to maturity securities		430,746	(578,498)
Net investments in subsidiaries / associate		(68,284)	(61,237)
Dividend income		282,447	233,710
Investments in operating fixed assets – net of adjustment		(194,552)	(1,540,127)
Sale proceeds of operating fixed assets – disposed off		11,713	17,179
Net cash used in investing activities		(31,455,817)	(37,311,023)
<b>Cash flow from financing activities</b>			
Receipts / (payments) of sub-ordinated loans		997,600	(2,400)
Dividend paid		(219)	(293)
Net cash flow from / (used in) financing activities		997,381	(2,693)
Effect of translation of net investment in Wholesale Bank Branch		19,783	2,790
Increase / (decrease) in cash and cash equivalents		6,053,186	(1,500,910)
Cash and cash equivalents at beginning of the year	33	26,350,050	27,850,104
Cash and cash equivalents acquired on amalgamation of ALL		–	856
Cash and cash equivalents at end of the year	33	32,403,236	26,350,050

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) Tahir Mahmood  
Director

Lt. Gen. Javed Iqbal  
Chairman

# Unconsolidated Statement of Changes in Equity

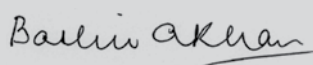
For the year ended December 31, 2011

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Total
						General reserve	Un-appropriated profit	
Balance as at January 1, 2010	5,073,467	52,723	-	3,134,270	-	4,048,717	833,511	13,142,688
Issue of shares and reserves recognised on amalgamation of Askari Leasing Limited	282,733	-	234,669	-	-	161,159	-	678,561
Balance as at January 1, 2010	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
Other comprehensive income								
- Effect of rescheduled / restructured classified advances – note 20.1	-	-	-	-	53,362	-	-	53,362
- Effect of translation of net investment in 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)	-
Transaction with owners, recorded directly in equity								
Bonus shares declared / issued subsequent to year ended December 31, 2009	1,071,240	-	-	-	-	(1,071,240)	-	-
Balance as at January 1, 2011	6,427,440	55,513	234,669	3,322,905	53,362	4,024,870	701,819	14,820,578
Total comprehensive income for the year ended December 31, 2011								
Net profit for the year ended December 31, 2011	-	-	-	-	-	-	1,627,698	1,627,698
Other comprehensive income								
- Reversal of capital reserve	-	-	-	-	(30,969)	-	-	(30,969)
- Effect of rescheduled / restructured classified advances – note 20.1	-	-	-	-	71,692	-	-	71,692
- Effect of translation of net investment in Wholesale Bank Branch	-	19,783	-	-	-	-	-	19,783
	-	19,783	-	-	40,723	-	1,627,698	1,688,204
Transfer to:								
Statutory reserve	-	-	-	325,540	-	-	(325,540)	-
General reserve	-	-	-	-	-	701,819	(701,819)	-
Transaction with owners, recorded directly in equity								
Bonus shares declared / issued subsequent to year ended December 31, 2010	642,744	-	-	-	-	(642,744)	-	-
Balance as at December 31, 2011	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,302,158	16,508,782

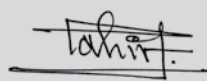
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M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 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 1, 1992. Army Welfare Trust (AWT) holds 50.57% (2010: 50.57%) of the Bank's share capital at the year end. The Bank has 245 branches (2010: 235 branches); 244 in Pakistan and Azad Jammu and Kashmir, including 31 (2010: 31) Islamic Banking branches, 21 (2010: 16) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

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

- 1.2 During the year, the Sponsors of Askari Bank, the Army Welfare Trust (AWT) approved the non-binding indicative offer made by Fauji Foundation to purchase (alone or together with one or more of its affiliated entities) up to 100% of AWT's shareholding in Askari Bank Limited, subject to obtaining of all regulatory approvals under the applicable laws and regulations. An intimation to this effect has already been forwarded to Islamabad, Lahore and Karachi stock exchanges on December 15, 2011.

## 2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2 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.
- 2.3 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.
- 2.4 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.

## 3. STATEMENT OF COMPLIANCE

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2012:

- IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after January 1, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 1, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments are not expected to impact the current transactions of the Bank.
- IAS 28 Investments in Associates and Joint Ventures (2011) – (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments are not expected to impact the current transactions of the Bank.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

- IAS 19 Employee Benefits (amended 2011) – (effective for annual periods beginning on or after January 1, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Bank does not plan to adopt this change early and the extent of the impact has not been determined.
- Presentation of items of other comprehensive income (Amendments to IAS 1) – (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other approved accounting standards continue to apply in this regard. The amendments are not expected to impact the current transactions of the Bank.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to impact the current transactions of the Bank.
- IFRIC 20 – Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 1, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the unconsolidated financial statements of the Bank.

## 4. BASIS OF MEASUREMENT

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

### Use of critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its 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 5.3)
- ii) provision against investments (note 5.3), advances (note 5.4) and other assets (note 5.6)
- iii) valuation and impairment of available for sale securities (note 5.3)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.5)
- v) taxation (note 5.7)
- vi) staff retirement benefits (note 5.8)

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Cash and cash equivalents

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

### 5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the 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.





### 5.3 Investments

Investments are classified as follows:

#### Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements 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 SBP's BSD Circular No. 20 dated August 4, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the unconsolidated statement of financial position. Where the decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in profit and loss account. Investments in other unquoted securities are valued at cost less impairment losses, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

#### Held to maturity

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

#### Investment in subsidiaries and associate

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

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

### 5.4 Advances

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

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

The SBP has notified for adoption of "Islamic Financial Accounting Standard 2 Ijarah" (IFAS-2) which is applicable for accounting period beginning on or after January 1, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 1, 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.

### 5.5 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.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

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

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

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

## 5.6 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 amortization, if no impairment loss had been recognised.

## 5.7 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 other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity.

### Current

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

### Deferred

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

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

## 5.8 Staff retirement benefits

### Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognised 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 provides compensated absences to all its regular employees. Liability for unfunded scheme is recognised 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 unconsolidated statement of financial position represents the present value of defined benefit obligations.



## 5.9 Revenue recognition

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

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

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

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

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

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

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

Profits on Diminishing Musharaka financings are recognised on accrual basis.

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

## 5.10 Foreign currencies

### Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the date of 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 profit and loss account currently.

### Foreign operation

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

### Translation gains and losses

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

### Commitments

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

## 5.11 Provisions

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

## 5.12 Off-setting

Financial assets and financial liabilities are only set-off and the net amount is reported in the 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.

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

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

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

## 5.14 Segment reporting

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

### 5.14.1 Business segment

#### Corporate finance

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

#### Trading and Sales

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

#### Retail Banking

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

#### Commercial Banking

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

#### Payment and settlement

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

#### Agency services

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

#### Sub-ordinated loans

It represents Term Finance Certificates issued by the Bank.

### 5.14.2 Geographical segments

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



Rupees in '000	Note	2011	2010
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		3,906,099	3,698,621
Foreign currencies		971,932	1,093,497
<b>National Prize Bonds</b>		4,878,031	4,792,118
		8,688	18,146
<b>With the State Bank of Pakistan in</b>			
Local currency current accounts	6.1	12,651,165	9,837,640
Foreign currency current account	6.1	2,391,749	1,914,623
Foreign currency deposit account	6.2	5,359,856	5,366,912
		20,402,770	17,119,175
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		878,692	635,749
		26,168,181	22,565,188

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

6.2 This represents special cash reserve maintained with the SBP and is remunerated at 0.00% (2010: 0.00%) per annum.

Rupees in '000	Note	2011	2010
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		542,606	389,770
On deposit accounts		283,861	480,534
<b>Outside Pakistan</b>			
On current accounts		1,292,950	1,243,196
On deposit accounts	7.1	4,115,638	1,671,362
		6,235,055	3,784,862

7.1 These represent placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.00% to 0.35% (2010: 0.03% to 0.20%) per annum receivable on maturity.

Rupees in '000	Note	2011	2010
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (reverse repo)	8.1	360,501	8,349,938
Purchase under resale arrangement of equity securities	8.2	200,000	200,000
		560,501	8,549,938
Funded Trade Finance	8.3	1,214,267	770,730
		1,774,768	9,320,668
Provision against reverse repo	8.4	(183,184)	(148,482)
		1,591,584	9,172,186

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortized over the period of related contracts and recorded under mark-up / return / interest earned. This carries mark-up at rate of 11.9% (2010: 12.6% to 13.2%) per annum and maturities of upto 1 month (2010: upto 3 months).

8.2 These represent shares of companies purchased under resale agreement and carried mark-up at 18.01% (2010: 18.01%) per annum with maturity of upto 1 (2010: upto 1) month.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

8.3 These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka (2010: Ukr Sibbank Kiev, Ukraine) at mark-up rates ranging from 2.01% to 2.03% (2010: 4.62%) per annum with maturities of upto April 2012 and December 2012 (2010: January 2011).

Rupees in '000	2011	2010
<b>8.4 Particulars of provision against repurchase agreement lendings</b>		
Opening balance	148,482	82,674
Charge for the year	34,702	65,808
Closing balance	183,184	148,482
<b>8.5 Particulars of lending</b>		
In local currency	560,501	8,549,938
In foreign currencies	1,214,267	770,730
	1,774,768	9,320,668

Rupees in '000	2011			2010		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.6 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	360,501	-	360,501	8,074,770	-	8,074,770
Pakistan Investment Bonds	-	-	-	275,168	-	275,168
Purchase under resale arrangement of listed shares	200,000	-	200,000	200,000	-	200,000
	560,501	-	560,501	8,549,938	-	8,549,938

Market value of securities held as collateral is Rs. 377,645 thousand (2010: Rs. 8,494,528 thousand).



## 9. INVESTMENTS

Rupees in '000	Note	2011			2010		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1 Investments by types</b>							
Held for trading securities							
Fully paid ordinary shares		-	-	-	21,914	-	21,914
Available for sale securities							
Market Treasury Bills		85,163,963	7,933,076	93,097,039	58,593,073	11,720,668	70,313,741
Pakistan Investment Bonds	9.18	18,760,393	36,602	18,796,995	6,399,771	1,261,467	7,661,238
Fully paid ordinary shares / units		1,637,867	-	1,637,867	1,063,673	-	1,063,673
Units of open end mutual funds	9.4	1,574,714	-	1,574,714	1,520,717	-	1,520,717
Fully paid preference shares	9.6	67,000	-	67,000	75,000	-	75,000
Term Finance Certificates		4,895,969	-	4,895,969	12,779,061	-	12,779,061
National Investment Trust (NIT) units		372,762	-	372,762	222,681	-	222,681
Sukuk Certificates	9.9	8,150,281	-	8,150,281	3,405,240	-	3,405,240
Government of Pakistan Euro Bonds	9.10	948,612	-	948,612	638,767	-	638,767
Foreign securities	9.11	133,555	-	133,555	199,210	-	199,210
		121,705,116	7,969,678	129,674,794	84,897,193	12,982,135	97,879,328
Held to maturity securities							
Term Finance Certificates		523,726	-	523,726	739,941	-	739,941
Pakistan Investment Bonds		1,070,676	-	1,070,676	1,101,980	-	1,101,980
Government of Pakistan Euro Bonds	9.2.4	1,038,061	-	1,038,061	957,964	-	957,964
Sukuk Certificates	9.13	1,728,334	-	1,728,334	2,013,203	-	2,013,203
Credit Linked Notes	9.14	449,729	-	449,729	428,184	-	428,184
		4,810,526	-	4,810,526	5,241,272	-	5,241,272
Investment in associate							
Askari General Insurance Company Limited	9.12	53,703	-	53,703	35,419	-	35,419
Investment in subsidiaries							
Askari Investment Management Limited	9.5	185,000	-	185,000	135,000	-	135,000
Askari Securities Limited	9.5	114,789	-	114,789	114,789	-	114,789
Investment at cost		126,869,134	7,969,678	134,838,812	90,445,587	12,982,135	103,427,722
Provision for diminution in value of investments	9.2.1	(420,806)	-	(420,806)	(377,210)	-	(377,210)
Investments (net of provision)		126,448,328	7,969,678	134,418,006	90,068,377	12,982,135	103,050,512
Unrealised loss on revaluation of held for trading securities – net	9.16	-	-	-	(354)	-	(354)
Deficit on revaluation of available for sale securities – net		(665,819)	4,525	(661,294)	(684,936)	(105,465)	(790,401)
<b>Total investments</b>		<b>125,782,509</b>	<b>7,974,203</b>	<b>133,756,712</b>	<b>89,383,087</b>	<b>12,876,670</b>	<b>102,259,757</b>

Market value of held to maturity securities as at December 31, 2011 is Rs. 4,605,207 thousand (2010: Rs. 5,112,366 thousand).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>9.2 Investments by segments:</b>			
Federal Government Securities	9.2.3		
Market Treasury Bills		93,097,039	70,313,741
Pakistan Investment Bonds		19,867,671	8,763,218
Government of Pakistan Euro Bonds	9.2.4	1,986,673	1,596,731
Sukuk Certificates		8,250,000	3,780,703
		123,201,383	84,454,393
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	1,635,890	1,065,326
Unlisted companies	9.5	355,469	305,469
		1,991,359	1,370,795
Units of open end mutual funds	9.4	1,574,714	1,520,717
Fully paid preference shares	9.6		
Listed companies		42,000	50,000
Unlisted companies		25,000	25,000
Term finance certificates	9.7		
Listed term finance certificates		1,829,589	1,899,488
Unlisted term finance certificates		3,590,106	11,619,514
		5,419,695	13,519,002
Foreign securities			
Mena transformation fund	9.11	133,555	199,210
Credit linked notes	9.14	449,729	428,184
		583,284	627,394
Other investments			
Sukuk certificates		1,628,615	1,637,740
National Investment Trust (NIT) – units		372,762	222,681
		2,001,377	1,860,421
Total investment at cost		134,838,812	103,427,722
Provision for diminution in value of investments	9.2.1	(420,806)	(377,210)
Investments (net of provisions)		134,418,006	103,050,512
Unrealised loss on revaluation of held for trading securities – net	9.16	–	(354)
Deficit on revaluation of available for sale securities – net		(661,294)	(790,401)
Total investments		133,756,712	102,259,757
<b>9.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		377,210	80,680
Charge for the year		43,596	296,530
Closing balance		420,806	377,210
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares – unlisted		5,680	5,680
Preference shares – unlisted		27,550	25,000
Term finance certificates		84,987	32,873
Sukuk certificates		174,320	260,000
Held to maturity securities			
Term finance certificates		40,242	25,000
Subsidiaries			
Fully paid ordinary shares – unlisted		88,027	28,657
		420,806	377,210





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

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2012 to November 2012	On maturity	11.65% to 13.88%	at maturity
Pakistan Investment Bonds	April 2012 to June 2024	On maturity	8% to 12%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to June 2017	On maturity	6.88% to 7.13%	semi-annually
Sukuk Certificates				
- House Building Finance Corporation	May 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
- Pakistan Domestic Sukuk Company Limited	November 2013 to December 2014	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
- WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

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

### 9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share/unit	Name of companies / mutual funds	Note	2011	2010
2011	2010	Rupees 2011			Rupees in '000	
306,827	-	57.11	Adamjee Insurance Company Limited		17,523	-
-	2,590,166	-	Al Meezan Mutual Fund	9.4.1	-	21,161
611	-	60.56	Allied Bank Limited		37	-
-	900,369	-	Arif Habib Corporation Limited		-	26,073
8,376,556	5,094,348	6.41	Askari General Insurance Company Limited	9.12	53,703	35,419
13,100	10,278,134	6.03	Atlas Fund of Funds		79	45,532
914	82,430	52.52	Attock Cement Pakistan Limited		48	5,021
310	50,000	380.65	Attock Petroleum Limited		118	15,853
-	13,600	-	Attock Refinery Limited		-	1,708
7,581,585	3,481,913	3.56	Azgard Nine Limited		26,959	41,731
6,411	2,350,199	10.76	Bank Alfalah Limited		69	25,839
-	306,000	-	Crescent Steel Mills Limited		-	8,406
1,772,402	1,193,000	23.54	D. G. Khan Cement Company Limited		41,717	37,101
865,000	-	115.37	Engro Chemical (Pakistan) Limited		99,795	-
-	3,200,000	-	Fatima Fertilizer Company Limited		-	35,424
610,000	-	162.81	Fauji Fertilizer Company Limited		99,314	-
677,710	677,710	3.24	Golden Arrow Selected Stock Fund		2,196	2,196
2,600,000	2,445,342	38.20	Hub Power Company Limited		99,308	91,223
336,252	-	148.40	ICI Pakistan Limited		49,901	-
4,068,164	3,844,832	5.03	Jahangir Siddiqui and Company Limited		20,477	49,929
2,248,380	380	44.00	Kot Addu Power Company Limited		98,921	15
-	144,501	-	Lucky Cement Limited		-	11,140
582,507	-	167.14	MCB Bank Limited		97,363	-
24,034	8,375,654	8.78	Meezan Balanced Fund		211	69,328
2,224	674,878	17.09	Meezan Bank Limited		38	11,448
1,192,604	-	45.02	National Bank of Pakistan		53,693	-
130,000	-	275.73	National Refinery Limited		35,845	-
13,473	11,965,000	1.56	NIB Bank Limited		21	37,809
2,059,020	600,643	21.50	Nishat (Chunian) Limited		44,272	13,738
1,975,591	133,818	50.36	Nishat Mills Limited		99,483	8,374
6,230,000	-	15.87	Nishat Power Limited		98,859	-
790	-	143.04	Oil and Gas Development Company Limited		113	-
438,400	513,300	89.30	Packages Limited		39,149	66,524
7,583,700	7,511,000	9.96	Pak Oman Advantage Fund		75,516	75,091
-	433,914	-	Pak Suzuki Motor Company Limited		-	30,840
2,867	-	329.61	Pakistan Oilfields Limited		945	-
519,588	-	190.18	Pakistan Petroleum Limited		98,816	-
3,415,352	2,850,700	19.28	Pakistan Re-Insurance Company Limited		65,831	56,599
360,000	-	274.97	Pakistan State Oil Company Limited		98,989	-
8,041,738	1,616,800	12.43	Pakistan Telecommunication Company Limited		99,969	30,596
65,479	3,616,399	12.63	PICIC Growth Fund		827	53,010
167,058	139,700	237.24	Shell Pakistan Limited		39,633	34,626
-	2,800,000	-	Sui Northern Gas Pipelines Limited		-	91,395
1,268,975	-	60.01	United Bank Limited		76,152	-
-	7,238,208	-	Wateen Telecom Limited		-	32,177
					1,635,890	1,065,326

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

## 9.4 Units of open end mutual funds

No. of units		Paid-up value per unit	Name of mutual funds	Note	2011	2010
2011	2010	Rupees 2011			Rupees in '000	
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund – (a related party)	9.8	100,846	100,846
11,642,356	11,637,439	99.46	Askari High Yield Scheme (formerly Askari Income Fund) – (a related party)	9.8	1,157,968	1,119,871
1,095,837	1,095,837	91.25	Askari Islamic Asset Allocation Fund – (a related party)	9.8	100,000	100,000
1,598,805	1,105,776	93.82	Askari Islamic Income Fund – (a related party)	9.8	150,000	100,000
505,076	1,009,971	99.01	Askari Sovereign Cash Fund – (a related party)	9.8	50,009	100,000
1,330,882	–	11.94	Al Meezan Mutual Fund	9.4.1	15,891	–
					1,574,714	1,520,717

9.4.1 Al Meezan Mutual Fund, previously a closed-end fund, is converted into an open-end equity fund with effect from August 5, 2011. The fund is managed by Al Meezan Investment Management Limited.

## 9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding %	Number of shares	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
				Rupees				
Askari Investment Management Limited – subsidiary	9.5.1	100	18,500,000	10	185,000	157,249	31 Dec 2011	Mr. Adnan Siddiqui
Askari Securities Limited – subsidiary	9.5.2	74	17,020,000	10	114,789	80,765	31 Dec 2011	Mr. Faheem Sardar
Khushhali Bank Limited	9.5.3	2.93	5,000,000	10	50,000	65,082	31 Dec 2010	Mr. M. Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	9.5.4	5.26	568,044	10	5,680	–	–	Under liquidation
					355,469			

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

Two shares are held in the name of two nominee directors of the Bank in AIML.

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

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

9.5.3 This represents subscription by the Bank towards capital of Khushhali Bank as per the SBP's letter No. BSD (RU-26/625-MfB/13317/00) dated August 7, 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 SBP.

9.5.4 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2010: Rs. 5,680 thousand) is considered as impairment and has been fully provided for.

## 9.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share	Investee	Rate %	Book Value		Market Value	
2011	2010				2011	2010	2011	2010
					Rupees in '000		Rupees in '000	
Listed								
10,000,000	10,000,000	10	Chenab Limited	9.25	17,000	25,000	17,000	25,000
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
Un-listed								
2,500,000	2,500,000	10	First Dawood Investment Bank Limited	4 percent per annum	25,000	25,000	25,000	25,000
					67,000	75,000	67,000	75,000



## 9.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2011	2010
2011	2010			Rupees in '000	
<b>Listed</b>					
13,669	13,669	Allied Bank Limited	4,990	68,208	68,236
35,000	65,000	Bank Alfalah Limited	4,038	141,318	174,626
30,000	30,000	Bank Al-Habib Limited	3,325	99,740	149,640
-	11,000	IGI Investment Bank Limited	-	-	13,645
8,000	8,000	Orix Leasing Limited	834	6,672	20,096
37,230	37,230	Pace Pakistan Limited	4,770	177,576	176,017
97,493	97,493	Pak Arab Fertilizer Limited	3,643	355,132	444,998
40,000	40,000	Pakistan Mobile Communication Limited	2,496	99,840	166,400
4,600	4,600	Faysal Bank Limited	2,495	11,477	17,218
12,000	12,000	Soneri Bank Limited	3,741	44,892	59,868
10,000	10,000	Standard Chartered Bank Limited	3,496	34,960	47,420
92,432	45,432	United Bank Limited	4,583	423,657	222,024
133,023	84,090	Worldcall Telecom Limited	2,752	366,117	339,300
Book value as on December 31				1,829,589	1,899,488
<b>Unlisted</b>					
140,000	140,000	Agritech Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,996	699,389	699,440
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	4,246	127,372	127,372
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,000	429,969	430,022
35,600	58,000	Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	5,123	182,389	289,884
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	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 (Chief Executive: Mr. Asad Umar)	5,000	700,000	700,000
-	233,333	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Tanveer Safder Cheema)	-	-	874,999
-	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Mahboob Alam)	-	-	874,999
-	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Javed Pervaiz)	-	-	874,999
74,900	74,900	Jahangir Siddiqui and Company Limited (Chief Executive: Mr. Munaf Ibrahim)	4,911	367,850	363,981
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Nadir Rehman)	1,667	16,668	50,092
3,560	2,700	Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	49,505	176,237	221,530
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385
20,000	-	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Ramdan A. Haggiagi)	4,999	99,980	-
5,931	-	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	5,000	29,657	-
50,000	50,000	Pakistan International Airlines Corporation Limited (Chief Executive: Capt. Nadeem Khan Yousufzai)	4,996	249,800	249,850
83,865	45,092	Pakistan National Shipping Corporation (Chief Executive: Vice Admiral (Retd.) Saleem Ahmed Meenai)	4,375	366,910	225,461
-	1,098,600	Power Holding (Private) Limited (Chief Executive: Mr. Fazeel Asif)	-	-	5,493,000
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				3,590,106	11,619,514

9.7.1 These carry rate of return ranging from 8.45% to 15.64% (2010: 8.45% to 17.36%) per annum and having remaining maturity periods of upto 9 years (2010: 8 years).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

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

## 9.9 Sukuk Certificates – Available for sale

Name of Investee	Rate	Maturity	2011	2010
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	67,500	97,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	50,000	70,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	111,111	155,556
K.S. Sulmanji and Esmailji and Sons (Private) Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	106,346	190,000
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	176,500	241,500
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	10,736	12,559
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 20, 2013	2,000,000	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 26, 2011	-	10,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	-
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	-
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 3 month KIBOR plus 1.1% p.a.	August 19, 2016	178,125	178,125
			8,150,281	3,405,240

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

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

9.12 Investment in associate represents 27.18% (2010: 25%) 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, 2011 (Un-audited)	December 31, 2010 (Audited)
Assets	1,562,643	1,453,934
Liabilities	1,148,229	1,138,101
Equity	414,414	315,833
Revenue	449,910	639,901
Profit after tax	47,641	47,418

Fair value of investment in AGICO as at December 31, 2011 is Rs. 67,599 thousand (December 31, 2010: Rs. 56,038 thousand).

3,075 shares are held in the name of a nominee director of the Bank in AGICO.



### 9.13 Sukuk Certificates – Held to maturity

Name of Investee	Rate	Maturity	2011	2010
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	135,000	202,500
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 4, 2016	–	150,704
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	1,250,000	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	33,334	99,999
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			1,728,334	2,013,203

9.14 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.

### 9.15 Quality of Available for Sale Securities

Rupees in '000	Note	2011		2010	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.15.1	18,711,293	unrated	70,107,699	unrated
Pakistan Investment Bonds	9.15.1	93,023,836	unrated	7,303,354	unrated
Fully paid up ordinary shares	9.15.3				
Adamjee Insurance Company Limited		14,271	AA	–	–
Al-Meezan Mutual Fund		–	–	21,524	unrated
Allied Bank Limited		33	AA	–	–
Arif Habib Corporation Limited		–	–	22,410	unrated
Atlas Fund of Funds		72	unrated	47,074	unrated
Attock Cement Limited		47	unrated	5,202	unrated
Attock Petroleum Limited		128	unrated	16,726	unrated
Azgard Nine Limited		21,608	D	33,636	SD
Bank Alfalah Limited		72	AA	26,346	AA/A1+
Crescent Steel Mills Limited		–	–	8,418	A+
D. G. Khan Cement Company Limited		33,729	unrated	35,994	unrated
Engro Corporation Limited		80,186	AA	–	–
Fatima Fertilizer Company Limited		–	–	36,096	A/A1
Fauji Fertilizer Company Limited		91,219	unrated	–	–
Golden Arrow Selected Stock Fund		1,837	unrated	2,141	3 – Star
Hub Power Company Limited		88,920	AA+	91,480	AA+/A1+
ICI Pakistan Limited		40,441	unrated	–	–
Jahangir Siddiqui and Company Limited		16,395	AA	40,765	AA/A1+
Khushhali Bank Limited		50,000	A	50,000	A–/A–2
Kot Addu Power Company Limited		92,903	AA+	15	unrated
MCB Bank Limited		78,405	AA+	–	–
Meezan Balanced Fund		219	unrated	62,818	unrated
Meezan Bank Limited		39	AA–	11,405	AA–/A–1
National Bank of Pakistan		48,956	AAA	–	–

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For the year ended December 31, 2011

Rupees in '000	2011		2010	
	Market Value	Rating	Market Value	Rating
National Refinery Limited	31,550	AAA	-	-
NIB Bank Limited	23	AA-	35,297	AA-/A1+
Nishat (Chunian) Limited	36,774	unrated	13,647	A/A-2
Nishat Mills Limited	79,913	AA-	8,587	A+/A1
Nishat Power Limited	80,678	AA-	-	-
Oil and Gas Development Company Limited	120	AAA	-	-
Packages Limited	36,264	AA	66,015	AA/A1+
Pak Oman Advantage Fund	69,163	AA-	77,739	AA-
Pak Suzuki Motor Company Limited	-	-	30,296	unrated
Pakistan Export Finance Guarantee Agency	-	-	-	-
Pakistan Oilfields Limited	993	unrated	-	-
Pakistan Petroleum Limited	87,457	unrated	-	-
Pakistan Re-Insurance Limited	52,938	AA	46,324	unrated
Pakistan State Oil Company Limited	81,796	AA+	-	-
Pakistan Telecommunication Company Limited	83,554	unrated	23,630	unrated
PICIC Growth Fund	816	unrated	47,918	3 - Star
Shell Pakistan Limited	31,788	unrated	29,088	unrated
Sui Northern Gas Pipelines Limited	-	-	74,872	AA/A1+
United Bank Limited	66,482	AA+	-	-
Wateen Telecom Limited	-	-	26,347	unrated
Fully paid preference shares				
Chenab Limited	17,000	unrated	25,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	-	unrated	-	D
Units of open end mutual fund				
Askari High Yield Scheme (formerly Askari Income Fund)	1,178,518	unrated	1,119,871	unrated
Askari Asset Allocation Fund	94,033	unrated	100,846	unrated
Askari Islamic Asset Allocation Fund	107,047	unrated	120,734	unrated
Askari Islamic Income Fund	161,315	unrated	116,348	unrated
Askari Sovereign Cash Fund	50,788	unrated	105,500	unrated
Al-Meezan Mutual Fund	13,602	unrated	-	-
Term Finance Certificates				
Agritech Limited	595,141	D	595,187	CCC
Allied Bank Limited	68,361	AA-	67,027	AA-
Avari Hotels Limited	121,558	A-	123,859	A-
Azgard Nine Limited	394,258	D	394,255	CCC
Bank Alfalah Limited	180,940	AA-	288,777	AA-
Bunny's Limited	18,500	D	13,875	unrated
Engro Corporation Limited	707,167	AA	669,416	AA
Faisalabad Electric Supply Company Limited	-	-	874,999	unrated
Gujranwala Electric Supply Company Limited	-	-	874,999	unrated
IGI Investment Bank Limited	-	-	13,726	A+
Islamabad Electric Supply Company Limited	-	-	874,999	unrated
Jahangir Siddiqui and Company Limited	377,827	AA	372,112	AA
KASB Securities Limited	16,631	A+	49,522	A+
Orix Leasing Pakistan Limited	185,469	AA+	243,349	AA+
Pace Pakistan Limited	125,050	D	180,543	A+
Pak Arab Fertilizer Limited	362,344	AA	444,471	AA
Pak Hy Oils Limited	50,385	D	50,385	D



Rupees in '000	Note	2011		2010	
		Market Value	Rating	Market Value	Rating
		101,934	AA	-	-
Pak Libya Holding Company (Pvt) Limited					
Pakistan International Airlines Corporation Limited	9.15.1	249,800	AAA	249,850	unrated
Pakistan Mobile Communication Limited		29,657	A+	-	-
Pakistan National Shipping Corporation		366,910	AA-	225,461	-
Power Holding Private Limited		-	-	5,493,000	unrated
Shakarganj Mills Limited		50,000	D	50,000	D
United Bank Limited		360,553	AA	121,886	AA
World Call Telecom Limited		330,452	A	334,754	A
		4,692,937		12,606,452	
National Investment Trust (NIT) units		313,607	AM2-	224,255	3 - Star
Sukuk certificates	9.15.2	8,273,890	unrated	3,405,098	unrated
Foreign securities					
Mena Transformation Fund		133,816	unrated	190,627	unrated
Government of Pakistan Euro Bonds	9.15.1	786,350	unrated	615,653	unrated
		128,982,821		97,058,247	

9.15.1 These are Government of Pakistan guaranteed securities.

9.15.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 7,000,000 thousand (2010: Rs. 2,010,000 thousand)

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

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

Rupees in '000	2011	2010
9.16 Unrealised loss on revaluation of investments classified as held for trading		
Fully paid ordinary shares	-	(354)

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

9.18 Investments given as collateral include securities having book value of Rs. 36,602 thousand pledged with the SBP as security against demand loan and TT / DD discounting facilities.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		139,289,784	142,242,261
Outside Pakistan		3,103,127	57,940
		142,392,911	142,300,201
Net investment in lease finance – In Pakistan	10.2	6,477,358	8,791,362
Ijarah financing – In Pakistan	10.3	671,147	1,103,349
Net book value of assets / investments in Ijarah under IFAS 2			
In Pakistan	10.4	319,125	311,162
Bills discounted and purchased			
Payable in Pakistan		11,213,180	8,428,437
Payable outside Pakistan		6,305,678	7,501,252
		17,518,858	15,929,689
Advances – gross		167,379,399	168,435,763
Provision against non-performing advances	10.6		
Specific provision		(16,291,514)	(15,222,798)
General provision		(132,130)	(132,190)
General provision against consumer financing		(245,046)	(296,638)
		(16,668,690)	(15,651,626)
Advances – net of provision		150,710,709	152,784,137
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1 In local currency</b>		158,821,261	161,400,226
In foreign currencies		8,558,138	7,035,537
		167,379,399	168,435,763
<b>10.1.2 Short term (for upto one year)</b>		116,016,140	74,191,897
Long term (for over one year)		51,363,259	94,243,866
		167,379,399	168,435,763





## 10.2 Net investment in lease finance – In Pakistan

Rupees in '000	2011				2010			
	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	2,826,046	1,344,061	-	4,170,107	3,809,836	2,521,875	-	6,331,711
Residual value	1,572,134	1,253,079	-	2,825,213	1,473,131	1,919,874	-	3,393,005
Minimum lease payments	4,398,180	2,597,140	-	6,995,320	5,282,967	4,441,749	-	9,724,716
Finance charges for future periods	(307,501)	(210,461)	-	(517,962)	(544,700)	(388,654)	-	(933,354)
Present value of minimum lease payments	4,090,679	2,386,679	-	6,477,358	4,738,267	4,053,095	-	8,791,362

## 10.3 Ijarah financing – In Pakistan

Rupees in '000	2011				2010			
	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	278,749	301,651	-	580,400	160,400	698,467	-	858,867
Residual value	114,746	95,806	-	210,552	110,976	312,453	-	423,429
Minimum Ijarah payments	393,495	397,457	-	790,952	271,376	1,010,920	-	1,282,296
Profit for future periods	(74,357)	(45,448)	-	(119,805)	(30,314)	(148,633)	-	(178,947)
Present value of minimum Ijarah payments	319,138	352,009	-	671,147	241,062	862,287	-	1,103,349

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

Rupees in '000	2011				2010			
	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	194,030	260,974	-	455,004	-	421,410	-	421,410
Accumulated depreciation on Ijarah	(54,802)	(81,077)	-	(135,879)	-	(110,248)	-	(110,248)
Net assets / investments in Ijarah	139,228	179,897	-	319,125	-	311,162	-	311,162

10.5 Advances include Rs. 23,645,541 thousand (2010: Rs. 21,598,648 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned – note 10.5.1	82,833	-	82,833	-	-	-	-	-	-
Substandard	822,789	-	822,789	70,785	-	70,785	70,785	-	70,785
Doubtful	1,754,185	-	1,754,185	353,690	-	353,690	353,690	-	353,690
Loss	20,985,734	-	20,985,734	15,867,039	-	15,867,039	15,867,039	-	15,867,039
	23,645,541	-	23,645,541	16,291,514	-	16,291,514	16,291,514	-	16,291,514

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

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 10.5.1	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

10.5.1 This represents classification made for agricultural finances.

## 10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2011				2010			
		Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
Opening balance		15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844
Adjustment of potential lease losses	10.6.3	-	-	-	-	1,198,104	-	44,107	1,242,211
Charge for the year		3,877,730	13,963	-	3,891,693	3,899,939	25,498	234	3,925,671
Adjustment due to change in estimate		-	-	-	-	-	(426,771)	-	(426,771)
Reversal for the year		(2,164,986)	(14,023)	(51,592)	(2,230,601)	(1,029,697)	(52,179)	(97,744)	(1,179,620)
Net charge / (reversal) for the year		1,712,744	(60)	(51,592)	1,661,092	2,870,242	(453,452)	(97,510)	2,319,280
Reversal of provision on rescheduled / restructured classified advances	20.1	(71,692)	-	-	(71,692)	(53,362)	-	-	(53,362)
Amounts written off	10.8	(572,336)	-	-	(572,336)	(450,347)	-	-	(450,347)
Closing balance		16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626

Rupees in '000	2011	2010
<b>10.6.1 Provision against non-performing advances</b>		
Net charge for the year	1,661,092	2,319,280
Reversal of capital reserve	(30,969)	-
	1,630,123	2,319,280

10.6.2 The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit has resulted in reduced charge for specific provision for the year ended December 31, 2011 by Rs. 1,838,083 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. 1,838,083 thousand (2010: Rs. 626,611 thousand) and Rs. 1,194,754 thousand (2010: Rs. 407,297 thousand) respectively. Had the basis for determining the specific provision not changed, profit before tax and profit after tax would have been lower by Rs. 2,256,772 thousand and Rs. 1,466,902 thousand respectively.

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

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



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

Rupees in '000	2011				2010			
	Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
In local currency	16,021,957	131,304	245,046	16,398,307	15,026,149	98,412	296,638	15,421,199
In foreign currencies	269,557	826	–	270,383	196,649	33,778	–	230,427
	16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626

Rupees in '000	2011	2010
<b>10.8 Particulars of write-offs:</b>		
<b>10.8.1 Against provisions</b>	572,336	450,347
Directly charged to profit and loss account	–	–
	572,336	450,347
<b>10.8.2 Write offs of Rs. 500,000 and above</b>	8,349	449,464
Write offs of below Rs. 500,000	563,987	883
	572,336	450,347

10.8.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2011 is given at Annexure – 1.

Rupees in '000	Note	2011	2010
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,492,577	1,220,051
Loans granted during the year		318,853	573,256
Repayments		(350,853)	(300,730)
Balance at end of year		1,460,577	1,492,577
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		1,072	580,240
Loans granted during the year		47,089	2,675,841
Repayments		(47,871)	(3,255,009)
Balance at end of year		290	1,072
		1,460,867	1,493,649
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	43,329	1,670,316
Property and equipment	11.2	8,080,756	8,317,647
Intangibles	11.2	1,224,730	–
		9,348,815	9,987,963
<b>11.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		43,329	1,670,316
		43,329	1,670,316

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For the year ended December 31, 2011

## 11.2 Property and equipment

Rupees in '000	2011											
	COST / REVALUED AMOUNT					DEPRECIATION					Book value as at December 31, 2011	Annual rate of depreciation (%)
	as at January 1, 2011	Additions	Adjustment	Deletions	as at December 31, 2011	as at January 1, 2011	Charge for the year	On (deletions) / adjustment	as at December 31, 2011			
Land – freehold – note 11.3	1,639,802	-	-	-	1,639,802	-	-	-	-	1,639,802	-	
Land – leasehold – note 11.3	2,105,372	46,446	-	-	2,151,818	-	-	-	-	2,151,818	-	
Buildings on freehold land	793,893	826	61,163	-	855,882	188,824	32,655	-	222,241	633,641	5	
Buildings on leasehold land	1,414,637	12,575	-	-	1,427,212	367,447	51,592	-	419,039	1,008,173	5	
Renovation of premises	1,701,138	195,036	(64,650)	(3,346)	1,828,178	871,515	269,417	(3,090)	1,137,145	691,033	20	
Furniture, fixtures and office equipment	516,294	16,322	271	(6,002)	526,885	192,219	32,368	(2,318)	222,547	304,338	10	
Carpets	21,832	2,475	12	(1,139)	23,180	16,076	2,517	(946)	17,664	5,516	20	
Machine and equipment	1,255,840	76,466	(366)	(10,634)	1,321,306	662,190	124,996	(8,402)	779,061	542,245	20	
Computer equipment	1,933,875	239,173	(79,307)	(13,013)	2,080,728	845,385	191,864	(10,631)	1,022,895	1,057,833	20	
Vehicles	224,843	6,315	(40)	(7,534)	223,584	191,755	17,930	(4,588)	205,156	18,428	20	
Other assets	133,222	-	-	-	133,222	89,368	16,155	-	105,293	27,929	20	
	11,740,748	595,634	(82,917)	(41,668)	12,211,797	3,424,779	739,494	(29,975)	4,131,041	8,080,756		
Operating lease – Vehicles	18,209	-	-	-	18,209	16,531	1,678	-	18,209	-	20	
	11,758,957	595,634	(82,917)	(41,668)	12,230,006	3,441,310	741,172	(33,232)	4,149,250	8,080,756		
Intangible Software	-	1,225,905	79,563	-	1,305,468	-	76,634	-	80,738	1,224,730	10	
								4,104				

Rupees in '000	2010												
	COST / REVALUED AMOUNT					DEPRECIATION					Book value as at December 31, 2010	Annual rate of depreciation (%)	
	as at January 1, 2010	On merger with ALL	Additions	Adjustment	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
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	-	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	

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 701,891 thousand (2010: Rs. 546,995 thousand).



11.2.2 Additions include a property with carrying value of Rs. 58,052 thousand whose title is in the process of being transferred in the name of the Bank from the name of seller, Mr. Muhammad Saeed Ahad.

11.3 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	Sadrudin Associates
	3,513,645	

Had the land not been revalued, the carrying amount of revalued land as at December 31, 2011 would have been Rs. 1,816,320 thousand.

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

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
Honda Civic	1,393	789	604	604	As per Bank policy	Mr. Qaiser Iqbal Khan – Ex Contractual Executive
Honda City	846	747	99	99	– do –	Mrs. Nasim Ilyas – Ex Contractual Executive
Honda Motorcycles	569	311	258	331	Negotiation	Askari General Insurance Company Limited – a related party
Computer Equipments	1,340	908	432	432	– do –	– do –
Furniture and Fixtures	35	18	17	19	– do –	– do –
Daikan Air conditioner Units	1,048	1,031	17	25	– do –	M/S JAK International
Suzuki Bolan	367	367	–	300	Insurance Claim	Askari General Insurance Company Limited – a related party
Suzuki Bolan	367	257	110	350	– do –	– do –
Honda Motorcycles	203	118	85	172	– do –	– do –
Office Renovation	2,981	2,981	–	35	Tender	Mr. Muhammad Saleem Kabaria
	9,149	7,527	1,622	2,367		
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	32,519	22,448	10,071	9,346		
2011	41,668	29,975	11,693	11,713		
2010	48,419	33,420	14,999	17,179		

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Rupees in '000	Note	2011	2010
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	7,145,152	7,441,717
Income / mark-up accrued in foreign currencies		165,990	146,993
Advances, deposits, advance rent and other prepayments		1,454,544	1,226,284
Advance taxation (payments less provisions)		2,960,034	2,839,632
Non banking assets acquired in satisfaction of claims	12.2	3,485,578	2,138,640
Un-realised gain on forward foreign exchange contracts – net		327,317	–
Suspense account		50,691	33,254
Stationary and stamps in hand		46,447	43,193
Dividend receivable		8,834	1,811
Others		398,325	417,056
		16,042,912	14,288,580
Provision against other assets	12.3	(97,662)	(98,121)
Other assets – net of provision		15,945,250	14,190,459

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 7,671,302 thousand (2010: Rs. 4,837,932 thousand).

12.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 5,499,775 thousand (2010: Rs. 4,141,590 thousand).

Rupees in '000	2011	2010
<b>12.3 Provision against other assets</b>		
Opening balance	98,121	459
Amount transferred on merger of ALL with and into Bank	–	97,662
Written off during the year	(459)	–
	(459)	97,662
Closing balance	97,662	98,121
<b>13. BILLS PAYABLE</b>		
In Pakistan	2,756,032	3,089,984
<b>14. BORROWINGS</b>		
In Pakistan	17,212,842	25,488,358
Outside Pakistan	60,628	66,419
	17,273,470	25,554,777
<b>14.1 Particulars of borrowings with respect to currencies</b>		
In local currency	17,212,842	25,488,358
In foreign currencies	60,628	66,419
	17,273,470	25,554,777



Rupees in '000	Note	2011	2010
<b>14.2 Details of borrowings – secured / unsecured</b>			
In Pakistan – local currency			
Secured			
Borrowings from the State Bank of Pakistan			
Export refinance scheme	14.2.1	8,317,225	11,009,687
Long term financing of export oriented projects	14.2.2	669,568	1,181,512
Long term financing facility	14.2.3	251,673	234,052
Repurchase agreement borrowings (repo)	14.2.4	7,935,831	6,916,233
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.5	31,045	–
Refinance scheme for revival of SME activities in flood affected areas	14.2.5	7,500	–
		17,212,842	19,341,484
Repo borrowings from financial institutions		–	6,036,874
Unsecured			
Call borrowings		–	110,000
		17,212,842	25,488,358
Outside Pakistan – foreign currencies			
Overdrawn nostro accounts – unsecured		60,628	66,419
		17,273,470	25,554,777

14.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 10% (2010: 10%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up rate of 7% (2010: 5%) per annum payable on a quarterly basis.

14.2.3 These carry mark-up ranging from 6.5% to 8.6% (2010: 8.2% to 9.5%) per annum payable on a quarterly basis.

14.2.4 These are secured against pledge of Government Securities, and carry mark-up rate of 11.62% (2010: 12.71% to 12.86%) per annum and have maturities upto 6 (2010: 3) days.

14.2.5 These carry mark-up rate of 5% per annum payable on a quarterly basis.

Rupees in '000	2011	2010
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	89,523,862	66,943,251
Savings deposits	141,028,007	132,060,695
Current accounts – non-remunerative	56,633,911	53,043,324
Special exporters' account	11,509	103,746
Margin accounts	2,416,273	3,067,234
Others	380,598	276,239
Financial institutions		
Remunerative deposits	1,507,056	437,397
Non-remunerative deposits	1,777	4,617
	291,502,993	255,936,503
<b>15.1 Particulars of deposits</b>		
In local currency	256,920,834	220,406,401
In foreign currencies	34,582,159	35,530,102
	291,502,993	255,936,503

Deposits include Rs. 19,758,975 thousand (2010: Rs. 12,648,967 thousand) due to related parties.

# Notes to the Unconsolidated Financial Statements

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Rupees in '000	Note	2011	2010
<b>16. SUB-ORDINATED LOANS</b>			
Term Finance Certificates – I		1,496,100	1,496,700
Term Finance Certificates – II		1,496,400	1,497,000
Term Finance Certificates – III		2,997,600	2,998,800
Term Finance Certificates – IV	16.1	1,000,000	–
		<b>6,990,100</b>	<b>5,992,500</b>

The Bank has raised unsecured sub-ordinated loans in four 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 Certificates – I	Term Finance Certificates – II	Term Finance Certificates – III	Term Finance Certificates – IV
Outstanding amount – Rupees in thousand	1,496,100	1,496,400	2,997,600	1,000,000
Issue date	February 4, 2005	October 31, 2005	November 18, 2009	December 23, 2011
Total issue	Rupees 1,500 million	Rupees 1,500 million	Rupees 3,000 million	Rupees 1,000 million
Rating	AA–	AA–	AA–	AA–
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Unlisted
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%)	Payable six monthly – Base Rate plus 1.75% (after 5 years: 2.20%)
	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	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	10 Years
Call option	–	–	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6–90th 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%	6–96th month: 0.32% 97–120th month: 99.68%

16.1 These certificates were allotted subsequent to the year end.

Rupees in '000	2011	2010
<b>17. DEFERRED TAX LIABILITIES</b>		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	711,324	741,757
Provision against non-performing advances		
– excess of 1% of total advances	(404,730)	(322,083)
– classified in sub-standard category	7,883	(57,527)
	314,477	362,147
Deficit on revaluation of available for sale securities	(231,453)	(276,640)
	<b>83,024</b>	<b>85,507</b>





Rupees in '000	Note	2011	2010
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,059,529	1,707,739
Mark-up / return / interest payable in foreign currencies		76,145	26,508
Unearned income / commission		188,368	232,043
Accrued expenses		338,596	361,119
Advance payments		52,068	63,769
Security deposit against lease / Ijarah financing		3,044,275	3,820,305
Unclaimed dividends		39,157	39,376
Un-realised loss on forward foreign exchange contracts – net		–	62,587
Branch adjustment account		622,392	781,487
Payable to defined contribution plan	18.1	22,376	354
Payable against purchase of listed shares		162,103	226,276
Withholding taxes payable		43,795	22,786
Federal excise duty payable		2,503	26,568
Workers' Welfare Fund		108,000	25,245
Others		615,114	684,977
		<b>7,374,421</b>	<b>8,081,139</b>

18.1 The amount has subsequently been paid to the Provident Fund.

## 19. SHARE CAPITAL

### 19.1 Authorized capital

2011		2010		Rupees in '000	
Number of shares					
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000	
<b>19.2 Issued, subscribed and paid up capital</b>					
2011		2010			
Number of shares					
67,500,000	67,500,000	Ordinary shares of Rs. 10 each:			
611,245,019	546,970,625	Fully paid in cash	675,000	675,000	675,000
28,273,315	28,273,315	Issued as bonus shares	6,112,451	5,469,707	5,469,707
		Issued on ALL merger	282,733	282,733	282,733
<b>707,018,334</b>	<b>642,743,940</b>		<b>7,070,184</b>	<b>6,427,440</b>	

### 19.3 Capital Risk Management

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

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

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

The 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 is 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 the capital requirement by way of issue of stock dividend subsequent to date of unconsolidated statement of financial position.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note – 20.3	Capital reserve	Revenue reserve	2011	2010
<b>20. RESERVES</b>							
Balance as at January 01	55,513	234,669	3,322,905	53,362	4,024,870	7,691,319	7,235,710
Reserves recognised under scheme of amalgamation	-	-	-	-	-	-	395,828
Effect of translation of net investment in Wholesale Bank Branch	19,783	-	-	-	-	19,783	2,790
Transfer from un-appropriated profit	-	-	325,540	-	701,819	1,027,359	1,074,869
Bonus shares issued	-	-	-	-	(642,744)	(642,744)	(1,071,240)
Reversal of capital reserve	-	-	-	(30,969)	-	(30,969)	-
Effect of rescheduled / restructured classified advances – note 20.1	-	-	-	71,692	-	71,692	53,362
Balance as at December 31	75,296	234,669	3,648,445	94,085	4,083,945	8,136,440	7,691,319

20.1 This represents reserve created in compliance with BSD Circular No. 10 dated October 20, 2009 issued by the SBP 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.

20.2 General reserve as at December 31, 2011 include Rs. 3,357,959 thousand (December 31, 2010: Rs. 2,163,205 thousand) in respect of net of tax benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in note 10.6.2 above. Reserves to that extent are not available for distribution by way of cash or stock dividend.

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

Rupees in '000	2011	2010
<b>21. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>		
Surplus on revaluation of land	1,697,325	1,697,325
(Deficit) / surplus on revaluation of available for sale securities		
i) Federal Government securities	(196,668)	(587,040)
ii) Listed shares	(232,399)	(66,183)
iii) Units of open end mutual funds	30,589	42,582
iv) Other securities	(262,816)	(179,760)
	(661,294)	(790,401)
Less: related deferred tax	231,453	276,640
	(429,841)	(513,761)
	1,267,484	1,183,564
<b>22. CONTINGENCIES AND COMMITMENTS</b>		
<b>22.1 Direct credit substitutes</b>		
i) Government	2,329,106	2,831,783
ii) Others	7,047,996	5,573,276
	9,377,102	8,405,059



Rupees in '000	2011	2010
<b>22.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	270,352	13,102
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	54,928,965	53,461,593
ii) Banks and other financial institutions	744,007	912,992
iii) Others	15,582,567	11,418,793
	71,255,539	65,793,378
	71,525,891	65,806,480

These include guarantees amounting to Rs. 890,769 thousand (2010: Rs. 952,115 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

Rupees in '000	2011	2010
<b>22.3 Trade-related contingent liabilities</b>	36,629,023	45,264,462
<b>22.4 Other contingencies</b>		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank	649,430	1,177,959

#### 22.5 Tax contingencies

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

Rupees in '000	2011	2010
<b>22.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	362,147	8,481,836
Sale and repurchase agreements	7,953,517	13,021,099
<b>22.7 Commitments in respect of forward exchange contracts</b>		
Purchase	23,775,757	27,763,508
Sale	14,977,195	12,370,573
The above commitments have maturities falling within one year.		
<b>22.8 Commitments for the acquisition of operating fixed assets</b>	146,430	123,422
<b>22.9 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	5,576,283	1,706,580

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>22.10 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company	350,000	350,000
<b>22.11 Bills for collection</b>		
Payable in Pakistan	535,642	643,119
Payable outside Pakistan	12,239,196	11,602,835
	<b>12,774,838</b>	<b>12,245,954</b>

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.

## 23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

## 24. DERIVATIVE INSTRUMENTS

The Bank does not deal in derivative instruments.

Rupees in '000	Note	2011	2010
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	25.1	17,704,368	18,117,192
ii) Financial institutions		86,448	74,692
On investments			
i) Available for sale securities		13,876,815	7,813,748
ii) Held to maturity securities		543,789	425,135
iii) Held for trading		2,916	-
On deposits with financial institutions		188,957	377,791
On securities purchased under resale agreements		363,058	520,350
		<b>32,766,351</b>	<b>27,328,908</b>

25.1 This includes an amount of Rs. 29,972 thousand (2010: Rs. 18,984 thousand) on account of income received from related parties.

Rupees in '000	Note	2011	2010
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits	26.1	18,816,220	15,023,859
On securities sold under repurchase agreements		2,010,892	913,089
On sub-ordinated loans		921,388	872,312
On call money borrowings		52,632	171,816
On refinance borrowings from SBP		834,023	864,061
On long term finance for export oriented projects from SBP		55,509	66,909
On other short term borrowings		8,919	24,570
		<b>22,699,583</b>	<b>17,936,616</b>

26.1 This includes an amount of Rs. 1,324,696 thousand (2010: Rs. 1,031,045 thousand) on account of mark-up / interest paid to related parties.



Rupees in '000	Note	2011	2010
<b>27. GAIN ON SALE OF SECURITIES – NET</b>			
Federal Government Securities			
Market Treasury Bills		113,283	4,081
Pakistan Investment Bonds		26,825	12,640
Term Finance Certificates		17,308	5,294
Shares – Listed		(52,271)	158,909
Others		202,067	31,603
		307,212	212,527
<b>28. OTHER INCOME</b>			
Rent on property	28.1	38,017	30,886
Gain on sale of operating fixed assets		20	2,180
Rent of lockers		17,450	14,140
Recovery of expenses from customers		284,271	328,836
		339,758	376,042

28.1 This includes an amount of Rs. 24,941 thousand (2010: Rs. 22,343 thousand) on account of rent received from related parties.

Rupees in '000	Note	2011	2010
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		4,155,672	3,898,188
Charge for defined benefit plan	35.3	165,706	165,563
Contribution to defined contribution plan	36	129,699	122,565
Non-executive directors' fees, allowances and other expenses		2,350	1,070
Rent, taxes, insurance, electricity, etc.		1,047,204	957,305
Legal and professional charges		51,647	87,748
Brokerage and commission		144,992	167,246
Communications		315,054	291,466
Repairs and maintenance		1,016,418	534,869
Stationery and printing		125,618	127,072
Advertisement and publicity		73,685	135,277
Donations	29.1	16,000	86,015
Auditors' remuneration	29.2	13,448	9,606
Depreciation	11.2	741,172	684,196
Amortization	11.2	76,634	–
Other expenditure (traveling, security services, etc.)		564,013	544,432
		8,639,312	7,812,618
<b>29.1 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	16,000
Army Miscellaneous Welfare Fund (for flood affectees)		–	70,015
		16,000	86,015

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

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>29.2 Auditors' remuneration</b>		
Audit fee	2,500	2,500
Fee for the audit of Wholesale Bank Branch	2,096	1,811
Fee for the audit of provident and gratuity funds	121	109
Special certifications, half year review and the audit of consolidated financial statements	2,888	1,915
Tax services	5,112	2,540
Out-of-pocket expenses	731	731
	<b>13,448</b>	<b>9,606</b>
<b>30. OTHER CHARGES</b>		
Workers' Welfare Fund	49,240	25,245
Penalties imposed by the State Bank of Pakistan	37,544	17,208
	<b>86,784</b>	<b>42,453</b>
<b>31. TAXATION</b>		
For the year		
Current	832,723	329,617
Deferred	(47,670)	342
	<b>785,053</b>	<b>329,959</b>
<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	2,412,751	1,273,136
Tax at applicable tax rate of 35 percent (2010: 35 percent)	844,463	445,598
Effect of:		
– Income chargeable to tax at lower rates	(72,367)	(98,700)
– Permanent differences	12,872	(16,939)
– Others	85	–
	<b>785,053</b>	<b>329,959</b>

## 31.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2011 (year ended December 31, 2010). The assessment for and up to Tax Year 2009 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

The tax authorities have selected returns for the Tax Years 2009 and 2010 for tax audit which have not yet concluded.

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

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

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

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

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



Rupees in '000	2011	2010
<b>32. BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit for the year – Rupees in '000	1,627,698	943,177
Weighted average number of Ordinary Shares – numbers	707,018,334	702,293,205
Basic / diluted earnings per share – Rupees	2.30	1.34

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

Weighted average number of ordinary shares for 2010 has been restated to give effect of bonus shares issued during the year.

Rupees in '000	2011	2010
<b>33. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	26,168,181	22,565,188
Balances with other banks	6,235,055	3,784,862
	32,403,236	26,350,050
<b>33.1 Cash flow from operating activities (Direct method)</b>		
Mark-up / return / interest and commission receipts	35,273,937	28,543,272
Mark-up / return / interest payments	(22,298,156)	(17,954,451)
Cash payments to employees, suppliers and others	(7,726,597)	(7,337,727)
	5,249,184	3,251,094
Decrease / (increase) in operating assets		
Lendings to financial institutions	7,545,900	(4,723,935)
Held for trading securities	21,560	92,578
Advances	(862,910)	(12,390,280)
Other assets (excluding advance taxation)	(325,535)	291,344
	6,379,015	(16,730,293)
(Decrease) / increase in operating liabilities		
Bills payable	(333,952)	144,314
Borrowings	(8,281,307)	5,138,995
Deposits	35,566,490	42,514,609
Other liabilities (excluding current taxation)	(1,134,466)	2,880,794
	25,816,765	50,678,712
Cash flow before tax	37,444,964	37,199,513
Income tax paid	(953,125)	(1,389,497)
Net cash flow from operating activities	36,491,839	35,810,016

34. STAFF STRENGTH	Number of employees	
	2011	2010
Permanent	4,470	4,473
Temporary / on contractual basis	1,440	1,841
Commission based	84	128
Bank's own staff strength at end of the year	5,994	6,442
Outsourced	1,283	1,234
Total staff strength at end of the year	7,277	7,676

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

## 35. DEFINED BENEFIT PLAN

### 35.1 General description

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

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

Rupees in '000	2011	2010
<b>35.2 The amounts recognised in the unconsolidated statement of financial position are as follows:</b>		
Present value of defined benefit obligation	997,952	855,806
Fair value of plan assets	(865,358)	(676,422)
	132,594	179,384
Unrecognized actuarial losses	(132,594)	(179,384)
Net liability	-	-
<b>35.3 The amounts recognised in profit and loss account are as follows:</b>		
Current service cost	126,299	117,158
Interest on obligation	114,852	89,705
Expected return on plan assets	(91,079)	(62,580)
Actuarial loss recognised	15,634	21,280
	165,706	165,563
<b>35.4 Actual return on plan assets</b>	94,094	50,159
<b>35.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	855,806	700,384
Current service cost	126,299	117,158
Interest cost	114,852	89,705
Actuarial gain	(28,141)	(30,757)
Benefits paid	(70,864)	(20,684)
Closing defined benefit obligation	997,952	855,806
<b>35.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	676,422	481,384
Expected return	91,079	62,580
Actuarial gain / (losses)	3,015	(12,421)
Contributions by employer	165,706	165,563
Benefits paid	(70,864)	(20,684)
Closing fair value of plan assets	865,358	676,422

The Bank expects to contribute Rs. 146,131 thousand to its defined benefit gratuity plan in 2012.

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.





	2011		2010	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>35.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	625,423	72	462,722	68
Bank deposit account	239,935	28	213,700	32
	865,358	100	676,422	100

### 35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2011 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2011	2010
Discount rate – per annum	12.5%	14%
Expected rate of increase in salaries – per annum	12.5%	14%
Expected rate of return on plan assets – per annum	12%	14%
Average expected remaining life of employees – years	6	7
Mortality rate	EFU 61 – 66 mortality table	EFU 61 – 66 mortality table

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

Rupees in '000	2011	2010	2009	2008	2007
As at December 31, Defined benefit obligation	997,952	855,806	700,384	538,472	438,354
Plan assets	(865,358)	(676,422)	(481,384)	(326,881)	(248,040)
Deficit	132,594	179,384	219,000	211,591	190,314
Experience adjustments					
Actuarial gain / (loss) on obligation	28,141	30,757	(26,659)	(9,796)	(132,987)
Actuarial gain / (loss) on plan assets	3,015	(12,421)	(468)	(27,756)	(6,747)

## 36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2010 were Rs. 1,541,256 thousand (December 31, 2009: Rs. 1,180,897 thousand) as per latest available audited financial statements of the fund.

## 37. COMPENSATED ABSENCES

### 37.1 General description

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

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

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2011

## 37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2011 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2011 was Rs. 186,320 thousand against related liability of Rs. 165,902 thousand carried at December 31, 2010. Expense for the year of Rs. 20,418 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2011	2010
Discount rate – per annum	12.5%	14%
Expected rate of increase in salaries – per annum	12.5%	14%
Leave accumulation factor – days	5	5

## 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Fees	-	65	2,350	1,005	-	-
Managerial remuneration	12,579	10,256	-	-	576,414	560,169
Charge for defined benefit plan	1,128	855	-	-	48,028	46,324
Contribution to defined contribution plan	1,048	854	-	-	47,947	46,016
Rent and house maintenance	5,721	4,675	-	-	259,387	252,314
Utilities	1,258	1,026	-	-	57,641	56,017
Medical	1,258	1,026	-	-	57,641	55,897
Special performance incentive / bonus	2,256	3,634	-	-	67,095	126,658
	25,248	22,391	2,350	1,005	1,114,153	1,143,395
Number of persons	1	1	10	9	542	559

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

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

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances is calculated in accordance with the Bank's accounting policy as stated in note 5.4. The effective rates and maturity profile are stated in note 44.2.5 and 44.3.1 respectively.



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

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

Rupees in '000	2011									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	105,088	29,471	1,879,439	33,584,537	54,474	16,263	-	-	-	35,669,272
Total expenses	25,709	7,210	405,435	31,879,472	13,327	3,979	-	-	921,389	33,256,521
Net income / (loss)	79,379	22,261	1,474,004	1,705,065	41,147	12,284	-	-	(921,389)	2,412,751
Segment Assets (Gross)	53,269	14,939	16,206,820	344,815,763	27,613	8,244	-	-	-	361,126,648
Segment Non-Performing Loans	-	-	2,854,548	20,790,993	-	-	-	-	-	23,645,541
Segment Provision Required	-	-	2,465,021	14,905,321	-	-	-	-	-	17,370,342
Segment Liabilities	773	217	16,402,241	302,405,996	401	120	-	-	7,170,292	325,980,040
Segment Return on net Assets (ROA) (%)	0.03	0.01	0.54	9.70	0.02	-	-	-	-	-
Segment Cost of funds (%)	0.01	-	0.13	10.20	-	-	-	-	-	0.29

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
Total income	109,309	43,360	2,294,934	27,592,265	75,842	13,495	-	-	-	30,129,205
Total expenses	28,498	11,305	720,820	27,199,843	19,773	3,518	-	-	872,312	28,856,069
Net income / (loss)	80,811	32,055	1,574,114	392,422	56,069	9,977	-	-	(872,312)	1,273,136
Segment Assets (Gross)	60,544	45,576	20,376,943	310,487,446	42,007	7,475	-	-	-	331,019,991
Segment Non-Performing Loans	-	-	3,835,918	17,762,730	-	-	-	-	-	21,598,648
Segment Provision Required	-	-	3,148,110	13,127,329	-	-	-	-	-	16,275,439
Segment Liabilities	1,150	865	15,298,249	277,265,384	798	142	-	-	6,173,822	298,740,410
Segment Return on net Assets (ROA) (%)	0.04	0.01	0.77	9.23	0.03	-	-	-	-	-
Segment Cost of funds (%)	0.01	-	0.27	10.10	0.01	-	-	-	-	0.32

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.01% (2010: 5.10%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.61% (2010: 2.10%) of the total liabilities have been allocated to segments based on their respective assets.

#### 41. TRUST ACTIVITIES

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

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## 42. RELATED PARTY TRANSACTIONS

Army Welfare Trust (AWT) holds 50.57% (2010: 50.57%) of the Bank's share capital at the year end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

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

Rupees in '000	December 31, 2011						December 31, 2010					
	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	-	117,472	15,130	291	-	-	-	132,086	409	413	659	-
- Deposits	19,327,756	43,868	98,100	171,830	49,407	68,014	12,239,001	31,039	83,326	219,193	38,775	37,633
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	277,859	-	-	270,352	-	-	-	-	-	13,102	-	-
- Investment in shares / units - at cost	-	-	-	1,614,504	353,492	-	-	-	-	1,576,397	285,208	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	127	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,661	-	-	-	-	-	3,662	-
<b>Transactions during the year ended</b>												
- Net mark-up / interest earned	-	7,570	1,060	21,269	73	-	-	4,492	116	14,283	93	-
- Net mark-up / interest expensed	1,280,129	1,523	8,313	25,307	6,856	2,568	967,662	863	7,680	47,618	3,917	3,305
- Rent received against operating lease	-	-	-	9,583	-	-	-	-	-	3,769	-	-
- Contribution to employees' funds	-	-	-	-	-	295,405	-	-	-	-	-	288,128
- Investment made in subsidiary	-	-	-	-	68,284	-	-	-	-	-	-	-
- Investment in units of AML funds - at cost - (net)	-	-	-	38,106	-	-	-	-	-	-	-	-
- Assets sold to associated company	-	-	-	-	782	-	-	-	-	-	-	-
- Rent of property / service charges received	15,629	-	-	4,392	4,920	-	13,578	-	-	4,874	3,891	-
- Rent of property / service charges paid	71,355	-	-	77,062	-	-	59,739	-	-	53,198	863	-
- Remuneration paid	-	192,099	-	-	-	-	-	206,063	-	-	-	-
- Post employment benefits	-	14,862	-	-	-	-	-	15,231	-	-	-	-
- Insurance claim received	-	-	-	-	1,246	-	-	-	-	-	1,479	-
- Insurance premium paid	-	-	-	-	47,156	-	-	-	-	-	35,123	-
- Dividend Income	-	-	-	62,971	-	-	-	-	-	66,196	-	-
- Security services costs	-	-	-	189,053	-	-	-	-	-	180,774	-	-
- Fee, commission and brokerage income received	2	-	-	-	22	-	5	-	-	-	21	-
- Fees paid	-	-	2,350	-	-	-	-	65	1,005	-	-	-

## 43. CAPITAL ADEQUACY

### 43.1 Scope of Application

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



## 43.2 Capital Management

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

### Goals of managing capital

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

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

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

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

Tier II capital, includes sub-ordinated debt subject to a maximum of 50% of total Tier I capital and fulfillment of specified criteria laid down by the SBP, 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 reserves 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 SBP 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 organization 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.

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## 43.3 Capital adequacy ratio as at December 31, 2011

The capital to risk weighted assets ratio, calculated in accordance with the SBP'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	2011	2010
<b>Tier I capital</b>		
Fully paid-up capital	7,070,184	6,427,440
Share premium account	234,669	234,669
Reserves (excluding foreign exchange translation reserves)	7,826,475	7,401,137
Unappropriated / unremitted profits (net of losses)	1,302,158	701,819
Less: Book value of intangibles – note 11	(1,224,730)	(1,256,294)
Deficit on account of revaluation of investments	-	-
Shortfall in provision required against classified assets irrespective of any relaxation allowed	(146,949)	-
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(132,733)	(128,276)
<b>Total Tier I Capital</b>	<b>14,929,074</b>	<b>13,380,495</b>
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier I capital)	4,592,260	4,191,960
General provisions for loan losses subject to 1.25% of total risk weighted assets	377,177	428,828
Revaluation reserve (upto 45%)	570,368	532,604
Foreign exchange translation reserves	75,296	55,513
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(132,733)	(128,276)
<b>Total Tier II capital</b>	<b>5,482,368</b>	<b>5,080,629</b>
Eligible Tier III capital	-	-
<b>Total regulatory capital</b>	<b>20,411,442</b>	<b>18,461,124</b>

### Risk-weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2011	2010	2011	2010
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
<b>Claims on:</b>				
Sovereigns other than PKR claims	235,469	171,571	2,354,692	1,715,708
Public Sector Entities (PSEs)	414,228	454,339	4,142,279	4,543,388
Banks	1,570,960	1,203,574	15,709,604	12,035,742
Corporates	7,525,496	8,434,032	75,254,960	84,340,322
Retail portfolio	2,074,738	2,265,253	20,747,382	22,652,531
Residential mortgage finance	327,733	371,880	3,277,327	3,718,804
Listed equities and regulatory capital instruments issued by others banks	104,371	102,623	1,043,710	1,026,232
Unlisted equity investments	28,707	36,094	287,072	360,941
Fixed Assets	812,409	873,167	8,124,085	8,731,669
Other Assets	581,883	388,554	5,818,833	3,885,539
Past Due Exposures	857,002	757,847	8,570,024	7,578,465
Forward Foreign Exchange Contracts	52,279	17,564	522,795	175,645



Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2011	2010	2011	2010
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	463,041	106,821	4,630,410	1,068,205
Equity position risk	662,140	560,184	6,621,395	5,601,845
Foreign exchange risk	11,913	85,220	119,134	852,204
<b>Operational risk</b>	<b>2,261,726</b>	<b>2,102,136</b>	<b>22,617,255</b>	<b>21,021,363</b>
<b>TOTAL</b>	<b>17,984,095</b>	<b>17,930,859</b>	<b>179,840,957</b>	<b>179,308,603</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			20,411,442	18,461,124
Total risk weighted assets			179,840,957	179,308,603
Capital adequacy ratio			11.35%	10.30%

#### 44. RISK MANAGEMENT

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

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

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

##### 44.1 Credit Risk

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

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes more than 40% of the total asset base and is also the largest source of credit risk for the Bank. Moreover, more than 80% of Bank's capital requirement pertains to credit risk. The Bank's advances portfolio is well diversified across various business segments, industries and geographical locations.

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

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

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## 44.1.1 Segment information

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

### 44.1.1.1 Segment by class of business

	2011						2010					
	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	7,138,183	4.26	2,730,231	0.94	1,719,902	1.00	6,753,786	4.01	3,200,824	1.25	651,755	0.35
Automobiles and Allied	526,364	0.31	616,816	0.21	673,050	0.39	722,016	0.43	472,849	0.18	487,443	0.26
Cables / Electronics	2,494,341	1.49	2,025,873	0.69	754,296	0.44	2,677,920	1.59	2,001,460	0.78	628,031	0.34
Carpets	232,465	0.14	59,962	0.02	18,223	0.01	233,183	0.14	53,496	0.02	-	-
Cement	3,472,314	2.07	96,673	0.03	387,690	0.23	4,218,442	2.50	142,499	0.06	834,918	0.45
Chemicals / Pharmaceuticals	3,989,348	2.38	3,470,496	1.19	2,268,018	1.32	5,895,066	3.50	4,438,947	1.73	2,768,396	1.50
Engineering	640,408	0.38	54,064	0.02	1,590,685	0.93	646,605	0.38	104,383	0.04	1,152,601	0.62
Fertilizers	4,431,649	2.65	1,405,993	0.48	330,667	0.19	2,860,092	1.70	648,144	0.25	873,886	0.47
Food and Allied	2,413,088	1.44	601,058	0.21	876,855	0.51	2,409,456	1.43	390,886	0.15	1,646,827	0.89
Fuel / Energy	18,966,087	11.33	2,252,717	0.77	12,756,311	7.45	13,372,187	7.94	2,339,159	0.91	7,850,518	4.26
Ghee and Edible Oil	2,775,354	1.66	249,194	0.09	2,450,068	1.43	3,211,036	1.91	161,055	0.06	2,520,854	1.37
Glass and Ceramics	1,457,187	0.87	14,837	0.01	55,067	0.03	1,499,701	0.89	33,818	0.01	141,607	0.08
Hotels and Restaurants	212,492	0.13	438,449	0.15	32,999	0.02	259,380	0.15	296,062	0.12	18,475	0.01
Individuals	19,476,749	11.64	89,273,536	30.63	1,893,002	1.10	23,025,176	13.67	90,308,421	35.29	645,714	0.35
Insurance	32,933	0.02	187,179	0.06	-	-	53,575	0.03	103,027	0.04	-	-
Financial institutions / Investment companies	500,105	0.30	1,433,676	0.49	27,708,906	16.18	500,083	0.30	1,476,613	0.58	55,614,303	30.15
Leasing	-	-	1,472	-	-	-	-	-	3,545	-	-	-
Leather Products and Shoes	948,964	0.57	460,523	0.16	72,967	0.04	1,099,887	0.65	668,027	0.26	73,345	0.04
Modarabas	37,609	0.02	27	-	1,197	-	37,609	0.02	121	-	-	-
Paper and Board	517,738	0.31	239,823	0.08	221,637	0.13	690,303	0.41	352,777	0.14	422,119	0.23
Plastic products	678,668	0.41	57,240	0.02	415,629	0.24	709,205	0.42	157,343	0.06	867,917	0.47
Ready made garments	871,895	0.52	368,026	0.13	125,861	0.07	838,447	0.50	297,486	0.12	236,475	0.13
Real Estate / Construction	6,552,971	3.92	11,653,375	4.00	13,422,389	7.83	7,880,167	4.68	11,007,854	4.30	12,043,413	6.53
Rice Processing and trading	2,849,218	1.70	765,519	0.26	534,022	0.31	3,333,564	1.98	402,476	0.16	685,163	0.37
Rubber Products	151,078	0.09	36,715	0.01	229,176	0.13	100,450	0.06	45,671	0.02	439,532	0.24
Services												
(Other than Financial, Hotelling and Travelling)	2,395,462	1.43	6,656,857	2.28	5,455,041	3.18	2,710,786	1.61	6,382,578	2.49	773,818	0.42
Sports goods	547,138	0.33	46,780	0.02	40,830	0.02	607,079	0.36	86,562	0.03	115,855	0.06
Sugar	82,510	0.05	73,450	0.03	3,550	-	209,666	0.12	180,212	0.07	3,550	-
Surgical equipment / Metal Products	5,766,500	3.45	426,596	0.15	1,008,454	0.59	6,110,355	3.63	593,333	0.23	1,476,585	0.80
Synthetic and Rayon	455,108	0.27	109,963	0.04	153,933	0.09	986,379	0.59	64,623	0.03	7,776	-
Textile	23,443,856	14.01	2,457,414	0.84	7,972,087	4.65	26,759,447	15.89	1,991,484	0.78	5,109,561	2.77
Tobacco / Cigarette manufacturing	6,236	-	3,015	-	-	-	6,565	-	16,130	0.01	48,351	0.03
Transport and communication	9,588,584	5.73	8,188,035	2.81	8,193,613	4.78	4,818,192	2.86	7,252,372	2.83	6,907,985	3.74
Travel Agencies	60,973	0.04	76,262	0.03	209,016	0.12	120,783	0.07	258,068	0.10	266,741	0.14
Woolen	45,333	0.03	87,304	0.03	49,235	0.03	41,433	0.02	50,691	0.02	40,658	0.02
Public sector / Government	28,326,259	16.92	96,595,921	33.14	54,231,060	31.67	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25
Others	15,294,232	9.13	58,287,922	19.98	25,467,339	14.89	18,605,436	11.05	44,678,405	17.47	21,465,583	11.66
	167,379,399	100.00	291,502,993	100.00	171,322,775	100.00	168,435,763	100.00	255,936,503	100.00	184,470,978	100.00

### 44.1.1.2 Segment by sector

	2011						2010					
	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	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25
Private	139,053,140	83.08	194,907,072	66.86	117,091,715	68.35	144,003,457	85.49	180,661,401	70.59	126,819,755	68.75
	167,379,399	100.00	291,502,993	100.00	171,322,775	100.00	168,435,763	100.00	255,936,503	100.00	184,470,978	100.00





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

Rupees in '000	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture / Agribusiness	308,274	–	188,443	–
Automobiles and Allied	459,357	208,841	585,334	329,076
Brokerage house	779,695	408,267	599,848	21,296
Cables / Electronics	1,177,820	1,014,126	1,158,260	919,644
Cement	87,107	64,417	118,309	69,702
Chemicals / Pharmaceuticals	28,553	15,210	17,540	6,556
Commodities	442,895	361,011	467,603	344,356
Financial institutions / Investment companies	37,610	29,222	–	–
Food and Allied	128,696	57,558	150,654	99,524
Fuel / Energy	1,396,950	1,304,886	1,661,568	1,552,350
Glass Manufacturing	1,110,342	981,588	1,214,620	986,661
Individuals	2,854,548	2,219,975	3,835,918	2,851,470
Leather Products and Shoes	53,984	36,483	57,638	33,764
Metal Industries	886,292	657,565	853,768	481,979
Paper Industries	19,999	–	388,752	160,024
Real Estate / Construction	1,036,670	178,714	869,246	87,224
Services (Other than Financial, Hotelling and Traveling)	617,049	192,607	166,763	120,907
Sports Goods	465,120	436,667	485,688	447,608
Textile	9,657,002	6,830,023	7,255,013	5,574,063
Transport and communication	328,277	321,733	353,622	341,095
Public sector / Government	1,658	829	85	73
Others	1,767,643	971,792	1,169,976	795,426
	23,645,541	16,291,514	21,598,648	15,222,798

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

Public sector / Government	1,658	829	85	73
Private	23,643,883	16,290,685	21,598,563	15,222,725
	23,645,541	16,291,514	21,598,648	15,222,798

#### 44.1.1.5 Geographical segment analysis

Rupees in '000	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	2,145,390	336,869,734	17,643,841	171,322,775
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East – note 45.1.1.5.1	267,361	6,886,572	132,425	–
Others	–	–	–	–
	2,412,751	343,756,306	17,776,266	171,322,775

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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

44.1.1.5.1 These do not include intra group items of Rs. 6,639,796 thousand (2010: Rs. 2,833,365 thousand) eliminated upon consolidation of foreign branch.

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

#### 44.1.2 Credit risk – General disclosures Basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit Risk with Comprehensive Approach for Credit Risk Mitigation.

##### 44.1.2.1 Types of exposures and ECAIs used

For domestic claims, ECAIs recommended by the 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 2011 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	2011			2010		
		Amount outstanding	Deduction CRM	Net Amount	Amount outstanding	Deduction CRM	Net Amount
Rupees in '000							
Sovereigns	4,5	2,354,692	-	2,354,692	1,715,708	-	1,715,708
PSEs	1	8,147,961	1,118,196	7,029,765	7,337,304	-	7,337,304
Banks	1,2,3	7,324,556	-	7,324,556	4,778,371	1,474,342	3,304,029
Banks	4,5	71,512	-	71,512	805,808	-	805,808
Corporates	1	12,039,779	-	12,039,779	8,323,252	-	8,323,252
Corporates	2	10,611,848	-	10,611,848	9,929,136	-	9,929,136
Corporates	3,4	943,202	8,241	934,961	649,989	-	649,989
Corporates	5,6	2,337,992	110,928	2,227,064	1,514,556	-	1,514,556
Unrated		220,891,888	15,726,950	205,164,938	234,525,317	36,597,864	197,927,453
Total		264,723,430	16,964,315	247,759,115	269,579,441	38,072,206	231,507,235



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

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

#### 44.2 Market Risk

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

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

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

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

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

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## 44.2.2 Foreign Exchange Risk

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

(Rupees in '000)	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	317,477,650	290,842,524	(8,798,561)	17,836,565
U.S. Dollars	22,235,112	29,968,450	7,293,834	(439,504)
Pound Sterling	1,286,206	2,744,387	1,454,082	(4,099)
Japanese Yen	5,527	978	37,126	41,675
Euro	2,414,123	2,401,385	(136)	12,602
Other European Currencies	11,292	-	-	11,292
Other Currencies	326,396	22,316	13,655	317,735
	343,756,306	325,980,040	-	17,776,266
2010				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	293,545,663	263,194,702	(15,392,935)	14,958,026
U.S. Dollars	19,348,783	29,731,154	11,135,124	752,753
Pound Sterling	632,876	2,377,582	1,730,066	(14,640)
Japanese Yen	11,361	907	(8,577)	1,877
Euro	775,519	3,428,566	2,536,322	(116,725)
Other European Currencies	16,710	-	-	16,710
Other Currencies	413,640	7,499	-	406,141
	314,744,552	298,740,410	-	16,004,142

## 44.2.3 Equity position risk

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

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



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

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

#### 44.2.5 Mismatch of interest rate sensitive assets and liabilities

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

Rupees in '000	2011											
	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%	26,168,181	5,359,856	-	-	-	-	-	-	-	-	20,808,325
Balances with other banks	1.38%	6,235,055	4,399,499	-	-	-	-	-	-	-	-	1,835,556
Lendings to financial institutions	12.18%	1,591,584	377,317	-	314,810	899,457	-	-	-	-	-	-
Investments	12.36%	133,756,712	28,477,160	2,426,442	7,241,041	60,061,103	6,860,796	12,989,342	7,144,591	4,202,036	777,602	3,576,599
Advances	11.72%	150,710,709	40,616,713	74,481,611	17,846,151	2,364,444	3,044,815	3,063,234	3,383,532	2,180,597	3,729,612	-
Other assets		7,620,639	-	-	-	-	-	-	-	-	-	7,620,639
		326,082,880	79,230,545	76,908,053	25,402,002	63,325,004	9,905,611	16,052,576	10,528,123	6,382,633	4,507,214	33,841,119
<b>Liabilities</b>												
Bills payable		2,756,032	-	-	-	-	-	-	-	-	-	2,756,032
Borrowings	10.72%	17,273,470	14,212,523	170,852	2,759,187	12,958	35,503	35,503	35,503	11,441	-	-
Deposits and other accounts	7.28%	291,502,993	106,227,112	60,266,965	49,571,053	11,614,754	1,118,597	1,557,615	1,658,260	44,570	-	59,444,067
Sub-ordinated loans	15.34%	6,990,100	-	1,496,100	5,494,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		6,357,295	-	-	-	-	-	-	-	-	-	6,357,295
		324,879,890	120,439,635	61,933,917	57,824,240	11,627,712	1,154,100	1,593,118	1,693,763	56,011	-	68,557,394
<b>On-balance sheet gap</b>		1,202,990	(41,209,090)	14,974,136	(32,422,238)	51,697,292	8,751,511	14,459,458	8,834,360	6,326,622	4,507,214	(34,716,275)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements	11.90%	362,147	362,147	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.62%	7,953,517	7,953,517	-	-	-	-	-	-	-	-	-
Commitments to extend credits		5,576,283	5,576,283	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		(13,167,653)	(13,167,653)	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>			(54,376,743)	14,974,136	(32,422,238)	51,697,292	8,751,511	14,459,458	8,834,360	6,326,622	4,507,214	(34,716,275)
<b>Cumulative yield / interest risk sensitivity gap</b>				(39,402,607)	(71,824,845)	(20,127,553)	(11,376,042)	3,083,416	11,917,776	18,244,398	22,751,612	

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## Mismatch of interest rate sensitive assets and liabilities

Rupees in '000	Effective Yield / Interest rate	Total	2010								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
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	22,565,188	5,336,480	-	-	-	-	-	-	-	-	17,228,708
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	23,943,659	1,462,791	5,233,003	44,904,412	5,163,752	7,430,210	5,002,362	4,006,676	2,067,269	3,045,623
Advances	11.39%	152,784,137	40,120,654	72,292,230	20,830,848	3,005,053	3,414,614	2,912,057	3,662,933	2,385,741	4,160,007	-
Other assets		7,909,456	-	-	-	-	-	-	-	-	-	7,909,456
		298,475,586	78,794,587	75,685,309	26,063,851	47,909,465	8,578,366	10,342,267	8,665,295	6,392,417	6,227,276	29,816,753
Liabilities												
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	85,240,009	48,350,081	46,459,990	9,282,079	2,085,654	1,876,559	920,312	5,226,660	-	56,495,159
Sub-ordinated loans	14.55%	5,992,500	-	1,496,700	4,495,800	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		6,866,654	-	-	-	-	-	-	-	-	-	6,866,654
		297,440,418	98,983,323	58,551,932	54,062,102	9,282,079	2,085,654	1,876,559	920,312	5,226,660	-	66,451,797
On-balance sheet gap	1,035,168	(20,188,736)	17,133,377	(27,998,251)	38,627,386	6,492,712	8,465,708	7,744,983	1,165,757	6,227,276	(36,635,044)	
Off-balance sheet financial instruments												
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			(26,434,579)	17,133,377	(27,998,251)	38,627,386	6,492,712	8,465,708	7,744,983	1,165,757	6,227,276	(36,635,044)
Cumulative yield / interest risk sensitivity gap				(9,301,202)	(37,299,453)	1,327,933	7,820,645	16,286,353	24,031,336	25,197,093	31,424,369	

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

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

44.2.5.3 Figures of the previous period have been rearranged in accordance with the revised basis of preparation, adopted during the year, as per the SBP instructions contained in BSD Circular Letter No. 3 of 2011 dated February 22, 2011.

44.2.5.4 Assets do not include operating fixed assets of Rs. 9,348,815 (2010: 9,987,963) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealised gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 8,324,611 (2010: 6,281,003) thousand.

44.2.5.5 Liabilities do not include other liabilities consisting of unearned income / commision, advance payments, unrealised loss on forward foreign exchange contracts-net, branch adjustment account, withholding taxes payable, federal excise duty and workers' welfare fund of Rs. 1,017,126 (2010: 1,214,485) thousand.



### 44.3 Liquidity Risk

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

#### 44.3.1 Maturities of Assets and Liabilities

Rupees in '000	2011									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	26,168,181	26,168,181	-	-	-	-	-	-	-	-
Balances with other banks	6,235,055	6,235,055	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,591,584	377,317	-	314,810	899,457	-	-	-	-	-
Investments	133,756,712	30,430,561	2,460,202	6,973,872	60,178,319	7,497,822	7,520,461	11,485,639	5,963,440	1,246,396
Advances	150,710,709	54,991,880	21,581,917	21,457,550	17,984,793	11,249,983	5,350,800	4,784,773	8,418,520	4,890,493
Operating fixed assets	9,348,815	70,295	135,714	198,305	392,805	687,354	534,469	1,744,942	737,870	4,847,061
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	15,945,250	3,731,737	-	-	-	2,487,825	2,487,825	2,412,621	2,412,621	2,412,621
	343,756,306	122,005,026	24,177,833	28,944,537	79,455,374	21,922,984	15,893,555	20,427,975	17,532,451	13,396,571
<b>Liabilities</b>										
Bills payable	2,756,032	907,059	-	167,143	1,681,830	-	-	-	-	-
Borrowings	17,273,470	14,212,523	170,852	2,759,187	12,958	35,503	35,503	35,503	11,441	-
Deposits and other accounts	291,502,993	59,849,619	27,687,834	14,137,287	11,614,754	37,747,514	38,186,532	52,633,911	24,845,056	24,800,486
Sub-ordinated loans	6,990,100	-	300	1,100	1,400	2,992,900	1,600	3,200	3,989,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	83,024	-	(231,453)	-	-	-	-	314,477	-	-
Other liabilities	7,374,421	3,913,802	-	-	-	1,730,309	865,155	432,577	216,289	216,289
	325,980,040	78,883,003	27,627,533	17,064,717	13,310,942	42,506,226	39,088,790	53,419,668	29,062,386	25,016,775
<b>Net assets</b>	<b>17,776,266</b>	<b>43,122,023</b>	<b>(3,449,700)</b>	<b>11,879,820</b>	<b>66,144,432</b>	<b>(20,583,242)</b>	<b>(23,195,235)</b>	<b>(32,991,693)</b>	<b>(11,529,935)</b>	<b>(11,620,204)</b>
Share Capital	7,070,184									
Reserves	8,136,440									
Unappropriated profit	1,302,158									
Surplus on revaluation of assets	1,267,484									
	17,776,266									

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## 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>	<b>16,004,142</b>	<b>(13,280,942)</b>	<b>2,734,453</b>	<b>8,685,998</b>	<b>(1,547,245)</b>	<b>12,668,811</b>	<b>10,232,171</b>	<b>(21,008,745)</b>	<b>257,792</b>	<b>17,261,849</b>
Share Capital	6,427,440									
Reserves	7,691,319									
Unappropriated profit	701,819									
Surplus on revaluation of assets	1,183,564									
	16,004,142									

### 44.4 Operational Risk

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

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

To ensure effectiveness, Business Continuity Plan (BCP) and Business Continuity Management (BCM) is adopted throughout the organization in a proactive manner by making use of requisite tools and strategies.

#### 44.4.1 Operational risk disclosures Basel II

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





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

45.1 The Board of Directors in its meeting held on February 14, 2012 has proposed a bonus issue of 15 percent (2010: 10 percent) and an appropriation to general reserve of Rs. 1,302,158 thousand from un-appropriated profit. The appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2011 do not include the effect of the appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2012 as follows:

Rupees in '000	2011	2010
Transfer from un-appropriated profit to: General reserve	1,302,158	701,819
Transfer from general reserve to: Reserve for issue of bonus shares	1,060,528	642,744

#### 46. RECLASSIFICATION OF COMPARATIVE FIGURES

Following comparative figures have been reclassified in these unconsolidated financial statements for better presentation:

Reclassification from account head	Reclassification to account head	2010
		Rupees in '000
<b>Profit and loss account</b>		
Other income	Mark-up / return / interest earned	94,428
Income from dealing in foreign currencies	Mark-up / return / interest earned	(717,682)

#### 47. GENERAL

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

#### 48. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on February 14, 2012 by the Board of Directors of the Bank.

M. R. Mehkari  
President & Chief Executive

Dr. Bashir Ahmad Khan  
Director

Lt. Gen. (R) Tahir Mahmood  
Director

Lt. Gen. Javed Iqbal  
Chairman

## Annexure-1

Annexure '1' referred to in note 10.8 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, 2011.

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1	Classic Enterprises 1st Floor, 1B-1/1, Sector 15 Korangi Industrial Area Karachi.	Mr. Muhammad Amin 42201-8927583-1 Mr. Abdul Razzaq 42301-0494260-3	Mr. Rehmatullah  Mr. Rehmatullah	6,078	1,628	-	7,706	-	1,628	-	1,628
2	Mukhtar Textile Mills Limited P-48, Street No.1, Douglaspura Faisalabad.	Mr. Rana Muhammad Saleem 33100-6246490-1 Mrs. Shaista Saleem 33100-0896491-2 Mr. Shamim Ahmad Khan 33100-2035883-3 Mr. Muhammad Nasrullah 33100-0765840-1 Mr. Khalid Mehmood 33100-0944533-5	Mr. Mukhtar Ahmed Khan  Rana Muhammad Saleem Ch. Ghulam Muhammad Mr. Bashir Ahmad Khan Mr. Nazir Ahmad	119	686	-	805	-	606	-	606
3	Sun TV (Southern Networks Limited) 6th Floor, Razhia Sharif Plaza Blue Area Islamabad.	Mr. Muhammad Amir Jatoi 42301-5355760-7 Mr. Nisar Ahmed 42201-7057126-3 Mr. Abdul Hameed 42201-0361253-7 Mrs. Saeeda Hassan Ali Effendi 42201-1640605-6 Mr. Muhammad Younus 42201-0332983-1 Mr. Rana Muhammad Ali 31202-1882551-7 Ms. Abida Iffat 42201-3350016-2	Mr. Ali Nawaz Jatoi  Mr. Abdul Aziz Mr. Abdul Rahim Mr. Zulfiqar Hassan Ali Effendi Mr. Sher Muhammad Mr. Islamuddin Syed Kalim Ahmed	44,766	16,928	-	61,694	8,114	16,928	-	25,042
4	Al-Shams Cotton Ginning Pressing and Oil Mills Sikandarabad More, Shujabad District Multan.	Mr. Malik Muhammad Asif Bhutta 36302-1772272-9 Mr. Malik Muhammad Yasir 36302-5115737-5	Mr. Malik Shams-ul-Haq Bhutta  Mr. Malik Shams-ul-Haq Bhutta	5,000	1,553	-	6,553	-	753	-	753
5	Malik Asad Ali Noon H. No.5, Street No.19, F-6/2, Islamabad	Mr. Malik Asad Ali Noon 61101-1958537-7	Mr. Malik Anwar Ali Noon	16,723	8,167	-	24,890	-	5,890	-	5,890
6	Anand Traders Office No.03, 10th Floor, SharjaTrade Center, New Challi, Shahra-e-Liaquat, Karachi.	Mr. Dileep Kumar 42301-1197903-1	Mr. Manghoo Mal	1,835	3,195	-	5,030	235	3,195	-	3,430
7	Riceco Industry 606-AI Rehmat Trade Centre, Dandia Bazar, Karachi	Mr. Qamar Raza Shoukat 42301-0108650-7	Mr. Shoukat Ali	2,289	2,546	-	4,835	-	2,546	-	2,546
8	Caslow (Private) Limited Marala Road, Sialkot	Mr. Mian Abdul Razaq 34603-1631627-1 Mr. Mian Asif Razaq 34603-6398662-3 Mr. Mian Amir Razaq 34603-0650487-3	Mr. Shukar Din  Mian Abdul Razaq Mian Abdul Razaq	3,129	8,908	-	12,037	-	6,753	-	6,753



(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				
9	Gandhara CNG Station House No.239, Street No.2 Shami Road Peshawar Cantt.	Mr. Manzoor Elahi 17301-2323915-1 Shakira Khanum 35201-6546451-2 Mr. Muhammad Shahzad Manzoor 17301-4637728-7 Mr. Muhammad Shaharyar Manzoor 17301-9942768-7	Mr. Karam Ellahi  Mr. Javed A. Khawaja  Mr. Manzoor Elahi  Mr. Manzoor Elahi	2,663	946	-	3,609	-	509	-	509
10	New Mujahid Traders Shop No.40, AQM, Sukkur	Mr. Ashok Mal 45203-4715675-1	Mr. Seval Mal	-	3,476	-	3,476	-	1,392	-	1,392
11	Bhoja Airlines (Pvt) Ltd. Bhoja Terrace, Shahrah-e-Liaquat Karachi.	Mr. Mohammad Farooq Bhoja 42301-2987411-3 Mr. Rehan M. Farooq 42301-1257971-7 Mr. Kamran M. Farooq 42301-1034145-7 Mr. Ameen M. Farooq 42301-1258826-7 Mr. Mohammad Farhan 42301-4075844-1	Mr. Haji Omer  Mr. Muhammad Farooq Umar Bhoja  Mr. Muhammad Farooq Umar Bhoja  Mr. Muhammad Farooq Umar Bhoja  Mr. Muhammad Farooq Umar Bhoja	9,260	3,204	-	12,464	-	2,404	-	2,404
12	Mr. Garments B.S.I., Block 16, Federal B Area Karachi.	Syed Shujaat Ali 42201-2006601-5	Syed Sharafat Ali	2,325	754	-	3,079	-	754	-	754
13	S.H. Haq Noor & Company 1. Syed Manzil, Prince Road, Quetta 2. Chandni Chowk, University Road Karachi.	Syed Hazrat Noor Agha 42000-6984351-7 Syed Saleemullah 54303-2059836-7 Syed Salamullah 54303-7822117-3 Syed Noorullah 54303-1012320-7 Syed Abdullah 54400-5819900-9 Syed Ahsanullah 54303-4809495-3	Syed Abdul Samad  Syed Haji Haq Noor  Mr. Mehboob Noor  Mr. Ajab Noor  Syed Ahad Noor  Syed Abdul Samad	210,951	44,348	-	255,299	-	30,299	-	30,299
14	Muhammad Imran House No.166/A, Liaquat Town Faisalabad.	Muhammad Imran 33100-0990001-3	Muhammad Akbar	1,200	526	-	1,726	-	526	-	526
15	Muhammadi Enterprises 63-L, Gulberg-III, Lahore	Saloni Bukhari 35202-7719054-8 Suleman Bukhari 35202-9915105-3	Mr. Suleman Bukhari  Mr. Muhammad Ali Bukhari	2,604	4,314	-	6,918	-	3,418	-	3,418
16	Saeed Industries Rehman Shaheed Road, Gujrat	Mr. Saeed Siddique 34201-0600735-5 Mr. Altaf Siddique 34201-0600737-7 Mr. Naeem Siddique 34201-0600736-3 Ms. Saeeda Bano 34201-0570049-4	Mirza Muhammad Siddique  Mirza Muhammad Siddique  Mirza Muhammad Siddique  Mirza Muhammad Siddique	13,000	1,959	-	14,959	-	1,959	-	1,959

## 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				
17	Yaar CNG-3 Filling Station Rehman Shaheed Road, Gujrat	Mr. Saeed Siddique 34201-0600735-5 Mr. Altaf Siddique 34201-0600737-7 Mr. Naeem Siddique 34201-0600736-3 Ms. Saeeda Bano 34201-0570049-4	Mirza Muhammad Siddique  Mirza Muhammad Siddique  Mirza Muhammad Siddique  Mirza Muhammad Siddique	5,515	513	-	6,028	-	513	-	513
18	Calcutta Sports 106 - Anarkali, Lahore	Mr. Tariq Shahzad Awan 35202-2175828-9	Mr. Altaf Hussain	3,500	1,135	-	4,635	-	567	-	567
19	Shahraj Weaving (Pvt) Limited. 147 & 148 M, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore	Mr. Rana Imran Haider 35202-7255519-9 Ms. Tehmeena Raza 35202-2735360-6 Mr. Rana Ahsan Abbas 35202-6573308-1	Mr. Rana Khadim Hussain  Mr. Rana Ali Raza  Mr. Rana Ghulam Hussain	9,500	1,186	-	10,686	-	1,186	-	1,186
20	A.G Services Et Supplies 19-20, Naval Fleet Club Inveracity Road, Karachi	Ms. Shabana Aftab 42101-9909996-2	Mr. Agha Aftab Ali	6,377	3,584	-	9,961	-	1,792	-	1,792
Total				346,834	109,556	-	456,390	8,349	83,618	-	91,967



## Annexure-2

### Statement of Financial Position (Islamic Banking)

As at December 31, 2011

The Bank is operating 31 Islamic banking branches including 2 sub-branches at the end of 2011 as compared to 31 Islamic banking branches including 2 sub-branches at the end of 2010.

Rupees in '000	2011	2010
<b>Assets</b>		
Cash and balances with treasury banks	713,256	650,275
Balances with and due from Financial Institutions	528,613	712,130
Investments	9,818,059	5,145,884
Financing and Receivables		
- Murabaha	184,085	243,525
- Ijarah	867,935	1,284,925
- Musharaka	-	-
- Diminishing Musharaka	1,530,939	1,827,436
- Salam	440,818	105,534
- Other Islamic Modes	12,286	18,957
Other assets	860,854	792,546
<b>Total Assets</b>	<b>14,956,845</b>	<b>10,781,212</b>
<b>Liabilities</b>		
Bills payable	98,876	115,877
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	2,301,298	1,790,020
- Saving Accounts	2,977,415	2,426,234
- Term Deposits	5,462,224	4,800,529
- Others	27,491	14,793
- Deposit from Financial Institutions – remunerative	1,072,428	225,943
- Deposits from Financial Institutions – non remunerative	1,777	4,617
Due to head office	1,679,067	87,328
Other liabilities	416,871	619,522
	14,037,447	10,084,863
<b>Net assets</b>	<b>919,398</b>	<b>696,349</b>
<b>Represented by</b>		
Islamic Banking Fund	1,000,000	1,000,000
Reserves	-	-
Unappropriated / Unremitted loss	(205,102)	(303,651)
	794,898	696,349
Surplus on revaluation of assets	124,500	-
	919,398	696,349
<b>Remuneration to Shariah Advisor / Board</b>		
	1,253	1,197
<b>Charity fund</b>		
Opening Balance	2,700	2,371
Additions during the year	3,107	5,579
Payments / Utilization during the year	(5,594)	(5,250)
<b>Closing Balance</b>	<b>213</b>	<b>2,700</b>

## Annexure-2

### Profit and Loss Account (Islamic Banking)

For the year ended December 31, 2011

Rupees in '000	2011	2010
Profit / return earned on financings, investments and placements	1,312,988	978,123
Return on deposits and other dues expensed	831,691	547,100
Net spread earned	481,297	431,023
Provision against non-performing financings	7,379	138,794
(Reversal) / provision of diminution in the value of investments	(85,680)	185,000
Bad debts written off directly	-	-
	(78,301)	323,794
Income after provisions	559,598	107,229
<b>Other Income</b>		
Fee, commission and brokerage Income	25,542	16,654
Dividend income	-	-
Income from dealing in foreign currencies	1,858	2,395
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	31,606	21,897
Total other income	59,006	40,946
	618,604	148,175
<b>Other expenses</b>		
Administrative expenses	518,560	520,104
Other provisions / write offs	-	-
Other charges	1,495	94
Total other expenses	520,055	520,198
Extra Ordinary / unusual items	98,549	(372,023)
	-	-
Profit / (loss) before taxation	98,549	(372,023)



## Annexure-2

### Shariah Advisor's Report 2011

During the year under review, comprehensive Shariah Audit of Islamic Banking Branches was conducted, twice, thereby resulting in strengthening of Shariah Compliance framework of Islamic Banking Services. As part of continuous improvement, numerous initiatives were undertaken for improving the processes for Shariah vetting and their methodical implementation. Capacity building to meet the training needs 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 Auditors and Shariah Compliance department are functioning under my supervision.

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

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.

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.

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

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Consolidated Financial Statements of

# Askari Bank Limited

For the year ended December 31, 2011

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

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

## 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, 2011 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.

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 consolidated financial position of the Bank as at December 31, 2011 and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad  
February 14, 2012

**KPMG Taseer Hadi & Co.**

Chartered Accountants

Engagement Partner  
Muhammad Rehan Chughtai

# Consolidated Statement of Financial Position

As at December 31, 2011

Rupees in '000	Note	2011	2010
<b>Assets</b>			
Cash and balances with treasury banks	6	26,168,206	22,565,190
Balances with other banks	7	6,236,116	3,787,538
Lendings to financial institutions	8	1,613,584	9,194,186
Investments	9	133,655,387	102,100,063
Advances	10	150,712,556	152,784,254
Operating fixed assets	11	9,451,033	10,084,422
Deferred tax assets		-	-
Other assets	12	16,028,838	14,264,476
		343,865,720	314,780,129
<b>Liabilities</b>			
Bills payable	13	2,756,032	3,089,984
Borrowings	14	17,274,979	25,554,777
Deposits and other accounts	15	291,499,395	255,908,149
Sub-ordinated loans	16	6,990,100	5,992,500
Liabilities against assets subject to finance lease	17	2,893	5,556
Deferred tax liabilities	18	46,908	85,507
Other liabilities	19	7,413,555	8,111,431
		325,983,862	298,747,904
Net assets		17,881,858	16,032,225
<b>Represented by</b>			
Share capital	20	7,070,184	6,427,440
Reserves	21	8,135,795	7,712,855
Unappropriated profit		1,380,018	679,638
		16,585,997	14,819,933
Non-controlling interest		28,377	28,728
		16,614,374	14,848,661
Surplus on revaluation of assets – net of tax	22	1,267,484	1,183,564
		17,881,858	16,032,225

## Contingencies and commitments

23

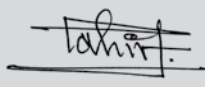
The annexed notes 1 to 48 form an integral part of these consolidated financial statements.



M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



# Consolidated Profit and Loss Account

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
Mark-up / return / interest earned	26	32,768,950	27,331,702
Mark-up / return / interest expensed	27	22,699,089	17,931,715
Net mark-up / interest income		10,069,861	9,399,987
Provision against non-performing loans and advances – net	10.6.1	1,630,123	2,319,280
Impairment loss on available for sale investments		122,421	382,764
(Reversal) / provision for diminution in the value of investments	9.2.1	(15,775)	267,873
Provision against repurchase agreement lendings	8.5	34,702	65,808
Bad debts written off directly		-	-
		1,771,471	3,035,725
Net mark-up / interest income after provisions		8,298,390	6,364,262
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		1,297,332	1,329,477
Dividend income		289,470	209,922
Income from dealing in foreign currencies		772,495	730,693
Gain on sale of securities – net	28	310,384	213,735
Unrealised gain / (loss) on revaluation of investments classified as held for trading – net	9.16	80	(3,799)
Other income	29	348,009	377,279
Total non-markup / interest income		3,017,770	2,857,307
		11,316,160	9,221,569
<b>Non mark-up / interest expenses</b>			
Administrative expenses	30	8,787,381	7,937,367
Other provisions / write offs		-	30,136
Other charges	31	86,784	42,453
Total non-markup / interest expenses		8,874,165	8,009,956
		2,441,995	1,211,613
Share of profit of associate		12,949	38,014
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		2,454,944	1,249,627
Taxation – current	32	833,523	329,824
– prior years'		-	-
– deferred	32	(83,786)	342
		749,737	330,166
<b>Profit after taxation</b>		1,705,207	919,461
<b>Attributable to:</b>			
Equity holders of the Bank		1,705,558	920,996
Non-controlling interest		(351)	(1,535)
		1,705,207	919,461

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) Tahir Mahmood  
Director

Lt. Gen. Javed Iqbal  
Chairman

# Consolidated Statement of Comprehensive Income

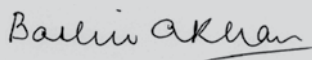
For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>Profit after taxation</b>	1,705,207	919,461
<b>Other comprehensive income</b>		
Effect of rescheduled / restructured classified advances	40,723	53,362
Effect of translation of net investment in Wholesale Bank Branch	19,783	2,790
<b>Total comprehensive income</b>	1,765,713	975,613
<b>Attributable to:</b>		
Equity holders of the Bank	1,766,064	977,148
Non-controlling interest	(351)	(1,535)
	1,765,713	975,613

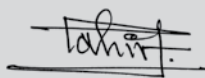
The annexed notes 1 to 48 form an integral part of these consolidated financial statements.



M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



# Consolidated Cash Flow Statement

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>Cash flow from operating activities</b>			
Profit before taxation		2,454,944	1,249,627
Less: Dividend income		(289,470)	(209,922)
		2,165,474	1,039,705
Adjustments:			
Depreciation / amortization		830,848	695,092
Provision against non-performing advances – net		1,630,123	2,319,280
Impairment loss on available for sale investments		122,421	382,764
Provision for diminution in the value of investments		(15,775)	267,873
Provision against repurchase agreement lendings		34,702	65,808
Unrealised (gain) / loss on revaluation of investments classified as held for trading – net		(80)	3,799
Gain on sale of operating fixed assets		(2,216)	(2,311)
Finance charges on leased assets		335	989
Goodwill written off during the year		-	30,136
Share of profit of associate		(12,949)	(38,014)
		2,587,409	3,725,416
Decrease / (increase) in operating assets		4,752,883	4,765,121
Lendings to financial institutions		7,545,900	(4,723,935)
Held for trading securities		(1,418)	118,082
Advances		(864,640)	(12,384,995)
Other assets (excluding advance taxation)		(281,603)	(1,133,164)
		6,398,239	(18,124,012)
(Decrease) / increase in operating liabilities			
Bills payable		(333,952)	144,314
Borrowings		(8,279,798)	5,138,995
Deposits		35,591,246	42,543,579
Other liabilities (excluding current taxation)		(697,657)	2,715,040
		26,279,839	50,541,928
Cash flow before tax		37,430,961	37,183,037
Income tax paid		(958,118)	(1,393,681)
Net cash flow from operating activities	33.1	36,472,843	35,789,356
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(31,930,877)	(35,382,050)
Net investments in held to maturity securities		430,746	(578,498)
Net investments in associate		(18,285)	-
Proceeds from issue of share capital to non-controlling interest		-	13,000
Dividend income		282,447	233,710
Investments in operating fixed assets – net of adjustment		(217,554)	(1,612,780)
Sale proceeds of operating fixed assets – disposed off		18,108	22,523
Net cash used in investing activities		(31,435,415)	(37,304,095)
<b>Cash flow from financing activities</b>			
Receipts / (payments) of sub-ordinated loans		997,600	(2,400)
Lease obligations – net		(2,998)	(6,976)
Dividend paid		(219)	(293)
Net cash flow from / (used in) financing activities		994,383	(9,669)
Effect of translation of net investment in Wholesale Bank Branch		19,783	2,790
Increase / (Decrease) in cash and cash equivalents		6,051,594	(1,521,618)
Cash and cash equivalents at beginning of the year	33	26,374,728	27,895,490
Cash and cash equivalents acquired on amalgamation of ALL		-	856
Cash and cash equivalents at end of the year	33	32,426,322	26,374,728

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

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# Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves			Sub-total	Non-controlling interest	Total
					Capital reserve	General reserve	Un-appropriated profit			
<b>Balance as at January 1, 2010</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 recognised on amalgamation of Askari Leasing Limited	282,733	-	234,669	-	-	161,159	-	678,561	-	678,561
<b>Balance as at January 1, 2010</b>	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
<b>Total comprehensive income for the year ended December 31, 2010</b>										
Net profit / (loss) for the year ended December 31, 2010	-	-	-	-	-	-	920,996	920,996	(1,535)	919,461
Other comprehensive income										
- Effect of rescheduled / restructured classified advances - note 21.1	-	-	-	-	53,362	-	-	53,362	-	53,362
- Effect of translation of net investment in 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)	-	-	-
<b>Transaction with owners, recorded directly in equity</b>										
Bonus shares declared / issued subsequent to year ended December 31, 2009	1,071,240	-	-	-	-	(1,071,240)	-	-	-	-
<b>Balance as at January 1, 2011</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
<b>Total comprehensive income for the year ended December 31, 2011</b>										
Net profit / (loss) for the year ended December 31, 2011	-	-	-	-	-	-	1,705,558	1,705,558	(351)	1,705,207
Other comprehensive income										
- Reversal of capital reserve	-	-	-	-	(30,969)	-	-	(30,969)	-	(30,969)
- Effect of rescheduled / restructured classified advances - note 21.1	-	-	-	-	71,692	-	-	71,692	-	71,692
- Effect of translation of net investment in Wholesale Bank Branch	-	19,783	-	-	-	-	-	19,783	-	19,783
	-	19,783	-	-	40,723	-	1,705,558	1,766,064	(351)	1,765,713
Transfer to:										
Statutory reserve	-	-	-	325,540	-	-	(325,540)	-	-	-
General reserve	-	-	-	-	-	679,638	(679,638)	-	-	-
<b>Transaction with owners, recorded directly in equity</b>										
Bonus shares declared / issued subsequent to year ended December 31, 2010	642,744	-	-	-	-	(642,744)	-	-	-	-
<b>Balance as at December 31, 2011</b>	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,380,018	16,585,997	28,377	16,614,374

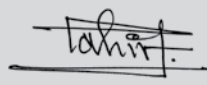
The annexed notes 1 to 48 form an integral part of these consolidated financial statements.



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Chairman





# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

## 1. STATUS AND NATURE OF BUSINESS

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

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 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 1, 1992. Army Welfare Trust (AWT) holds 50.57 % (2010: 50.57 %) of the Bank's share capital at the year end. The Bank has 245 branches (2010: 235 branches); 244 in Pakistan and Azad Jammu and Kashmir, including 31 (2010: 31) Islamic Banking branches, 21 (2010: 16) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

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

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

Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company and obtained corporate membership of the Islamabad Stock Exchange on December 24, 1999. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated at AWT Plaza, The Mall, Rawalpindi. The remaining 26% shares are held by AWT. The non-controlling interest as disclosed on consolidated statement of financial position represents AWT's share in ASL which is parent entity of the Bank.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the year ended December 31, 2011.

- 1.2 During the year, the Sponsors of Askari Bank, the Army Welfare Trust (AWT) approved the non-binding indicative offer made by Fauji Foundation to purchase (alone or together with one or more of its affiliated entities) up to 100% of AWT's shareholding in Askari Bank Limited, subject to obtaining of all regulatory approvals under the applicable laws and regulations. An intimation to this effect has already been forwarded to Islamabad, Lahore and Karachi stock exchanges on December 15, 2011.

## 2. BASIS OF PRESENTATION

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

## 3. STATEMENT OF COMPLIANCE

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2012:

- IAS 27 Separate Financial Statements (2011) – (effective for annual periods beginning on or after January 1, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 – Consolidated Financial Statements, IFRS 11– Joint Arrangements and IFRS 12– Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 1, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments are not expected to impact the current transactions of the Group.
- IAS 28 Investments in Associates and Joint Ventures (2011) – (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments are not expected to impact the current transactions of the Group.
- IAS 19 Employee Benefits (amended 2011) – (effective for annual periods beginning on or after January 1, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Group does not plan to adopt this change early and the extent of the impact has not been determined.
- Presentation of items of other comprehensive income (Amendments to IAS 1) – (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other approved accounting standards continue to apply in this regard. The amendments are not expected to impact the current transactions of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not expected to impact the current transactions of the Group.
- IFRIC 20 – Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 1, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on the consolidated financial statements of the Group.

## 4. BASIS OF MEASUREMENT

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

### Use of critical accounting estimates and judgments

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



- i) classification of investments (note 5.4)
- ii) provision against investments (note 5.4), advances (note 5.5) and other assets (note 5.7)
- iii) valuation and impairment of available for sale securities (note 5.4)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.6)
- v) taxation (note 5.8)
- vi) staff retirement benefits (note 5.9)

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Basis of consolidation

#### Subsidiaries

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2010: 100%) and ASL with 74% holding (2010: 74%) collectively referred to as the Group.

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

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

Material intra-group balances and transactions have been eliminated.

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

#### Associate

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

### 5.2 Cash and cash equivalents

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

### 5.3 Sale and repurchase agreements

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

### 5.4 Investments

Investments are classified as follows:

#### Held for trading

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

#### Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 4, 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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

decline in prices of available for sale equity securities is significant or prolonged, it is considered impaired and included in the consolidated profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in the consolidated profit and loss account. Investments in other unquoted securities are valued at cost less impairment losses, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

## Held to maturity

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

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

## 5.5 Advances

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

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

The SBP has notified for adoption of "Islamic Financial Accounting Standard 2 Ijarah" (IFAS-2) which is applicable for accounting period beginning on or after January 1, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 1, 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.

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

### Capital work-in-progress

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

### Owned assets

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

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

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

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



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

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

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

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

### **5.7 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 amortization, if no impairment loss had been recognised.

### **5.8 Taxation**

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

#### **Current**

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

#### **Deferred**

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

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

### **5.9 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. The gratuity is payable on the basis of last drawn basic salary for E-1 grade employees and gross for other employees for each completed year of services.

#### **Defined contribution plan**

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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

## Compensated absences

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

## 5.10 Revenue recognition

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

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

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

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

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

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

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

Profits on Diminishing Musharaka financings are recognised on accrual basis.

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

## 5.11 Foreign currencies

### Foreign currency transactions

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

### Foreign operation

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

### Translation gains and losses

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

### Commitments

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



## 5.12 Provisions

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

## 5.13 Off-setting

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

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

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

## 5.15 Segment reporting

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

### 5.15.1 Business segment

#### Corporate finance

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

#### Trading and Sales

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

#### Retail Banking

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

#### Commercial Banking

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

#### Payment and settlement

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

#### Agency services

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

#### Sub-ordinated loans

It represents Term Finance Certificates issued by the Group.

### 5.15.2 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, 2011

Rupees in '000	Note	2011	2010
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		3,906,124	3,698,623
Foreign currencies		971,932	1,093,497
<b>National Prize Bonds</b>		4,878,056	4,792,120
		8,688	18,146
<b>With the State Bank of Pakistan in</b>			
Local currency current accounts	6.1	12,651,165	9,837,640
Foreign currency current account	6.1	2,391,749	1,914,623
Foreign currency deposit account	6.2	5,359,856	5,366,912
		20,402,770	17,119,175
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		878,692	635,749
		26,168,206	22,565,190

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

6.2 This represents special cash reserve maintained with the SBP and is remunerated at 0.00% (2010: 0.00%) per annum.

Rupees in '000	Note	2011	2010
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		542,978	391,581
On deposit accounts		284,550	481,399
<b>Outside Pakistan</b>			
On current accounts		1,292,950	1,243,196
On deposit accounts	7.1	4,115,638	1,671,362
		6,236,116	3,787,538

7.1 These represent placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.00% to 0.35% (2010: 0.03% to 0.20%) per annum receivable on maturity.

Rupees in '000	Note	2011	2010
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (reverse repo)	8.1	360,501	8,349,938
Purchase under resale arrangement of equity securities	8.2	200,000	200,000
		560,501	8,549,938
Funded Trade Finance	8.3	1,214,267	770,730
Term deposits with MCB Bank Limited	8.4	22,000	22,000
		1,796,768	9,342,668
Provision against reverse repo	8.5	(183,184)	(148,482)
		1,613,584	9,194,186

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortized over the period of related contracts and recorded under mark-up/return/interest earned. This carries mark-up at rate of 11.9% (2010: 12.6% to 13.2%) per annum and maturities of upto 1 month (2010: upto 3 months).

8.2 These represent shares of companies purchased under resale agreement and carried mark-up at 18.01% (2010: 18.01%) per annum with maturity of upto 1 (2010: upto 1) month.





- 8.3 These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka (2010: Ukr Sibbank Kiev, Ukraine) at mark-up rates ranging from 2.01% to 2.03% (2010: 4.62%) per annum with maturities of upto April 2012 and December 2012 (2010: January 2011).
- 8.4 These represent term deposit for a term of 3 months (2010: 3 months) and will mature on February 10, 2012. This term deposit carries mark-up at rate of 10.3% (2010: 11.6%) per annum. The deposit is under lien with MCB Bank Limited against running finance facility under mark-up basis available to ASL.

Rupees in '000	2011	2010
<b>8.5 Particulars of provision against repurchase agreement lendings</b>		
Opening balance	148,482	82,674
Charge for the year	34,702	65,808
Closing balance	183,184	148,482
<b>8.6 Particulars of lending</b>		
In local currency	582,501	8,571,938
In foreign currencies	1,214,267	770,730
	1,796,768	9,342,668

Rupees in '000	2011			2010		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
<b>8.7 Securities held as collateral against lendings to financial institutions</b>						
Market Treasury Bills	360,501	–	360,501	8,074,770	–	8,074,770
Pakistan Investment Bonds	–	–	–	275,168	–	275,168
Purchase under resale arrangement of listed shares	200,000	–	200,000	200,000	–	200,000
	560,501	–	560,501	8,549,938	–	8,549,938

Market value of securities held as collateral is Rs. 377,645 thousand (2010: Rs. 8,494,528 thousand).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

## 9. INVESTMENTS

Rupees in '000	Note	2011			2010		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1</b>	<b>Investments by types</b>						
	Held for trading securities						
	Fully paid ordinary shares	1,491	–	1,491	23,581	–	23,581
	Units of open end mutual funds	44,911	–	44,911	25,202	–	25,202
		46,402	–	46,402	48,783	–	48,783
	Available for sale securities						
	Market Treasury Bills	85,163,963	7,933,076	93,097,039	58,593,073	11,720,668	70,313,741
	Pakistan Investment Bonds	18,760,393	36,602	18,796,995	6,399,771	1,261,467	7,661,238
	Fully paid ordinary shares / units	1,637,867	–	1,637,867	1,063,673	–	1,063,673
	Units of open end mutual funds	1,574,714	–	1,574,714	1,520,717	–	1,520,717
	Fully paid preference shares	67,000	–	67,000	75,000	–	75,000
	Term Finance Certificates	4,908,959	–	4,908,959	12,779,061	–	12,779,061
	National Investment Trust (NIT) units	372,762	–	372,762	222,681	–	222,681
	Sukuk Certificates	8,150,281	–	8,150,281	3,405,240	–	3,405,240
	Government of Pakistan Euro Bonds	948,612	–	948,612	638,767	–	638,767
	Foreign securities	133,555	–	133,555	199,210	–	199,210
		121,718,106	7,969,678	129,687,784	84,897,193	12,982,135	97,879,328
	Held to maturity securities						
	Term Finance Certificates	523,726	–	523,726	739,941	–	739,941
	Pakistan Investment Bonds	1,070,676	–	1,070,676	1,101,980	–	1,101,980
	Government of Pakistan Euro Bonds	1,038,061	–	1,038,061	957,964	–	957,964
	Sukuk Certificates	1,728,334	–	1,728,334	2,013,203	–	2,013,203
	Credit Linked Notes	449,729	–	449,729	428,184	–	428,184
		4,810,526	–	4,810,526	5,241,272	–	5,241,272
	Investment in associate						
	Askari General Insurance Company Limited	104,667	–	104,667	73,433	–	73,433
	Investment at cost	126,679,701	7,969,678	134,649,379	90,260,681	12,982,135	103,242,816
	Provision for diminution in value of investments	(332,778)	–	(332,778)	(348,553)	–	(348,553)
	Investments (net of provision)	126,346,923	7,969,678	134,316,601	89,912,128	12,982,135	102,894,263
	Unrealised gain / (loss) on revaluation of held for trading securities – net	80	–	80	(3,799)	–	(3,799)
	Deficit on revaluation of available for sale securities – net	(665,819)	4,525	(661,294)	(684,936)	(105,465)	(790,401)
	<b>Total investments.</b>	<b>125,681,184</b>	<b>7,974,203</b>	<b>133,655,387</b>	<b>89,223,393</b>	<b>12,876,670</b>	<b>102,100,063</b>

Market value of held to maturity securities as at December 31, 2011 is Rs. 4,605,207 thousand (2010: Rs. 5,112,366 thousand).



Rupees in '000	Note	2011	2010
<b>9.2 Investments by segments</b>			
Federal Government Securities	9.2.3		
Market Treasury Bills		93,097,039	70,313,741
Pakistan Investment Bonds		19,867,671	8,763,218
Government of Pakistan Euro Bonds	9.2.4	1,986,673	1,596,731
Sukuk Certificates		8,250,000	3,780,703
		123,201,383	84,454,393
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	1,688,345	1,103,384
Unlisted companies	9.5	55,680	55,680
		1,744,025	1,159,064
Units of open end mutual funds	9.4	1,619,625	1,547,542
Fully paid preference shares	9.6		
Listed companies		42,000	50,000
Unlisted companies		25,000	25,000
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,829,589	1,899,488
Unlisted Term Finance Certificates		3,603,096	11,619,514
		5,432,685	13,519,002
Foreign Securities			
Mena Transformation Fund	9.11	133,555	199,210
Credit Linked Notes	9.14	449,729	428,184
		583,284	627,394
Other Investments			
Sukuk Certificates		1,628,615	1,637,740
National Investment Trust (NIT) – units		372,762	222,681
		2,001,377	1,860,421
Total investment at cost		134,649,379	103,242,816
Provision for diminution in value of investments	9.2.1	(332,778)	(348,553)
Investments (net of provisions)		134,316,601	102,894,263
Unrealised gain / (loss) on revaluation of held for trading securities – net	9.16	80	(3,799)
Deficit on revaluation of available for sale securities – net		(661,294)	(790,401)
Total investments		133,655,387	102,100,063
<b>9.2.1 Particulars of provision for diminution in value of investments</b>			
Opening balance		348,553	80,680
(Reversal) / charge for the year		(15,775)	267,873
Closing balance		332,778	348,553
<b>9.2.2 Particulars of provision in respect of type and segment</b>			
Available for sale securities			
Fully paid ordinary shares – unlisted		5,680	5,680
Preference shares – unlisted		27,550	25,000
Term finance certificates		84,986	32,873
Sukuk certificates		174,320	260,000
Held to maturity securities			
Term finance certificates		40,242	25,000
		332,778	348,553

# Notes to the Consolidated Financial Statements

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## 9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2012 to November 2012	On maturity	11.65% to 13.88%	at maturity
Pakistan Investment Bonds	April 2012 to June 2024	On maturity	8% to 12%	semi-annually
Government of Pakistan Euro Bonds	March 2016 to June 2017	On maturity	6.88% to 7.13%	semi-annually
Sukuk Certificates				
– House Building Finance Corporation	May 2014	Semi-annually	6 months KIBOR plus 1%	semi-annually
– Pakistan Domestic Sukuk Company Limited	November 2013 to December 2014	On maturity	Weighted average yield of 6 months market treasury bills	semi-annually
– WAPDA	July 2017	On maturity	6 months KIBOR minus 0.25%	semi-annually

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

## 9.3 Investments in listed companies shares / units

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	Note	2011	2010
2011	2010	Rupees 2011			Rupees in '000	
306,827	–	57.11	Adamjee Insurance Company Limited		17,523	–
–	2,590,166	–	Al Meezan Mutual Fund	9.4.1	–	21,161
611	–	60.56	Allied Bank Limited		37	–
–	900,369	–	Arif Habib Corporation Limited		–	26,073
8,376,556	5,094,348	12.50	Askari General Insurance Company Limited	9.12	104,667	73,433
13,100	10,278,134	6.03	Atlas Fund of Funds		79	45,532
914	82,430	52.52	Attock Cement Pakistan Limited		48	5,021
310	50,000	380.65	Attock Petroleum Limited		118	15,853
–	13,600	–	Attock Refinery Limited		–	1,708
7,581,585	3,481,913	3.56	Azgard Nine Limited		26,959	41,731
6,411	2,350,199	10.76	Bank Alfalah Limited		69	25,839
–	306,000	–	Crescent Steel Mills Limited		–	8,406
1,772,402	1,193,000	23.54	D. G. Khan Cement Company Limited		41,717	37,101
867,000	–	115.58	Engro Chemical (Pakistan) Limited		100,204	–
–	3,200,000	–	Fatima Fertilizer Company Limited		–	35,424
610,500	–	162.81	Fauji Fertilizer Company Limited		99,395	–
677,710	677,710	3.24	Golden Arrow Selected Stock Fund		2,196	2,196
2,600,000	2,445,342	38.20	Hub Power Company Limited		99,308	91,223
336,252	–	148.40	ICI Pakistan Limited		49,901	–
4,110,064	3,844,832	5.11	Jahangir Siddiqui and Company Limited		21,003	49,929
2,248,380	380	44.00	Kot Addu Power Company Limited		98,921	15
10,000	–	15.40	Lotte Pakistan PTA Limited		154	–
–	144,501	–	Lucky Cement Limited		–	11,140
582,507	–	167.14	MCB Bank Limited		97,363	–
24,034	8,375,654	8.78	Meezan Balanced Fund		211	69,328
2,224	674,878	17.09	Meezan Bank Limited		38	11,448
1,192,604	–	45.02	National Bank of Pakistan		53,693	–
130,000	–	275.73	National Refinery Limited		35,845	–
13,473	11,965,000	1.56	NIB Bank Limited		21	37,809
2,059,020	600,643	21.50	Nishat (Chunian) Limited		44,272	13,738
1,980,591	133,818	50.39	Nishat Mills Limited		99,804	8,374
6,230,000	–	15.87	Nishat Power Limited		98,859	–
790	–	143.04	Oil and Gas Development Company Limited		113	–
438,400	513,300	89.30	Packages Limited		39,149	66,524



No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2011	2010
2011	2010	Rupees 2011		Rupees in '000	
7,583,700	7,511,000	9.96	Pak Oman Advantage Fund	75,516	75,091
-	433,914	-	Pak Suzuki Motor Company Limited	-	30,840
2,867	-	329.61	Pakistan Oilfields Limited	945	-
519,588	-	190.18	Pakistan Petroleum Limited	98,816	-
3,415,352	2,850,700	19.28	Pakistan Re-Insurance Company Limited	65,831	56,599
360,000	-	274.97	Pakistan State Oil Company Limited	98,989	-
8,041,738	1,616,800	12.43	Pakistan Telecommunication Company Limited	99,969	30,596
65,479	3,616,399	12.63	PICIC Growth Fund	827	53,010
167,058	139,700	237.24	Shell Pakistan Limited	39,633	34,626
-	2,801,800	-	Sui Northern Gas Pipelines Limited	-	91,439
1,268,975	-	60.01	United Bank Limited	76,152	-
-	7,238,208	-	Wateen Telecom Limited	-	32,177
				1,688,345	1,103,384

#### 9.4 Units of open end mutual funds

No. of units		Paid-up value per unit	Name of mutual funds	Note	2011	2010
2011	2010	Rupees 2011			Rupees in '000	
2,604,168	2,500,000	40.26	Askari Asset Allocation Fund – (a related party)	9.8	104,837	100,846
12,055,683	11,880,365	99.45	Askari High Yield Scheme (formerly Askari Income Fund) – (a related party)	9.8	1,198,888	1,146,696
1,095,837	1,095,837	91.25	Askari Islamic Asset Allocation Fund – (a related party)	9.8	100,000	100,000
1,598,805	1,105,776	93.82	Askari Islamic Income Fund – (a related party)	9.8	150,000	100,000
505,076	1,009,971	99.01	Askari Sovereign Cash Fund – (a related party)	9.8	50,009	100,000
1,330,882	-	11.94	Al Meezan Mutual Fund	9.4.1	15,891	-
					1,619,625	1,547,542

9.4.1 Al Meezan Mutual Fund, previously a closed-end fund, has been converted into an open-end equity fund with effect from August 5, 2011. The fund is managed by Al Meezan Investment Management Limited.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

## 9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding	Number of shares	Cost /	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive / status
				paid-up value per share				
		%		Rupees	Rupees in '000			
Khushhali Bank Limited	9.5.1	2.93	5,000,000	10	50,000	65,082	Dec. 31, 2010	Mr. M. Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited – a related party	9.5.2	5.26	568,044	10	5,680	-	-	Under liquidation
					55,680			

9.5.1 This represents subscription by the Bank towards capital of Khushhali Bank as per the SBP 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 SBP.

9.5.2 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2010: Rs. 5,680 thousand) is considered as impairment and has been fully provided for.

## 9.6 Particulars of investments held in preference shares

No. of preference shares		Paid-up value per share	Investee	Rate %	Book Value		Market Value	
2011	2010				2011	2010	2011	2010
Rupees					Rupees in '000	Rupees in '000		
Listed								
10,000,000	10,000,000	10	Chenab Limited	9.25	17,000	25,000	17,000	25,000
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
Un-listed								
2,500,000	2,500,000	10	First Dawood Investment Bank Limited	4 percent per annum	25,000	25,000	25,000	25,000
					67,000	75,000	67,000	75,000



## 9.7 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2011	2010
2011	2010			Rupees in '000	
<b>Listed</b>					
13,669	13,669	Allied Bank Limited	4,990	68,208	68,236
35,000	65,000	Bank Alfalah Limited	4,038	141,318	174,626
30,000	30,000	Bank Al-Habib Limited	3,325	99,740	149,640
-	11,000	IGI Investment Bank Limited	-	-	13,645
8,000	8,000	Orix Leasing Limited	834	6,672	20,096
37,230	37,230	Pace Pakistan Limited	4,770	177,576	176,017
97,493	97,493	Pak Arab Fertilizer Limited	3,643	355,132	444,998
40,000	40,000	Pakistan Mobile Communication Limited	2,496	99,840	166,400
4,600	4,600	Faysal Bank Limited	2,495	11,477	17,218
12,000	12,000	Soneri Bank Limited	3,741	44,892	59,868
10,000	10,000	Standard Chartered Bank Limited	3,496	34,960	47,420
92,432	45,432	United Bank Limited	4,583	423,657	222,024
133,023	84,090	Worldcall Telecom Limited	2,752	366,117	339,300
Book value as on December 31				1,829,589	1,899,488
<b>Unlisted</b>					
145,000	140,000	Agritech Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,913	712,379	699,440
30,000	30,000	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	4,246	127,372	127,372
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,000	429,969	430,022
35,600	58,000	Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	5,123	182,389	289,884
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	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 (Chief Executive: Mr. Asad Umar)	5,000	700,000	700,000
-	233,333	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Tanveer Safder Cheema)	-	-	874,999
-	233,333	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Mahboob Alam)	-	-	874,999
-	233,333	Islamabad Electric Supply Company Limited (Chief Executive: Mr. Javed Pervaiz)	-	-	874,999
74,900	74,900	Jahangir Siddiqui and Company Limited (Chief Executive: Mr. Munaf Ibrahim)	4,911	367,850	363,981
10,000	10,000	KASB Securities Limited (Chief Executive: Mr. Nadir Rehman)	1,667	16,668	50,092
3,560	2,700	Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	49,505	176,237	221,530
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385
20,000	-	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Ramdan A. Haggiagi)	4,999	99,980	-
5,931	-	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	5,000	29,657	-
50,000	50,000	Pakistan International Airlines Corporation Limited (Chief Executive: Capt. Nadeem Khan Yousufzai)	4,996	249,800	249,850
83,865	45,092	Pakistan National Shipping Corporation (Chief Executive: Vice Admiral (Retd.) Saleem Ahmed Meenai)	4,375	366,910	225,461
-	1,098,600	Power Holding (Private) Limited (Chief Executive: Mr. Fazeel Asif)	-	-	5,493,000
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				3,603,096	11,619,514

9.7.1 These carry rate of return ranging from 8.45% to 15.64% (2010: 8.45% to 17.36%) per annum and having remaining maturity periods of upto 9 years (2010: 8 years).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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

## 9.9 Sukuk Certificates – Available for sale

Name of Investee	Rate	Maturity	2011	2010
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	67,500	97,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	50,000	70,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	111,111	155,556
K.S. Sulmanji and Esmailji and Sons Private Limited	Average of offer side of 3 month KIBOR plus 1.4% p.a.	June 30, 2014	106,346	190,000
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	176,500	241,500
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	300,000
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	10,736	12,559
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 20, 2013	2,000,000	2,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	September 26, 2011	-	10,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	-
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	-
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 3 month KIBOR plus 1.1% p.a.	August 19, 2016	178,125	178,125
			8,150,281	3,405,240

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

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

## 9.12 Investment in associate

Investment in associate represents 27.18% (2010: 25%) investment in the equity of Askari General Insurance Company Limited (AGICO).

Rupees in '000	2011	2010
Cost of investment	29,466	11,182
Acquired on merger of ALL	24,237	24,237
Share of Profit – net of tax	50,964	38,014
	104,667	73,433

Summary of financial information of AGICO is given below:

Rupees in '000	Based on	
	September 30, 2011 (Un-audited)	December 31, 2010 (Audited)
Assets	1,562,643	1,453,934
Liabilities	1,148,229	1,138,101
Equity	414,414	315,833
Revenue	449,910	639,901
Profit after tax	47,641	47,418

Fair value of investment in AGICO as at December 31, 2011 is Rs. 67,599 thousand (December 31, 2010: Rs. 56,038 thousand). 3,075 shares are held in the name of a nominee director of the Bank in AGICO.





### 9.13 Sukuk Certificates – Held to maturity

Name of Investee	Rate	Maturity	2011	2010
			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	135,000	202,500
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR plus 0.4% p.a.	February 4, 2016	–	150,704
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	November 15, 2013	1,250,000	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	33,334	99,999
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
			1,728,334	2,013,203

9.14 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.

### 9.15 Quality of Available for Sale Securities

Rupees in '000	Note	2011		2010	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.15.1	18,711,293	unrated	70,107,699	unrated
Pakistan Investment Bonds	9.15.1	93,023,836	unrated	7,303,354	unrated
Fully paid up ordinary shares	9.15.3				
Adamjee Insurance Company Limited		14,271	AA	–	–
Al-Meezan Mutual Fund		–	–	21,524	unrated
Allied Bank Limited		33	AA	–	–
Arif Habib Corporation Limited		–	–	22,410	unrated
Atlas Fund of Funds		72	unrated	47,074	unrated
Attock Cement Limited		47	unrated	5,202	unrated
Attock Petroleum Limited		128	unrated	16,726	unrated
Azgard Nine Limited		21,608	D	33,636	SD
Bank Alfalah Limited		72	AA	26,346	AA/A1+
Crescent Steel Mills Limited		–	–	8,418	A+
D. G. Khan Cement Company Limited		33,729	unrated	35,994	unrated
Engro Corporation Limited		80,186	AA	–	–
Fatima Fertilizer Company Limited		–	–	36,096	A/A1
Fauji Fertilizer Company Limited		91,219	unrated	–	–
Golden Arrow Selected Stock Fund		1,837	unrated	2,141	3 – Star
Hub Power Company Limited		88,920	AA+	91,480	AA+/A1+
ICI Pakistan Limited		40,441	unrated	–	–
Jahangir Siddiqui and Company Limited		16,395	AA	40,765	AA/A1+
Khushhali Bank Limited		50,000	A	50,000	A-/A-2
Kot Addu Power Company Limited		92,903	AA+	15	unrated
MCB Bank Limited		78,405	AA+	–	–
Meezan Balanced Fund		219	unrated	62,818	unrated
Meezan Bank Limited		39	AA-	11,405	AA-/A-1
National Bank of Pakistan		48,956	AAA	–	–

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For the year ended December 31, 2011

Rupees in '000	2011		2010	
	Market Value	Rating	Market Value	Rating
National Refinery Limited	31,550	AAA	-	-
NIB Bank Limited	23	AA-	35,297	AA-/A1+
Nishat (Chunian) Limited	36,774	unrated	13,647	A/A-2
Nishat Mills Limited	79,913	AA-	8,587	A+/A1
Nishat Power Limited	80,678	AA-	-	-
Oil and Gas Development Company Limited	120	AAA	-	-
Packages Limited	36,264	AA	66,015	AA/A1+
Pak Oman Advantage Fund	69,163	AA-	77,739	AA-
Pak Suzuki Motor Company Limited	-	-	30,296	unrated
Pakistan Export Finance Guarantee Agency	-	-	-	-
Pakistan Oilfields Limited	993	unrated	-	-
Pakistan Petroleum Limited	87,457	unrated	-	-
Pakistan Re-Insurance Limited	52,938	AA	46,324	unrated
Pakistan State Oil Company Limited	81,796	AA+	-	-
Pakistan Telecommunication Company Limited	83,554	unrated	23,630	unrated
PICIC Growth Fund	816	unrated	47,918	3 - Star
Shell Pakistan Limited	31,788	unrated	29,088	unrated
Sui Northern Gas Pipelines Limited	-	-	74,920	AA/A1+
United Bank Limited	66,482	AA+	-	-
Wateen Telecom Limited	-	-	26,347	unrated
Fully paid preference shares				
Chenab Limited	17,000	unrated	25,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	-	unrated	-	D
Units of open end mutual fund				
Askari High Yield Scheme (formerly Askari Income Fund)	1,178,518	unrated	1,143,248	unrated
Askari Asset Allocation Fund	94,033	unrated	100,846	unrated
Askari Islamic Asset Allocation Fund	107,047	unrated	120,734	unrated
Askari Islamic Income Fund	161,315	unrated	116,348	unrated
Askari Sovereign Cash Fund	50,788	unrated	105,500	unrated
Al-Meezan Mutual Fund	13,602	unrated	-	-
Term Finance Certificates				
Agritech Limited	608,131	D	595,187	CCC
Allied Bank Limited	68,361	AA-	67,027	AA-
Avari Hotels Limited	121,558	A-	123,859	A-
Azgard Nine Limited	394,258	D	394,255	CCC
Bank Alfalah Limited	180,940	AA-	288,777	AA-
Bunny's Limited	18,500	D	13,875	unrated
Engro Corporation Limited	707,167	AA	669,416	AA
Faisalabad Electric Supply Company Limited	-	-	874,999	unrated
Gujranwala Electric Supply Company Limited	-	-	874,999	unrated
IGI Investment Bank Limited	-	-	13,726	A+
Islamabad Electric Supply Company Limited	-	-	874,999	unrated
Jahangir Siddiqui and Company Limited	377,827	AA	372,112	AA
KASB Securities Limited	16,631	A+	49,522	A+
Orix Leasing Pakistan Limited	185,469	AA+	243,349	AA+
Pace Pakistan Limited	125,050	D	180,543	A+
Pak Arab Fertilizer Limited	362,344	AA	444,471	AA
Pak Hy Oils Limited	50,385	D	50,385	D



Rupees in '000	Note	2011		2010	
		Market Value	Rating	Market Value	Rating
		101,934	AA	-	-
Pak Libya Holding Company (Pvt) Limited					
Pakistan International Airlines Corporation Limited	9.15.1	249,800	AAA	249,850	unrated
Pakistan Mobile Communication Limited		29,657	A+	-	-
Pakistan National Shipping Corporation		366,910	AA-	225,461	unrated
Power Holding Private Limited		-	-	5,493,000	unrated
Shakarganj Mills Limited		50,000	D	50,000	D
United Bank Limited		360,553	AA	121,886	AA
World Call Telecom Limited		330,452	A	334,754	A
		4,705,927		12,606,452	
National Investment Trust (NIT) units		313,607	AM2-	224,255	3 - Star
Sukuk Certificates	9.15.2	8,273,890	unrated	3,405,098	unrated
Foreign securities					
Mena Transformation Fund		133,816	unrated	190,627	unrated
Government of Pakistan Euro Bonds	9.15.1	786,350	unrated	615,653	unrated
		128,995,811		97,081,672	

9.15.1 These are Government of Pakistan guaranteed securities.

9.15.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 7,000,000 thousand (2010: Rs. 2,010,000 thousand)

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

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

Rupees in '000	2011	2010
9.16 Unrealised gain / (loss) on revaluation of investments classified as held for trading		
Fully paid ordinary shares / units	80	(3,799)

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

9.18 Investments given as collateral include securities having book value of Rs. 36,602 thousand pledged with the SBP as security against demand loan and TT / DD discounting facilities.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		139,291,631	142,242,378
Outside Pakistan		3,103,127	57,940
		142,394,758	142,300,318
Net investment in lease finance – In Pakistan	10.2	6,477,358	8,791,362
Ijarah financing – In Pakistan	10.3	671,147	1,103,349
Net book value of assets / investments in Ijarah under IFAS 2 – In Pakistan	10.4	319,125	311,162
Bills discounted and purchased			
Payable in Pakistan		11,213,180	8,428,437
Payable outside Pakistan		6,305,678	7,501,252
		17,518,858	15,929,689
Advances – gross		167,381,246	168,435,880
Provision against non-performing advances	10.6		
Specific provision		(16,291,514)	(15,222,798)
General provision		(132,130)	(132,190)
General provision against consumer financing		(245,046)	(296,638)
		(16,668,690)	(15,651,626)
Advances – net of provision		150,712,556	152,784,254
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1 In local currency</b>		158,823,108	161,400,343
In foreign currencies		8,558,138	7,035,537
		167,381,246	168,435,880
<b>10.1.2 Short term (for upto one year)</b>		116,017,987	74,192,014
Long term (for over one year)		51,363,259	94,243,866
		167,381,246	168,435,880



## 10.2 Net investment in lease finance – In Pakistan

Rupees in '000	2011				2010			
	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	2,826,046	1,344,061	-	4,170,107	3,809,836	2,521,875	-	6,331,711
Residual value	1,572,134	1,253,079	-	2,825,213	1,473,131	1,919,874	-	3,393,005
Minimum lease payments	4,398,180	2,597,140	-	6,995,320	5,282,967	4,441,749	-	9,724,716
Finance charges for future periods	(307,501)	(210,461)	-	(517,962)	(544,700)	(388,654)	-	(933,354)
Present value of minimum lease payments	4,090,679	2,386,679	-	6,477,358	4,738,267	4,053,095	-	8,791,362

## 10.3 Ijarah financing – In Pakistan

Rupees in '000	2011				2010			
	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	278,749	301,651	-	580,400	160,400	698,467	-	858,867
Residual value	114,746	95,806	-	210,552	110,976	312,453	-	423,429
Minimum Ijarah payments	393,495	397,457	-	790,952	271,376	1,010,920	-	1,282,296
Profit for future periods	(74,357)	(45,448)	-	(119,805)	(30,314)	(148,633)	-	(178,947)
Present value of minimum Ijarah payments	319,138	352,009	-	671,147	241,062	862,287	-	1,103,349

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

Rupees in '000	2011				2010			
	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	194,030	260,974	-	455,004	-	421,410	-	421,410
Accumulated depreciation on Ijarah	(54,802)	(81,077)	-	(135,879)	-	(110,248)	-	(110,248)
Net assets / investments in Ijarah	139,228	179,897	-	319,125	-	311,162	-	311,162

10.5 Advances include Rs. 23,645,541 thousand (2010: Rs. 21,598,648 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned – note 10.5.1	82,833	-	82,833	-	-	-	-	-	-
Substandard	822,789	-	822,789	70,785	-	70,785	70,785	-	70,785
Doubtful	1,754,185	-	1,754,185	353,690	-	353,690	353,690	-	353,690
Loss	20,985,734	-	20,985,734	15,867,039	-	15,867,039	15,867,039	-	15,867,039
	23,645,541	-	23,645,541	16,291,514	-	16,291,514	16,291,514	-	16,291,514

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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 10.5.1	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

10.5.1 This represents classification made for agricultural finances.

## 10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2011				2010			
		Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
Opening balance		15,222,798	132,190	296,638	15,651,626	11,658,161	585,642	350,041	12,593,844
Adjustment of potential lease losses	10.6.3	-	-	-	-	1,198,104	-	44,107	1,242,211
Charge for the year		3,877,730	13,963	-	3,891,693	3,899,939	25,498	234	3,925,671
Adjustment due to change in estimate		-	-	-	-	-	(426,771)	-	(426,771)
Reversal for the year		(2,164,986)	(14,023)	(51,592)	(2,230,601)	(1,029,697)	(52,179)	(97,744)	(1,179,620)
Net charge / (reversal) for the year		1,712,744	(60)	(51,592)	1,661,092	2,870,242	(453,452)	(97,510)	2,319,280
Reversal of provision on rescheduled / restructured classified advances	20.1	(71,692)	-	-	(71,692)	(53,362)	-	-	(53,362)
Amounts written off	10.8	(572,336)	-	-	(572,336)	(450,347)	-	-	(450,347)
Closing balance		16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626

Rupees in '000	2011	2010
<b>10.6.1 Provision against non-performing advances</b>		
Net charge for the year	1,661,092	2,319,280
Reversal of capital reserve	(30,969)	-
	1,630,123	2,319,280

10.6.2 The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances. The FSV benefit has resulted in reduced charge for specific provision for the year ended December 31, 2011 by Rs. 1,838,083 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. 1,838,083 thousand (2010: Rs. 626,611 thousand) and Rs. 1,194,754 thousand (2010: Rs. 407,297 thousand) respectively. Had the basis for determining the specific provision not changed, profit before tax and profit after tax would have been lower by Rs. 2,256,772 thousand and Rs. 1,466,902 thousand respectively.

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

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



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

Rupees in '000	2011				2010			
	Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
In local currency	16,021,957	131,304	245,046	16,398,307	15,026,149	98,412	296,638	15,421,199
In foreign currencies	269,557	826	–	270,383	196,649	33,778	–	230,427
	16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626

Rupees in '000	2011	2010
<b>10.8 Particulars of write-offs:</b>		
<b>10.8.1 Against provisions</b>		
Directly charged to profit and loss account	572,336	450,347
	–	–
	572,336	450,347
<b>10.8.2 Write offs of Rs. 500,000 and above</b>		
Write offs of below Rs. 500,000	8,349	449,464
	563,987	883
	572,336	450,347

10.8.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2011 is given at Annexure – 1 to the unconsolidated financial statements.

Rupees in '000	Note	2011	2010
<b>10.9 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,493,499	1,224,877
Loans granted during the year		320,134	574,040
Repayments		(350,853)	(305,418)
Balance at end of year		1,462,780	1,493,499
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		1,072	580,240
Loans granted during the year		47,089	2,675,841
Repayments		(47,871)	(3,255,009)
Balance at end of year		290	1,072
		1,463,070	1,494,571
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	51,948	1,670,541
Property and equipment	11.2	8,115,106	8,356,876
Intangibles	11.2	1,283,979	57,005
		9,451,033	10,084,422
<b>11.1 Capital work-in-progress</b>			
Advances to suppliers and contractors		51,948	1,670,541
		51,948	1,670,541

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

## 11.2 Property and equipment

Rupees in '000	2011										Annual rate of depreciation (%)
	COST / REVALUED AMOUNT					DEPRECIATION				Book value as at December 31, 2011	
	as at January 1, 2011	Additions	Adjustment	Deletions	as at December 31, 2011	as at January 1, 2011	Charge for the year	On (deletions) / adjustment	as at December 31, 2011		
Land – freehold – note 11.3	1,639,802	–	–	–	1,639,802	–	–	–	–	1,639,802	–
Land – leasehold – note 11.3	2,105,372	46,446	–	–	2,151,818	–	–	–	–	2,151,818	–
Buildings on freehold land	793,893	826	61,163	–	855,882	188,824	32,655	–	222,241	633,641	5
Buildings on leasehold land	1,415,637	12,575	–	–	1,428,212	367,504	51,640	–	419,144	1,009,068	5
Renovation of premises	1,721,325	195,036	(64,650)	(8,443)	1,843,268	882,344	274,624	(6,815)	1,149,456	693,812	20
Furniture, fixtures and office equipment	523,982	17,849	271	(6,939)	535,163	194,209	33,193	(2,638)	225,042	310,121	10 – 33
Carpets	21,832	2,475	12	(1,139)	23,180	16,076	2,517	278	(946)	17,664	20
Machine and equipment	1,255,840	76,467	(366)	(10,634)	1,321,307	662,190	124,996	(8,402)	779,061	542,246	20
Computer equipment	1,953,486	243,710	(88,035)	(13,254)	2,095,907	855,572	193,617	(10,699)	1,028,777	1,067,130	20
Vehicles	236,685	14,563	(40)	(9,369)	241,839	194,102	20,792	(9,713)	209,447	32,392	20
Other assets	133,222	–	–	–	133,222	89,367	16,155	59	105,292	27,930	20
	11,801,076	609,947	(91,645)	(49,778)	12,269,600	3,450,188	750,189	(35,006)	4,156,124	8,113,476	
Operating Lease – Vehicles	18,209	–	–	–	18,209	16,531	1,678	(9,247)	18,209	–	20
Assets held under finance lease	11,819,285	609,947	(91,645)	(49,778)	12,287,809	3,466,719	751,867	(44,253)	4,174,333	8,113,476	
Vehicles	10,043	–	–	(3,600)	6,443	5,735	1,558	(2,480)	4,813	1,630	20
	11,829,328	609,947	(91,645)	(53,378)	12,294,252	3,472,454	753,425	(37,486)	4,179,146	8,115,106	
Intangible Software	–	1,226,200	88,291	–	1,314,491	–	77,423	–	87,517	1,226,974	10
Stock Exchange membership cards	57,005	–	–	–	57,005	–	–	10,094	–	57,005	
	57,005	1,226,200	88,291	–	1,371,496	–	77,423	10,094	87,517	1,283,979	

Rupees in '000	2010										Annual rate of depreciation (%)		
	COST / REVALUED AMOUNT					DEPRECIATION				Book value as at December 31, 2010			
	as at January 1, 2010	On merger with ALL	Additions	Adjustment	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
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 – 33
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	–	16,531	1,678	20
	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	
Assets held under finance lease	16,015	–	–	–	(5,972)	10,043	5,882	–	2,406	(2,555)	5,733	4,310	20
Vehicles	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	
					(20,277)					(7,540)			

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 701,891 thousand (2010: Rs. 546,995 thousand).





11.2.2 Additions include a property with carrying value of Rs. 58,052 thousand whose title is in the process of being transferred in the name of the Bank from the name of seller, Mr. Muhammad Saeed Ahad.

11.3 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	Sadrudin Associates
	3,513,645	

Had the land not been revalued, the carrying amount of revalued land as at December 31, 2011 would have been Rs. 1,816,320 thousand.

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

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
Honda Civic	1,393	789	604	604	As per Bank policy	Mr. Qaiser Iqbal Khan – Ex Contractual Executive
Honda City	846	747	99	99	– do –	Mrs. Nasim Ilyas – Ex Contractual Executive
Honda Motorcycles	569	311	258	331	Negotiation	Askari General Insurance Company Limited – a related party
Computer Equipments	1,340	908	432	432	– do –	– do –
Furniture and Fixtures	35	18	17	19	– do –	– do –
Daikan Air conditioner Units	1,048	1,031	17	25	– do –	M/S JAK International
Suzuki Bolan	367	367	–	300	Insurance Claim	Askari General Insurance Company Limited – a related party
Suzuki Bolan	367	257	110	350	– do –	– do –
Honda Motorcycles	203	118	85	172	– do –	– do –
Office Renovation	2,981	2,981	–	35	Tender	Mr. Muhammad Saleem Kabaria
Toyota Corolla	1,108	739	369	1,127	– do –	Mr. Rizwan Mazher
	10,257	8,266	1,991	3,494		
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						
2011	53,378	37,486	15,892	18,108		
2010	59,204	38,992	20,212	22,523		

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency	12.1	7,145,475	7,442,095
Income / mark-up accrued in foreign currencies		165,990	146,993
Advances, deposits, advance rent and other prepayments		1,479,261	1,235,514
Advance taxation (payments less provisions)		2,978,018	2,853,423
Non banking assets acquired in satisfaction of claims	12.2	3,485,578	2,138,640
Un-realised gain on forward foreign exchange contracts – net		327,317	–
Suspense account		50,691	33,254
Stationary and stamps in hand		46,448	43,197
Dividend receivable		8,834	1,811
Others		438,888	467,670
		16,126,500	14,362,597
Provision against other assets	12.3	(97,662)	(98,121)
Other assets – net of provision		16,028,838	14,264,476

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 7,671,302 thousand (2010: Rs. 4,837,932 thousand).

12.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 5,499,775 thousand (2010: Rs. 4,141,590 thousand).

Rupees in '000	2011	2010
<b>12.3 Provision against other assets</b>		
Opening balance	98,121	459
Amount transferred on merger of ALL with and into Bank	–	97,662
Written off during the year	(459)	–
	(459)	97,662
Closing balance	97,662	98,121
<b>13. BILLS PAYABLE</b>		
In Pakistan	2,756,032	3,089,984
<b>14. BORROWINGS</b>		
In Pakistan	17,214,351	25,488,358
Outside Pakistan	60,628	66,419
	17,274,979	25,554,777
<b>14.1 Particulars of borrowings with respect to currencies</b>		
In local currency	17,214,351	25,488,358
In foreign currencies	60,628	66,419
	17,274,979	25,554,777



Rupees in '000	Note	2011	2010
<b>14.2 Details of borrowings – secured / unsecured</b>			
In Pakistan – local currency			
Secured			
Borrowings from the State Bank of Pakistan			
Export refinance scheme	14.2.1	8,317,225	11,009,687
Long term financing of export oriented projects	14.2.2	669,568	1,181,512
Long term financing facility	14.2.3	251,673	234,052
Repurchase agreement borrowings (repo)	14.2.4	7,935,831	6,916,233
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.5	31,045	–
Refinance scheme for revival of SME activities in flood affected areas	14.2.5	7,500	–
		17,212,842	19,341,484
Repo and other borrowings from financial institutions			
Repo borrowings		–	6,036,874
Others	14.2.6	1,509	–
Unsecured			
Call borrowings		–	110,000
		17,214,351	25,488,358
Outside Pakistan – foreign currencies			
Overdrawn nostro accounts – unsecured		60,628	66,419
		17,274,979	25,554,777

14.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 10% (2010: 10%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up rate of 7% (2010: 5%) per annum payable on a quarterly basis.

14.2.3 These carry mark-up ranging from 6.5% to 8.6% (2010: 8.2% to 9.5%) per annum payable on a quarterly basis.

14.2.4 These are secured against pledge of Government Securities, and carry mark-up rate of 11.62% (2010: 12.71% to 12.86%) per annum and have maturities upto 6 (2010: 3) days.

14.2.5 These carry mark-up rate of 5% per annum payable on a quarterly basis.

14.2.6 This represents running finance facility of ASL obtained from MCB Bank Limited, secured against lien on its term deposits. The mark-up rate is 3 months KIBOR plus 1.25% per annum payable on quarterly basis with maturity upto 1 month.

Rupees in '000	2011	2010
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	89,523,862	66,943,251
Savings deposits	141,026,934	132,035,332
Current accounts – non-remunerative	56,631,386	53,040,333
Special exporters' account	11,509	103,746
Margin accounts	2,416,273	3,067,234
Others	380,598	276,239
Financial institutions		
Remunerative deposits	1,507,056	437,397
Non-remunerative deposits	1,777	4,617
	291,499,395	255,908,149
<b>15.1 Particulars of deposits</b>		
In local currency	256,920,834	220,406,401
In foreign currencies	34,578,561	35,501,748
	291,499,395	255,908,149

Deposits include Rs. 19,756,433 thousand (2010: Rs. 12,648,157 thousand) due to related parties.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	Note	2011	2010
<b>16. SUB-ORDINATED LOANS</b>			
Term Finance Certificates – I		1,496,100	1,496,700
Term Finance Certificates – II		1,496,400	1,497,000
Term Finance Certificates – III		2,997,600	2,998,800
Term Finance Certificates – IV	16.1	1,000,000	–
		<b>6,990,100</b>	<b>5,992,500</b>

The Group has raised unsecured sub-ordinated loans in four 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	Term Finance Certificate – IV
Outstanding amount – Rupees in thousand	1,496,100	1,496,400	2,997,600	1,000,000
Issue date	February 4, 2005	October 31, 2005	November 18, 2009	December 23, 2011
Total issue	Rupees 1,500 million	Rupees 1,500 million	Rupees 3,000 million	Rupees 1,000 million
Rating	AA–	AA–	AA–	AA–
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited	Unlisted
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%)	Payable six monthly – Base Rate plus 1.75% (after 5 years: 2.20%)
	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	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	10 Years
Call option	–	–	Exercisable after 60 months from the date of issue subject to approval by SBP.	Exercisable after 60 months from the date of issue subject to approval by 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%	6–96th month: 0.32% 97–120th month: 99.68%

16.1 These certificates were allotted subsequent to the year end.

Rupees in '000	2011			2010		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
<b>17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>						
Not later than one year	1,251	195	1,056	2,025	471	1,554
Later than one year and not later than five years	1,882	45	1,837	4,287	285	4,002
	<b>3,133</b>	<b>240</b>	<b>2,893</b>	<b>6,312</b>	<b>756</b>	<b>5,556</b>

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	Note	2011	2010
<b>18. DEFERRED TAX LIABILITIES</b>			
Deferred credits/ (debits) arising due to:			
Accelerated tax depreciation		716,235	741,757
Assets subject to finance lease		(121)	-
Provision for staff benefits		(3,119)	-
Provision against non-performing advances			
– excess of 1% of total advances		(404,730)	(322,083)
– classified in sub-standard category		7,883	(57,527)
Unused tax losses		(37,787)	-
		278,361	362,147
Deficit on revaluation of available for sale securities		(231,453)	(276,640)
		46,908	85,507
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,059,529	1,707,739
Mark-up / return / interest payable in foreign currencies		76,145	26,508
Unearned income / commission		188,368	232,043
Accrued expenses		350,920	368,809
Advance payments		52,068	63,769
Security deposit against lease / Ijarah financing		3,044,275	3,820,305
Unclaimed dividends		39,157	39,376
Un-realised loss on forward foreign exchange contracts – net		-	62,587
Branch adjustment account		622,392	781,487
Payable to defined benefit plan	35	3,336	1,023
Payable to defined contribution plan	19.1	22,376	354
Payable against purchase / sale of listed shares		179,406	244,827
Withholding taxes payable		44,362	23,219
Federal excise duty payable		2,503	26,568
Workers' Welfare Fund		108,000	25,245
Others		620,718	687,572
		7,413,555	8,111,431

19.1 The amount has subsequently been paid to the Provident Fund.

## 20. SHARE CAPITAL

### 20.1 Authorized capital

2011		2010		Rupees in '000	
Number of shares					
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000	
<b>20.2 Issued, subscribed and paid up capital</b>					
2011		2010		Rupees in '000	
Number of shares					
67,500,000	67,500,000	Fully paid in cash	675,000	675,000	
611,245,019	546,970,625	Issued as bonus shares	6,112,451	5,469,707	
28,273,315	28,273,315	Issued on ALL merger	282,733	282,733	
707,018,334	642,743,940		7,070,184	6,427,440	

### 20.3 Capital Risk Management

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

# Notes to the Consolidated Financial Statements

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

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

The 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 is 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 the capital requirement by way of issue of stock dividend subsequent to date of consolidated statement of financial position.

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note – 21.3	Capital reserve	Revenue reserve	2011	2010
<b>21. RESERVES</b>							
Balance as at January 01	55,513	234,669	3,322,905	53,362	4,046,406	7,712,855	7,287,041
Reserves recognised under scheme of amalgamation	-	-	-	-	-	-	395,828
Effect of translation of net investment in Wholesale Bank Branch	19,783	-	-	-	-	19,783	2,790
Transfer from un-appropriated profit	-	-	325,540	-	679,638	1,005,178	1,045,074
Bonus shares issued	-	-	-	-	(642,744)	(642,744)	(1,071,240)
Reversal of capital reserve	-	-	-	(30,969)	-	(30,969)	-
Effect of rescheduled / restructured classified advances – note 21.1	-	-	-	71,692	-	71,692	53,362
Balance as at December 31	75,296	234,669	3,648,445	94,085	4,083,300	8,135,795	7,712,855

- 21.1** This represents reserve created in compliance with BSD Circular No. 10 dated October 20, 2009 issued by the SBP 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, 2011 include Rs. 3,357,959 thousand (December 31, 2010: Rs. 2,163,205 thousand) in respect of net of tax benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in note 10.6.2 above. Reserves to that extent are not available for distribution by way of cash or stock dividend.
- 21.3** Under section 21 of the Banking Companies Ordinance, 1962, every Banking company incorporated in Pakistan is required to transfer not less than 20% of balance of profit to a statutory reserve until the amount in statutory reserve together with amount in share premium account equals to or exceed the paid-up capital of the Bank and thereafter 10% of the balance of profit of the holding company are to be transferred to this reserve.

Rupees in '000	2011	2010
<b>22. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land	1,697,325	1,697,325
(Deficit) / surplus on revaluation of available for sale securities		
i) Federal Government securities	(196,668)	(587,040)
ii) Listed shares	(232,399)	(66,183)
iii) Units of open end mutual funds	30,589	42,582
iv) Other securities	(262,816)	(179,760)
	(661,294)	(790,401)
Less: related deferred tax	231,453	276,640
	(429,841)	(513,761)
	1,267,484	1,183,564



Rupees in '000	2011	2010
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
i) Government	2,329,106	2,831,783
ii) Others	7,047,996	5,573,276
	9,377,102	8,405,059
<b>23.2 Transaction-related contingent liabilities</b>		
Money for which the Group is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person and associated undertakings.	270,352	13,102
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	54,928,965	53,461,593
ii) Banks and other financial institutions	744,007	912,992
iii) Others	15,582,567	11,418,793
	71,255,539	65,793,378
	71,525,891	65,806,480

These include guarantees amounting to Rs. 890,769 thousand (2010: Rs. 952,115 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

Rupees in '000	2011	2010
<b>23.3 Trade-related contingent liabilities</b>	36,629,023	45,264,462
<b>23.4 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 Group	649,430	1,177,959

<b>23.5 Tax contingencies</b>		
i) For the Tax Years 2005 to 2008, there is a contingent liability of Rs. 681 million on account of amendment to assessments carried out by the Tax Department in the matters of taxation of commission and brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the CIR (A) for the Tax Year 2008 except for the matter of allocation of financial expenses. The Bank's appeals are pending decision by the ATIR with respect to matters not decided in its favour.		
ii) Income tax demand of Rs. 9,565 thousand, not acknowledged as debt, has been challenged by ASL and is currently in appeal; ASL expects favourable outcome of appeal.		
iii) Group's share of income tax demand of Rs. 1,794 thousand, not acknowledged as debt, has been challenged by AGICO and is currently in appeal; AGICO expects favourable outcome of appeal.		

Rupees in '000	2011	2010
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	362,147	8,481,836
Sale and repurchase agreements	7,953,517	13,021,099
<b>23.7 Commitments in respect of forward exchange contracts</b>		
Purchase	23,775,757	27,763,508
Sale	14,977,195	12,370,573

The above commitments have maturities falling within one year.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>23.8 Commitments for the acquisition of operating fixed assets</b>	159,247	123,647
<b>23.9 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	5,576,283	1,706,580
<b>23.10 Other commitments</b> This represents participation in the equity of proposed Mortgage Refinance Company	350,000	350,000
<b>23.11 Bills for collection</b> Payable in Pakistan Payable outside Pakistan	535,642 12,239,196	643,119 11,602,835
	<b>12,774,838</b>	<b>12,245,954</b>

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

## 24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

## 25. DERIVATIVE INSTRUMENTS

The Bank does not deal in derivative instruments.

Rupees in '000	Note	2011	2010
<b>26. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
i) Customers	26.1	17,704,368	18,119,986
ii) Financial institutions		86,448	74,692
On investments			
i) Available for sale securities		13,876,815	7,813,748
ii) Held to maturity securities		543,789	425,135
iii) Held for trading		2,916	-
On deposits with financial institutions		191,556	377,791
On securities purchased under resale agreements		363,058	520,350
		<b>32,768,950</b>	<b>27,331,702</b>

26.1 This includes an amount of Rs. 29,899 thousand (2010: Rs. 18,891 thousand) on account of income received from related parties.

Rupees in '000	Note	2011	2010
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits	27.1	18,815,726	15,018,958
On securities sold under repurchase agreements		2,010,892	913,089
On sub-ordinated loans		921,388	872,312
On call money borrowings		52,632	171,816
On refinance borrowings from SBP		834,023	864,061
On long term finance for export oriented projects from SBP		55,509	66,909
On other short term borrowings		8,919	24,570
		<b>22,699,089</b>	<b>17,931,715</b>





27.1 This includes an amount of Rs. 1,322,754 thousand (2010: Rs. 1,030,839 thousand) on account of mark-up / interest paid to related parties.

Rupees in '000	Note	2011	2010
<b>28. GAIN ON SALE OF SECURITIES – NET</b>			
Federal Government Securities			
Market Treasury Bills		113,283	4,081
Pakistan Investment Bonds		26,825	12,640
Term Finance Certificates		17,308	5,294
Shares – Listed		(49,099)	158,909
Others		202,067	32,811
		310,384	213,735
<b>29. OTHER INCOME</b>			
Rent on property	29.1	37,592	30,590
Gain on sale of operating fixed assets		2,216	2,311
Rent of lockers		17,450	14,140
Recovery of expenses from customers		284,253	328,961
Others		6,498	1,277
		348,009	377,279

29.1 This includes an amount of Rs. 24,515 thousand (2010: Rs. 22,047 thousand) on account of rent received from related parties.

Rupees in '000	Note	2011	2010
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		4,236,837	3,963,892
Charge for defined benefit plan	35.3	168,020	167,797
Contribution to defined contribution plan		130,040	127,304
Non-executive directors' fees, allowances and other expenses		2,350	1,070
Rent, taxes, insurance, electricity, etc.		1,067,302	973,786
Legal and professional charges		57,386	97,643
Brokerage and commission		155,944	172,711
Communications		316,060	292,310
Repairs and maintenance		1,018,788	536,752
Stationery and printing		128,122	129,067
Advertisement and publicity		77,852	138,283
Donations	30.1	16,000	86,015
Auditors' remuneration	30.2	14,420	10,511
Depreciation	11.2	753,425	695,092
Amortization	11.2	77,423	–
Finance charges on leased assets		335	989
Other expenditure (traveling, security services, etc.)		567,077	544,145
		8,787,381	7,937,367
<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	16,000
Army Miscellaneous Welfare Fund (for flood affectees)		–	70,015
		16,000	86,015

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

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Rupees in '000	2011	2010
<b>30.2 Auditors' remuneration</b>		
Audit fee – Parent	2,500	2,500
– Subsidiaries	675	490
Fee for the audit of Wholesale Bank Branch	2,096	1,811
Fee for the audit of provident and gratuity funds	121	109
Special certifications, half year review and the audit of consolidated financial statements	3,108	2,265
Tax services	5,112	2,540
Out-of-pocket expenses	808	796
	14,420	10,511
<b>31. OTHER CHARGES</b>		
Workers' Welfare Fund	49,240	25,245
Penalties imposed by the State Bank of Pakistan	37,544	17,208
	86,784	42,453
<b>32. TAXATION</b>		
For the year		
Current	833,523	329,824
Deferred	(83,786)	342
	749,737	330,166
<b>32.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	2,454,944	1,249,627
Tax at applicable tax rate of 35 percent (2010: 35 percent)	859,230	437,369
Effect of:		
– Income chargeable to tax at lower rates	(72,367)	(98,700)
– Permanent differences	12,872	(16,939)
– Deferred tax not recognised by AIML	–	7,708
– Deferred tax asset of prior years' losses of AIML	(37,787)	–
– Others	(12,211)	728
	749,737	330,166

## 32.2 Tax status

- i) The Bank has filed tax returns for and up to Tax Year 2011 (year ended December 31, 2010). The assessment for and up to Tax Year 2009 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

The tax authorities have selected returns for the Tax Years 2009 and 2010 for tax audit which have not yet concluded.

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

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

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

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

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



Rupees in '000	2011	2010
<b>33. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	26,168,206	22,565,190
Balances with other banks	6,236,116	3,787,538
Term deposits with MCB Bank	22,000	22,000
	<b>32,426,322</b>	<b>26,374,728</b>
<b>33.1 Cash flow from operating activities (Direct method)</b>		
Mark-up / return / interest and commission receipts	35,383,189	28,602,540
Mark-up / return / interest payments	(22,297,662)	(17,949,550)
Cash payments to employees, suppliers and others	(7,865,829)	(7,453,321)
	<b>5,219,698</b>	<b>3,199,669</b>
Decrease / (increase) in operating assets		
Lendings to financial institutions	7,545,900	(4,723,935)
Held for trading securities	(1,418)	118,082
Advances	(864,640)	(12,384,995)
Other assets (excluding advance taxation)	(315,479)	271,942
	<b>6,364,363</b>	<b>(16,718,906)</b>
(Decrease) / increase in operating liabilities		
Bills payable	(333,952)	144,314
Borrowings	(8,279,798)	5,138,995
Deposits	35,591,246	42,543,579
Other liabilities (excluding current taxation)	(1,130,596)	2,875,386
	<b>25,846,900</b>	<b>50,702,274</b>
Cash flow before tax	37,430,961	37,183,037
Income tax paid	(958,118)	(1,393,681)
Net cash flow from operating activities	<b>36,472,843</b>	<b>35,789,356</b>
<b>34. STAFF STRENGTH</b>	<b>Number of employees</b>	
Permanent	4,557	4,559
Temporary / on contractual basis	1,448	1,845
Commission based	84	128
Group's staff strength at end of the year	6,089	6,532
Outsourced	1,283	1,234
Total staff strength at end of the year	<b>7,372</b>	<b>7,766</b>

### 35. DEFINED BENEFIT PLAN

#### 35.1 General description

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 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	2011	2010
<b>35.2 The amounts recognised in the consolidated statement of financial position are as follows:</b>		
Present value of defined benefit obligation	1,001,255	857,959
Fair value of plan assets	(866,311)	(678,450)
	<b>134,944</b>	<b>179,509</b>
Unrecognised actuarial losses	(131,608)	(178,486)
Net liability	<b>3,336</b>	<b>1,023</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Rupees in '000	2011	2010
<b>35.3 The amounts recognised in consolidated profit and loss account are as follows:</b>		
Current service cost	128,419	118,833
Interest on obligation	115,153	90,413
Expected return on plan assets	(91,152)	(62,727)
Actuarial loss recognised	15,600	21,278
	168,020	167,797
<b>35.4 Actual return on plan assets</b>	94,150	50,422
<b>35.5 Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	857,959	705,452
Current service cost	128,419	118,833
Interest cost	115,153	90,413
Actuarial gain	(28,281)	(30,792)
Benefits paid	(71,995)	(25,947)
Closing defined benefit obligation	1,001,255	857,959
<b>35.6 Changes in fair value of plan assets</b>		
Opening fair value of plan assets	678,450	482,462
Expected return	91,152	62,727
Actuarial gain / (losses)	2,998	(12,305)
Contributions by employer	165,706	171,513
Benefits paid	(71,995)	(25,947)
Closing fair value of plan assets	866,311	678,450

The Group expects to contribute Rs. 147,784 thousand to its defined benefit gratuity plan in 2012.

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.

	2011		2010	
	Rupees '000	Percentage	Rupees '000	Percentage
<b>35.7 Break-up of category of assets</b>				
Pakistan Investment Bonds	625,423	72	462,722	68
Bank deposit account	240,888	28	215,728	32
	866,311	100	678,450	100

## 35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2011 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2011	2010
Discount rate – per annum	12.5%	14%
Expected rate of increase in salaries – per annum	12.5%	14%
Expected rate of return on plan assets – per annum	5% – 12%	12% – 14%
Average expected remaining life of employees – years	6–10	7–13
Mortality rate	EFU 64 – 66 mortality table	EFU 64 – 66 mortality table



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

Rupees in '000	2011	2010	2009	2008	2007
As at December 31,					
Defined benefit obligation	1,001,255	857,959	705,452	542,214	440,376
Plan assets	(866,311)	(678,450)	(482,462)	(327,885)	(249,019)
Deficit	134,944	179,509	222,990	214,329	191,357
Experience adjustments					
Actuarial gain / (loss) on obligation	28,281	30,792	(25,745)	(9,624)	(133,140)
Actuarial gain / (loss) on plan assets	2,998	(12,305)	(527)	(27,807)	(6,745)

### 36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2010 were Rs. 1,541,256 thousand (December 31, 2009: Rs. 1,180,897 thousand) as per latest available audited financial statements of the fund.

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. The total assets of the fund as at December 31, 2010 were Rs. 9,016 thousand (December 31, 2009: Rs. 6,076 thousand) as per latest audited financial statements of the fund.

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.

### 37. COMPENSATED ABSENCES

#### 37.1 General description

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

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

Under this unfunded scheme, regular employees of AIML are entitled to 4 weeks privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 8 weeks which are encashable at the time of separation from service on the basis of last drawn gross salary.

#### 37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2011 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2011 was Rs. 187,836 thousand against related liability of Rs. 166,729 thousand carried at December 31, 2010. Expense for the year of Rs. 21,107 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2011	2010
Discount rate – per annum	12.5%	14%
Expected rate of increase in salaries – per annum	12.5%	14%
Leave accumulation factor – days	5 – 11	5 – 11

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President / Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Fees	–	65	2,350	1,005	100	110
Managerial remuneration	12,579	10,256	–	–	605,742	588,018
Charge for defined benefit plan	1,128	855	–	–	48,028	46,324
Contribution to defined contribution plan	1,048	854	–	–	49,880	47,496
Rent and house maintenance	5,721	4,675	–	–	260,317	252,748
Utilities	1,258	1,026	–	–	57,848	56,113
Medical	1,258	1,026	–	–	57,641	55,897
Special performance incentive / bonus	2,256	3,634	–	–	67,095	126,658
Others	–	–	–	–	4,567	7,412
	25,248	22,391	2,350	1,005	1,151,218	1,180,776
Number of persons	1	1	10	9	560	575

# Notes to the Consolidated Financial Statements

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

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

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of fixed term loans, staff loans, and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets / liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Group's accounting policy as stated in note 5.4. The effective rates and maturity profile are stated in note 44.2.5 and 44.3.1 respectively.

## 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2011									
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	105,088	29,471	1,879,439	33,594,117	54,474	16,263	102,234	18,583	-	35,799,669
Total expenses	25,709	7,210	405,435	31,816,735	13,327	3,979	131,809	19,133	921,388	33,344,725
Net income / (loss)	79,379	22,261	1,474,004	1,777,382	41,147	12,284	(29,575)	(550)	(921,388)	2,454,944
Segment Assets (Gross)	53,269	14,939	16,206,819	344,562,965	27,613	8,244	145,186	128,999	-	361,148,034
Segment Non-Performing Loans	-	-	2,854,548	20,790,993	-	-	-	-	-	23,645,541
Segment Provision Required	-	-	2,465,021	14,817,293	-	-	-	-	-	17,282,314
Segment Liabilities	773	217	16,402,241	302,365,909	401	120	24,052	19,857	7,170,292	325,983,862
Segment Return on net Assets (ROA) (%)	0.03	0.01	0.54	9.70	0.02	-	0.03	0.01	-	-
Segment Cost of funds (%)	0.01	-	0.13	10.19	-	-	0.04	0.01	0.29	-

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
Total income	109,309	43,360	2,294,934	27,627,141	75,842	13,495	51,253	11,689	-	30,227,023
Total expenses	28,498	11,305	720,820	27,196,407	19,773	3,518	107,180	17,583	872,312	28,977,396
Net income / (loss)	80,811	32,055	1,574,114	430,734	56,069	9,977	(55,927)	(5,894)	(872,312)	1,249,627
Segment Assets (Gross)	60,544	45,576	20,376,943	310,245,534	42,007	7,475	89,323	159,509	-	331,026,911
Segment Non-Performing Loans	-	-	3,835,918	17,762,730	-	-	-	-	-	21,598,648
Segment Provision Required	-	-	3,148,110	13,098,672	-	-	-	-	-	16,246,782
Segment Liabilities	1,150	865	15,298,249	277,237,027	798	142	13,869	21,982	6,173,822	298,747,904
Segment Return on net Assets (ROA) (%)	0.04	0.01	0.77	9.24	0.03	-	0.02	-	-	-
Segment Cost of funds (%)	0.01	-	0.27	10.10	0.01	-	0.04	0.01	0.32	-

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.06% (2010: 5.13%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.62% (2010: 2.11%) of the total liabilities have been allocated to segments based on their respective assets.

## 41. TRUST ACTIVITIES

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



## 42. RELATED PARTY TRANSACTIONS

Army Welfare Trust (AWT) holds 50.57% (2010: 50.57%) of the Bank's share capital at the year end. The Group has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

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

Rupees in '000	December 31, 2011						December 31, 2010					
	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 at the year end</b>												
- Advances at the year end	-	117,472	15,130	291	-	-	-	132,086	409	413	-	-
- Deposits at the year end	19,327,756	43,868	98,100	171,830	46,865	68,014	12,239,001	31,039	83,326	219,193	37,965	37,633
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	277,859	-	-	270,352	-	-	-	-	-	13,102	-	-
- Investment in shares / units - at cost	-	-	-	1,614,504	53,703	-	-	-	-	1,576,397	35,419	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,661	-	-	-	-	-	3,662	-
- Reimbursable expenses on behalf of Askari High Yield Scheme (formerly Askari Income Fund)	-	-	-	1,705	-	-	-	-	-	1,405	-	-
- Management fee and commission receivable from Askari High Yield Scheme (formerly Askari Income Fund)	-	-	-	2,418	-	-	-	-	-	1,622	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	285	-	-	-	-	-	221	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	430	-	-	-	-	-	399	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	62	-	-	-	-	-	2,476	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	389	-	-	-	-	-	256	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	47	-	-	-	-	-	1,196	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	292	-	-	-	-	-	304	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	996	-	-	-	-	-	2,055	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	6,224	-	-	-	-	-	2,191	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	1,010	-	-	-	-	-	-	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	1,010	-	-	-	-	-	-	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	197	-	-	-	-	-	196	-
- Payable to employee funds by AIML	-	-	-	-	-	3,337	-	-	-	-	-	1,023
- Director fee payable by AIML	-	-	-	-	-	-	-	220	-	-	-	-
<b>Transactions during the year</b>												
- Net mark-up / interest earned	-	7,570	1,060	21,269	-	-	-	4,492	116	14,283	-	-
- Net mark-up / interest expensed	1,280,129	1,523	8,313	25,307	4,914	2,568	967,662	863	7,680	47,618	3,711	3,305
- Rent received against operating lease	-	-	-	9,583	-	-	-	-	-	3,769	-	-
- Contribution to employees' funds	-	-	-	-	-	298,060	-	-	-	-	-	295,101
- Investment made in units of AIML funds - at cost - (net)	-	-	-	38,106	-	-	-	-	-	-	-	-
- Rent of property / service charges received	15,629	-	-	4,392	4,494	-	13,578	-	-	4,874	3,595	-
- Rent of property / service charges paid	71,355	-	-	77,062	-	-	59,739	-	-	53,198	-	-
- Remuneration paid	-	205,827	-	-	-	-	-	206,063	-	-	-	-
- Post employment benefits	-	15,766	-	-	-	-	-	15,231	-	-	-	-
- Insurance claim received	-	-	-	-	424	-	-	-	-	-	1,479	-
- Insurance premium paid	-	-	-	-	47,924	-	-	-	-	-	36,100	-
- Dividend Income	-	-	-	62,971	-	-	-	-	-	66,196	-	-
- Security services costs	-	-	-	189,080	-	-	-	-	-	181,022	-	-
- Fee, commission and brokerage income	2	-	19	95,639	21	-	1,055	-	27	51,986	21	-
- Recovery of expenses from Askari Asset Allocation Fund by AIML	-	-	-	-	-	-	-	-	-	103	-	-
- Recovery of expenses from Askari High Yield Scheme (formerly Askari Income Fund) by AIML	-	-	-	-	-	-	-	-	-	1,070	-	-
- Recovery of expenses from Askari Islamic Income Fund by AIML	-	-	-	-	-	-	-	-	-	203	-	-
- Recovery of expenses from Askari Sovereign Cash Fund by AIML	-	-	-	-	-	-	-	-	-	28	-	-
- Investment in units of Askari High Yield Scheme (formerly Askari Income Fund) by AIML	-	-	-	-	-	-	-	-	-	24,000	-	-
- Redemption of units of Askari High Yield Scheme (formerly Askari Income Fund) by AIML	-	-	-	-	-	-	-	-	-	50,000	-	-
- Lease rentals paid	-	-	-	-	-	-	-	-	-	-	-	-
- Fees paid	-	100	2,350	-	-	-	-	175	1,005	-	-	-

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## 43. CAPITAL ADEQUACY

### 43.1 Scope of Application

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risk while Basic Indicator Approach (BIA) is used for Operational Risk 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 nor does it has any majority or significant minority equity holding in an insurance 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.

### 43.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on 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 reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes sub-ordinated debt subject to a maximum of 50% of total Tier I capital and fulfillment of specified criteria laid down by the SBP, 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%), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term 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 SBP 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.





#### 43.3 Capital adequacy ratio as at December 31, 2011

The capital to risk weighted assets ratio, calculated in accordance with the SBP'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	2011	2010
<b>Tier I Capital</b>		
Fully paid-up capital	7,070,184	6,427,440
Share premium account	234,669	234,669
Reserves (excluding foreign exchange translation reserves)	7,825,830	7,422,673
Unappropriated / unremitted profits (net of losses)	1,380,019	679,638
Non-controlling interest	28,377	28,728
Less: Book value of intangibles – note 11	(1,283,979)	(1,316,038)
Deficit on account of revaluation of investments	-	-
Shortfall in provision required against classified assets irrespective of any relaxation allowed	(146,949)	-
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(52,334)	(36,717)
<b>Total Tier I Capital</b>	<b>15,055,817</b>	<b>13,440,393</b>
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier I capital)	4,592,260	4,191,960
General provisions for loan losses subject to 1.25% of total risk weighted assets	377,177	428,828
Revaluation reserve (upto 45%)	570,368	532,604
Foreign exchange translation reserves	75,296	55,513
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(52,334)	(36,717)
<b>Total Tier II capital</b>	<b>5,562,767</b>	<b>5,172,188</b>
<b>Eligible Tier III capital</b>	<b>-</b>	<b>-</b>
<b>Total regulatory capital</b>	<b>20,618,584</b>	<b>18,612,581</b>

##### Risk weighted exposures

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2011	2010	2011	2010
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (comprehensive approach for CRM)</b>				
<b>Claims on</b>				
Sovereigns other than PKR claims	235,469	171,571	2,354,692	1,715,708
Public Sector Entities (PSEs)	414,228	454,339	4,142,279	4,543,388
Banks	1,571,422	1,204,068	15,714,216	12,040,677
Corporates	7,530,133	8,436,744	75,301,334	84,367,443
Retail portfolio	2,074,889	2,265,262	20,748,891	22,652,619
Residential mortgage finance	327,733	371,880	3,277,327	3,718,804
Listed equities and regulatory capital instruments issued by others banks	104,371	102,623	1,043,710	1,026,232
Unlisted equity investments	28,707	36,094	287,072	360,941
Fixed assets	816,705	876,838	8,167,053	8,768,382
Other assets	587,001	391,867	5,870,006	3,918,673
Past Due Exposures	857,002	757,856	8,570,024	7,578,561
Forward Foreign Exchange Contracts	52,280	17,565	522,795	175,645

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Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2011	2010	2011	2010
<b>Market risk</b>				
<b>Portfolios subject to standardised approach</b>				
Interest rate risk	463,041	106,821	4,630,410	1,068,205
Equity position risk	671,436	564,870	6,714,359	5,648,695
Foreign exchange risk	11,913	85,220	119,134	852,204
Operational risk	2,279,178	2,122,936	22,791,784	21,229,356
<b>TOTAL</b>	<b>18,025,508</b>	<b>17,966,554</b>	<b>180,255,086</b>	<b>179,665,533</b>
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held			20,618,584	18,612,581
Total risk weighted assets			180,255,086	179,665,533
Capital adequacy ratio			11.44%	10.36%

## 44. RISK MANAGEMENT

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

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

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

### 44.1 Credit Risk

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

The Group has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes more than 40% of the total asset base and is also the largest source of credit risk for the Group. Moreover, more than 80% of Group's capital requirement pertains to credit risk. the Group's advances portfolio is well diversified across various business segments, industries and geographical locations.

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

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



#### 44.1.1 Segment information

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

##### 44.1.1.1 Segment by class of business

	2011						2010					
	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	7,138,183	4.26	2,730,231	0.94	1,719,902	1.00	6,753,786	4.01	3,200,824	1.25	651,755	0.35
Automobiles and Allied	526,364	0.31	616,816	0.21	673,050	0.39	722,016	0.43	472,849	0.18	487,443	0.26
Cables / Electronics	2,494,341	1.49	2,025,873	0.69	754,296	0.44	2,677,920	1.59	2,001,460	0.78	628,031	0.34
Carpets	232,465	0.14	59,962	0.02	18,223	0.01	233,183	0.14	53,496	0.02	-	-
Cement	3,472,314	2.07	96,673	0.03	387,690	0.23	4,218,442	2.50	142,499	0.06	834,918	0.45
Chemicals / Pharmaceuticals	3,989,348	2.38	3,470,496	1.19	2,268,018	1.32	5,895,066	3.50	4,438,947	1.73	2,768,396	1.50
Engineering	640,408	0.38	54,064	0.02	1,590,685	0.93	646,605	0.38	104,383	0.04	1,152,601	0.62
Fertilizers	4,431,649	2.65	1,405,993	0.48	330,667	0.19	2,860,092	1.70	648,144	0.25	873,886	0.47
Food and Allied	2,413,088	1.44	601,058	0.21	876,855	0.51	2,409,456	1.43	390,886	0.15	1,646,827	0.89
Fuel / Energy	18,966,087	11.33	2,252,717	0.77	12,756,311	7.45	13,372,187	7.94	2,339,159	0.91	7,850,518	4.26
Ghee and Edible Oil	2,775,354	1.66	249,194	0.09	2,450,068	1.43	3,211,036	1.91	161,055	0.06	2,520,854	1.37
Glass and Ceramics	1,457,187	0.87	14,837	0.01	55,067	0.03	1,499,701	0.89	33,818	0.01	141,607	0.08
Hotels and Restaurants	212,492	0.13	438,449	0.15	32,999	0.02	259,380	0.15	296,062	0.12	18,475	0.01
Individuals	19,478,596	11.64	89,273,536	30.63	1,893,002	1.10	23,025,293	13.67	90,308,421	35.29	645,714	0.35
Insurance	32,933	0.02	187,179	0.06	-	-	53,575	0.03	103,027	0.04	-	-
Financial institutions / Investment companies	500,105	0.30	1,433,676	0.49	27,708,906	16.17	500,083	0.30	1,448,259	0.57	55,614,303	30.15
Leasing	-	-	1,472	-	-	-	-	-	3,545	-	-	-
Leather Products and Shoes	948,964	0.57	460,523	0.16	72,967	0.04	1,099,887	0.65	668,027	0.26	73,345	0.04
Modarabas	37,609	0.02	27	-	1,197	-	37,609	0.02	121	-	-	-
Paper and Board	517,738	0.31	239,823	0.08	221,637	0.13	690,303	0.41	352,777	0.14	422,119	0.23
Plastic products	678,668	0.41	57,240	0.02	415,629	0.24	709,205	0.42	157,343	0.06	867,917	0.47
Ready made garments	871,895	0.52	368,026	0.13	125,861	0.07	838,447	0.50	297,486	0.12	236,475	0.13
Real Estate / Construction	6,552,971	3.91	11,653,375	4.00	13,434,981	7.84	7,880,167	4.68	11,007,854	4.30	12,043,638	6.53
Rice Processing and trading	2,849,218	1.70	765,519	0.26	534,022	0.31	3,333,564	1.98	402,476	0.16	685,163	0.37
Rubber Products	151,078	0.09	36,715	0.01	229,176	0.13	100,450	0.06	45,671	0.02	439,532	0.24
Services (Other than Financial, Hotelling and Traveling)	2,395,462	1.43	6,656,857	2.28	5,455,041	3.18	2,710,786	1.61	6,382,578	2.49	773,818	0.42
Sports goods	547,138	0.33	46,780	0.02	40,830	0.02	607,079	0.36	86,562	0.03	115,855	0.06
Sugar	82,510	0.05	73,450	0.03	3,550	-	209,666	0.12	180,212	0.07	3,550	-
Surgical equipment / Metal Products	5,766,500	3.45	426,596	0.15	1,008,454	0.59	6,110,355	3.63	593,333	0.23	1,476,585	0.80
Synthetic and Rayon	455,108	0.27	109,963	0.04	153,933	0.09	986,379	0.59	64,623	0.03	7,776	-
Textile	23,443,856	14.01	2,457,414	0.84	7,972,087	4.65	26,759,447	15.89	1,991,484	0.78	5,109,561	2.77
Tobacco / Cigarette manufacturing	6,236	-	3,015	-	-	-	6,565	-	16,130	0.01	48,351	0.03
Transport and communication	9,588,584	5.73	8,188,035	2.81	8,193,613	4.78	4,818,192	2.86	7,252,372	2.83	6,907,985	3.74
Travel Agencies	60,973	0.04	76,262	0.03	209,016	0.12	120,783	0.07	258,068	0.10	266,741	0.14
Woolen	45,333	0.03	87,304	0.03	49,235	0.03	41,433	0.02	50,691	0.02	40,658	0.02
Public sector / Government	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25
Others	15,294,232	9.14	58,284,324	19.99	25,467,564	14.86	18,605,436	11.05	44,678,405	17.47	21,465,583	11.66
	167,381,246	100.00	291,499,395	100.00	171,335,592	100.00	168,435,880	100.00	255,908,149	100.00	184,471,203	100.00

##### 44.1.1.2 Segment by sector

	2011						2010					
	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	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65	24,432,306	14.51	75,275,102	29.41	57,651,223	31.25
Private	139,054,987	83.08	194,903,474	66.86	117,104,532	68.35	144,003,574	85.49	180,633,047	70.59	126,819,980	68.75
	167,381,246	100.00	291,499,395	100.00	171,335,592	100.00	168,435,880	100.00	255,908,149	100.00	184,471,203	100.00

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

Rupees in '000	2011		2010	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	308,274	–	188,443	–
Automobiles and Allied	459,357	208,841	585,334	329,076
Brokerage house	779,695	408,267	599,848	21,296
Cables / Electronics	1,177,820	1,014,126	1,158,260	919,644
Cement	87,107	64,417	118,309	69,702
Chemicals / Pharmaceuticals	28,553	15,210	17,540	6,556
Commodities	442,895	361,011	467,603	344,356
Financial institutions / Investment companies	37,610	29,222	–	–
Food and Allied	128,696	57,558	150,654	99,524
Fuel / Energy	1,396,950	1,304,886	1,661,568	1,552,350
Glass Manufacturing	1,110,342	981,588	1,214,620	986,661
Individuals	2,854,548	2,219,975	3,835,918	2,851,470
Leather Products and Shoes	53,984	36,483	57,638	33,764
Metal Industries	886,292	657,565	853,768	481,979
Paper Industries	19,999	–	388,752	160,024
Real Estate / Construction Services	1,036,670	178,714	869,246	87,224
(Other than Financial, Hotelling and Traveling)	617,049	192,607	166,763	120,907
Sports Goods	465,120	436,667	485,688	447,608
Textile	9,657,002	6,830,023	7,255,013	5,574,063
Transport and communication	328,277	321,733	353,622	341,095
Public sector / Government	1,658	829	85	73
Others	1,767,643	971,792	1,169,976	795,426
	23,645,541	16,291,514	21,598,648	15,222,798

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

Public sector / Government	1,658	829	85	73
Private	23,643,883	16,290,685	21,598,563	15,222,725
	23,645,541	16,291,514	21,598,648	15,222,798

## 44.1.1.5 Geographical segment analysis

Rupees in '000	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	2,187,583	336,971,583	17,741,868	171,335,592
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East – Note 44.1.1.5.1	267,361	6,894,137	139,990	–
Others	–	–	–	–
	2,454,944	343,865,720	17,881,858	171,335,592



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 44.1.1.5.1	235,183	3,183,833	203,497	13,357
Others	-	-	-	-
	1,249,627	314,780,129	16,032,225	184,471,203

44.1.1.5.1 These do not include intra group items of Rs. 6,639,796 thousand (2010: Rs. 2,833,365 thousand) eliminated upon consolidation of foreign branch.

44.1.1.5.2 Contingencies and commitments include amounts given in note 23 except bills for collection.

#### 44.1.2 Credit risk – General disclosures Basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit Risk with Comprehensive Approach for Credit Risk Mitigation.

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

For domestic claims, ECAs recommended by the 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 2011 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	2011			2010		
		Amount outstanding	Deduction CRM	Net Amount	Amount outstanding	Deduction CRM	Net Amount
Rupees in '000							
Sovereigns	4,5	2,354,692	-	2,354,692	1,715,708	-	1,715,708
PSEs	1	8,147,961	1,118,196	7,029,765	7,337,304	-	7,337,304
Banks	1,2,3	7,324,556	-	7,324,556	4,778,371	1,474,342	3,304,029
Banks	4,5	71,512	-	71,512	805,808	-	805,808
Corporates	1	12,039,779	-	12,039,779	8,323,252	-	8,323,252
Corporates	2	10,611,848	-	10,611,848	9,929,136	-	9,929,136
Corporates	3,4	943,202	8,241	934,961	649,989	-	649,989
Corporates	5,6	2,350,981	110,928	2,240,053	1,514,556	-	1,514,556
Unrated		221,043,381	15,727,145	205,316,236	234,660,844	36,597,864	198,062,980
Total		264,887,912	16,964,510	247,923,402	269,714,968	38,072,206	231,642,762

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

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

## 44.2 Market Risk

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

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

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

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

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



#### 44.2.2 Foreign Exchange Risk

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

(Rupees in '000)	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	317,587,064	290,846,346	(8,798,561)	17,942,157
U.S. Dollars	22,235,112	29,968,450	7,293,834	(439,504)
Pound Sterling	1,286,206	2,744,387	1,454,082	(4,099)
Japanese Yen	5,527	978	37,126	41,675
Euro	2,414,123	2,401,385	(136)	12,602
Other European Currencies	11,292	-	-	11,292
Other Currencies	326,396	22,316	13,655	317,735
	343,865,720	325,983,862	-	17,881,858
2010				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	293,581,240	263,202,196	(15,392,935)	14,986,109
U.S. Dollars	19,348,783	29,731,154	11,135,124	752,753
Pound Sterling	632,876	2,377,582	1,730,066	(14,640)
Japanese Yen	11,361	907	(8,577)	1,877
Euro	775,519	3,428,566	2,536,322	(116,725)
Other European Currencies	16,710	-	-	16,710
Other Currencies	413,640	7,499	-	406,141
	314,780,129	298,747,904	-	16,032,225

#### 44.2.3 Equity position risk

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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

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

## 44.2.5 Mismatch of interest rate sensitive assets and liabilities

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

Rupees in '000	2011											
	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%	26,168,206	5,359,856	-	-	-	-	-	-	-	-	20,808,350
Balances with other banks	1.38%	6,236,116	4,400,188	-	-	-	-	-	-	-	-	1,835,928
Lendings to financial institutions	12.18%	1,613,584	377,317	22,000	314,810	-	899,457	-	-	-	-	-
Investments	12.36%	133,655,387	28,477,160	2,426,442	7,241,041	60,061,103	6,860,796	12,989,342	7,144,591	4,202,036	777,602	3,475,274
Advances	11.72%	150,712,556	40,616,713	74,481,611	17,846,767	2,365,675	3,044,815	3,063,234	3,383,532	2,180,597	3,729,612	-
Other assets		7,661,525	-	-	-	-	-	-	-	-	-	7,661,525
		326,047,374	79,231,234	76,930,053	25,402,618	63,326,235	9,905,611	16,052,576	10,528,123	6,382,633	4,507,214	33,781,077
<b>Liabilities</b>												
Bills payable		2,756,032	-	-	-	-	-	-	-	-	-	2,756,032
Borrowings	10.72%	17,274,979	14,214,032	170,852	2,759,187	12,958	35,503	35,503	35,503	11,441	-	-
Deposits and other accounts	7.28%	291,499,395	106,226,575	60,266,697	49,570,785	11,614,754	1,118,597	1,557,615	1,658,260	44,570	-	59,441,542
Sub-ordinated loans	15.34%	6,990,100	-	1,496,100	5,494,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.32%	2,893	104	209	313	626	1,251	390	-	-	-	-
Other liabilities		6,395,862	-	-	-	-	-	-	-	-	-	6,395,862
		324,919,261	120,440,711	61,933,858	57,824,285	11,628,338	1,155,351	1,593,508	1,693,763	56,011	-	68,593,436
<b>On-balance sheet gap</b>		1,128,113	(41,209,477)	14,996,195	(32,421,667)	51,697,897	8,750,260	14,459,068	8,834,360	6,326,622	4,507,214	(34,812,359)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements	11.90%	362,147	362,147	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.62%	7,953,517	7,953,517	-	-	-	-	-	-	-	-	-
Commitments to extend credits		5,576,283	5,576,283	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		(13,167,653)	(13,167,653)	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>			(54,377,130)	14,996,195	(32,421,667)	51,697,897	8,750,260	14,459,068	8,834,360	6,326,622	4,507,214	(34,812,359)
<b>Cumulative yield / interest risk sensitivity gap</b>				(39,380,935)	(71,802,602)	(20,104,705)	(11,354,445)	3,104,623	11,938,983	18,265,605	22,772,819	





## Mismatch of interest rate sensitive assets and liabilities

Rupees in '000	Effective Yield / Interest rate	Total	2010									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		
On-balance sheet financial instruments													
Assets													
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	23,944,013	1,463,145	5,233,003	44,904,412	5,163,752	7,430,210	5,002,362	4,006,676	2,067,269	2,885,221	-
Advances	11.39%	152,784,254	40,120,654	72,292,230	20,830,887	3,005,131	3,414,614	2,912,057	3,662,933	2,385,741	4,160,007	-	-
Other assets		7,960,448	-	-	-	-	-	-	-	-	-	-	7,960,448
		298,391,679	78,826,238	75,707,663	26,063,890	47,909,543	8,578,366	10,342,267	8,665,295	6,392,417	6,227,276	-	29,678,724
Liabilities													
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	85,225,832	48,342,993	46,452,901	9,282,079	2,085,654	1,876,559	920,312	5,226,659	-	-	56,495,160
Sub-ordinated loans	14.55%	5,992,500	-	1,496,700	4,495,800	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	11.57%	5,556	127	364	341	723	1,801	2,200	-	-	-	-	-
Other liabilities		6,896,513	-	-	-	-	-	-	-	-	-	-	6,896,513
		297,447,479	98,969,273	58,545,208	54,055,354	9,282,802	2,087,455	1,878,759	920,312	5,226,659	-	-	66,481,657
On-balance sheet gap		944,200	(20,143,035)	17,162,455	(27,991,464)	38,626,741	6,490,911	8,463,508	7,744,983	1,165,758	6,227,276	-	(36,802,933)
Off-balance sheet financial instruments													
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			(26,388,878)	17,162,455	(27,991,464)	38,626,741	6,490,911	8,463,508	7,744,983	1,165,758	6,227,276	-	(36,802,933)
Cumulative yield / interest risk sensitivity gap				(9,226,423)	(37,217,887)	1,408,854	7,899,765	16,363,273	24,108,256	25,274,014	31,501,290	-	-

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

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

44.2.5.3 Figures of the previous period have been rearranged in accordance with the revised basis of preparation, adopted during the year, as per the SBP instructions contained in BSD Circular Letter No. 03 of 2011 dated February 22, 2011.

44.2.5.4 Assets do not include operating fixed assets of Rs. 9,451,033 (2010: 10,084,422) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealised gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 8,367,313 (2010: 6,304,028) thousand.

44.2.5.5 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, unrealised loss on forward foreign exchange contracts-net, branch adjustment account, withholding taxes payable, federal excise duty and workers' welfare fund of Rs. 1,017,693 (2010: 1,214,918) thousand.

# Notes to the Consolidated Financial Statements

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## 44.3 Liquidity Risk

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

### 44.3.1 Maturities of Assets and Liabilities

Rupees in '000	2011									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	26,168,206	26,168,206	-	-	-	-	-	-	-	-
Balances with other banks	6,236,116	6,236,116	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,613,584	377,317	22,000	314,810	899,457	-	-	-	-	-
Investments	133,655,387	30,431,285	2,460,202	6,973,872	60,224,077	7,510,812	7,520,461	11,485,639	5,963,440	1,085,599
Advances	150,712,556	54,991,880	21,581,917	21,458,166	17,986,024	11,249,983	5,350,800	4,784,773	8,418,520	4,890,493
Operating fixed assets	9,451,033	71,064	137,198	200,473	397,100	694,869	540,313	1,764,021	745,938	4,900,057
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	16,028,838	3,751,300	-	-	-	2,500,867	2,500,867	2,425,268	2,425,268	2,425,268
	343,865,720	122,027,168	24,201,317	28,947,321	79,506,658	21,956,531	15,912,441	20,459,701	17,553,166	13,301,417
<b>Liabilities</b>										
Bills payable	2,756,032	907,059	-	167,143	1,681,830	-	-	-	-	-
Borrowings	17,274,979	14,214,032	170,852	2,759,187	12,958	35,503	35,503	35,503	11,441	-
Deposits and other accounts	291,499,395	59,849,127	27,687,812	14,137,287	11,614,754	37,746,930	38,185,948	52,632,913	24,844,597	24,800,027
Sub-ordinated loans	6,990,100	-	300	1,100	1,400	2,992,900	1,600	3,200	3,989,600	-
Liabilities against assets subject to finance lease	2,893	104	209	313	626	1,251	390	-	-	-
Deferred tax liabilities	46,908	-	(231,453)	-	-	-	-	278,361	-	-
Other liabilities	7,413,555	3,934,456	-	-	-	1,739,549	869,775	434,887	217,444	217,444
	325,983,862	78,904,778	27,627,720	17,065,030	13,311,568	42,516,133	39,093,216	53,384,864	29,063,082	25,017,471
<b>Net assets</b>	17,881,858	43,122,390	(3,426,403)	11,882,291	66,195,090	(20,559,602)	(23,180,775)	(32,925,163)	(11,509,916)	(11,716,054)
Share Capital	7,070,184									
Reserves	8,135,795									
Unappropriated profit	1,380,018									
Non-controlling interest	28,377									
Surplus on revaluation of assets	1,267,484									
	17,881,858									



## 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>	<b>16,032,225</b>	<b>(13,238,062)</b>	<b>2,820,956</b>	<b>8,699,370</b>	<b>(1,531,247)</b>	<b>12,678,010</b>	<b>10,239,446</b>	<b>(21,003,798)</b>	<b>48,695</b>	<b>17,318,855</b>
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									

## 44.4 Operational risk

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

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

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

## 44.4.1 Operational risk disclosures Basel II

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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

45.1 The Board of Directors in its meeting held on February 14, 2012 has proposed a bonus issue of 15 percent (2010: 10 percent) and an appropriation to general reserve of Rs. 1,302,158 thousand from un-appropriated profit. The appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2011 do not include the effect of the appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2012 as follows:

Rupees in '000	2011	2010
Transfer from un-appropriated profit to: General reserve	1,302,158	679,638
Transfer from general reserve to: Reserve for issue of bonus shares	1,060,528	642,744

## 46. RECLASSIFICATION OF COMPARATIVE FIGURES

Following comparative figures have been reclassified in these consolidated financial statements for better presentation:

Reclassification from account head	Reclassification to account head	2010
		Rupees in '000
<b>Profit and loss account</b>		
Other income	Mark-up / return / interest earned	94,428
Income from dealing in foreign currencies	Mark-up / return / interest earned	(717,682)

## 47. GENERAL

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

## 48. DATE OF AUTHORIZATION

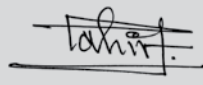
These consolidated financial statements were authorised for issue on February 14, 2012 by the Board of Directors of the Bank.



M. R. Mehkari  
President & Chief Executive



Dr. Bashir Ahmad Khan  
Director



Lt. Gen. (R) Tahir Mahmood  
Director



Lt. Gen. Javed Iqbal  
Chairman



## Pattern of Shareholding

As at December 31, 2011

Number of shareholders	Shareholding		Total shares held
	From	To	
2,270	1	100	92,019
3,587	101	500	988,185
2,598	501	1000	1,930,635
6,564	1001	5000	16,047,387
2,525	5001	10000	17,629,187
2,551	10001	110000	56,495,972
114	110001	330000	19,328,206
25	330001	530000	10,055,414
15	580001	900000	11,155,748
6	1000001	1300000	6,592,688
19	1470001	9600000	73,900,202
9	11015001	335965000	492,802,691
20,283			707,018,334

### Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals – Note 1	19,864	137,363,150	19.43
Investment / brokerage companies	136	93,633,865	13.24
Insurance companies	15	23,982,302	3.39
Joint stock companies	29	33,216,780	4.70
Financial institutions	38	45,049,227	6.37
Modaraba and Mutual Funds	23	4,394,483	0.62
Charitable and other trusts	30	359,697,478	50.88
Foreign investors	147	9,680,964	1.37
Others	1	85	0.00
Total	20,283	707,018,334	100.00

### Held by

Particulars	Number of shareholders	Shares held	Percentage
<b>Associated company</b>			
Army Welfare Trust	1	357,513,193	50.57
<b>NIT / ICP</b>			
National Investment (Unit) Trust	1	33,510,586	4.74
Investment Corporation of Pakistan	1	8,325	0.00
<b>Directors &amp; Chief Executive</b>			
Lt. Gen. Javed Iqbal	1	2,663	0.00
Lt. Gen (R.) Imtiaz Hussain	1	3,351	0.00
Malik Riffat Mahmood	1	3,351	0.00
Mr. Zafar Alam Khan Sumbal	1	3,351	0.00
Dr. Bashir Ahmad Khan	1	1,112	0.00
Mr. Shahid Mahmud	1	825	0.00
Mr. Muhammad Riyazul Haque	1	825	0.00
Mr. Ali Noor Mahomed Rattansey	1	825	0.00
	8	16,303	0.00
<b>Executives of the Bank</b>	18	80,557	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)	239	166,757,746	23.59
Individuals	19,970	140,432,616	19.86
<b>Others</b>	45	8,699,008	1.23
Total	20,283	707,018,334	100.00

**Note 1:** Individual include 8 directors holding 16,303 shares, detailed above, 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 its 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. AUSTRALIA**  
Australia Et New Zealand Banking Group  
Commonwealth Bank of Australia  
WestPac Banking Corporation
- 3. AUSTRIA**  
Citibank International Plc  
Raiffeisen Zentralbank Osterreich (RZB)  
UniCredit Bank Austria AG
- 4. AZERBAIJAN**  
The International Bank of Azerbaijan Republic
- 5. BANGLADESH**  
Export Import Bank of Bangladesh  
Prime Bank Ltd  
Southeast Bank Ltd
- 6. BELGIUM**  
Dexia Bank Belgium  
Fortis Bank, NV/S.A  
ING Belgium NV/SA  
KBC Bank NV
- 7. BOSNIA HERZEGOVINA**  
UniCredit Bank dd
- 8. BRAZIL**  
Banco Citibank SA
- 9. BULGARIA**  
UniCredit Bulbank AD
- 10. CANADA**  
Banque National Du Canada  
Canadian Imperial Bank of Commerce  
Habib Canadian Bank  
National Bank of Canada  
Royal Bank of Canada  
Toronto-Dominion Bank
- 11. CHILE**  
Banco de Credito  
Banco de Chile
- 12. 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
- 13. CROATIA**  
Societe Generale-Splitska banka dd  
Zagrebacka Banka dd
- 14. CYPRUS**  
Cyprus Popular Bank Public Company Ltd.  
Hellenic Bank Public Company Ltd.  
Marfin Popular Bank Public Co. Ltd.
- 15. CZECH REPUBLIC**  
Ceskoslovenska Obchodni Banka as  
Raiffeisenbank as  
UniCredit Bank Czech Republic
- 16. DENMARK**  
Danske Bank Aktieselskab  
Nordea Bank Denmark A/S
- 17. EGYPT**  
Bank of Alexandria
- 18. FINLAND**  
Sampo Bank Plc  
Nordea Bank plc
- 19. FRANCE**  
BNP Paribas SA  
CALYON  
Credit Lyonnais  
Credit Agricole SA  
Credit Du Nord  
Societe Generale  
Union de Banques et de Francaises (UBAF)
- 20. 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
- 21. GREECE**  
Alpha Bank AE  
Marfin Egnatia Bank S.A.
- 22. HONG KONG**  
Bank of China (Hong Kong) Ltd  
UBAF (Hong Kong) Ltd  
Habib Finance International Limited
- 23. HUNGARY**  
Budapest Credit Et Development Bank Rt  
Citibank Zrt  
UniCredit Bank Hungary Zrt  
Raiffeisen Bank Zrt
- 24. INDIA**  
ICICI Bank Ltd  
Karur Vysya Bank Limited,  
The Punjab National Bank  
State Bank of India  
Tamilnad Mercantile Bank Limited
- 25. INDONESIA**  
PT Bank Lippo Tbk  
PT Bank Mandiri (Persero) Tbk
- 26. IRELAND**  
Bank of Ireland
- 27. ITALY**  
Banca Antonveneta SpA  
Banca Intesa SpA  
Banca Cassa Di Risparmio Di Tortona SpA  
Banca UBAE SpA  
UniCredit SPA
- 28. JAPAN**  
Bank of Tokyo - Mitsubishi UFJ Limited  
The Mizuho Corporate Bank Limited  
Resona Bank Limited  
Sumitomo Mitsui Banking Corp.
- 29. JORDAN**  
The Housing Bank for Trade Et Finance
- 30. KAZAKHSTAN**  
Alliance Bank Joint Stock Company
- 31. KENYA**  
Kenya Commercial Bank  
Stanbic Bank Kenya Ltd
- 32. KOREA (SOUTH)**  
Daegu Bank Ltd  
Kookmin Bank  
Hana Bank  
Korea Development Bank  
Woori Bank  
Korea Exchange Bank  
Shinhan Bank
- 33. KUWAIT**  
Al-Ahli Bank of Kuwait KSC  
Commercial Bank of Kuwait  
Gulf Bank KSC  
National Bank of Kuwait
- 34. LEBANAN**  
Byblos Bank SAL  
Fransabank SAL
- 35. LUXEMBURG**  
Banque Geneale De Luxemburg
- 36. MALAYSIA**  
Public Bank Berhad  
Hong Leong Bank Berhad  
RHB Bank Berhad  
MAY Bank (Malayan Banking Berhad)
- 37. MALTA**  
FIM Bank
- 38. MAURITIUS**  
The Mauritius Commercial Bank
- 39. MEXICO**  
Banco Santander (Mexico) S.A.
- 40. MONACO**  
BNP Paribas Private Bank Monaco
- 41. MOROCCO**  
Attijariwafa Bank  
Credit Du Maroc  
Citibank Maghreb
- 42. NEPAL**  
Himalayan Bank Ltd  
Bank of Asia Nepal Limited  
Laxmi Bank Limited
- 43. NETHERLANDS**  
Fortis Bank (Nederland) NV  
F Van Lanschot Bankiers NV  
ING Bank N.V.
- 44. NEW ZEALAND**  
Bank of New Zealand  
ANZ National Bank Ltd.
- 45. NORWAY**  
DNB Nor Bank ASA  
Nordea Bank Norge ASA
- 46. OMAN**  
Bank Muscat SAOG  
Bank Dhofar (S.A.O.G.)  
Oman International Bank SAOG  
National Bank of Oman



## Correspondent Network

### 47. PAKISTAN

Allied Bank of Pakistan  
Bank Al-Habib Limited  
Bank Alfalah Limited  
Bank Islami (Pakistan) Limited  
The Bank of Khyber  
The Bank of Punjab  
Faysal Bank Limited  
Habib Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
Summit Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Silkbank Limited  
Soneri Bank Limited  
United Bank Limited  
Al-Baraka Bank Limited

### 48. PHILIPPINES

Mizuho Corp. Bank

### 49. POLAND

Bank Polska Kasa Opieki SA  
Bank Handlowy Warszawa SA  
Bank BPH SA  
BRE Bank SA  
ING Bank Slaski SA  
RBS Bank Polska SA

### 50. PORTUGAL

Banco BPI S.A.  
Caixa Geral d Depositos SA  
Caixa Central de Credito Agricola Mutuo  
Finibanco SA

### 51. QATAR

Doha Bank Ltd.  
Qatar National Bank  
International Bank of Qatar

### 52. ROMANIA

UniCredit Tiriac Bank SA

### 53. RUSSIA

Bank of Moscow  
Promsv Yazbank AKB ZAO

### 54. SAUDI ARABIA

Arab National Bank  
Al-Rajhi Banking and Investment Corporation  
Banque Saudi Fransi  
Bank Al-Jazira  
National Commercial Bank Ltd. (The)  
Riyad Bank  
Samba Financial Group  
Saudi Hollandi Bank

### 55. SINGAPORE

United Overseas Bank

### 56. SERBIA AND MONTENEGRO

UniCredit Bank Serbia JSC

### 57. SLOVAKIA

Citibank (Slovakia) as  
Istrobanka A.S.  
UniCredit Bank Slovakia as

### 58. SLOVENIA

Banka Celje dd  
Nova Ljubljanska Banka D.D.  
SKB Banka DD  
UniCredit Banka Slovenija dd

### 59. SOUTH AFRICA

ABSA Bank Ltd.  
First Rand Bank Limited  
HBZ Bank Limited  
Habib Overseas Bank Limited  
Standard Bank of South Africa

### 60. SPAIN

Banco Espanol de Credito SA  
Banco Popular Espanol  
Citibank Espana S.A.

### 61. SRI LANKA

Bank of Ceylon  
Hatton National Bank  
Seylan Bank Ltd  
Sampath Bank PLC  
Union Bank of Colombo Limited

### 62. SWEDEN

Nordea Bank AB (Publ)  
Swedbank A.B  
Skandinaviska Enskilda Banken

### 63. SWITZERLAND

Banque de Comm. et de Placements SA  
BNP Paribas (Suisse) SA  
Banque Cantonale de Genève  
Credit Suisse  
Habib Bank AG Zurich  
United Bank AG (Zürich)  
Zuercher Kantonal Bank

### 64. TAIWAN

Taiwan Cooperative Bank  
Taichung Commercial Bank Ltd  
Union Bank of Taiwan

### 65. THAILAND

Bangkok Bank Public Co.  
United Overseas Bank (Thai) PCL  
Export – Import Bank of Thailand

### 66. TUNISIA

Societe Tunisienne de Banque  
Tunis International Bank

### 67. TURKEY

Finansbank AS  
ING Bank AS  
Turk Ekonomi Bankasi AS  
Turkiye is Bankasi AS  
Yapi ve Kredi Bankasi AS

### 68. UKRAINE

JSCB Citibank (Ukraine)

### 69. 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

### 70. UNITED KINGDOM

ABC International Bank Plc  
Habib Allied International Bank Plc  
Habibsons Bank Ltd.  
National Westminster Bank  
Royal Bank of Scotland Plc  
Standard Chartered Bank  
United National Bank

259 Banks  
of  
74 Countries  
of Origin,  
as on December 31, 2011

### 71. USA

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

### 72. UZBEKISTAN

Royal Bank of Scotland Uzbekistan NB

### 73. VIETNAM

Joint Stock Commercial Bank For Fireugb  
Trade of Vietnam  
Chohung Vina Bank

### 74. 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  
Yemen Commercial Bank  
Islamic Bank of Yemen for Finance  
& Investment

# Statement of Financial Position in US\$

As at December 31, 2011

2011		2010		2011		2010	
US \$ in '000				Rupees in '000			
<b>Assets</b>							
290,933	263,499	Cash and balances with treasury banks	26,168,181	22,565,188			
69,320	44,197	Balances with other banks	6,235,055	3,784,862			
17,695	107,106	Lendings to financial institutions	1,591,584	9,172,186			
1,487,083	1,194,111	Investments	133,756,712	102,259,757			
1,675,574	1,784,097	Advances	150,710,709	152,784,137			
103,938	116,632	Operating fixed assets	9,348,815	9,987,963			
-	-	Deferred tax assets	-	-			
177,276	165,705	Other assets	15,945,250	14,190,459			
3,821,819	3,675,347		343,756,306	314,744,552			
<b>Liabilities</b>							
30,641	36,082	Bills payable	2,756,032	3,089,984			
192,043	298,409	Borrowings	17,273,470	25,554,777			
3,240,877	2,988,631	Deposits and other accounts	291,502,993	255,936,503			
77,715	69,976	Sub-ordinated loans	6,990,100	5,992,500			
-	-	Liabilities against assets subject to finance lease	-	-			
923	998	Deferred tax liabilities	83,024	85,507			
81,987	94,365	Other liabilities	7,374,421	8,081,139			
3,624,186	3,488,462		325,980,040	298,740,410			
197,633	186,884	<b>Net assets</b>	17,776,266	16,004,142			
<b>Represented by</b>							
78,605	75,055	Share capital/ Head office capital account	7,070,184	6,427,440			
90,459	89,813	Reserves	8,136,440	7,691,319			
14,477	8,195	Unappropriated profit	1,302,158	701,819			
183,541	173,063		16,508,782	14,820,578			
14,092	13,821	Surplus on revaluation of assets – net of tax	1,267,484	1,183,564			
197,633	186,884		17,776,266	16,004,142			

**Note:**

The above is for information only and conversion have been made @ 1US\$=Pak Rs. 89.9457 as at December 31, 2011. (1US\$=Pak Rs. 85.6367 as at December 31, 2010)





## Profit and Loss Account in US\$

For the year ended December 31, 2011

2011		2010		2011		2010	
US \$ in '000				Rupees in '000			
364,290	319,126	Mark-up / return / interest earned		32,766,351		27,328,908	
252,370	209,450	Mark-up / return / interest expensed		22,699,583		17,936,616	
111,920	109,676	Net mark-up / interest income		10,066,768		9,392,292	
18,123	27,083	Provision against non-performing loans and advances – net		1,630,123		2,319,280	
1,361	4,470	Impairment loss on available for sale investments		122,421		382,764	
485	3,463	Provision for diminution in the value of investments		43,596		296,530	
386	768	Provision against repurchase agreement lendings		34,702		65,808	
-	-	Bad debts written off directly		-		-	
20,355	35,784			1,830,842		3,064,382	
91,565	73,893	Net mark-up / interest income after provisions		8,235,926		6,327,910	
		<b>Non mark-up/interest income</b>					
13,275	14,847	Fee, commission and brokerage income		1,193,986		1,271,467	
3,218	2,451	Dividend income		289,470		209,922	
8,588	8,532	Income from dealing in foreign currencies		772,495		730,693	
3,416	2,482	Gain on sale of investments – net		307,212		212,527	
-	-	Unrealised loss on revaluation of investments		-		-	
-	(4)	classified as held for trading – net		-		(354)	
3,777	4,391	Other income		339,758		376,042	
32,274	32,700	Total non-markup / interest income		2,902,921		2,800,297	
123,839	106,592			11,138,847		9,128,207	
		<b>Non mark-up/interest expenses</b>					
96,050	91,230	Administrative expenses		8,639,312		7,812,618	
-	-	Other provisions / write offs		-		-	
965	496	Other charges		86,784		42,453	
97,015	91,726	Total non-markup / interest expenses		8,726,096		7,855,071	
26,824	14,867			2,412,751		1,273,136	
-	-	Extra ordinary / unusual items		-		-	
26,824	14,867	<b>Profit before taxation</b>		2,412,751		1,273,136	
9,258	3,849	Taxation – current		832,723		329,617	
-	-	– prior years'		-		-	
(530)	4	– deferred		(47,670)		342	
8,728	3,853			785,053		329,959	
18,096	11,014	<b>Profit after taxation</b>		1,627,698		943,177	
7,803	9,733	Unappropriated profit brought forward		701,819		833,511	
25,899	20,747	Profit available for appropriation		2,329,517		1,776,688	
0.03	0.02	Basic / diluted earnings per share – US \$		2.30		1.34	

**Note:**

The above is for information only and conversion have been made @ 1US\$=Pak Rs. 89.9457 as at December 31, 2011. (1US\$=Pak Rs. 85.6367 as at December 31, 2010)

# Glossary of Financial & Banking Terms

## ACCEPTANCES

Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.

## ACCRUAL BASIS

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

## BILLS FOR COLLECTION

A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.

## BONUS ISSUE (SCRIP ISSUE)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

## CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

## CASH EQUIVALENTS

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## COMMITMENT TO EXTEND CREDIT

Credit facilities approved but not yet utilized by the client as at the Balance sheet date.

## COMMITMENT TO EXTEND CREDIT

Commitments to extend credit are those commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

## CONTINGENCIES

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.

## COST / INCOME RATIO

Operating expenses as a percentage of total income.

## CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## CAGR

An abbreviation for Compound Annual Growth Rate.

## DEFERRED TAXATION

Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

## DERIVATIVES

Derivative is a financial instrument or other contract which has the following characteristics:

- (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (c) it is settled at a future date.

## EARNINGS PER SHARE

Profit after taxation divided by the weighted average number of ordinary share in issue.

## EFFECTIVE TAX RATE

Provision for taxation excluding deferred tax divided by the profit before taxation.

## EQUITY METHOD

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Income Statement reflects the investor's share of the results of operations of the investee.

## FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

## FORWARD EXCHANGE CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

## GROSS DIVIDENDS

The portion of profits distributed to the shareholders including the tax withheld.

## GUARANTEES

An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.

## HISTORICAL COST CONVENTION

Recording transactions at the actual value received or paid.

## INTEREST IN SUSPENSE

Interest suspended on non-performing loans and advances.



### INTEREST SPREAD

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

### LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

### LOAN LOSSES AND PROVISIONS

Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

### MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of share as at the year end.

### MATERIALITY

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

### NET ASSETS VALUE PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue.

### NET DIVIDENDS

Dividend net of withholding tax.

### NET INTEREST INCOME

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

### NON PERFORMING LOANS

A loan placed on cash basis (i.e Interest Income is only recognized when cash is received) because in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.

### OFF BALANCE SHEET TRANSACTIONS

Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

### PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share.

### PRUDENCE

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

### RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### RETURN ON AVERAGE ASSETS

Profit after tax divided by the average assets.

### RISK WEIGHTED ASSETS

On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

### REPURCHASE AGREEMENT

Contract to sell and subsequently repurchase securities at a specified date and price.

### REVERSE REPURCHASE AGREEMENT

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

### RETURN ON AVERAGE EQUITY

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

### REVENUE RESERVE

Reserves set aside for future distribution and investment.

### SHAREHOLDERS' FUNDS

Total of Issued and fully paid share capital and capital and revenue reserves.

### STATUTORY RESERVE FUNDS

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

### SUBSIDIARY COMPANY

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

# AGM

On March 29, 2012 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 Thursday, March 29, 2012 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 \_\_\_\_\_ 2012.

Witnesses: \_\_\_\_\_

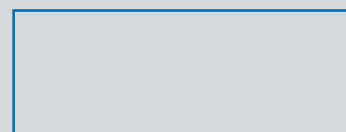
Name: \_\_\_\_\_

C.N.I.C. No./Passport No.: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



(Member's signature on  
Rs. 5/- Revenue Stamp)

### NOTES:

#### A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O.Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

#### B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

The Company Secretary:

**ASKARI BANK LIMITED**

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