Annual Report for the year ended December 31, 2012

banking forward

askaribank

Cover Concept

In today's challenging environment, we face unprecedented uncertainties across a range of issues. Yet, we still believe that real success lies in always moving ahead; in the relentless pursuit of solutions.

At Askari Bank, we believe in leading the way forward. Our fundamental aim is to integrate our offerings with the changing lifestyles of our valued customers – so that we can better assist in their banking needs and also help in shaping their future.

On our cover this year, we express our long-standing conviction **– of thinking ahead and banking forward.**

Contents

Unconsolidated Financial Statements of Askari Bank Limited

Consolidated Financial Statements of Askari Bank Limited and its Subsidiaries

21 years of banking

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

Askari Bank has since expanded into a network of 261 branches / sub-branches, including 34 dedicated Islamic banking branches, and a wholesale bank branch in Bahrain.

A shared network of 5,903 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As at December 31, 2012, the Bank had equity of Rs. 19.7 billion and total assets of Rs. 353 billion, with 907,984 banking customers, serviced by our 5,597 employees. Askari Investment Management Limited and Askari Securities Limited are subsidiaries of Askari Bank engaged in managing mutual funds and share brokerage, respectively.

Vision & Mission

Our vision

To be the bank of first choice in the region

Our mission

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

Our thinking

Commitment

Customers

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

Integrity

Investors

A distinctive investment, delivering outstanding performance, return and value

Fairness

Regulators

Exemplary compliance, governance and business ethics

Our 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 corporate, 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 final stages of replacing the existing technology with a comprehensive state-of- the-art technology solutions. Upon complete implementation; 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

Teamwork

Employees

Caring for our people and helping them to grow

Service

Communities

Dedication towards social development and improvement in quality of life

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 907,984 relationships.

Our investors

We believe that the bottom line of any business is creating shareholder value. To gain their trust and confidence, we believe in providing our investors timely, regular and reliable information on our activities, structure, financial situation, and performance.

Our regulators

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

Our employees

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

Our communities

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

Products & Services

Branch Banking

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

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 and 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 Account 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.

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 / pay-orders and much more. These products include value plus current accounts, basic account with no minimum balance requirement.

Savings Account

A range of saving 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 saving 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 nation-wide.

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 offers its customers with value added life insurance and wealth management products tailored to suit their long term financial requirements and protection plans through select branches. 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 & 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

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 Investment Banking 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 their loan; the product tenure ranges from one to five years and is designed primarily for salaried individuals.

Mortgage Finance

Whether our customer plan to construct a house, buy a constructed house, or renovate a house, Askari mortgage finance enables them to pursue their goal without any 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.

Visa Debit Card VISA

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 MasterCard

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

Askari Branchless Banking Timepey

Jointly with China Mobile Pakistan, Askari Bank launched branchless banking program under the brand name of *"Timepey"* during 2012.

With this program, banking has become very convenient, easy and secured yet much more efficient. Branchless banking customers enjoy the benefit of sending or receiving funds at anytime and to any place within the country. A wide network of Timepey shops across Pakistan are fully equipped to handle day to day needs of the customers. Under the program, following transactions are currently being handled:

Timepey Money Transfer

Using Timepey Money Transfer, customers can now send and receive money from any Timepey outlet in the most efficient, secure and convenient way. Customers do not need to have a ZONG connection or to have a mobile phone at all. Following funds transfers are catered under this facility:

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

Timepey Bill Payment

Timepey account holders and non account holders can pay most of their utility bills through Timepey instantly and without any charges. Just dial *888# from mobile phone without leaving the comfort of your home.

Timepey mobile top-up

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

Agricultural Banking

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

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

Islamic Banking

With the help of Shariah advisor and professional bankers, Askari Islamic banking provides Riba free and Shariah Compliant solutions to various customer segments through 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 Musharkah

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 5,903 ATMs including Askari Bank's 267 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 may be visited.*

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.

Statement of Ethics & Business Practices

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

- Render, with integrity, a responsible and effective service of high quality which is accessible by all customers, present and prospective;
- Not abuse the authority that he or she has been assigned as an employee of the Bank, in dealings with customers and other employees;
- Act judiciously, fairly and impartially with all customers when exercising any discretion in the performance of duties;
- Exercise powers conferred on them in a responsible manner particularly by:
  - performing all their duties impartially without favouring any customer and without regard to status, sex, race, religion, political beliefs or aspirations;
  - acting honestly, respectfully, transparently and in an accountable manner;
  - treating all persons with equal consideration and objectivity;
  - using any discretion vested in them judiciously, sensibly, impartially and reasonably.
- Refrain from divulging any information received in the course of their work and duties unless the performance of duty or the needs of justice require otherwise;
- Refrain from making wrong declaration to the Bank, other employees or customers;
- Resist and report any offers of bribes or other corruption emanating from any source;
- In their private life behave in a manner, which does not bring discredit to or impair the dignity or reputation of the Bank;
- Seek to attain the highest possible standards of performance, interpersonal relationships and exercise care for others in employment related activities;
- Take official decisions and enforce policies of the Bank within the ambit of law of the land faithfully and impartially; 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.

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 & Entertainment

Gifts, business entertainment or other benefits from a customer or a supplier / vendor, which appear or may appear to compromise commercial relationships must not be accepted by the employees. In the event that a gift must be accepted for reason of customer's insistence and sensitivity of relationship, such gifts must be surrendered to the Bank along with reasons of acceptance. Under no circumstances an employee shall either directly or indirectly accept any amount of money, however small, as gift, gratuity, subscription or reward from any employee of the Bank, customer, supplier or vendor. Customers who wish to express gratitude for the services of Askari Bank should be requested to send a letter of appreciation.

Political Activities

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

Fraud, Theft or Illegal Activities

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

Harassment at Workplace

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

Corporate Information

Board of Directors

Lt Gen. 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

Registrar & Share Transfer Office

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

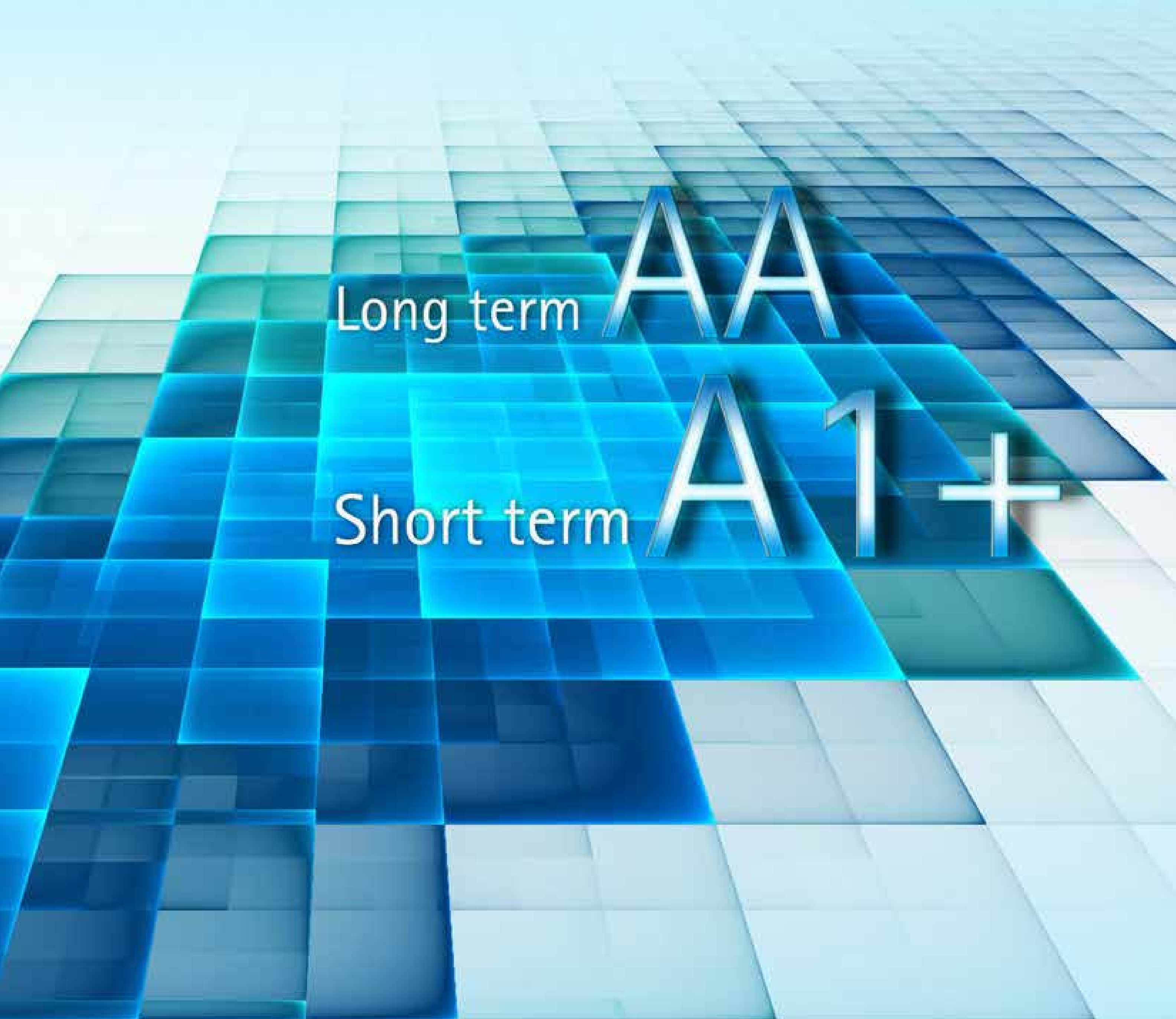
Entity Ratings

Long Term: AA
Short Term: A1+
by Pakistan Credit Rating Agency (PACRA)

Website

www.askaribank.com.pk

Entity Ratings
by PACRA

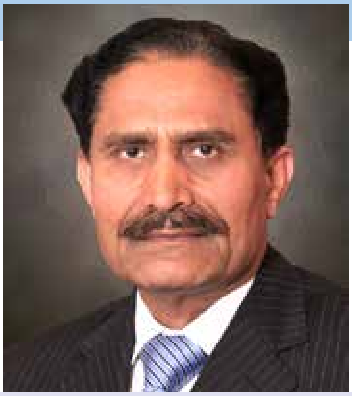


Definitions by Pakistan Credit Rating Agency Limited (PACRA):

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.

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 a period of more than 34 years. He possesses MSc (Strategic Studies) degree from Quaid-i-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 joined the Board in January 2012. The General 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 Defense University Islamabad. He has served on command, staff and instructional assignments at various tiers. He commanded Rawalpindi Corps and remained Inspector General Arms in General Headquarters as Principal Staff Officer. The General served for 40 years in the Army during which he participated in various military operations and was thrice awarded for his performance in actions. He was also conferred upon Hilal-i-Imtiaz (Military) for his meritorious service.
Term of office	Joined as Chairman of the Board of Directors on May 23, 2011	Joined the Board of Directors on Janaury 19, 2012
Status	Non-Executive Director	Sponsor / Non-Executive Director
Membership of board committees	None	Chairman of the Executive Committee
Other directorships / ext. appointments	Adjutant General (AG) of Pakistan Army and Chairman Army Welfare Trust (AWT).	Managing Director / Vice Chairman, Army Welfare Trust (AWT). He is also Chairman of the boards of Askari General Insurance Co Ltd, Askari Guards (Pvt) Ltd, Askari Siddiqsons Development Ltd, Askari Cement Ltd, Askari Power Ltd, Askari Information System Ltd, Askari Aviation (Pvt) Ltd, Mobile Askari Lubricant Ltd, Petrosel Lubricants (Pvt) Ltd, Askpure (Pvt) Ltd and Askari Investment Management Ltd.

Malik Riffat Mahmood

Malik Riffat Mahmood 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.

Joined the Board of Directors on August 26, 2011.

Sponsor / Non-Executive Director

Chairman Budget Committee and a member of Executive Committee, and Information Technology Committee.

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

Zafar Alam Khan Sumbal

Mr Zafar Alam Khan Sumbal is one of the founder Directors of the Bank. Since inception of the Bank he was also assigned an extra responsibility of the Company Secretary and he worked for this position till Apr 2005 and then elevated as Director Corporate by the Board of Directors.

Before joining his present organization he was having 22 years banking experience both in Pakistan and abroad. His aggregate experience of banking and financial institutions is more than 41 years. He is a post-graduate in Economics. He is "Certified Director" by the Pakistan Institute of Corporate Governance (PICG).

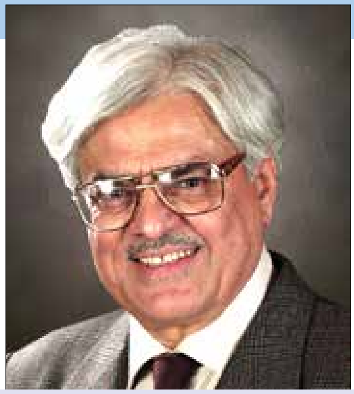
He has attended various trainings and seminars in Pakistan and abroad.

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

Sponsor / Non-Executive Director

Chairman Risk Management Committee and a member of the Executive Committee and Human Resource and Remuneration Committee.

Chief Executive Officer of one of the AWT projects.



Muhammad Riyazul Haque

Mr Muhammad Riyazul Haque holds master's degrees in Development Economics [Williams College, USA]; Economic and Social Sciences [University of Manchester, UK]; and English [GCU, Lahore]. He joined the Government of Pakistan in 1966 in CSP. 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], Ministry of Finance. He has been a director on the boards of HBL, of Pak-Kuwait and Saudi -Pak Investment companies, and of the Federal Bank of Cooperatives.

Mr. Haque worked as international professional staff for the Asian Development Bank (ADB) in several countries. He was Team Leader for project development, processing, implementation, and monitoring and evaluation of development projects, and of institutions including several banks. He led the production of policy documents and instruction manuals. He led delegations of GOP with international financial institutions and of the ADB with other countries. He has worked as an international consultant. Mr. Haque has attended a large number of conferences and other moots in Pakistan; and abroad; has been a member of professional societies; is actively associated with think tanks and social groups; and has travelled abroad extensively.

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

Independent Director

Chairman Human Resource and Remuneration Committee.

He is a director of First Dawood Investment Bank Limited and Bata Pakistan Limited.

Shahid Mahmud

Mr. Shahid Mahmud is a graduate of the National Defence University and NED University of Engineering and Technology. He has nearly three decades of professional experience in the field of Telecommunications and Information Technology. He is currently the Chairman and Chief Executive Officer for the Interactive Group, operating in Pakistan, UAE, Saudi Arabia, Turkey and Malaysia.

He has earlier been the founder director and stakeholder in Paktel (Pvt) Ltd (now "Zong" China Mobile Company), Indus Vision (Satellite TV channel), Pak Globalstar (Pvt) Ltd (a JV with Hyundai South Korean Company), SHOA (Pvt) Ltd (a JV with Jaffer Brothers) and Shaheen Pay TV (Pvt) Ltd (a JV with Shaheen Foundation).

Mr. Shahid Mahmud is an Eisenhower Fellow and a McCabe Fellow.

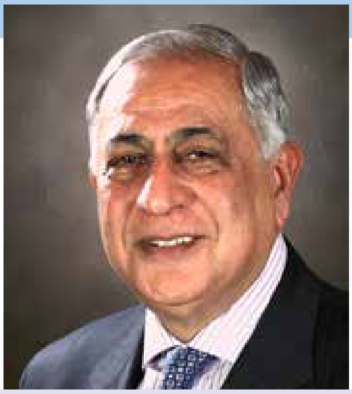
He joined the Board of Directors of the Bank on September 1, 2008 and was re-elected for the second term at the AGM of March 29, 2011.

Independent Director

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

He is chairman of the boards of Interactive Communications (Pvt) Ltd., Interactive Convergence (Pvt) Ltd., Interactive-E-Solutions (Pvt) Ltd., Diallog Broadband (Pvt) Ltd., Super Dialogue (Pvt) Ltd., Metrotel (Pvt) Ltd., Ertibatat (Pvt) Ltd., Interactive GIS, Interactive Cinecast, Interactive Consulting, Radio Buraq (Pvt) Ltd., Interactive Infrastructure (Pvt) Ltd.

Also, He is the Information Communications Technologies (ICT) Co-Chair of National University of Science and Technology (NUST), Corporate Advisory Council (CAC) and the founder Chairman of Buraq Society and Director of TRUCE Foundation.



Ali Noormahomed Rattansey

Mr Ali Noormahomed Rattansey has 39 years of working experience. He is a fellow member of the Institute of Chartered Accountants in England & Wales and has been associated with A. F. Ferguson & Co. Chartered Accountants, Pakistan for 31 years (including 23 years as a partner). He has extensive experience in audit, accounting, tax and financial and corporate consultancy, with significant exposure to Pakistan corporate sector including subsidiaries of multinational companies operating in Pakistan.

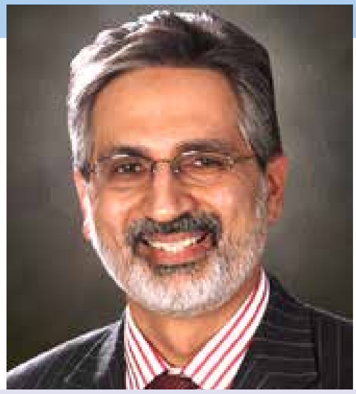
He has participated in numerous trainings, workshops & seminars related to Audit, Finance & Management.

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

Independent Director

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

He is Chairman, Aga Khan Rural Support Programme and a director of Jubilee General Insurance Company Ltd., Jubilee Life Insurance Company Ltd., Rural Support Program Network and NRSP Microfinance Bank Ltd.



Dr. Bashir Ahmad Khan

Dr. Bashir Ahmad Khan has more than 26 years of academic and professional experience and is presently working as Professor of Finance and Dean of the School of Management at Forman Christian College (FCC), in Lahore.

He taught at the Suleman Dawood School of Business at Lahore University of Management Sciences (LUMS) for 18 years, where he was also the Associate Dean of Executive Education. He has played a key role in the launch of both customer-specific and open enrolment executive education programs for various institutions and companies, including the new Executive MBA at FCC. 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.

He joined the Board of Directors of the Bank on March 28, 2008 and was re-elected for the second term at the AGM of March 29, 2011.

Independent Director

Chairman Audit Committee and member of the Human Resource and Remuneration Committee.

-none-

Wazir Ali Khoja

Mr. Wazir Ali Khoja, Chairman / Managing Director National Investment Trust (Ltd) 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 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 also holds the position as member Governing Body of Pakistan Cricket Board (PCB). He was also Deputy Managing Director of NIT during 1994-95.

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 National Investment Trust (Ltd); A member Governing Body of Pakistan Cricket Board (PCB). He is also member on the Boards of Bank Al – Habib Ltd, Fauji Fertilizer Company Ltd, Packages Ltd, Habib Metropolitan Bank Ltd, Pak Suzuki Motors Company Ltd, Burshane LPG Pakistan Ltd (Formerly Shell LPG (Pakistan) Ltd), Sui Northern Gas Pipelines Ltd, Sui Southern Gas Company Ltd, Pakistan State Oil Company Ltd, Thatta Cement Company Ltd. Pak Telecom Mobile Ltd, Sindh Bank Ltd and State Life Insurance Corporation.

Khawaja Jalaluddin Roomi

Khawaja Jalaluddin Roomi belongs to Khawaja Family, known as well reputed business family in 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. Has a 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. Have successfully launched number of projects and they are now very profitable ventures.

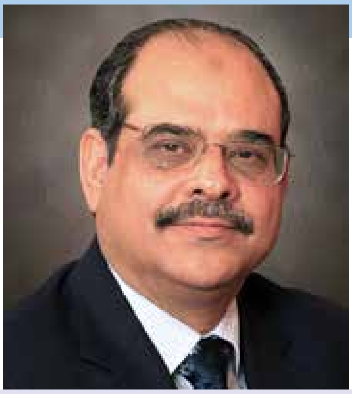
He attended Financial Analytical courses from Stratchlyde Business School, Glasgow, United Kingdom 1990. Has interacted a variety of people during and managing more than eight thousand employees, traveled in most part of the world for business development, gained enough knowledge of human characters and psychology. The opportunity has also developed good inter-personal skills.

Joined the Board of Directors on March 30, 2011.

Independent Director

A member of Audit Committee and Risk Management Committee.

He is Chairman Board of Management of Nishter Medical College & Allied Hospitals and Director on the Boards of Mahmmood Textile Mills Limited, Masood Fabrics Limited, Masood Spinning Mills Limited, Roomi Fabrics Limited, Roomi Enterprises (Pvt) Limited, Roomi Foods (Pvt) Limited and Pakistan International Airlines.



M. R. Mehkari

Mr. M. R. Mehkari with over 42 years of international and domestic banking experience and currently serving Askari Bank in the position of the President and Chief Executive. He is one of the pioneer members of Askari Bank.

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

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

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 Askari investment Management Limited, a subsidiary of Askari Bank. He is the vice chairman executive committee of Pakistan Banks Association (PBA) and also the chairman of the Accounting and Taxation Committee of the PBA.

Board Committees

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 & Chief Executive

Terms of References

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 & Chief Executive 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 & Chief Executive. Considering, approving, appointing and promoting executives in certain senior cadre and suspending, terminating their services with the consent / recommendations of President & Chief Executive.

11 EC meetings were held during 2012.

Audit Committee (AC)

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

Terms of References

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.

4 AC meetings were held during 2012.

Risk Management Committee (RMC)

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

Terms of References

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.

5 RMC meetings were held during 2012.

Human Resource & Remuneration Committee (HRRC)

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

Terms of References

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.

6 HRC meetings were held during 2012.

Budget Committee (BC)

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

Terms of References

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.

1 BC meeting was held during 2012.

Information Technology Committee (ITC)

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

Terms of References

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.

1 ITC meeting was held during 2012.

Dates and attendance of Board Committees																													
Board Committee		Executive											Risk					Audit				Human Resource & Remuneration						IT	Budget
Name of Directors	Attendence / total Meetings	23-Jan-12	13-Feb-12	13-Mar-12	23-Apr-12	23-May-12	28-Jun-12	31-Jul-12	15-Aug-12	28-Sep-12	16-Oct-12	21-Nov-12	30-Mar-12	06-May-12	27-Sep-12	18-Oct-12	28-Nov-12	13-Feb-12	25-Apr-12	24-Aug-12	17-Oct-12	23-Feb-12	30-Mar-12	03-May-12	30-Jul-12	24-Aug-12	20-Nov-12	19-Mar-12	26-Jan-12
Lt. Gen.(R) Tahir Mahmood *	11/11	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔																	
Mr Malik Riffat Mahmood	3/11	✔	✔								✔																		
Mr Zafar Alam Khan Sumbal	11/11	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔																	
Mr Shahid Mahmud	6/11	✔	✔		✔	✔		✔			✔																		
Mr M. R. Mehkari	11/11	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔																	
Mr Zafar Alam Khan Sumbal *	5/5												✔	✔	✔	✔	✔												
Mr Wazir Ali Khoja	1/5														✔														
Khawaja Jalaluddin Roomi	3/5													✔		✔	✔												
Mr M. R. Mehkari	5/5												✔	✔	✔	✔	✔												
Dr Bashir Ahmad Khan *	3/4																	✔	✔		✔								
Mr Ali Noormahomed Rattansey	2/4																			✔	✔								
Mr Wazir Ali Khoja	4/4																	✔	✔	✔	✔								
Khawaja Jalaluddin Roomi	2/4																		✔		✔								
Mr Muhammad Riayzul Haque *	6/6																					✔	✔	✔	✔	✔	✔		
Mr Zafar Alam Khan Sumbal	6/6																					✔	✔	✔	✔	✔	✔		
Dr Bashir Ahmad Khan	4/6																					✔	✔	✔			✔		
Mr Shahid Mahmud *	1/1																											✔	
Mr Ali Noormahomed Rattansey	1/1																											✔	
Mr Malik Riffat Mahmood	1/1																											✔	
Mr Malik Riffat Mahmood *	1/1																												✔
Mr Ali Noormahomed Rattansey	1/1																												✔
Mr Shahid Mahmud	0/1																												

* Chairman of respective committees

Management Committees

Management Committee (ManCom)

- President & Chief Executive, 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 References

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.

Asset Liability Management Committee (ALCO)

- President & Chief Executive, 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 References

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.

Head Office Credit Committee (HOCC)

- President & Chief Executive, 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 References

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
- Country Head Legal Affairs

Terms of References

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 & Chief Executive, Chairman
- Group Head Corporate & Investment Banking
- Group Head Business Transformation
- Group Marketing & Strategic Planning
- Group Head Operations
- Group Head Commercial Banking
- Chief Information Officer
- SEVP – Electronic Technology
- 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 References

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 References

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 21st
Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Thursday, March 28, 2013 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 20th Annual General Meeting held on March 29, 2012.
2. To receive, consider and adopt the financial statements for the year ended December 31, 2012 together with the Directors' and Auditors' reports thereon.
3. To appoint the auditors of the Bank for the year ending December 31, 2013 and to fix their remuneration.

Special Business:

4. To consider and if deemed fit pass the following 'Special Resolutions' under section 208 of the Companies Ordinance, 1984 with or without modification(s):
   a. "**Resolved that** the President & Chief Executive and Company Secretary of the Bank be and are hereby authorized either singly or jointly to take all necessary steps to make investment(s) of upto Rs. 330 million as seed / core capital in the open-end mutual funds schemes to be launched by Askari Investment Management Limited (AIML), wholly owned subsidiary of the Bank in future from time to time.
   b. **Further Resolved that** the Board of Directors of Askari Bank Limited be and is hereby authorized to evaluate and approve above seed / core capital investments to be made by the Bank in any particular open-end mutual fund to be launched by AIML in future.
   c. **Further Resolved that** the President & Chief Executive and Company Secretary of the Bank be and are hereby authorized either singly or jointly, to complete any or all necessary required corporate and legal formalities for the completion of the transactions."
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 6, 2013 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 annexed.
2. The share transfer books of the Bank will remain closed from March 21 to March 28, 2013 (both days inclusive). Transfers received at M/s THK Associates (Private) Limited, Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmad Road, Karachi-75530, the Registrar and Share Transfer Office of the Bank at the close of the business on March 20, 2013 will be treated in time.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
4. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
5. The instrument appointing a proxy, together with 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 21st Annual General Meeting of the Bank to be held on Thursday, March 28, 2013.

Item No. 4 of the Notice – Investments to be made by the Bank

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

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

Askari Bank Limited, in order to ensure successful launch of the new open-end mutual funds of AIML intends to make seed / core capital in the open - end mutual funds upto Rs. 330 million to be launched by AIML from time to time in future.

Information required Under Clause (a) of Sub-Regulation (1) of Regulation 3 of Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012.

Information Required Under Clause (a) of Sub-Regulation (1) of Regulation 3 of Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012

i	Name of associated company or associated undertaking along with criteria based on which the associated relationship	Askari Investment Management Limited (AIML) Open-end mutual funds / VPS to be established launched by AIML in future from time to time. All the mutual funds / investment plans launched by a subsidiary are the associated undertaking of AIML, as per NBFC & Notified Entities Regulations, so as of the Bank.
ii	Purpose, benefits and period of investment	Seed capital for open-end mutual funds / VPS. Minimum time of Investments 2 years, however transferable within 2 years.
iii	Maximum amount of Investment	Rs. 330 million
iv	Maximum price at which securities will be acquired	At prevailing NAV / par value, in accordance with the constitutive documents of the funds / VPS.
v	Maximum number of securities to be acquired	Based on the NAV / par value and investment amount in respective funds / VPS.
vi	Number of securities and percentage there of held before and after the proposed investment	Before proposed investments it would be zero. After investment will depend on the size of the Fund / VPS.
vii	In case of investment in listed securities, average of the preceding twelve weekly average price of security intended to be acquired	Not applicable All investment will be made in newly launched funds / VPS.
viii	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	All the mutual funds will be listed except VPS.
ix	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Not applicable
x	Earnings per share of the associated company or associated undertaking for the last three years	2012: Re. 0.10 per share 2011: Re. 0.41 per share 2010: Rs. (1.63) per share
xi	Source of fund from which securities will be acquired	Pool of funds.
xii	Where the securities are intended to be acquired using borrowed funds i. Justification for investment through borrowings and ii. Detail of guarantees and assets pledged for obtaining such funds	Not applicable
xiii	Salient features of the agreement(s),if any, entered into with its associated company or associated undertaking with regards to the proposed investment	No separate agreement will be entered into; it will be in accordance with the constitutive documents of the funds / VPS approved by board of directors and the Regulator.
xiv	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated under taking or the transaction under consideration.	None
xv	Any other important details necessary for the members to understand the transaction	Not applicable
xvi	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information required, namely: 1 Description of the project and its history since conceptualization 2 Starting and expected date of completion of work 3 Time by which such project shall become commercially operational 4 Expected return by which the project shall start paying return on investment	Not applicable

Inspection of Documents

Copies of memorandum and articles of association of the Bank, statement under section 160 (1) (b) & (c) of the Companies Ordinance, 1984, annual and quarterly financial statements as the case may and other related information/documents of the Bank and the investee companies which may be inspected / procured during business hours on any working day at the registered office of the Bank from the date of publication of this notice till conclusion of the Annual General Meeting.

Management

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

Imtiaz Ahmad Sheikh
SEVP Electronic Technology

Rehan Mir
Global Treasurer

Khalid Muhammad Khan
Group Head-Operations

Farooq Abid Tung
Country Head-Special Asset Management

Saleem Anwar
Chief Financial Officer

Lubna Azam Tiwana
Country Head-Risk Management

Zahid Mehmood Chaudhry
Country Head-International Banking

Farrukh Iqbal Khan
Chief Credit Officer

Abdus Samad Khan
Country Head-Human Resource
Executive Incharge-President Support Office

Hassan Aziz Rana
Head-Legal Affairs

Babar Waseim
Country Head-Establishment

Zain Ul Abidin
Country Head-Compliance & Data

Muhammad Ahmed Ghazali Marghoob
Company Secretary

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

Tanveer Afzal Khan
Area Manager-Peshawar

Sheikh Muhammad Abrar Ali
Area Manager-Rawalpindi-II

Khalid Ejaz Malik
Acting Area Manager-Islamabad

Sher Afgan Khanzada
Area Manager-Rawalpindi-I

Mohammad Ahmad Jamil
Area Manager-Azad Kashmir

Central Region

Khawaja Shaukat Iqbal
Regional General Manager

Saulat Hameed
Area Manager-Lahore-II

Ejaz Musarrat Siddiqui
Area Manager-Lahore-I

Mushtaq Ahmed
Area Manager-Gujranwala

Javed Iqbal
Area Manager-Multan

Altaf Hussain Saqib
Area Manager-Faisalabad

Tariq Javed
Area Manager-Sahiwal

South Region

Mirajuddin Aziz
Regional General Manager

Irfan Malik
Area Manager-Karachi-II

Hassan Raza Kari
Area Manager-Karachi-I

Ismail Oza
Area Manager-Karachi-IV

Saleem Sohail Butt
Area Manager-Quetta

Abdul Waheed
Area Manager-Hyderabad

Ahsan Noor
Area Manager-Karachi-III

Agricultural Banking

Adnan Asghar
Country Head-Agriculture & Rural Business

Leasing Business

Zulfiqar Ali Khan
Country Head-Leasing

Corporate Banking

Tahir Aziz
Group Head-Corporate & Investment Banking

Syed Abbas Hamdani
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

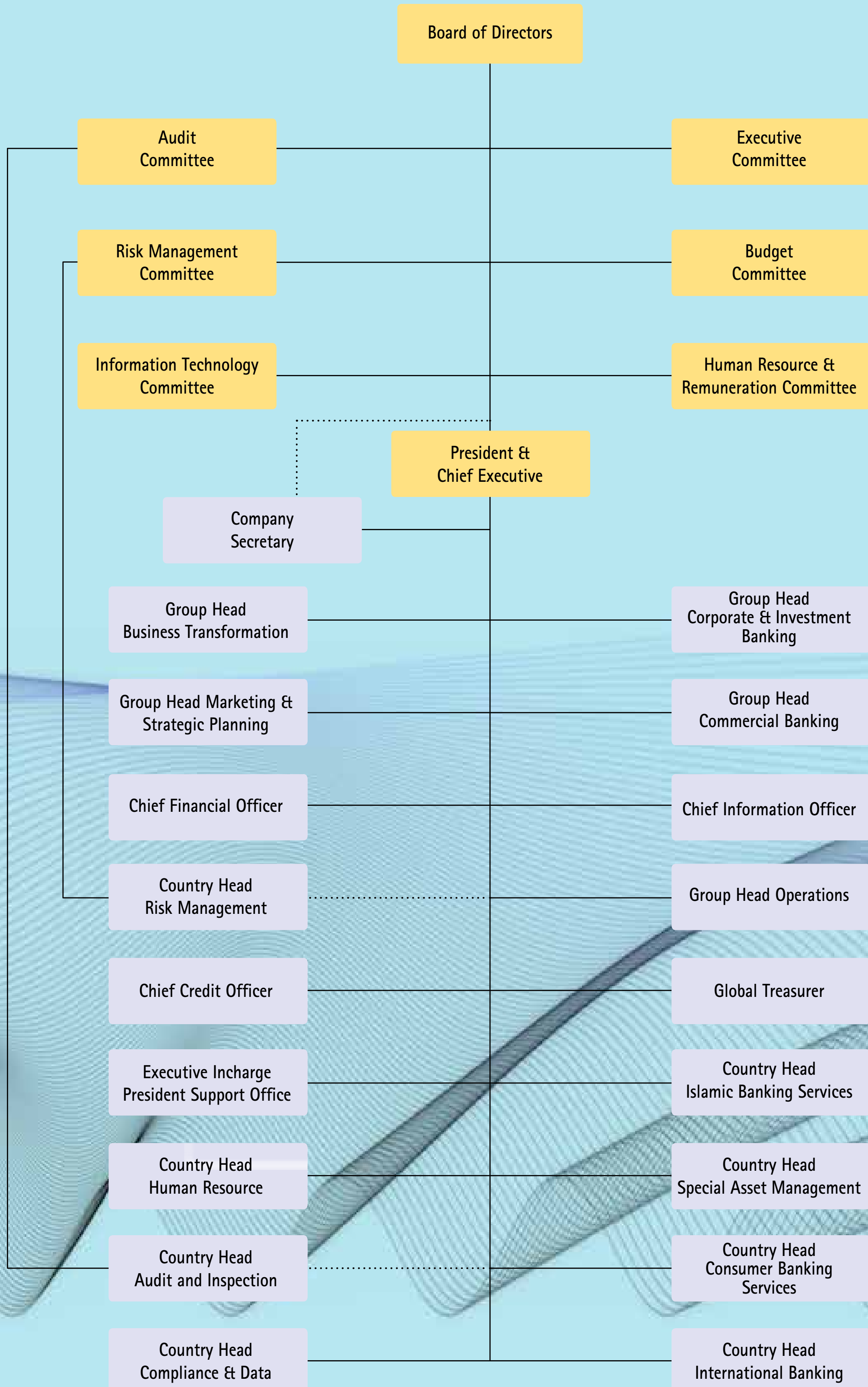
Consumer Banking

Israr Ahmed
Country Head-Consumer Banking Services

Wholesale Bank Branch, Bahrain

Khurram Dar
Branch Manager

Organogram


Board of Directors
Audit Committee
Executive Committee
Risk Management Committee
Budget Committee
Information Technology Committee
Human Resource & Remuneration Committee
President & Chief Executive
Company Secretary
Group Head Business Transformation
Group Head Corporate & Investment Banking
Group Head Marketing & Strategic Planning
Group Head Commercial Banking
Chief Financial Officer
Chief Information Officer
Country Head Risk Management
Group Head Operations
Chief Credit Officer
Global Treasurer
Executive Incharge President Support Office
Country Head Islamic Banking Services
Country Head Human Resource
Country Head Special Asset Management
Country Head Audit and Inspection
Country Head Consumer Banking Services
Country Head Compliance & Data
Country Head International Banking

Corporate Social Responsibility

At Askari Bank, the goal of Corporate Social Responsibility (CSR) program is to give back to the society in which it operates; thereby encouraging a positive impact through its activities on the communities environment.

We promote activities that contribute in the growth and development of society. Active participations are made in events meant for the uplift of the less privileged class in order to bring them at par with other segments of the society by sponsoring various events primarily in the areas of education, sports, environment and social sector.

Environment

We are environment conscious and encourage public initiatives that help in creating awareness about the ambiance and surroundings we live in. During the year 2012, the Bank worked hand in hand with organizations and sponsored conferences, walks, and festivals towards this end, some of them are as under:

- International scientific spring 2012 festival organized by national centre for physics
- Spring walk initiated by defense housing authority
- Bahria enclave spring festival 2012 arranged by Bahria Town
- Maintenance of F-10 roundabout, Islamabad.

Education

We believe that promoting education is the best way of rewarding a community. Our CSR program, therefore, gives special focus to providing learning opportunities and encouraging youth to strive in this field. During 2012, the Bank made contribution by sponsoring various events towards this noble cause.

- 10th convocation of Iqra University Karachi – where gold medals named as Askari Bank medals were distributed amongst the top achievers.
- Annual convocation ceremony of BUITEMS, Quetta
- Zenith - leadership and development program 2012 organized by Strategic Human Resource Society.
- 7th job fair and case study competition initiated by National University of Modern Languages (NUML)
- 13th international pure mathematics conference, 2012 organized by Quaid-e-Azam University.
- All-Pakistan inter quiz competition prearranged by Ravians Quiz Society
- Display of hoardings at the premises arranged by Multan Public School and College.

Sports

In our CSR policy, sponsoring sporting activities is one of the key priorities. We believe that healthy body produces healthy mind and such activities are imperative for ensuring physical health of our youth. The Bank remained actively engaged in sponsoring various events organized during the year 2012; some of them are as under:

- National Youth & Junior Athletics Championship arranged by Athletics Federation of Pakistan
- National Squash Championship initiated by Pakistan Ordinance Factories, Wah Cantt
- 32nd Punjab Open Golf Tournament organized by Gujranwala Golf & Country Club
- Swat Sports Gala 2012
- Ibex Cup Open Golf and Tennis Tournaments, Sargodha
- 21st Corps Commander Golf Cup 2012
- Martyr's Cup Golf Tournament 2012
- Elevation of Zahoor Illahi Stadium, Gujrat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President's Message

M. R. Mehkari
President & Chief Executive

Within 20 years of business commencement, Askari Bank with a nation-wide network of 261 branches / sub-branches and a wholesale bank branch in Bahrain, has established itself as a well-recognized brand in the financial sector of the country.

Objectives & strategies

Our corporate strategy is derived from our vision and mission statements and its primary objective is to enhance our market share while building long term shareholders value. The key elements of our corporate strategy have been to effectively mobilize resources, develop our business segments - including retail, commercial, agriculture, Islamic, corporate and investment banking - and maximize business opportunities backed by innovative technology solutions while managing and mitigating related risks.

Our strategic decisions and the palette of resources are being continuously aligned to serve our valued customers by delivering optimal and timely solutions to meet their diverse financial needs. We endeavour to achieve high standards of excellence in all areas of banking in order to make it a perfect customer centric institution. The strength of our brand, our branch network, the depth of our customer relationships and the urge to serve in better and improved ways, gives us the foundation on which to build and grow in times ahead.

External Environment

(full year 2012)

During 2012, the trend of market rates remained almost similar to that of 2011 where the first half of the year saw a relative stability; while a sharp decline was witnessed during the second half of 2012 – an aggregate 250 bps cut in policy rate was made by the State Bank of Pakistan (SBP) [150 bps on August 10, 50 bps each on October 8 and on December 17, 2012]. These cuts are partially aimed at reviving private investment while consolidating the modest improvement in economic activity recorded during the last fiscal year. The decline in market rates adversely affected the net spreads of the banking sector as the impact of downward re-pricing of asset portfolios has traditionally been greater than the re-pricing of deposits and other sources of funding. Credit expansion to private sector remained subdued for yet another year, whereas lending to public sector enterprises (PSEs) remained on the rise during the year under review. Also, the expansion of banking assets continue to be driven by increase in investment portfolios, mainly in government securities, for the second successive year. In this situation, the revised composition of banks' asset portfolios also reflects slowing down of intermediation between private savers and investors.

The energy crisis has emerged as the single most significant concern that is affecting economic growth of the country and there is an urgent need to embark upon a structural reform for the energy sector. Other key challenges; debt management, improvement in tax to GDP ratio, government borrowings, fiscal austerity, reforms for PSEs, continue to warrant immediate attention of the economic managers. Our cotton export target reflects bottomed-out prices and low value-added textiles may be insulated from the demand contraction. Also, foreign remittances are projected to grow strongly. The implementation of the economic agenda backed by effective measure for balanced deficit financing is the key for country's economic growth.

Financial performance

Financial statements (2012 vs. 2011)

During 2012, Askari Bank's operating profit i.e. profit before provisions and impairments against non-performing assets and taxation, increased by 4.1 percent over last year, whereas the asset base of the Bank grew by 2.7 percent during the year under review.

Contrary to the trend recorded in recent periods, the increase in net aggregate revenues and administrative expenses during the year under review, remained almost of the same pace and increased by 4.4 percent and 4.6 percent, respectively. However, a 46.8 percent increase in provisions against non-performing loans and assets along with impairment losses recognized on certain investments during the year, resulted in decline in profits before and after taxation by 28.3 percent and 22.9 percent, respectively.

At year-end 2012, customer deposits crossed Rs. 300 billion mark and stood at Rs. 306 billion, registering an increase of 5.3 percent over last year while gross advances registered a decline of 2.7

percent as the Bank remained watchful of the external environment. Resultantly, the aggregate investments increased by 12.1 percent - reflecting the industry-wide trend, for reasons stated above. During the year under review, non-performing loans increased by 12.1 percent while cumulative provisions there against increased by 14.8 percent, to Rs. 19.1 billion compared to Rs. 16.7 billion at the close of last year. The provision coverage against non-performing loans also increased from 70.5 percent to 72.1 percent at year-end 2012 while non-performing loans to gross advances ratio was recorded at 16.3 percent compared to 14.1 percent at the close last year. Your Bank's management is cognizant of the rise in non-performing assets and vigorous efforts are underway to arrest the adverse trend by effecting recoveries of infected loans and assets in the ensuing year.

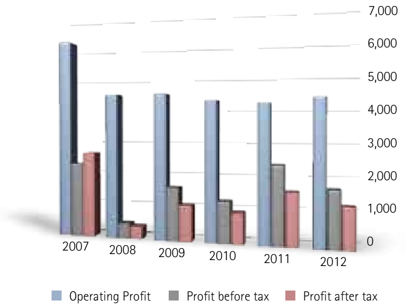
IT initiatives

The first phase of implementation of Bank's core banking software, Flexcube, was completed during 2012 with the complete and successful implementation in all conventional banking branches. Also, significant progress was 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, collectively aimed at enhancing the Bank's capabilities to improve its customer service and product offerings, vis-à-vis internal controls and MIS. The implementation of flexcube is planned for implementation in all Islamic banking branches and centralized treasury operations during the ensuing year.

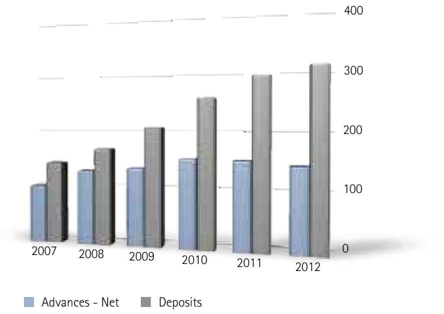
Business initiatives – Timepey

During the year under review, your Bank along with China Mobile Pakistan (Zong) has launched an innovative branchless banking initiative under the brand name 'Timepey'. This initiative is aimed at providing convenient, easy, secured and efficient banking services including money transfers, payment of utility bills and mobile top-up (for Zong only), at any time and any place within the country. Our nation-wide branch networks along with a wide network of 'Timepey' outlets

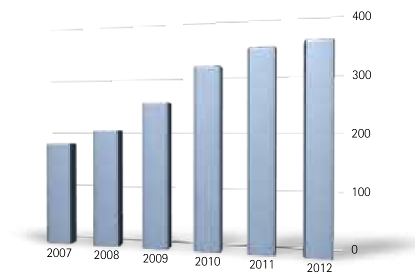
Profits
(Rupees in million)



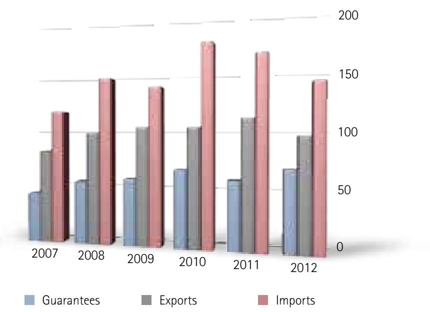
Advances and Deposits
(Rupees in billion)



Total Assets
(Rupees in billion)



Trade and Guarantees
(Rupees in billion)



across the country are fully equipped to handle the day to day needs of branchless banking customers.

Risk management

Askari Bank fully understands the importance and significance of strong risk management in addition to internal control systems. For mitigation of various risks that the Bank is inherently exposed to; effective risk management framework is in place for timely identification, control, monitoring, and assessment of such risks. We have achieved considerable advancement in implementing the management of change in our institutional culture responsive to a dynamic environment.

Human resource

We recognize our human resource as the key element in offerings and deliverables to our valued customers and as such, places greater emphasis on the attraction, development, retention and motivation of our work force. The Bank's three training academies fully equipped to meet the growing training needs of the Bank's employees. Additionally, effective application of job rotation and job enrichment aims at enhancing employees' exposure across different activities and functions within the Bank

Appreciations

The management and staff of the Bank worked tirelessly to achieve the results of 2012. I take this opportunity to thank all employees for a job well done.

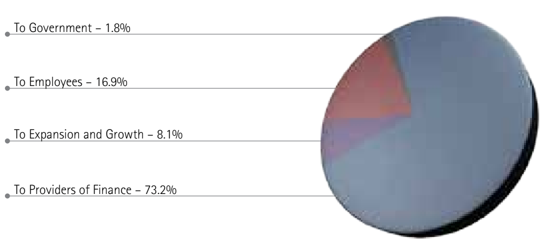
Our Board of Directors took keen interest in the affairs of the Bank and in setting up the strategic direction and formulation of policies. I would like to thank them for the guidance and counsel they extended to the management in conducting the affairs of the Bank. I also like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, and our valued customers for their patronage and support, trust, and invaluable contribution.

M. R. Mehkari
February 18, 2013

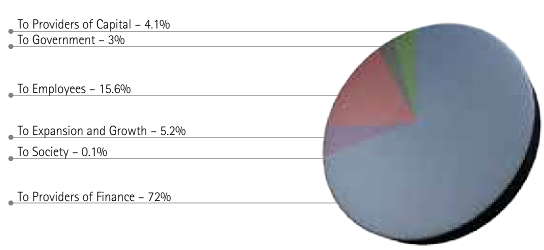
Value Added Statement

	2012 Rs. in '000	% age	2011 Rs. in '000	% age
Value Added				
Income from banking services	32,612,497		31,747,872	
Cost of services	3,853,989		3,807,934	
Valued added by banking services	28,758,508		27,939,938	
Non-banking services income	43,546		38,037	
Provision against non-performing assets	(2,687,860)		(1,830,842)	
Total value added	26,114,194		26,147,133	
Value Allocated				
to employees				
Salaries, allowances and other benefits	4,414,898	16.9	4,084,356	15.6
to government				
Income tax	474,365	1.8	785,053	3.0
to providers of capital				
Cash dividend	-	-	-	-
Bonus share	-	-	1,060,528	4.1
	-	-	1,060,528	4.1
to providers of finance				
as financial charges	19,110,271	73.2	18,816,220	72.0
to society				
as donations	-	-	16,000	0.1
to expansion and growth				
Depreciation	859,298	3.3	817,806	3.0
Retained in business	1,255,362	4.8	567,170	2.2
	2,114,660	8.1	1,384,926	5.2
Total value allocated	26,114,194	100.0	26,147,133	100.0

2012
(Percentage)



2011
(Percentage)



Our Network

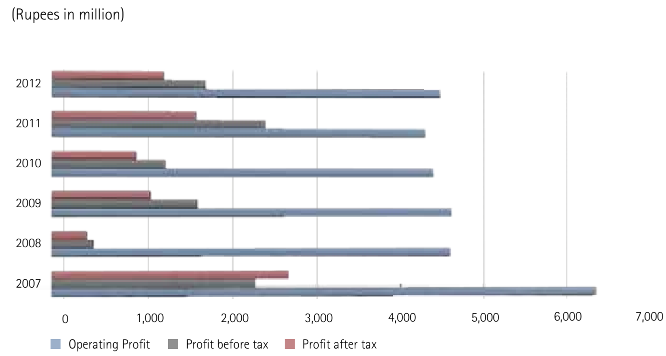
North Region		Central Region		South Region		Wholesale Bank Branch (Bahrain)	1
Islamabad	19	Lahore I	13	Karachi I	11		
Rawalpindi I	20	Lahore II	13	Karachi II	12		
Rawalpindi II	16	Sahiwal	12	Karachi III	12		
Peshawar	13	Faisalabad	10	Karachi IV	14		
Azad Kashmir	8	Gujranwala	12	Hyderabad	16		
Corporate	1	Multan	12	Quetta	10		
Islamic	12	Corporate	1	Corporate	1		
		Islamic	12	Islamic	10		
	89		85		86	Total branches / sub-branches	261

Branch contact details can be accessed at Bank's website: www.askaribank.com.pk

Financial Review

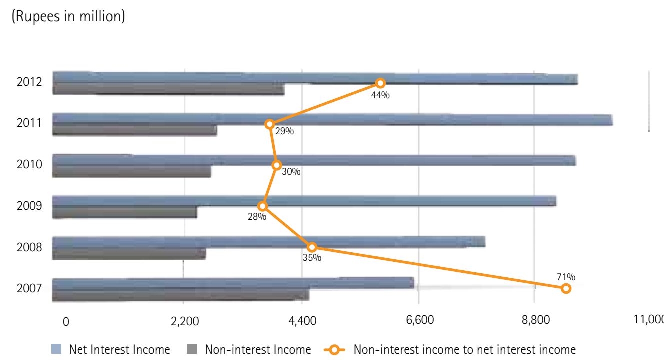
Profit

Operating profit of the Bank registered an increase of 4.1 percent despite reduction in net interest spreads as cut in policy rates introduced by the SBP in the second half of 2012 negatively affected the net interest margins of the Bank. However, profit before and after tax declined by 28.3 percent and 22.9 percent compared to last year mainly due to a 46.8 percent increase in provision against non-performing assets, charged to the revenues – provision against non-performing loans (NPLs) increased by 43.8 percent while provision / impairment on investments surged by 71.6 percent. The increase in provision against NPLs is attributable to (a) net reduction in the benefit of forced sale value (FSV) of collaterals amounting to Rs.597 million, (b) increase in NPLs by 12.1 percent and (c) further downgrading in the categories of classifications requiring additional provisions.



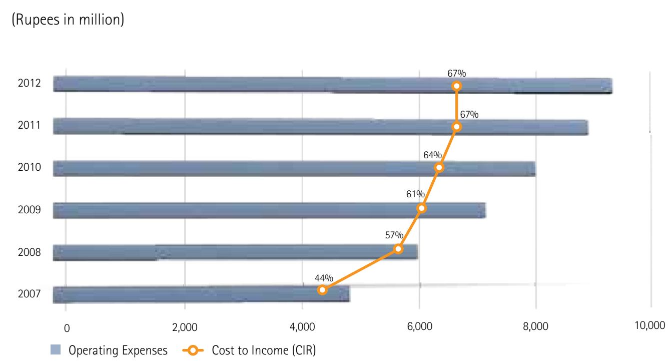
Non-mark-up / non-interest Income

Despite slowdown of trading volumes and dwindling margins on this business, the Bank managed to post a healthy increase of 41.8 percent in non-mark-up income. The main contributors for this increase were a one-off dividend income with an increase of 258 percent, and gain on sale of investments that increased by 121.9 percent over 2011.
Income from dealing in foreign currencies recorded an increase of 14.5 percent. The fee and commissions and other income remained more or less at the last year's level.



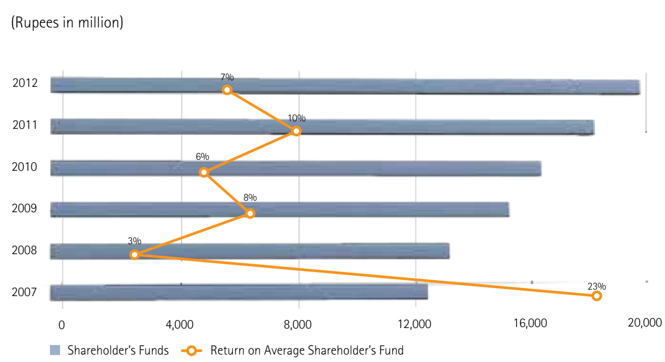
Operating expenses

The aggregate operating expenses for the year 2012 grew at a rate of 4.6 percent that almost equated the pace of growth of 4.4 percent achieved in aggregate revenues during the year under review. The main contributor for increase in operating expenses was employee costs that registered an increase of 8.1 percent. Other operating expenses besides employee costs, increased marginally by 1.5 percent, reflecting the outcome of stringent austerity measures adopted during the year.



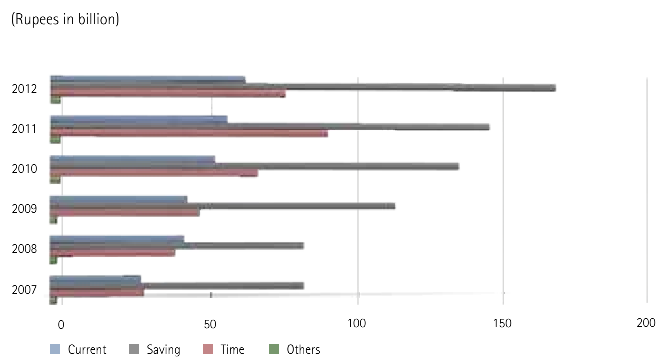
Shareholders' funds

The shareholders' funds / equity recognized an increase of 10.8 percent over last year reflecting the accumulation of profit after taxation for the year 2012 of Rs. 1,255 million and the effects of increase of 37.0 percent in surplus on revaluation of assets, which stood at Rs. 2.01 billion as on December 31, 2012 against Rs. 1.27 billion at the end of 2011. The increase in surplus on revelation of assets was primarily due to improved mark-to-market position of available-for-sale securities on the back of improvement in bourses and the trend of benchmark rates. Consequently, the net book value per share of the Bank increased to Rs. 24.21 as on December 31, 2012 from Rs.21.86 at end 2011.



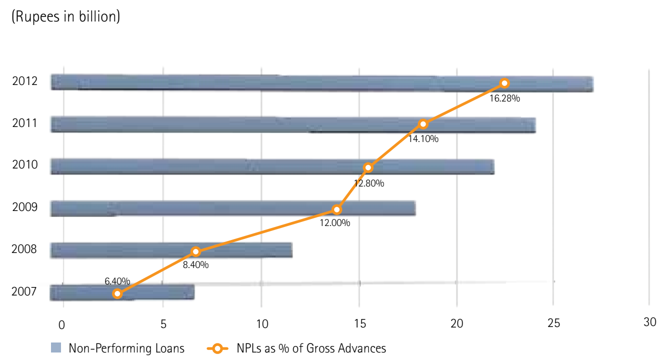
Customer deposits

Customer deposits as on December 31, 2012, registered a growth of around 5.3 percent over last year. The major increase was in current and saving accounts (CASA), which climbed by 14.5 percent while term deposits registered a decrease of 15.5 percent. The average deposit size almost maintained its level.



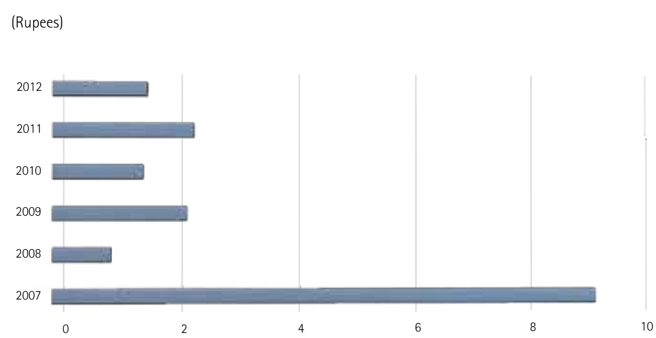
Non-performing loans

The NPLs of the Bank as on December 31, 2012 were increased by 12.1 percent over last year reflecting a net addition of Rs.2.87 billion. The increase is mainly in 'loss' and 'doubtful' categories of classification, which showed a rise of 8.0 percent and 72.9 percent, respectively. As a result, provision against NPLs charged to revenues increased by 43.7 percent also partly due to expiry of the FSV benefit as already discussed; which was much greater than the net increase in NPLs. The combination of factors i.e., growth in NPLs and decrease in gross advances, resulted in NPL-to-advances ratio to increase from 14.1 percent of the last year to 16.3 percent at end 2012. The coverage ratio, however, improved by almost 164 basis points due to recording additional provisions against NPLs as discussed above.



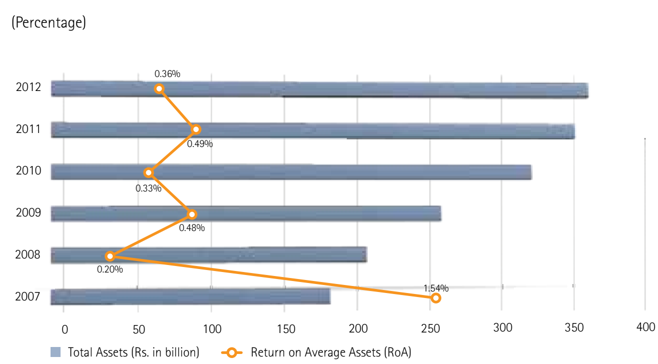
Earnings per share

The EPS of the Bank for the year 2012 was recorded at Rs.1.54 against Rs.2.00 of the corresponding period, last year, reflecting a decrease of 22.9 percent primarily due to increase in provisions / impairment against non-performing assets.



Return on average assets

The RoA of the Bank for the year 2012 decreased by around 13 bps mainly due to a 22.9 percent decline in profits after taxation along with increase in average assets by 5.8 percent of the Bank during 2012 .



Financial Calendar

2012

1st Quarter Results issued on	April 25, 2012
2nd Quarter Results issued on	August 28, 2012
3rd Quarter Results issued on	October 19, 2012
21st Annual Results issued on	February 18, 2013
21st Annual General Meeting scheduled for	March 28, 2013

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 Results issued on	February 14, 2012
20th Annual General Meeting held on	March 29, 2012
15% bonus shares issued	April 16, 2012

Summarized Quarterly Financial Results

	2012				2011			
Rupees in million	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Financial Position								
Assets								
Cash,short term funds & statutory deposits with SBP	34,970	26,416	37,430	39,618	31,788	31,022	31,040	33,995
Investments	137,299	133,687	147,534	145,378	113,134	125,588	121,335	133,757
Advances	148,000	155,209	148,531	143,727	139,336	147,570	150,164	150,711
Operating fixed assets	9,246	9,134	8,988	8,841	9,907	9,685	9,551	9,349
Other assets	14,778	17,485	16,180	15,491	13,973	15,544	16,078	15,945
Total assets	344,293	341,932	358,664	353,056	308,137	329,410	328,167	343,756
Liabilities								
Borrowings from financial institutions	26,583	10,185	26,070	8,373	23,464	19,719	38,042	17,273
Customers deposits	280,712	294,488	293,239	306,937	249,758	274,710	255,353	291,503
Sub-ordinated loans	6,990	6,989	6,988	6,987	5,992	5,991	5,991	6,990
Other liabilities	11,557	11,494	12,127	11,070	12,309	12,205	11,429	10,213
Total liabilities	325,842	323,156	338,424	333,368	291,523	312,625	310,815	325,980
Shareholders' funds								
Share capital	8,131	8,131	8,131	8,131	7,070	7,070	7,070	7,070
Reserves and unapprpriated profit	8,952	9,385	9,761	9,547	8,360	8,512	8,815	9,439
Surplus on revaluation of assets	1,369	1,260	2,348	2,011	1,184	1,203	1,467	1,267
Total shareholders' funds	18,451	18,776	20,240	19,688	16,614	16,785	17,352	17,776
Profit & Loss								
Total income	9,533	9,574	9,207	8,206	9,029	8,404	9,392	8,845
Mark-up / return / interest earned	8,541	8,469	8,314	7,078	8,442	7,607	8,887	7,830
Mark-up / return / interest expensed	6,174	6,173	5,784	4,843	5,475	5,529	6,170	5,526
Net mark-up / interest income	2,367	2,296	2,530	2,235	2,967	2,078	2,717	2,305
Non - mark-up / interest income	992	1,105	893	1,128	587	796	505	1,014
Fee, commission and exchange income	255	365	228	306	295	353	262	284
Other income	737	739	665	822	292	444	244	730
Operating expenses	2,097	2,349	2,567	2,115	2,197	1,946	2,297	2,286
Provisions against non-performing assets	462	277	301	1,648	542	678	417	195
Operating profit	1,262	1,052	855	1,247	1,357	929	925	1,033
Profit before tax	801	775	554	(400)	815	251	508	838
Taxation	227	251	179	(182)	277	86	208	215
Profit after taxation	574	525	375	(218)	538	165	301	624
Ratios (percent)								
Return on average shareholders' funds (RoE)	12.7%	11.3%	7.7%	-4.4%	13.2%	4.0%	7.0%	14.2%
Return on average assets (RoA)	0.7%	0.6%	0.4%	-0.2%	0.7%	0.2%	0.4%	0.7%

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 in billion)				(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	16.00	11.37	3,268.95	0.35%	31.14	12.70	17.69	132,010,181
2011	707,018,400	17.78	7.09	2,945.78	0.24%	19.25	8.50	10.03	110,231,037
2012	813,071,084	19.69	14.00	4,242.28	0.33%	17.75	9.89	17.22	462,420,623

1.4 Record of share issues

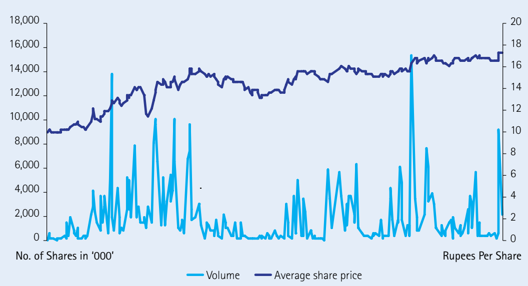
Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
2005	Bonus @ 20%	25,116,947	251,169,474
2006	Bonus @ 33%	49,731,555	497,315,549
2007	Bonus @ 50%	100,216,620	1,002,166,196
2008	Bonus @ 35%	105,227,450	1,052,274,496
2009	Bonus @ 25%	101,469,326	1,014,693,261
2010	Share issued to shareholders of erstwhile Askari Leasing Limited	28,273,315	282,733,150
2010	Bonus @ 20%	107,123,990	1,071,239,900
2011	Bonus @ 10%	64,274,460	642,744,604
2012	Bonus @ 15%	106,052,684	1,060,526,840
		813,071,084	8,130,710,840

2. Debts Information

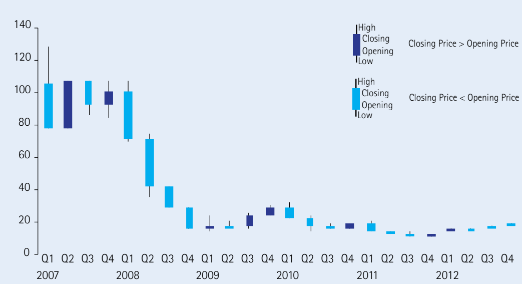
2.1 Askari Bank has issued the following Term Finance Certificates (TFCs) - unsecured sub-ordinated debt, listed on the Lahore Stock Exchange (LSE).

(Rupees in million)	TFC - I	TFC - II	TFC - III	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	AKBLTFC4
Rating by PACRA	AA–	AA–	AA–	AA–
Market Price as at December 31, 2012 (based on marketable lots of Rs. 5,000 and Rs. 1,000,000)	5,000	5,000	5,000	1,000,000
Applicable Interest Rate (p.a.) as at December 31, 2012	11.07%	13.24%	11.99%	11.19%

Price Volume Chart
(During the year 2012)



Quarterly Price Volume Chart
(During the year 2007 to 2012)



Horizontal & Vertical Analysis

Source Data / Horizontal Analysis

FINANCIAL POSITION

	2012	2011	2010	2009	2008	2007	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006
	Rupees in million						Variance					
Assets												
Cash and balances with treasury banks	24,435	26,168	22,565	19,386	16,030	13,356	-7%	16%	16%	21%	20%	-10%
Balances with other banks	8,864	6,235	3,785	8,364	3,955	3,497	42%	65%	-55%	111%	13%	-52%
Lendings to financial institutions	6,319	1,592	9,172	4,614	4,480	14,444	297%	-83%	99%	3%	-69%	72%
Investments	145,378	133,757	102,260	67,046	35,678	39,431	9%	31%	53%	88%	-10%	38%
Advances	143,727	150,711	152,784	135,034	128,818	100,780	-5%	-1%	13%	5%	28%	2%
Operating fixed assets	8,841	9,349	9,988	9,262	8,266	5,128	-5%	-6%	8%	12%	61%	35%
Other assets	15,491	15,945	14,190	10,621	8,964	5,535	-3%	12%	34%	18%	62%	45%
	353,056	343,756	314,745	254,327	206,191	182,172	3%	9%	24%	23%	13%	10%
Liabilities												
Bills payable	3,700	2,756	3,090	2,946	2,585	2,627	34%	-11%	5%	14%	-2%	43%
Borrowings	8,373	17,273	25,555	19,300	15,190	17,554	-52%	-32%	32%	27%	-13%	17%
Deposits and other accounts	306,937	291,503	255,937	205,970	167,677	143,037	5%	14%	24%	23%	17%	8%
Sub-ordinated loans	6,987	6,990	5,993	5,995	2,996	2,997	0%	17%	0%	100%	0%	0%
Deferred tax liabilities	118	83	86	334	13	472	43%	-3%	-74%	2471%	-97%	-36%
Other liabilities	7,252	7,374	8,081	4,833	4,759	3,220	-2%	-9%	67%	2%	48%	24%
	333,368	325,980	298,740	239,378	193,220	169,906	2%	9%	25%	24%	14%	10%
Net Assets	19,688	17,776	16,004	14,949	12,971	12,266	11%	11%	7%	15%	6%	11%
Represented by												
Share capital	8,131	7,070	6,427	5,073	4,059	3,006	15%	10%	27%	25%	35%	50%
Reserves	8,542	8,136	7,691	7,236	7,667	6,950	5%	6%	6%	-6%	10%	20%
Unappropriated profit	1,004	1,302	702	834	309	2,143	-23%	86%	-16%	170%	-86%	19%
	17,677	16,509	14,821	13,143	12,035	12,100	7%	11%	13%	9%	-1%	26%
Surplus on revaluation of assets - net of tax	2,011	1,267	1,184	1,806	936	166	59%	7%	-34%	93%	463%	-88%
	19,688	17,776	16,004	14,949	12,971	12,266	11%	11%	7%	15%	6%	11%

PROFIT AND LOSS

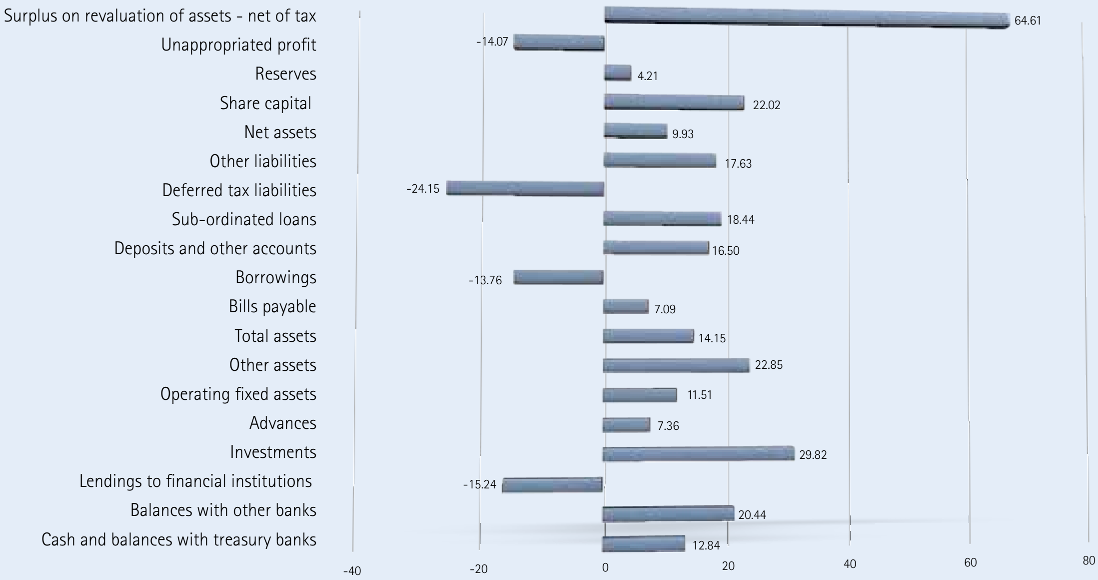
	2012	2011	2010	2009	2008	2007	2012 Vs 2011	2011 Vs 2010	2010 Vs 2009	2009 Vs 2008	2008 Vs 2007	2007 Vs 2006
Mark-up / return / interest earned	32,402	32,766	27,329	22,587	18,393	15,143	-1%	20%	21%	23%	21%	20%
Mark-up / return / interest expensed	22,974	22,700	17,937	13,554	10,651	8,686	1%	27%	32%	27%	23%	24%
Net mark-up / interest income	9,428	10,067	9,392	7,743	7,743	6,458	-6%	7%	21%	0%	20%	15%
Provision against non-performing loans and advances	2,342	1,630	2,319	2,324	3,825	3,920	44%	-30%	0%	-39%	-2%	247%
Impairment loss on available for sale investment	143	122	383	431	-	-	17%	-68%	100%	-	-	-
Provision for impairment in the value of investments	201	44	297	77	1	2	362%	-85%	286%	15015%	-66%	-
Provision against repurchase agreement lending	-	35	66	83	-	-	-100%	-47%	100%	-	-	-
Bad debts written off directly	1	-	-	-	247	-	-	-	-	100%	-	-
	2,688	1,831	3,064	4,073	4,073	3,922	47%	-40%	-25%	0%	4%	248%
Net mark-up / interest income after provisions	6,741	8,236	6,328	3,670	3,670	2,536	-18%	30%	72%	0%	45%	-44%
Non mark-up / interest income												
Fee, commission and brokerage income	1,153	1,194	1,271	1,308	1,258	1,073	-3%	-6%	-3%	4%	17%	6%
Dividend income	1,036	289	210	163	174	137	258%	38%	29%	-6%	27%	25%
Income from dealing in foreign currencies	885	772	731	538	874	656	15%	6%	36%	-38%	33%	12%
Gain on sale of investments - net	682	307	213	144	37	2,361	122%	45%	48%	291%	-98%	1999%
Unrealised gain on revaluation of investments	-											
classified as held for trading - net	0	-	(0)	(2)	22	2	-	-100%	-82%	-109%	1195%	-175%
Other income	361	340	376	404	343	337	6%	-10%	-7%	18%	2%	5%
Total non-markup / interest income	4,117	2,903	2,800	2,707	2,707	4,565	42%	4%	3%	0%	-41%	113%
	10,858	11,139	9,128	6,377	6,377	7,101	-3%	22%	43%	0%	-10%	7%
Non mark-up / interest expenses												
Administrative expenses	9,039	8,639	7,813	6,996	5,904	4,790	5%	11%	12%	18%	23%	46%
Other provisions / write offs	9	-	-	-	0	-	-	-	-	-	-	-
Other charges	80	87	42	34	11	12	-7%	104%	24%	213%	-9%	96%
Total non-markup / interest expenses	9,128	8,726	7,855	5,916	5,916	4,802	5%	11%	33%	0%	23%	46%
Profit before taxation	1,730	2,413	1,273	461	461	2,300	-28%	90%	176%	0%	-80%	-31%
Taxation – current	839	833	330	562	17	99	1%	153%	-41%	3138%	-82%	-90%
Taxation – prior years'	-	-	-	120	(50)	(234)	-	-	-100%	-340%	-100%	-
Taxation – deferred	(364)	(48)	0	(147)	108	(246)	664%	-14039%	-100%	-237%	-144%	-318%
	475	785	330	75	75	(381)	-39%	138%	339%	0%	-120%	-135%
Profit after taxation	1,255	1,628	943	1,108	386	2,681	-23%	73%	-15%	187%	-86%	19%
Unappropriated profit brought forward	1,302	702	834	309	2,145	1,800	86%	-16%	170%	-86%	19%	11%
Profit available for appropriation	2,557	2,330	1,777	1,417	2,531	4,481	10%	31%	25%	-44%	-44%	16%
Basic / diluted earnings per share - Rupees	1.54	2.00	1.34	1.79	0.76	6.61						

Vertical Analysis

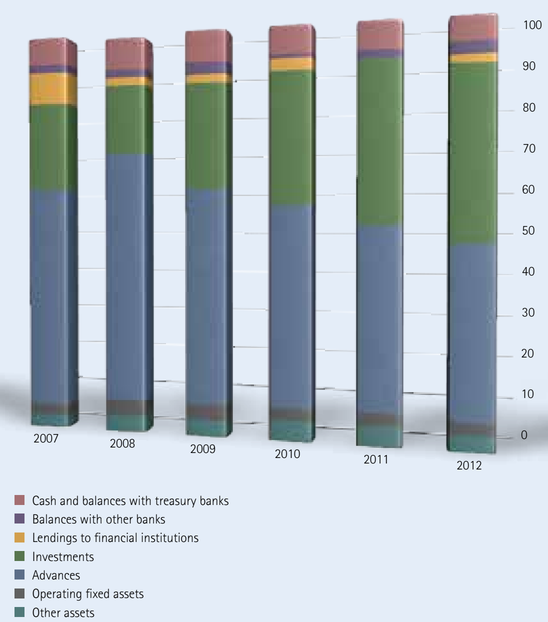
2012	2011	2010	2009	2008	2007
		Variance			
7%	8%	7%	8%	8%	7%
3%	2%	1%	3%	2%	2%
2%	0%	3%	2%	2%	8%
41%	39%	32%	26%	17%	22%
41%	44%	49%	53%	62%	55%
3%	3%	3%	4%	4%	3%
4%	5%	5%	4%	4%	3%
100%	100%	100%	100%	100%	100%
1%	1%	1%	1%	1%	2%
3%	5%	9%	8%	8%	10%
92%	89%	86%	86%	87%	84%
2%	2%	2%	3%	2%	2%
0%	0%	0%	0%	0%	0%
2%	2%	3%	2%	2%	2%
100%	100%	100%	100%	100%	100%
6%	5%	5%	6%	6%	7%
41%	40%	40%	34%	31%	25%
43%	46%	48%	48%	59%	57%
5%	7%	4%	6%	2%	17%
90%	93%	93%	88%	93%	99%
10%	7%	7%	12%	7%	1%
100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%
71%	69%	66%	60%	58%	57%
29%	31%	34%	34%	42%	43%
7%	5%	8%	10%	21%	26%
0%	0%	1%	-	-	-
1%	0%	1%	0%	0%	0%
0%	0%	0%	-	-	-
-	-	-	0%	-	-
8%	6%	11%	18%	22%	26%
21%	25%	23%	16%	20%	17%
4%	4%	5%	6%	7%	7%
3%	1%	1%	1%	1%	1%
3%	2%	3%	2%	5%	4%
2%	1%	1%	1%	0%	16%
0%	0%	0%	0%	0%	0%
1%	1%	1%	2%	2%	2%
13%	9%	10%	12%	15%	30%
34%	34%	33%	28%	35%	47%
28%	26%	29%	31%	32%	32%
-	-	-	0%	-	-
0%	0%	0%	0%	0%	0%
28%	27%	29%	26%	32%	32%
5%	7%	5%	2%	3%	15%
3%	3%	1%	2%	0%	1%
-	-	0%	1%	0%	-
-1%	0%	0%	-1%	1%	-2%
1%	2%	1%	0%	0%	-3%
4%	5%	3%	5%	2%	18%
4%	2%	3%	1%	12%	12%
8%	7%	7%	6%	14%	30%

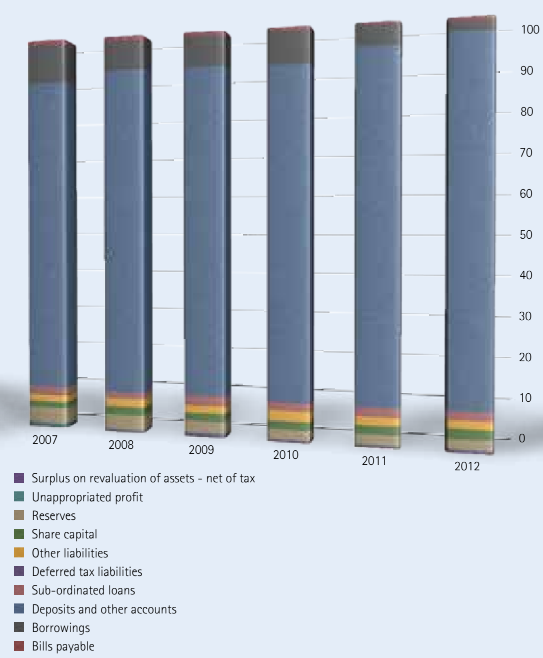
Horizontal & Vertical Analysis contd.

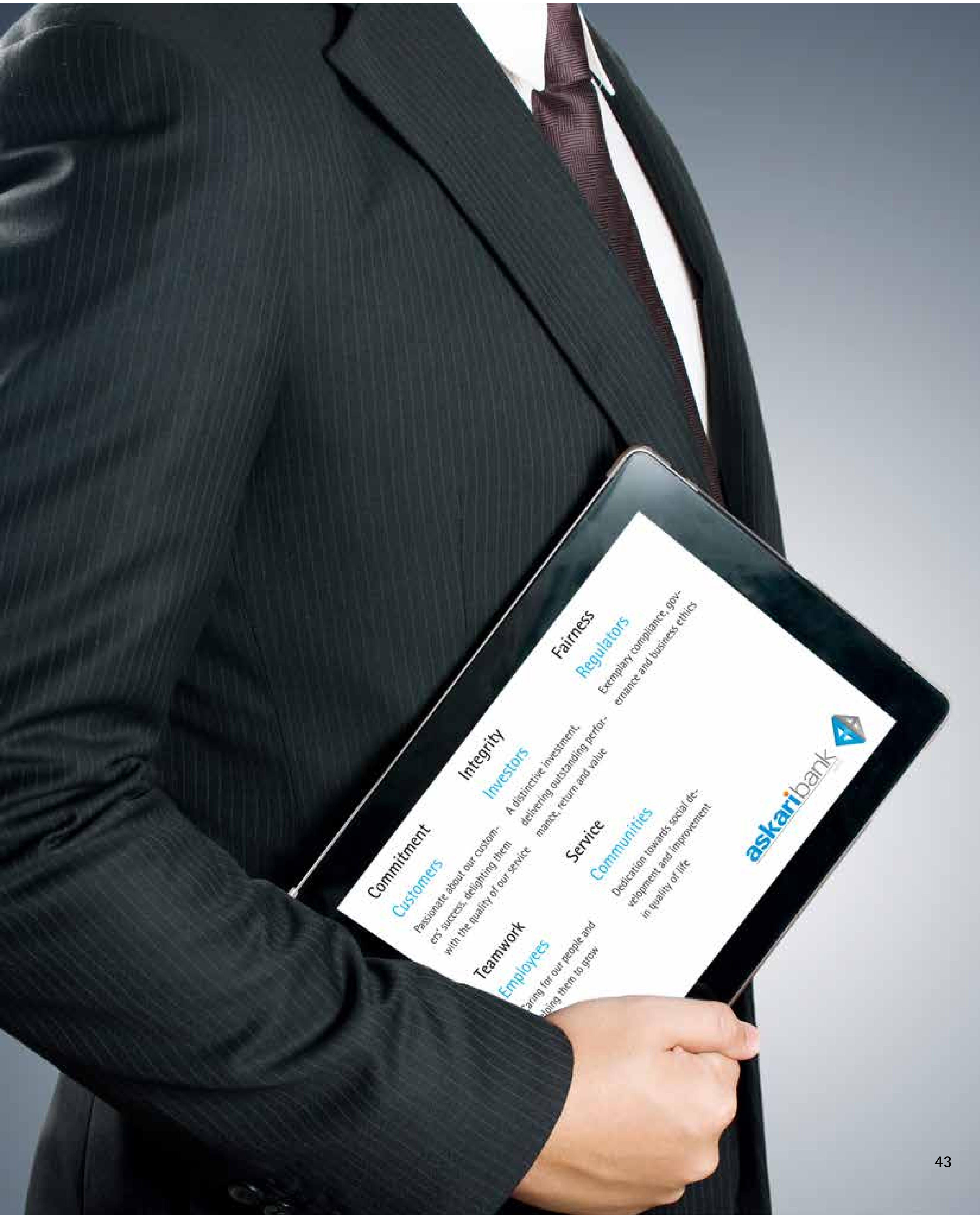
Balance Sheet Horizontal Analysis
(Cumulative average growth rate for the last six year – annualised)



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






Commitment
Customers
Passionate about our custom-
ers' success, delighting them
with the quality of our service
Integrity
Investors
A distinctive investment,
delivering outstanding perfor-
mance, return and value
Fairness
Regulators
Exemplary compliance, gov-
ernance and business ethics
Teamwork
Employees
Service
Communities
Dedication towards social de-
velopment and improvement
in quality of life
askaribank

Six Years' Performance

December 31	2007	2008	2009	2010	2011	2012
Assets						Rupees in million
Advances - net	100,780	128,818	135,034	152,784	150,711	143,727
Investments	39,431	35,678	67,406	102,260	133,757	145,378
Cash, short term funds and statutory deposits with SBP	31,297	24,464	32,364	35,522	33,995	39,618
Operating fixed assets	5,128	8,266	9,262	9,988	9,349	8,841
Other assets	5,535	8,965	10,621	14,190	15,945	15,491
Total Assets	182,171	206,191	254,327	314,744	343,756	353,056
Non-performing loans	6,908	11,689	17,725	21,599	23,646	26,518
Provisions for non-performing loans	7,409	11,013	12,594	15,652	16,669	19,128
Liabilities						
Deposits	143,037	167,677	205,970	255,937	291,503	306,937
Refinance borrowings	9,918	13,902	13,700	12,425	9,277	7,775
Sub-ordinated loans	2,997	2,996	5,995	5,993	6,990	6,987
Other liabilities	13,954	8,645	13,713	24,386	18,248	11,669
Total liabilities	169,906	193,220	239,378	298,740	325,980	333,368
Shareholders' funds						
Share capital	3,006	4,059	5,073	6,427	7,070	8,131
Reserves	9,093	7,976	8,070	8,393	9,439	9,547
Surplus on revaluation of assets	166	936	1,806	1,184	1,267	2,010
Total shareholders' funds	12,265	12,971	14,949	16,004	17,776	19,688
Profitability						
Interest income	15,143	18,394	22,587	27,329	32,766	32,402
Interest expenditure	8,686	10,651	13,554	17,937	22,700	22,974
Net interest income	6,457	7,743	9,033	9,392	10,066	9,428
Provisions for non-performing assets	3,922	4,073	2,915	3,064	1,831	2,688
Fee, commission and exchange income	1,073	1,258	1,308	1,271	1,194	1,153
Other income	3,493	1,449	1,236	1,529	1,709	2,964
Operating expenses	4,802	5,916	7,030	7,855	8,726	9,128
Profit before taxation	2,299	461	1,631	1,273	2,412	1,730
Taxation	(381)	75	534	330	785	474
Profit after taxation	2,680	386	1,098	943	1,627	1,255
Operating profit	6,222	4,534	4,546	4,338	4,244	4,418
Total income	19,709	21,101	25,131	30,129	35,669	36,520
Total expenditure	17,410	20,640	23,499	28,856	33,257	34,790
Cash flows						
Operating activities	8,370	2,597	36,245	35,810	36,492	10,939
Investing activities	(13,527)	155	(32,063)	(37,311)	(31,456)	(10,047)
Financing activities	(203)	(446)	2,998	(3)	997	(4)
Changes in cash & cash equivalents	(5,360)	2,306	7,191	(1,501)	6,033	888
Cash & cash equivalents at end of the year	18,353	20,659	27,850	26,350	32,403	33,299
Business transacted						Rupees in billion
Imports	119.27	148.24	140.16	177.32	166.51	143.30
Exports	82.98	99.70	105.41	105.11	112.71	98.03
Guarantees	44.31	55.77	58.55	67.55	59.63	69.92

	2007	2008	2009	2010	2011	2012
Profitability Ratios						Percentage
Profit before tax	15.19	2.51	7.22	4.66	7.36	5.34
Gross Yield on Earning Assets	9.97	11.02	11.48	11.42	11.55	10.74
Return on average assets (RoA)	1.54	0.20	0.48	0.33	0.49	0.36
Gross Spread	42.64	42.10	39.99	35.83	30.72	29.10
Cost to income (CIR)	43.56	56.61	60.73	64.42	67.28	67.39
Return on average shareholders' funds (RoE)	22.99	3.06	7.85	6.09	9.64	6.70
Return on Capital employed	4.75	0.59	1.43	1.00	1.06	0.59
Liquidity Ratios						
Advance to deposits (CDR)	70.46	76.83	65.56	59.70	51.70	46.83
Current	1.21	1.26	1.22	0.97	1.84	1.99
Cash to Current Liabilities	0.15	0.15	0.17	0.13	0.24	0.26
Investment/ market Ratios						
Price Earning (PE)	11.18	15.34	12.52	11.95	4.36	11.18
Price to Book	0.16	0.03	0.05	0.04	0.02	0.04
Dividend yield	1.50	-	-	-	-	-
Dividend payout	16.82	-	-	-	-	-
Cash dividends *	15.00	-	-	-	-	-
Stock dividend *	35.00	25.00	20.00	10.00	15.00	-
Earnings per share (EPS)** - Rupees	8.92	0.95	2.18	1.48	2.30	1.54
Market value per share - year end - Rupees	99.75	14.57	27.30	17.69	10.03	17.22
Market value per share - high - Rupees	127.25	104.25	28.69	31.14	19.25	17.75
Market value per share - low - Rupees	77.10	14.57	12.15	12.70	8.50	9.89
Capital Structure Ratios						
Income / Expense	1.13	1.02	1.07	1.04	1.07	1.05
Capital Adequacy (CAR)	9.35	9.22	11.75	10.30	11.35	11.81
Earning assets to total assets	86.91	85.94	85.71	86.34	86.05	86.90
Weighted average cost of deposits	5.33	5.49	6.19	6.51	6.87	6.77
Net assets per share – including surplus on revaluation of assets	40.80	31.96	29.47	24.90	25.14	24.21
Operating fixed assets to average shareholders' funds	43.98	65.51	66.35	64.54	55.35	47.20
Other information						Numbers
Number of employees (Regular)	3,834	4,252	4,393	4,473	4,470	4,272
Number of branches / sub-branches	150	200	226	235	245	261

* 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 21st Annual Report of Askari Bank along with the audited financial statements and Auditors' reports thereon, for the year ended December 31, 2012.

Askari Bank (the Bank) is a scheduled commercial bank incorporated in 1991 and is engaged in banking business, as defined in the Banking Companies Ordinance, 1962. The Army Welfare Trust owns a significant portion of Bank's share as on the date of annexed statement of financial position. Askari Bank operates with a network of 261 full service / sub-branches in major cities and towns of Pakistan and in 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 an 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 related 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 the 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 35 banks, includes 30 commercial banks, [24 indigenous and 6 foreign] and 5 Islamic banks, plays a pivotal role in the country's economy.

The local private sector banks collectively hold approximately 80 percent of the assets of the banking system. Askari, an indigenous bank, operates in a highly competitive environment. It endeavours 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, 2012 stands at around 4.6 percent and 4.2 percent, respectively.

Pakistan's Economy

The resilience of Pakistan's economy has been tested time and again by one crisis after another. The economy has witnessed numerous domestic and external shocks, especially from 2007 onwards. The sharp rise in oil and food prices, the internal security situation brought on by extremism and terrorism, the energy crises, and natural disasters in the form of successive floods, have influenced our macroeconomic strategy and had a drastic impact on economic growth.

Gross Domestic Products

During fiscal 2012, real GDP grew by 3.7 percent and compares with the target of 4.2 percent and 3.0 percent for fiscal 2011. The under performance of the economy compared with the growth target was not surprising given the energy shortage, the security situation, and floods in two consecutive years. Nevertheless, growth in fiscal 2012 was more broad-based compared to fiscal 2011, and was somewhat more evenly distributed - agriculture sector recorded a growth of 3.1 percent against a target of 3.4 percent and against the previous year's growth rate of 2.4 percent. Large scale manufacturing grew by 1.8 percent as compared to the target of 2.0 percent and against the growth of 1.2 percent in the previous year. The services sector recorded a steady growth of 4.0 percent as compared to 4.5 percent in the previous year, although lower than the target of 5.0 percent set for the fiscal 2012. Growth in fiscal 2012 was primarily driven by private consumption, strong worker remittances, a vibrant informal economy, and higher fiscal spending supported consumption growth during the year. On the other hand, investment remained sluggish – a continuing trend over the past several years.

Inflation

During fiscal 2012, actual inflation remained lower than the annual target and is amongst the key positive features for the year. After dropping to a single digit at 9.2 percent in January 2012, inflation stabilized and remained around 11-12 percent. This was mainly on account of a tight monetary policy and declining trend on global commodity prices. The main factor contributing to the rise in prices, that could also cause a further rise, is also the upward adjustment of energy, gas, and fuel prices. Economic managers are focusing on restricting inflation to 12 percent. Positive factors including better crops production and better supply chain management are expected to contribute to price stability in the country. Falling global commodity prices and steps towards fiscal consolidation could aid this process. However, long term solutions lie in increased investment in agriculture; strong market integration; and regional cooperation to secure food supplies for the country's growing population.

Monetary Policy

During fiscal 2012, SBP resorted to a cumulative reduction of 200 bps in the interest rate in the first two monetary policy announcements, reducing it to 12 percent. With the risks emanating from the external sector and increased government borrowing, monetary management aimed at improvement in economic activity remained challenging. Despite the reduction in interest rates, overall monetary expansion decelerated during fiscal 2012, largely due to the deterioration in the external account. The resulting depletion of foreign currency reserves absorbed Rupee liquidity from the money market. This, along with increasing government borrowing from commercial banks, underlined the need for liquidity injections into the system to keep the money market calm and was reflected by a sharp increase in the volume of open market operations. Credit expansion to the private sector remained

subdued for yet another year and loans to private sector businesses grew by less than one percent during the fiscal 2012 – the lowest growth during the last five years.

During first half of fiscal 2013, the policy rate was cut by 250 bps to 9.5 percent, aimed at partially reviving private investment in the economy. This is expected to help consolidate the modest improvement in underlying economic activity seen during the outgoing fiscal.

External Sector

Pakistan's economy is very closely linked to the rest of the world due to its high external sector exposure. Several countries of the euro zone are important trading partners of Pakistan. As such, any untoward development in these countries could have a significant negative impact on the economy of Pakistan. A contraction or stagnation in economic activity in the global economy can potentially affect the level of our exports, foreign direct investment (FDI), and home remittances, adversely.

Way forward

Despite positive developments including the relative easing of inflation and some reported reduction in the fiscal deficit, Pakistan's economy remains in an unsteady state with slow growth, fragile macroeconomic fundamentals, and heightened vulnerability to a balance of payment shock. Key problems affecting the economy include energy shortages and a host of structural impediments that have held back investment and growth. As savings are the mover of economic growth, aggressive policies are required to incentivize our meagre savings at the national level. Measures to stimulate growth will not yield their full potential unless the structural weaknesses responsible for the decline in investment as well as the unstable security situation are addressed. The shortage and high cost of energy, and the rising cost of doing business in Pakistan, also contribute to the decline and demand attention in order to improve the investment climate in the country. Notwithstanding an overall slump in the economy, the consumer goods industry in Pakistan has registered a steady growth and has potential for further expansion; however growth based significantly on consumption has its limitations.

Reform efforts of the government have included tax legislation, trade reforms, further privatization of State Owned Enterprises (SOEs), financial sector reforms, and strategies for human resource development, and significant social protection programs. The EU approval of duty waiver on textile items is being pursued aggressively, as it would help improve exports and provide support to the business environment.

Of late, significant constitutional and political changes have been made. Civil societies and other non-governmental organizations are now playing a more active and independent role, which, coupled with government reforms, could put the economy on the growth trajectory.

Review of operating results

Profit & Loss Account

Operating profit

During the year under review, your Bank's operating profit (i.e. profit before provisions and impairment against non-performing assets and taxation) was at Rs. 4,418 million, registering an increase of 4.1 percent over Rs. 4,244 million in 2011.

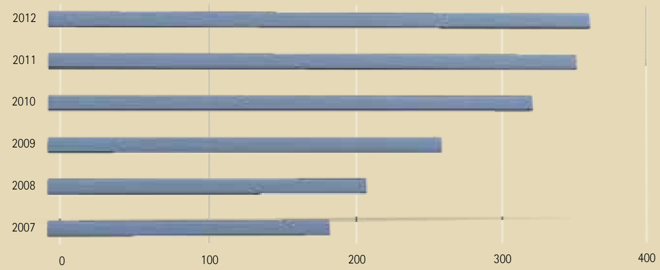
Profit before & after taxation

Askari Bank's profit after tax stood at Rs. 1,255 million for the year ended December 31, 2012, compared to Rs. 1,628 million for year 2011, a decline of 22.9 percent, while profit before tax decreased to Rs. 1,730 million from Rs. 2,413 million, a drop of 28.3 percent. The decrease in profits before and after tax was attributable mainly to increase in provisions and impairments against non-performing loans (NPLs) and investments by 46.8 percent.

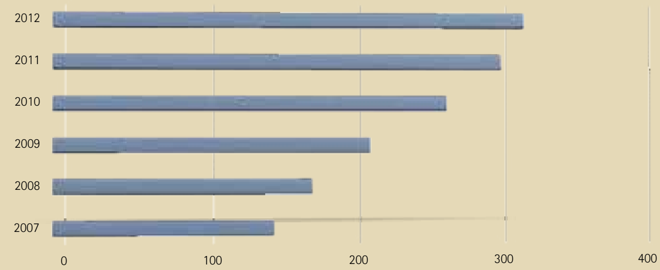
Mark-up revenues & expenses

Net mark-up revenues declined by 6.3 percent during 2012 mainly due to the rise in revenue losses against non-performing assets. The decline in net mark-up income depicts erosion of net margins due to (a) sharp decline in State Bank of Pakistan's (SBP) policy rate, and (b) rise in the minimum rate on customer deposits, alongwith an extended scope of application of this minimum rate. Also, the decline in advances adversely affected the net mark-up revenues as the deposits mobilized during the year were channelled towards investments and the money market where returns are inherently lower than on private credit. The change in composition of risk assets witnessed last year continued during 2012, and mark-up revenues from investments comprised 46.1 percent of the aggregate mark-up revenues, marginally above 45.7 percent in 2011. As for mark-up expense lines, the composition was generally consistent with 2011 as the cost on customer deposits accounted for over 83 percent of the aggregate mark-up expense.

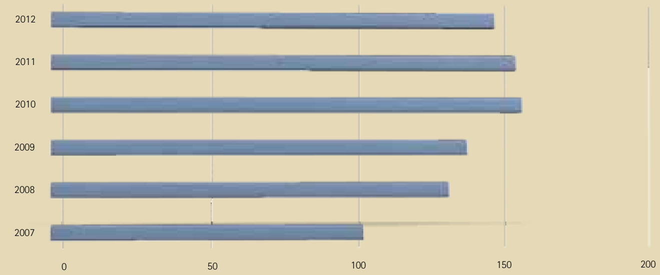
Total Assets
(Rupees in billion)



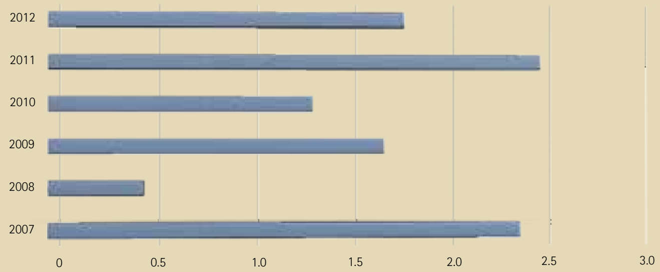
Deposits
(Rupees in billion)



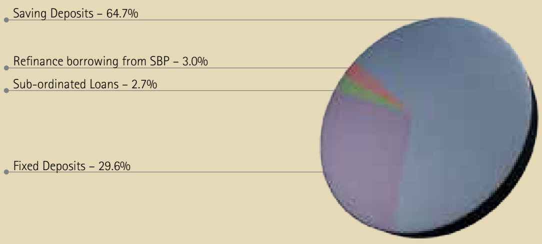
Advances - net
(Rupees in billion)



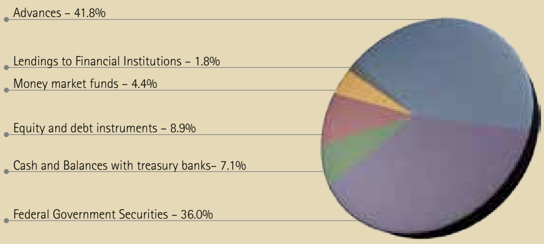
Profit before tax
(Rupees in billion)



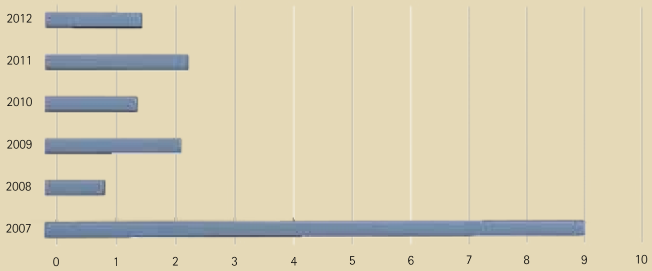
Liability Mix - Cost Bearing
(Percentage)



Assets Mix - Earning
(Percentage)



Earnings per share
(Rupees)



Non mark-up revenue

During 2012, aggregate non mark-up income increased by 41.8 percent on the back of a more than 300 percent increase in dividend income which was Rs. 1,036 million compared to Rs. 289 million last year. Also, gain from the sale of market securities increased by 121.9 percent during the year. Fee, commission, and brokerage income declined by 3.4 percent reflecting slowed down trading activity and eroding margins on trade finance. During the year under review, income from dealing in foreign currencies also registered a rise of 14.5 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 4.6 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, partially countered by the increased austerity measures implemented during the year under review, especially the reduction in staff strength. The cost to income ratio (CIR) i.e., percentage of administrative expenses to net total revenues, increased marginally to 67.4 percent for the year under review against 67.3 percent in 2011. This was mainly due to less than adequate increase in revenues as indicated above. The Bank is, however, committed to improving this vital performance indicator.

Provision against NPLs

During the year under review, the provisions for NPLs chargeable to revenues increased by 43.7 percent, which was due to additional classification of loan accounts resulting in a 12.2 percent increase in NPLs and further downgrade of the classified accounts to the categories requiring higher level of provisions – decrease in substandard by 13.8 percent and increase in doubtful and loss categories by 71.9 percent and 8.0 percent respectively. Also, the increase is attributable to a net additional provision of Rs. 597 million made during 2012 upon expiry of the benefit of permissible forced sales values (FSV) recognized in earlier years. 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. The Bank has maintained general provisions @ 0.1 percent against performing loans other than consumer advances.

Earnings per share

The earnings per share for the year ended December 31, 2012 amounted to Rs. 1.54 per share against Rs. 2.00 per share in 2011 on a diluted basis, a decrease of 22.9 percent.

Appropriations

The Board of Directors recommends the following appropriations from profits for the year ended December 31, 2012:

	Rupees in thousand
Profit after tax for the year 2012	1,255,362
Appropriations:	
Statutory reserve @20%	251,072
Transferred to general reserve	1,004,290
Total appropriations	1,255,362

Minimum paid-up capital requirement

SBP's BSD Circular No. 7 dated April 15, 2009 sets out the minimum paid-up capital requirement (MCR) for banks to be raised to Rs. 10 billion in a phased manner by December 31, 2013. The required MCR (net of losses) as of December 31, 2012 is Rs. 9 billion. The paid-up capital of the Bank as of December 31, 2012 amounted to Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level. As stated in note 1.2 of the annexed financial statements, the sale process of the Bank's shareholding by AWT, also requires a public offer to be conducted under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 read with Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008. In terms of Regulation No. 7 of the said Regulations, and during the period stated therein, it is not possible for the Bank to issue any rights or bonus shares.

Based on the above, the management and the Board of Directors of the Bank, after taking into account that the Bank intends to meet the MCR as prescribed under the aforementioned SBP circular, have resolved that it is not possible to do so at present in view of the restriction imposed by Regulation No. 7 of the above stated Regulations. The Bank has also apprised the SBP and sought relaxation from meeting the minimum capital requirement of Rs. 9 billion for the year 2012.

Balance Sheet

Your Bank's balance sheet footing reached Rs. 353 billion as at December 31, 2012, registering an increase of 2.7 percent over Rs. 344 billion as of December 31, 2011. The shareholders' equity, excluding the surplus on the revaluation of assets, increased by 7.1 percent during the year.

Customer deposits

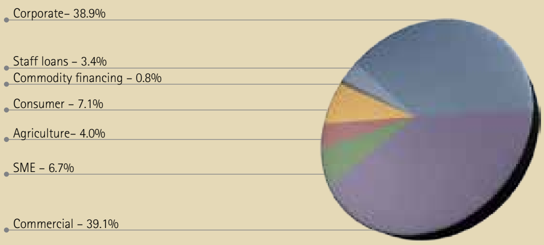
At the close of the year 2012, customer deposits had reached Rs. 307 billion from Rs. 292 billion on December 31, 2011, an increase of 5.3 percent. During the year, saving deposits increased by 15.8 percent and were 53.8 percent of the total deposits, compared to 48.9 percent at the close of 2011. Current accounts also registered improvement, in terms of 11.5 percent increase over 2011, as well as accounting for around 21.6 percent of the total deposits compared to 20.4 percent in 2011. The currency-wise composition of customer deposits showed a slight shift from foreign currency to local currency.

Advances

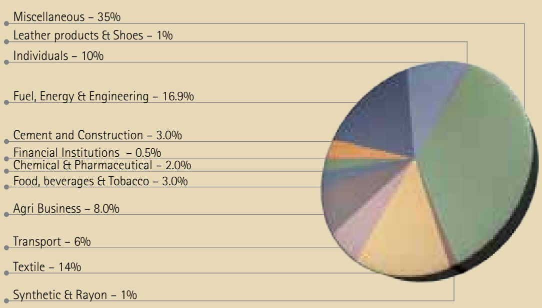
During the year under review, gross advances declined by 2.7 percent to Rs. 163 billion, from Rs. 167 billion at the close of 2011. This decline was driven by both internal and external factors. Externally, credit expansion remained subdued for yet another year as private sector credit was marginalized due to the shift in lending strategies - loans to private sector businesses grew by less than one percent during the fiscal 2012 – the lowest growth rate since 2008. Internally, the Bank continued to be watchful of the enhanced levels of credit risk factors prevalent in the system, and of the impact of the growth of advances on the capital adequacy ratio. Given this situation, our credit strategy continued to focus on the growth of advances which offered optimal risk-adjusted returns. During the year under review, non-performing advances increased by 12.2 percent to Rs. 26.5 billion, from Rs. 23.6 billion at end 2011. This was mainly due to addition of certain accounts to the main classification categories as per SBP Prudential Regulations. Movement within the categories of classification shows that the NPL portfolio further downgraded: 13.8 percent reduction in the 'substandard' while 71.9 percent and 8.0 percent increase in 'doubtful' and 'loss' categories, respectively. Consequent upon the increase in NPLs and their further downgrade, the cumulative provision against non-performing advances stood at Rs. 19.1 billion, reflecting a net increase of 14.8 percent over 2011. The Bank has continued to pursue the two-fold strategy for achieving an improvement in NPLs through (a) expeditious recovery from the recognize non-performing loan portfolio and (b) restructuring / rescheduling of inflected loans, where appropriate.

At year end 2012, the ratio of non-performing advances as a percentage of gross advances deteriorated to 16.3 percent from 14.1 percent as of December 31, 2011, due to the disproportionate rise in NPLs compared with the overall decline in gross advances. Risk coverage of NPLs was 72.1 percent at end 2012, as against 70.5 percent in 2011. The classified accounts are being closely monitored and followed up for early revival and recovery. Strategies have been developed to enhance effective management of the loan portfolio by boosting recovery through concerted efforts to collect overdue amounts, and attempting to stem the further flow of accounts into NPLs.

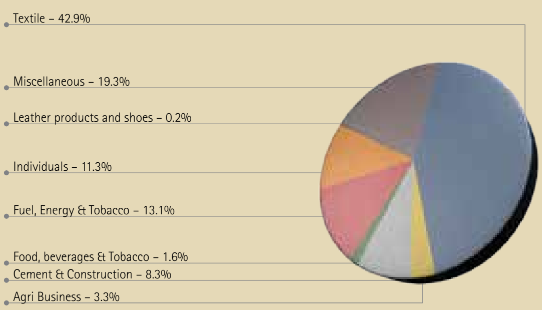
Advances by Sector
(Percentage)



Advances by Segment
(Percentage)



NPL by Sector
(Percentage)



Investments

Your Bank's aggregate investments as shown in the annexed statement of financial position increased by 8.7 percent, from Rs. 134 billion at end 2011 to Rs. 145 billion as of December 31, 2012. A significant portion of this increase was concentrated in government securities, which also aimed to balance the increased requirement of prescribed liquidity management ratios. Other components of investments generally maintained the previous year's level.

Assets acquired against claims

During the year, the Bank acquired properties worth Rs. 862 million against satisfaction of claims on borrowers, increasing the aggregate value of such properties held by the Bank to Rs. 4.29 billion (aggregate market value of Rs. 6.46 billion) at the end of 2012 compared to Rs. 3.49 billion (aggregate market value 5.50 billion) as on December 31, 2011. The cost of these assets is grouped in other assets (note 12 to the annexed financial statements).

Staff strength

The Bank's total staff strength under the categories permanent (regular), temporary / contractual excluding outsourced services, as of December 31, 2012 was reduced by 397 employees and stood at 5,597 employees compared to 5,994 as on December 31, 2011. The reduction was in the number of permanent (regular) employees where the head count declined by 198 employees or 4.4 percent, and temporary / contractual staff, where head count showed a reduction of 199 or 13.1 percent. Thus increase in aggregate employee costs was restricted at 8.1 percent during 2012.

Technology

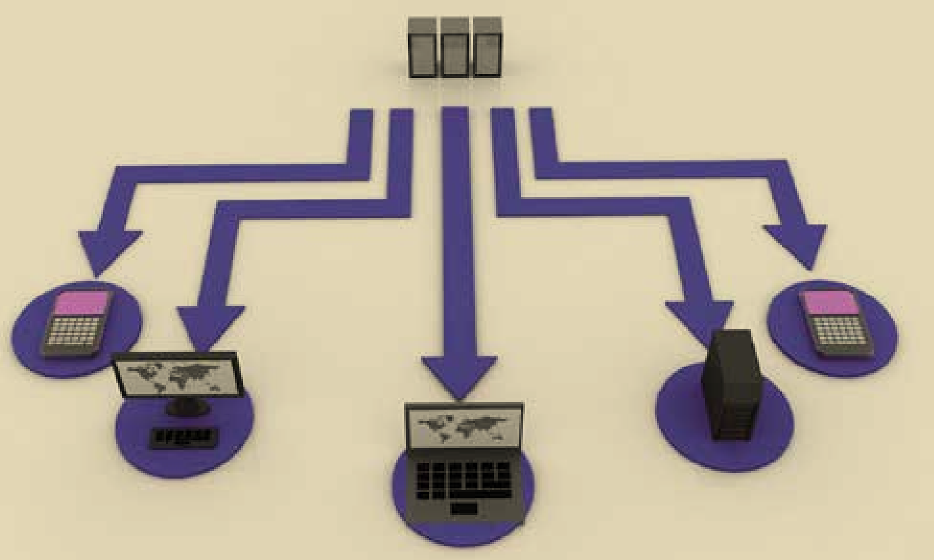
The technology infrastructure of the Bank has been undergoing a major overhaul under a project that involves the replacement of the core banking system as well as the implementation of a number of other applications aimed at enhancing the Bank's capability to improve its customer services and product 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. The core banking system, Flexcube, which is our major initiative, went into 'live' operations in all conventional banking branches, while implementation in Islamic banking branches and for centralized treasury management, is nearing completion of design, customization, and test phases. Also, Flexcube 'version upgrade' with improved control, MIS, and customer service features is being planned during first quarter of 2013. Other applications include human resource management, risk management, supply chain management, enterprise general ledger, and customer relationship management. Most of these systems are live with varying degrees of coverage and integration.

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.



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 activities as the risk management function is recognized as 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 committee of the Board which oversees that risk policies, risk appetite, risk management methodologies, and risk measurement tools are in place. Also that it is supported by a risk management function that ensures implementation of these policies and the performance of these functions and that the risks are managed within the pre-defined and tolerable levels through effective monitoring across the Bank of the three main areas of risk namely, credit risk, market risk, and operational risk. Our risk management framework is compliant with the relevant regulations, directives, and international best practices, including 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 procedures, and credit review arrangements, ensures that the lending decision are in line with the Bank's strategic objectives, are prudent, and aim at maintaining 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 system attempts to ensure that various exposures in financial markets are managed actively consistent with maintaining an efficient risk return profile. In the area of market risks, the Bank applies the widely-used concept of value at risk (VaR). Also, the Asset Liability Management Committee closely monitors the sensitivities of interest rates and maturity profiles of 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

The Basel II standardized approach is in use for calculating capital adequacy for credit risk, with a comprehensive approach for credit risk mitigation. Standardized approach is also used for capital allocation for credit risk and market risk, while allocation for capital required for operational risk is based on the basic indicators approach. Efforts are underway to move towards the more advanced approaches of Basel-II and necessary tools, and these techniques are in testing and implementation phases.

The Bank has implemented the credit risk environment administration management module that has automated the credit approval and risk rating processes, while Reveleus risk management software is in the advanced stages of implementation. Once completed, this will enable the Bank to automate capital allocation and monitoring implementation of Basel II foundation internal risk based approach for managing credit risk, as well as VaR model for market risk.

Human Resource

Our energetic human resource is recognized as our primary strength that contributes 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' has enabled 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 and are currently under review and test phases. The centralization of HR related activities will improve discipline and accountability, besides improving the compliance and service standards of the Bank.

Training & development

Our training and development teams continued their pursuit for quality training of Bank employees in line with our training policy. Training goals were determined in the light of the well-defined training need assessments. Our training facilities conducted 320 in-house courses, workshops, and skill development clinics, in the disciplines of service and attitude, management and communication, IT, credit and finance, international trade, domestic banking operations, and risk management. In IT-related training, special trainings programs were designed and conducted for existing and potential users of our core banking software 'Flexcube' and other softwares, in order 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. The Board recognizes its responsibility as envisaged in the relevant regulations and has been keen on oversight and monitoring apart from adopting and reviewing appropriate policies. The management of the Bank tries its best to ensure the establishment and enforcement of effective systems of internal control in compliance with the applicable laws and regulations by identifying control objectives, and establishing appropriate controls, procedures and practices. It is also responsible for assessing the effectiveness of internal controls and report on them to the Board.

Most significant policies and procedural manuals are in place. Their review / updation and improvement is actively ongoing. The preparation of policy document and procedural manual for the others are being developed.

Under the Board's directions, the management puts a system in place for the review of the authentication of transactions and scrutiny of collateral and documentation, and for identifying areas requiring improvement and devising appropriate remedial action. 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, it is recognized that 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. To this end, the Bank has completed detailed documentation of the existing processes and controls, together with a comprehensive gap analysis of the control design. A detailed remediation and testing plan is currently being worked at alongwith changes in the processes, resulting from advancements in technology, as indicated above.

During 2012, the Bank continued its focus in making the system of internal controls more efficient and effective 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, inter alia, its ability to protect its relative standing in the sector by competing effectively in the increasingly competitive environment in the banking sector and assumes its ability to take all measures necessary for the purpose.

Askari Bank has been assigned the long term rating of 'AA' and short term rating of 'A1+' by the Pakistan Credit Rating Agency Limited (PACRA). The ratings reflect the Bank's strong capital structure supported by sound profitability. 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, 2012, your Bank's capital adequacy ratio (CAR) stood at 11.8 percent against last year's 11.4 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 risk profiling of assets carried out during the year. The Bank will continue this process by creating awareness amongst risk-takers 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 valued customers. During the year, your bank opened 12 new conventional banking branches and 4 Islamic banking branches. We now offer services through a network of 261 full service / sub-branches, including 34 dedicated Islamic banking branches / sun-branches, and a Wholesale Bank Branch in Bahrain. Through this network, the Bank is 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.

Branchless Banking "Timepey"

In 2012, the Bank and China Mobile Pakistan (CMPak) have jointly launched a major initiative, branchless banking program under the brand name of 'Timepey'. Branchless banking has already taken root in Pakistan and is all poised to become a formidable alternative to conventional banking. A mobile phone with a SIM card can be used to enter, display, process, store, and transmit information, which provides an architecture to the banks for payments and transactions. The mobile phone enables the banks and their customers to interact from remote locations in a trusted manner either directly or through branchless banking agents.

By partnering with CMPak, the Bank has adapted its existing "brick and mortar" network and technology platform to a low-value, high-volume, transaction environment and has thus built a more scalable retail network of points at which people can conveniently pay into or cash out from their branchless banking accounts. The mainstay of the Bank's branchless banking program will be to achieve a greater outreach to the customers regardless of location, time, economic condition, and gender, thereby providing opportunity to access banking services especially to the poorer, disadvantaged segment of the country as a viable business proposition, and as a counterpart, to provide the Bank greater penetration in the unbanked sector of the economy. We envisage that the branchless banking program of the Bank will contribute significantly in enhancing customer base and service quality thereby generating additional, cost effective resources, and revenues, for improving the performance of the Bank.

Islamic Banking

Our Islamic product and service offerings available through our dedicated Islamic banking branch network of 32 full service 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 2012, Islamic banking posted a profit of Rs. 75.8 million, a 23.1 percent decrease over last year's Rs. 98.5 million. The decline is mainly due to increase in provision / impairment against investments by 179 percent – total net provision / impairment recorded during the year was Rs. 46.3 million against the last year's net reversal of Rs. 78.3 million.

At the close of 2012, the asset-base of Islamic banking stood at Rs. 15.8 billion, an increase of 5.6 percent over Rs. 15.0 billion as of December 31, 2011. Customer deposits increased by 17.3 percent from Rs. 11.8 billion on December 31, 2011 to Rs. 13.9 billion, at the close of December 31, 2012. The increase in deposits was backed by the improvement in the deposit mix as we focused on relatively low-cost deposits on a Shariah compliant basis. The aggregate Islamic financing increased marginally to Rs. 3.1 billion during the year under review. Our sukuk investments portfolio increased by 3.9 percent from Rs. 9.9 billion at end 2011 to Rs. 10.5 billion as on December 31, 2012 mainly comprising of Government of Pakistan guaranteed ijarah sukuk instruments.

The Islamic Banking business of the Bank will gain further strength 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 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 seven open-end funds namely, 1) Askari Sovereign Cash Fund (ASCF), size Rs. 4,732.31 million; 2) Askari Sovereign Yield Enhancer, size 1,798.47 million 3) Askari High Yield Scheme, size Rs. 1,478.14 million; 4) Askari Islamic Income Fund, size Rs. 967.97 million; 5) Askari Asset Allocation Fund, size Rs. 230.13 million; 6) Askari Equity Fund, size Rs. 118.06 million and 7) Askari Islamic Asset Allocation Fund, size Rs. 133.45 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, 2012 are included in this annual 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 positioning itself strategically in the market which was aided by acquisition of a seat at the Karachi Stock Exchange, and by 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, 2012 are included in this annual report.

Corporate Sustainability

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

Core Values & 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. It serves as an aid and a guidance for discharging their duties diligently and in compliance with best practices. We, are cognizant of the need to work beyond financial considerations, and try to go the extra mile in order 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 contributing to improve 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 and goodwill for its shareholders as well as its customers. For the last several years, the Bank has supported various social and community initiatives by supporting environmental and health care projects and social welfare, 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 and sub-branches are opened in cantonments and other army establishments where facilities offered include dedicated ATM machines.

Corporate Governance

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2012 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 the 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, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in the preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by the Internal Audit and Inspection Division as are other relevant 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

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 takes care of occupational health and safety of people. It follows high standards of information security management thereby ensuring data security.

Contribution to Exchequer

During 2012, the Bank contributed Rs. 1.6 billion (2011: Rs. 0.95 billion) to the national exchequer on account of income tax. Thus, a considerable portion of the net income that the Bank earned generated government revenue. A substantial amount was also deposited into the government treasury as a tax collecting agent.

Awards

During the year, the Annual Report of the Bank for the year 2011 won the first prize of "The Best Annual Report" for the financial sector, instituted jointly by The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan.

Also, the annual report for 2011 has been adjudged for 'merit certificates' in the category of Private Banking Sector and SAARC Anniversary 'Award for Corporate Governance' by the South Asian Federation of Accountants (SAFA), an Apex body of the SAARC countries.

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

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, 2012.
- The following is the value of investment as at December 31, 2012:
  - Provident Fund Rs. 2,143 million, based on un-audited financial statements (December 31, 2011: Rs. 1,859 million)
  - Gratuity Fund Rs. 991 million, based on un-audited financial statements (December 31, 2011: Rs. 850 million)
- During 2012, nine meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of directors	Attendance
Lt. Gen. Javed Iqbal (Chairman)	8
Lt. Gen. (R) Tahir Mahmood	9
Malik Riffat Mahmood	7
Mr. Zafar Alam Khan Sumbal	9
Dr. Bashir Ahmad Khan	4
Mr. Ali Noormahomed Rattansey	6
Mr. Shahid Mahmud	7
Mr. Muhammad Riyazul Haque	9
Mr. Wazir Ali Khoja	8
Khawaja Jalaluddin Roomi	6
Mr. M. R. Mehkari (President & Chief Executive)	9

Performance Review Criteria

President & Chief Executive

The stewardship position of President & Chief Executive is appraised by the Board on a periodic basis. The Board gives strategic direction to the President & Chief Executive through targets in the annual budgets and business plans whereby key operational, business, and financial targets are set, with a mechanism of regular monitoring. The performance against all financial and non-financial targets are periodically reviewed, with the directions for corrective measures, as necessary.
The performance of President & Chief Executive is also evaluated based on the SBP inspections reports and independent review by auditors. Therefore, the BoD while giving full authority to President & Chief Executive, ensures that corporate goals and objectives remain aligned with the vision, and the mission, and the corporate objectives of the Bank.

Board of Directors

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

- Thoroughness – forming subcommittees for important areas and devising their terms of reference and reviewing compliance there-against.
- Commitment – the number of times 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 mechanisms, and review of their implementation.
- Strategic decisions – assessment of their impact, vis-à-vis expected benefits.
- Training & development – attendance of courses / workshops by directors, and the Bank staff.

Auditors

The Auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants have completed their assignment for the year ended December 31, 2012 and shall retire at the conclusion of the 21st 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 2013.

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

Sale of AWT's Shareholding in Askari Bank to Fauji Consortium

Army Welfare Trust (AWT), the majority shareholder of the Bank as on the date of statement of financial position, has signed an agreement with Fauji Consortium; Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited for the sale of its entire shareholding in the Bank at a purchase price of Rs. 24.32 per share. The sale and purchase is subject to approval of the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Intimation to this effect was made by the Bank to the Stock Exchanges on February 7, 2013 and February 8, 2013.

Prospects for 2013

With the next general elections expected after the democratically elected government hands over power to an interim government sometime in March 2013, economic policy-making reform appears to be on hold.

The challenges that the country is facing are enormous and multidimensional. These include continued subdued growth in the wake of security concerns; sharp decline in foreign direct investments - though partly offset by a growth in foreign remittance – and its consequential effect on foreign currency reserves, unstable rupee parity against US dollar, deteriorating balance of payment position, resurgence of inflationary pressures, lower growth of tax collections, and rising expenditures especially on energy, and food. The new political government is expected to be formed by mid 2013 will face these challenges immediately on taking over. Tough economic decisions would be required in order to put the economy on the growing path that generates employment, that corrects the structural imbalances, and that improves the macroeconomic indicators.

Within the Pakistani banking sector rising NPLs are a major cause of concern. Continued weakness in the world economic growth, particularly in the economies of some of Pakistan's major trading partners, remains a constraint to our export growth potential. There are no easy answers. Given the challenges on hand, 2013 is expected to be yet another difficult year.

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 to 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
Askari Bank Limited

February 18, 2013
Rawalpindi

Unconsolidated Financial Statements of

Askari Bank Limited

For the year ended December 31, 2012

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Statement of Compliance

With the Code of Corporate Governance for the year ended December 31, 2012

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

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

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

S. Nos.	Name of Directors	Executive / Non-Executive / Independent Directors
1	Lt. Gen. Javed Iqbal - Chairman	Non-Executive Director
2	Lt. Gen. (R) Tahir Mahmood	Non-Executive Director
3	Mr. Zafar Alam Khan Sumbal	Non-Executive Director
4	Malik Riffat Mahmood	Non-Executive Director
5	Dr. Bashir Ahmad Khan	Independent Director
6	Mr. Shahid Mahmud	Independent Director
7	Mr. Muhammad Riyazul Haque	Independent Director
8	Mr. Ali Noormahomed Rattansey	Independent Director
9	Mr. Wazir Ali Khoja - Nominee NIT	Non-Executive Director
10	Khawaja Jalaluddin Roomi	Independent Director
11	Mr. Muhammad Rafiquddin Mehkari - President & Chief Executive	Executive Director

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

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited, 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 and registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the Board in January 2012, was filled up by the Directors within seven days.

5. The Bank has prepared a statement of "Code of Ethics and Conduct", which has been signed by all the directors and employees of the Bank and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & Chief Executive, and certain other executives have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged one day's inhouse training program for its directors during the year.

10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Bank were duly endorsed by the President & Chief Executive and the Chief Financial Officer before approval of the Board.

12. The Directors, President & Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

13. The Bank has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed a Board Audit Committee. It comprises 4 members, of whom 1 is non-executive director and 3 members including the Chairman are independent directors.

15. The meetings of the Board 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 have been formed and advised to the committee for compliance.

16. The Board has formed Board Human Resource & Remuneration Committee (BHR&RC). It comprises 3 members, of whom 1 member is non-executive director and the other members including Chairman of the Committee are independent directors.

17. The Board has set-up an effective internal audit function. Personnel of internal audit function are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.

18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Bank's shares, was determined and intimated to directors, employees and stock exchanges.

21. Material / price sensitive information has been disseminated among all market participants through stock exchanges.

22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Rawalpindi
February 18, 2013

Lt. Gen. Javed Iqbal
Chairman

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

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Review Report to the Members

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

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

The responsibility for compliance with the Code of Corporate Governance ("the Code") is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank'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 Limited vide circular KSE / N-269 dated January 19, 2009 requires the Bank to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2012.

KPMG Taseer Hadi & Co.

Islamabad
February 26, 2013

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") a at December 31, 2012 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 the other 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 and 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 & 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 power 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, 2012 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Islamabad
February 26, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner
Muhammad Rehan Chughtai

Unconsolidated Statement of Financial Position

As at December 31, 2012

Rupees in '000	Note	2012	2011
Assets			
Cash and balances with treasury banks	6	24,435,380	26,168,181
Balances with other banks	7	8,863,586	6,235,055
Lendings to financial institutions	8	6,319,474	1,591,584
Investments	9	145,378,148	133,756,712
Advances	10	143,726,962	150,710,709
Operating fixed assets	11	8,841,091	9,348,815
Deferred tax assets		-	-
Other assets	12	15,490,986	15,945,250
		353,055,627	343,756,306
Liabilities			
Bills payable	13	3,700,156	2,756,032
Borrowings	14	8,372,617	17,273,470
Deposits and other accounts	15	306,937,216	291,502,993
Sub-ordinated loans	16	6,987,300	6,990,100
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	118,376	83,024
Other liabilities	18	7,251,956	7,374,421
		333,367,621	325,980,040
Net assets		19,688,006	17,776,266
Represented by			
Share capital	19	8,130,711	7,070,184
Reserves	20	8,542,421	8,136,440
Unappropriated profit		1,004,290	1,302,158
		17,677,422	16,508,782
Surplus on revaluation of assets - net of tax	21	2,010,584	1,267,484
		19,688,006	17,776,266

Contingencies and commitments 22

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Unconsolidated Profit and Loss Account

For the year ended December 31, 2012

Rupees in '000	Note	2012	2011
Mark-up / return / interest earned	25	32,402,187	32,766,351
Mark-up / return / interest expensed	26	22,973,781	22,699,583
Net mark-up / interest income		9,428,406	10,066,768
Provision against non-performing loans and advances - net	10.6.1	2,342,473	1,630,123
Impairment loss on available for sale investments		143,079	122,421
Provision for diminution in the value of investments - net	9.2.1	201,265	43,596
Provision against purchase under resale arrangement		-	34,702
Bad debts written off directly		1,043	-
		2,687,860	1,830,842
Net mark-up / interest income after provisions		6,740,546	8,235,926
Non mark-up / interest income			
Fee, commission and brokerage income		1,153,496	1,193,986
Dividend income		1,036,249	289,470
Income from dealing in foreign currencies		884,724	772,495
Gain on sale of securities - net	27	681,685	307,212
Unrealised gain on revaluation of investments classified as held for trading - net		252	-
Other income	28	360,960	339,758
Total non-markup / interest income		4,117,366	2,902,921
		10,857,912	11,138,847
Non mark-up / interest expenses			
Administrative expenses	29	9,039,255	8,639,312
Other provisions / write offs		8,633	-
Other charges	30	80,297	86,784
Total non-markup / interest expenses		9,128,185	8,726,096
		1,729,727	2,412,751
Extra ordinary / unusual items		-	-
Profit before taxation		1,729,727	2,412,751
Taxation – current	31	839,144	832,723
– prior years'		-	-
– deferred	31	(364,779)	(47,670)
		474,365	785,053
Profit after taxation		1,255,362	1,627,698
Unappropriated profit brought forward		1,302,158	701,819
Profit available for appropriation		2,557,520	2,329,517
Basic / diluted earnings per share - Rupees	32	1.54	2.00

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2012

Rupees in '000	2012	2011
Profit after taxation	1,255,362	1,627,698
Other comprehensive income		
Effect of rescheduled / restructured classified advances	(94,085)	40,723
Effect of translation of net investment in Wholesale Bank Branch	7,363	19,783
Total comprehensive income	1,168,640	1,688,204

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Unconsolidated Cash Flow Statement

For the year ended December 31, 2012

Rupees in '000	Note	2012	2011
Cash flow from operating activities			
Profit before taxation		1,729,727	2,412,751
Less: Dividend income		(1,036,249)	(289,470)
		693,478	2,123,281
Adjustments:			
Depreciation / amortization		859,298	817,806
Provision against non-performing advances - net		2,342,473	1,630,123
Impairment loss on available for sale investments		143,079	122,421
Provision for diminution in the value of investments - net		201,265	43,596
Provision against purchase under resale arrangement		-	34,702
Provision against other assets		8,633	-
Unrealised gain on revaluation of investments classified as held for trading - net		(252)	-
Gain on sale of operating fixed assets		(5,744)	(20)
		3,548,752	2,648,628
		4,242,230	4,771,909
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,727,890)	7,545,900
Held for trading securities		(151,593)	21,560
Advances		3,742,882	(862,910)
Other assets (excluding advance taxation)		2,030,320	(276,227)
		893,719	6,428,323
Increase / (decrease) in operating liabilities			
Bills payable		944,124	(333,952)
Borrowings		(8,900,853)	(8,281,307)
Deposits		15,434,223	35,566,490
Other liabilities (excluding current taxation)		(121,679)	(706,499)
		7,355,815	26,244,732
Cash flow before tax		12,491,764	37,444,964
Income tax paid		(1,553,220)	(953,125)
Net cash flow from operating activities	33.1	10,938,544	36,491,839
Cash flow from investing activities			
Net investments in available for sale securities		(11,872,592)	(31,917,887)
Net investments in held to maturity securities		1,201,888	430,746
Net investments in subsidiaries / associate		-	(68,284)
Dividend income		991,331	282,447
Investments in operating fixed assets - net of adjustment		(380,551)	(194,552)
Sale proceeds of operating fixed assets - disposed off		13,333	11,713
Net cash used in investing activities		(10,046,591)	(31,455,817)
Cash flow from financing activities			
(Payments) / receipts of sub-ordinated loans		(2,800)	997,600
Dividend paid		(786)	(219)
Net cash flow (used in) / from financing activities		(3,586)	997,381
Effect of translation of net investment in Wholesale Bank Branch		7,363	19,783
Increase in cash and cash equivalents		895,730	6,053,186
Cash and cash equivalents at beginning of the year		32,403,236	26,350,050
Cash and cash equivalents at end of the year	33	33,298,966	32,403,236

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2012

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves: General reserve	Revenue Reserves: Un-appropriated profit	Total
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 the year ended December 31, 2010	642,744	-	-	-	-	(642,744)	-	-
Balance as at January 1, 2012	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,302,158	16,508,782
Total comprehensive income for the year ended December 31, 2012								
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	1,255,362	1,255,362
Other comprehensive income								
- Reversal of capital reserve - note 20.1	-	-	-	-	(94,085)	-	-	(94,085)
- Effect of translation of net investment in Wholesale Bank Branch	-	7,363	-	-	-	-	-	7,363
	-	7,363	-	-	(94,085)	-	1,255,362	1,168,640
Transfer to:								
Statutory reserve	-	-	-	251,072	-	-	(251,072)	-
General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-
Transaction with owners, recorded directly in equity								
Bonus shares declared / issued subsequent to the year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-
Balance as at December 31, 2012	8,130,711	82,659	234,669	3,899,517	-	4,325,576	1,004,290	17,677,422

The annexed notes 1 to 46 and Annexures - 1 and 2 form an integral part of these unconsolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

1. STATUS AND NATURE OF BUSINESS

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

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust (AWT) holds 50.57 % (2011: 50.57 %) of the Bank's share capital at the year end. The Bank has 261 branches (2011: 245 branches); 260 in Pakistan and Azad Jammu and Kashmir, including 32 (2011: 31) Islamic Banking branches, 24 (2011: 21) 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 Army Welfare Trust (AWT), the majority shareholder of the Bank as on the date of statement of financial position, has signed an agreement with Fauji Consortium; Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited for the sale of its entire shareholding in the Bank at a purchase price of Rs. 24.32 per share. The sale and purchase is subject to approval of the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Intimation to this effect was made by the Bank to the stock exchanges on February 07, 2013 and February 08, 2013.

1.3 SBP's BSD Circular No. 7 dated April 15, 2009 sets out the minimum paid-up capital requirement (MCR) for banks to be raised to Rs. 10 billion in a phased manner by December 31, 2013. The required MCR (net of losses) as of December 31, 2012 is Rs. 9 billion. The paid-up capital of the Bank as of December 31, 2012 amounted to Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level. As stated in note 1.2 above, the sale process of the Bank's shareholding by AWT, also requires a public offer to be conducted under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 read with Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008. In terms of Regulation No. 7 of the said Regulations, and during the period stated therein, it is not possible for the Bank to issue any rights or bonus shares.

Based on the above, the management and the Board of Directors of the Bank, after taking into account that the Bank intends to meet the MCR as prescribed under the aforementioned SBP circular, have resolved that it is not possible to do so at present in view of the restriction imposed by Regulation No. 7 of the above stated Regulations. The Bank has also apprised the SBP and sought relaxation from meeting the minimum capital requirement of Rs. 9 billion for the year 2012.

2. BASIS OF PRESENTATION

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

2.2 These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated financial statements.

2.3 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

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

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

3. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by 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 after January 01, 2013:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 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 01, 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 01, 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.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 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. Following this change, unrecognised actuarial loss of Rs. 134,706 thousand will be recorded immediately in other comprehensive income.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 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 01, 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 01, 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. Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013).

The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Bank.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on 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 follows:

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 5.8)
vi) staff retirement benefits (note 5.9)

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 SBP through various circulars.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000, 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 company as per the latest audited financial statements. If the break-up value is less than cost the difference is included in profit and loss account.

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

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

Held to maturity

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

Investments in subsidiaries and associate

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

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

5.4 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the 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 01, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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 losses, 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 issue of bonus shares.

Intangible assets

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

Depreciation / amortization

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 / amortized on the diminishing balance method, except for vehicles, carpets, renovations, other assets and intangibles which are depreciated 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 Deposits

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

5.8 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 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 operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of its employees.

Defined contribution plan

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

Compensated absences

The Bank provides compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to unconsolidated profit and loss account. The amount recognised in the unconsolidated 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 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.

5.11 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 unconsolidated statement of financial position. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in unconsolidated profit and loss account currently.

Foreign operation

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

Translation gains and losses

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

Commitments

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

5.12 Provisions

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

5.14 Financial assets and liabilities

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

5.15 Derivative financial instruments

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

5.16 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.

5.17 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.

5.17.1 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.

5.17.2 Geographical segments

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

Rupees in '000	Note	2012	2011
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		4,645,899	3,906,099
Foreign currencies		1,357,186	971,932
		6,003,085	4,878,031
National Prize Bonds		11,689	8,688
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	10,481,338	12,651,165
Foreign currency current account	6.1	2,100,004	2,391,749
Foreign currency deposit account	6.2	4,886,149	5,359,856
		17,467,491	20,402,770
With National Bank of Pakistan in:			
Local currency current accounts		953,115	878,692
		24,435,380	26,168,181

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% (2011: 0.00%) per annum.

Rupees in '000	Note	2012	2011
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		373,661	542,606
On deposit accounts	7.1	658,335	283,861
Outside Pakistan			
On current accounts		2,011,656	1,292,950
On deposit accounts	7.2	5,819,934	4,115,638
		8,863,586	6,235,055

7.1 These represent placements with local banks, carrying interest rates ranging from 0.90% to 9.50% (2011: 0.08% to 7.00%) per annum.

7.2 These represent placements with correspondent banks, carrying interest rates upto 0.15% (2011: upto 0.35%) per annum.

Rupees in '000	Note	2012	2011
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (reverse repo)	8.1	5,816,909	360,501
Purchase under resale arrangement of equity securities	8.2	200,000	200,000
		6,016,909	560,501
Funded Trade Finance	8.3	485,749	1,214,267
		6,502,658	1,774,768
Provision against purchase under resale arrangement	8.4	(183,184)	(183,184)
		6,319,474	1,591,584

8.1 These are secured against underlying government securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rate of 6.50% to 9.50% (2011: 11.90%) per annum and maturities of upto 1 month (2011: upto 1 month).

8.2 These represent shares of companies purchased under resale agreement and carried mark-up at 18.01% (2011: 18.01%) per annum.

8.3 These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka at mark-up rate of 2.06% (2011: 2.01% to 2.03%) per annum with maturities of upto January 2013 and July 2013 (2011: upto April 2012 and December 2012).

Rupees in '000	2012	2011
8.4 Particulars of provision against purchase under resale arrangement		
Opening balance	183,184	148,482
Charge for the year	-	34,702
Closing balance	183,184	183,184
8.5 Particulars of lending		
In local currency	6,016,909	560,501
In foreign currencies	485,749	1,214,267
	6,502,658	1,774,768

	2012			2011		
Rupees in '000	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.6 Securities held as collateral against lendings to financial institutions						
Market Treasury Bills	5,666,972	–	5,666,972	360,501	–	360,501
Pakistan Investment Bonds	149,937	–	149,937	–	–	–
Purchase under resale arrangement of listed shares	200,000	–	200,000	200,000	–	200,000
	6,016,909	–	6,016,909	560,501	–	560,501

Market value of securities held as collateral is Rs. 5,854,838 thousand (2011: Rs. 377,645 thousand).

9. INVESTMENTS

Rupees in '000	Note	2012 Held by the Bank	2012 Given as collateral	2012 Total	2011 Held by the Bank	2011 Given as collateral	2011 Total
9.1 Investments by types							
Held for trading securities							
Fully paid ordinary shares		151,593	-	151,593	-	-	-
Available for sale securities							
Market Treasury Bills	9.16	98,661,356	-	98,661,356	85,163,963	7,933,076	93,097,039
Pakistan Investment Bonds	9.16	22,098,414	-	22,098,414	18,760,393	36,602	18,796,995
Fully paid ordinary shares / units		2,475,678	-	2,475,678	1,637,867	-	1,637,867
Units of open end mutual funds	9.4	1,708,814	-	1,708,814	1,574,714	-	1,574,714
Fully paid preference shares	9.6	233,324	-	233,324	67,000	-	67,000
Term Finance Certificates		5,321,376	-	5,321,376	4,895,969	-	4,895,969
National Investment Trust (NIT) Units		864,395	-	864,395	372,762	-	372,762
Sukuk Certificates	9.9	8,928,672	-	8,928,672	8,150,281	-	8,150,281
Government of Pakistan Euro Bonds	9.10	1,037,900	-	1,037,900	948,612	-	948,612
Foreign securities	9.11	49,328	-	49,328	133,555	-	133,555
		141,379,257	-	141,379,257	121,705,116	7,969,678	129,674,794
Held to maturity securities							
Term Finance Certificates		116,348	-	116,348	523,726	-	523,726
Pakistan Investment Bonds	9.16	742,377	-	742,377	1,070,676	-	1,070,676
Government of Pakistan Euro Bonds	9.2.4	1,155,746	-	1,155,746	1,038,061	-	1,038,061
Sukuk Certificates	9.13	1,594,167	-	1,594,167	1,728,334	-	1,728,334
Credit Linked Notes		-	-	-	449,729	-	449,729
		3,608,638	-	3,608,638	4,810,526	-	4,810,526
Investment in associate							
Askari General Insurance Company Limited	9.12	53,703	-	53,703	53,703	-	53,703
Investment in subsidiaries							
Askari Investment Management Limited	9.5	185,000	-	185,000	185,000	-	185,000
Askari Securities Limited	9.5	114,789	-	114,789	114,789	-	114,789
Investment at cost		145,492,980	-	145,492,980	126,869,134	7,969,678	134,838,812
Provision for diminution in value of investments	9.2.1	(597,021)	-	(597,021)	(420,806)	-	(420,806)
Investments (net of provision)		144,895,959	-	144,895,959	126,448,328	7,969,678	134,418,006
Unrealised gain on revaluation of held for trading securities - net	9.15	252	-	252	-	-	-
Surplus / (deficit) on revaluation of available for sale securities - net		481,937	-	481,937	(665,819)	4,525	(661,294)
Total investments		145,378,148	-	145,378,148	125,782,509	7,974,203	133,756,712

Market value of held to maturity securities as at December 31, 2012 is Rs. 3,609,976 thousand (2011: Rs. 4,605,207 thousand).

Rupees in '000	Note	2012	2011
9.2 Investments by segments			
Federal Government Securities	9.2.3		
Market Treasury Bills		98,661,356	93,097,039
Pakistan Investment Bonds		22,840,791	19,867,671
Government of Pakistan Euro Bonds	9.2.4	2,193,646	1,986,673
Sukuk Certificates		9,282,712	8,300,000
		132,978,505	123,251,383
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,675,294	1,635,890
Unlisted companies	9.5	305,469	355,469
		2,980,763	1,991,359
Units of open end mutual funds	9.4	1,708,814	1,574,714
Fully paid preference shares			
Listed companies	9.6	208,324	42,000
Unlisted companies	9.6	25,000	25,000
Term Finance Certificates	9.7		
Listed Term Finance Certificates		2,343,871	2,529,589
Unlisted Term Finance Certificates		3,093,853	2,890,106
		5,437,724	5,419,695
Foreign Securities			
Mena Transformation Fund	9.11	49,328	133,555
Credit Linked Notes		-	449,729
		49,328	583,284
Other Investments			
Sukuk Certificates		1,240,127	1,578,615
National Investment Trust (NIT) - Units		864,395	372,762
		2,104,522	1,951,377
Total investment at cost		145,492,980	134,838,812
Provision for diminution in value of investments	9.2.1	(597,021)	(420,806)
Investments - net of provisions		144,895,959	134,418,006
Unrealised gain on revaluation of held for trading securities - net	9.15	252	-
Surplus / (deficit) on revaluation of available for sale securities - net		481,937	(661,294)
Total investments		145,378,148	133,756,712
9.2.1 Particulars of provision for diminution in value of investments			
Opening balance		420,806	377,210
Charge for the year		201,265	43,596
Reversal / transfer of provision during the year		(25,050)	-
Closing balance		597,021	420,806
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	27,550
Term finance certificates		236,026	102,729
Sukuk certificates		242,288	174,320
Held to maturity securities			
Term finance certificates		-	22,500
Subsidiaries			
Fully paid ordinary shares - unlisted		88,027	88,027
		597,021	420,806

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2013 to November 2013	On maturity	9.18% to 11.94%	at maturity
Pakistan Investment Bonds	June 2013 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 2015	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 2012	No. of ordinary shares / units 2011	Average cost per share/unit Rupees 2012	Name of companies / mutual funds	Note	2012 Rupees in '000	2011 Rupees in '000
300,000	306,827	67.79	Adamjee Insurance Company Limited		20,336	17,523
14,489,931	-	32.67	Agritech Limited	9.3.1	473,343	-
675,772	611	67.32	Allied Bank Limited		45,491	37
8,795,384	8,376,556	6.11	Askari General Insurance Company Limited	9.12	53,703	53,703
6,504,096	13,100	7.21	Atlas Fund of Funds		46,891	79
-	914	-	Attock Cement Pakistan Limited		-	48
120,000	310	436.63	Attock Petroleum Limited		52,395	118
-	7,581,585	-	Azgard Nine Limited		-	26,959
7,697,900	6,411	16.84	Bank Alfalah Limited		129,636	69
1,352,000	-	32.06	Bank Al Habib Limited		43,346	-
532,000	-	9.35	Bank Islami Pakistan Limited		4,973	-
325,000	-	111.57	Habib Bank Limited		36,261	-
3,000,000	-	7.87	JS Growth Fund		23,614	-
1,873,500	1,772,402	54.33	D. G. Khan Cement Company Limited		101,784	41,717
-	865,000	-	Engro Chemical (Pakistan) Limited		-	99,795
1,251,500	-	89.92	Engro Corporation Limited		112,531	-
1,000,000	-	9.51	Engro Polymer Limited		9,513	-
-	610,000	-	Fauji Fertilizer Company Limited		-	99,314
-	677,710	-	Golden Arrow Selected Stock Fund		-	2,196
2,600,000	2,600,000	37.97	Hub Power Company Limited		98,721	99,308
-	336,252	-	ICI Pakistan Limited		-	49,901
-	4,068,164	-	Jahangir Siddiqui and Company Limited		-	20,477
2,100,000	2,248,380	44.23	Kot Addu Power Company Limited		92,887	98,921
400,000	582,507	173.07	MCB Bank Limited		69,229	97,363
6,537,034	24,034	9.32	Meezan Balanced Fund		60,914	211
-	2,224	-	Meezan Bank Limited		-	38
1,801,500	1,192,604	46.89	National Bank of Pakistan		84,479	53,693
265,000	130,000	255.15	National Refinery Limited		67,616	35,845
-	13,473	-	NIB Bank Limited		-	21
7,000,000	-	14.19	Nishat Chunian Power Limited		99,296	-
1,000,000	2,059,020	27.73	Nishat (Chunian) Limited		27,725	44,272
880,000	1,975,591	55.21	Nishat Mills Limited		48,588	99,483
6,305,000	6,230,000	15.85	Nishat Power Limited		99,927	98,859
510,000	790	173.29	Oil and Gas Development Company Limited		88,380	113
-	438,400	-	Packages Limited		-	39,149
7,583,700	7,583,700	9.96	Pak Oman Advantage Fund		75,516	75,516
275,000	2,867	357.83	Pakistan Oilfields Limited		98,403	945
672,000	519,588	147.31	Pakistan Petroleum Limited		98,994	98,816
3,267,521	3,415,352	19.33	Pakistan Re-Insurance Company Limited		63,147	65,831
440,000	360,000	225.60	Pakistan State Oil Company Limited		99,262	98,989
3,250,000	8,041,738	17.94	Pakistan Telecommunication Company Limited		58,305	99,969
6,700,000	65,479	14.17	PICIC Growth Fund		94,958	827
200,000	-	5.83	PICIC Investment Fund		1,166	-
113,800	167,058	134.88	Shell Pakistan Limited		15,349	39,633
1,000,000	1,268,975	78.62	United Bank Limited		78,615	76,152
					2,675,294	1,635,890

9.3.1 This represents shares acquired by the Bank pursuant to sale purchase agreement executed on October 31, 2012, mainly for partial settlement of the Bank's exposure in Azgard Nine Limited (ANL).

9.4 Units of open end mutual funds

No. of units 2012	No. of units 2011	Paid-up value per unit Rupees 2012	Name of mutual funds	Note	2012 Rupees in '000	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	11,642,356	99.46	Askari High Yield Scheme (a related party)	9.8	1,157,968	1,157,968
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	1,598,805	93.82	Askari Islamic Income Fund (a related party)	9.8	150,000	150,000
-	505,076	-	Askari Sovereign Cash Fund (a related party)	9.8	-	50,009
1,000,000	-	100.00	Askari Equity Fund (a related party)	9.8	100,000	-
1,000,000	-	100.00	Askari Sovereign Yield Enhancer Fund (a related party)	9.8	100,000	-
-	1,330,882	-	Al Meezan Mutual Fund		-	15,891
					1,708,814	1,574,714

9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding %	Number of shares	Cost / paid-up value per share Rupees	Total paid-up value Rupees in '000	Break up value Rupees in '000	Based on audited financial statements as at	Name of Chief Executive / status
Askari Investment Management Limited - subsidiary	9.5.1	100	18,500,000	10	185,000	159,123	31 Dec 2012	Mr. Adnan Siddiqui
Askari Securities Limited - subsidiary	9.5.2	74	17,020,000	10	114,789	83,794	31 Dec 2012	Mr. Faheem Sardar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.5.3	5.26	568,044	10	5,680	-	-	Under liquidation
					305,469			

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 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2011: Rs 5,680 thousand) is considered as impairment loss and has been fully provided for.

9.6 Particulars of investments held in preference shares

No. of preference shares 2012	No. of preference shares 2011	Paid-up value per share Rupees	Investee	Rate %	Book Value 2012 Rupees in '000	Book Value 2011 Rupees in '000	Market Value 2012 Rupees in '000	Market Value 2011 Rupees in '000
Listed								
10,000,000	10,000,000	10	Chenab Limited	9.25% per annum	100	17,000	10,500	17,000
18,322,418	-	10	Agritech Limited - note 9.6.1	11.00% per annum	183,224	-	185,056	-
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2% 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% per annum	25,000	25,000	25,000	25,000
					233,324	67,000	245,556	67,000

9.6.1 This represents preference shares acquired in settlement of overdue / accrued mark-up upto July 01, 2011 on Term Finance Certificates of Azgard Nine Limited pursuant to the restructuring agreement dated July 01, 2011 and share subscription agreement dated February 13, 2012.

9.7 Investment in Term Finance Certificates

No. of certificates 2012	No. of certificates 2011	Company's Name	Redeemed value per certificate Rupees	2012 Rupees in '000	2011 Rupees in '000
Listed					
13,669	13,669	Allied Bank Limited	4,988	68,181	68,208
95,600	35,000	Bank Alfalah Limited	4,737	452,868	141,318
-	30,000	Bank Al-Habib Limited	-	-	99,740
-	8,000	Orix Leasing Limited	-	-	6,672
37,230	37,230	Pace Pakistan Limited	4,832	179,882	177,576
97,493	97,493	Pak Arab Fertilizer Limited	1,497	145,929	355,132
41,000	40,000	Pakistan Mobile Communication Limited	3,129	128,280	99,840
140,000	140,000	Engro Fertilizer Limited	5,000	700,000	700,000
4,600	4,600	Faysal Bank Limited	1,247	5,736	11,477
12,000	12,000	Soneri Bank Limited	1,247	14,964	44,892
10,000	10,000	Standard Chartered Bank Limited	1,250	12,500	34,960
72,432	92,432	United Bank Limited	4,883	353,651	423,657
133,023	133,023	Worldcall Telecom Limited	2,119	281,880	366,117
Book value as on December 31				2,343,871	2,529,589
Unlisted					
140,000	140,000	Agritech Limited	4,996	699,389	699,389
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 - notes 9.3.1 & 9.6.1	2,168	186,457	429,969
50,600	35,600	Bank Alfalah Limited	5,141	260,147	182,389
50,000	-	Bank Al-Habib Limited	5,198	259,912	-
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	18,500
-	20,000	Dewan Farooq Spinning Mills Limited	-	-	25,000
74,900	74,900	Jahangir Siddiqui and Company Limited	4,963	371,728	367,850
-	10,000	KASB Securities Limited	-	-	16,668
3,560	3,560	Orix Leasing Pakistan Limited	16,661	59,312	176,237
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385
20,000	20,000	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Abid Aziz)	4,997	99,940	99,980
60,000	5,931	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	4,706	282,353	29,657
50,000	50,000	Pakistan International Airlines Corporation Limited	4,996	249,800	249,800
102,282	83,865	Pakistan National Shipping Corporation	3,750	383,558	366,910
10,000	10,000	Shakarganj Mills Limited	4,500	45,000	50,000
Book value as on December 31				3,093,853	2,890,106

9.7.1 These carry rate of return ranging from 10.36% to 15.00% (2011: 8.45% to 15.64%) per annum and having remaining maturity periods of upto 8 years (2011: 9 years).

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	2012	2011
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	37,500	67,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	30,000	50,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	66,666	111,111
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	106,346
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	57,378	176,500
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	June 28, 2013	10,714	10,736
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 18, 2015	1,002,712	-
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	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 1 month KIBOR plus 1% p.a.	February 19, 2020	167,393	178,125
			8,928,672	8,150,281

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 end fund having six years term.

9.12 Investment in associate represents 27.18% (2011: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed associated company. Summary of financial information of AGICO is given below:

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

	Based on	
Rupees in '000	September 30, 2012 (Un-audited)	December 31, 2011 (Audited)
Assets	1,647,025	1,544,980
Liabilities	1,159,604	1,112,773
Equity	487,421	432,207
Revenue	515,226	633,283
Profit after tax	55,213	65,434

Fair value of investment in AGICO as at December 31, 2012 is Rs. 118,738 thousand (December 31, 2011: Rs. 67,599 thousand).

9.13 Sukuk certificates – held to maturity

Name of Investee	Rate	Maturity	2012	2011
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	67,500	135,000
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
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	166,667	200,000
			1,594,167	1,728,334

9.14 Quality of available for sale securities

	Note	2012		2011	
Rupees in '000		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	98,902,773	unrated	93,023,836	unrated
Pakistan Investment Bonds	9.14.1	22,633,877	unrated	18,711,293	unrated
Fully paid up ordinary shares / units	9.14.3				
Adamjee Insurance Company Limited		20,442	AA	14,271	AA
Allied Bank Limited		49,662	AA+	33	AA
Atlas Fund of Funds		62,049	unrated	72	unrated
Attock Cement Limited		-	-	47	unrated
Attock Petroleum Limited		61,439	unrated	128	unrated
Agritech Limited		169,098	D	-	-
Azgard Nine Limited		-	-	21,608	D
Bank Alfalah Limited		129,479	AA	72	AA
Bank Al Habib Limited		42,899	AA+	-	-
Bank Islami Pakistan Limited		4,900	A	-	-
D. G. Khan Cement Company Limited		-	-	33,729	unrated
Engro Corporation Limited		98,022	A	80,186	AA
Engro Polymer Limited		10,120	unrated	-	-
Fauji Fertilizer Company Limited		-	-	91,219	unrated
Golden Arrow Selected Stock Fund		-	-	1,837	unrated
Hub Power Company Limited		117,624	AA+	88,920	AA+
Habib Bank Limited		38,288	AAA	-	-
ICI Pakistan Limited		-	-	40,441	unrated
Jahangir Siddiqui and Company Limited		-	-	16,395	AA
JS Growth Fund		26,190	unrated	-	-
Khushhali Bank Limited		-	-	50,000	A
Kot Addu Power Company Limited		103,719	AA+	92,903	AA+
MCB Bank Limited		83,904	AA+	78,405	AA+
Meezan Balanced Fund		75,568	unrated	219	unrated
Meezan Bank Limited		-	-	39	AA-
National Bank of Pakistan		83,963	AAA	48,956	AAA

Rupees in '000	2012 Market Value	2012 Rating	2011 Market Value	2011 Rating
National Refinery Limited	56,101	AAA	31,550	AAA
NIB Bank Limited	-	-	23	AA-
Nishat (Chunian) Limited	35,040	A-	36,774	unrated
Nishat Chunian Power Limited	147,070	A	-	-
Nishat Mills Limited	41,503	AA-	79,913	AA-
Nishat Power Limited	122,948	A+	80,678	AA-
Oil and Gas Development Company Limited	98,231	AAA	120	AAA
Packages Limited	-	-	36,264	AA
Pak Oman Advantage Fund	70,073	A+	69,163	AA-
Pakistan Export Finance Guarantee Agency Limited	-	-	-	-
Pakistan Oilfields Limited	120,324	unrated	993	unrated
Pakistan Petroleum Limited	118,803	unrated	87,457	unrated
Pakistan Re-Insurance Limited	79,891	AA	52,938	AA
Pakistan State Oil Company Limited	102,172	AA+	81,796	AA+
Pakistan Telecommunication Company Limited	43,375	unrated	83,554	unrated
PICIC Growth Fund	109,880	unrated	816	unrated
PICIC Investment Fund	1,414	unrated	-	-
Shell Pakistan Limited	15,498	unrated	31,788	unrated
United Bank Limited	83,670	AA+	66,482	AA+
Fully paid preference shares				
Agritech Limited	185,056	unrated	-	-
Chenab Limited	10,500	unrated	17,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited	-	unrated	-	unrated
Units of open end mutual fund				
Askari High Yield Scheme	1,099,848	A+ (f)	1,178,518	A+ (f)
Askari Asset Allocation Fund	115,620	4-Star	94,033	4-Star
Askari Islamic Asset Allocation Fund	126,249	unrated	107,047	unrated
Askari Islamic Income Fund	160,717	AA- (f)	161,315	AA- (f)
Askari Sovereign Yield Enhancer Fund	100,980	AA- (f)	-	-
Askari Equity Fund	113,466	unrated	-	-
Askari Sovereign Cash Fund	-	-	50,788	AA+ (f)
Al-Meezan Mutual Fund	-	-	13,602	unrated
Term Finance Certificates				
Agritech Limited	595,141	D	595,141	D
Allied Bank Limited	69,409	AA	68,361	AA-
Avari Hotels Limited	122,943	A-	121,558	A-
Azgard Nine Limited	171,050	D	394,258	D
Bank Alfalah Limited	671,162	AA-	180,940	AA-
Bank Al-Habib Limited	283,754	AA	-	-
Bunny's Limited	18,500	Unrated	18,500	Unrated
Engro Fertilizer Limited	657,902	A	707,167	AA
Jahangir Siddiqui and Company Limited	375,745	AA	377,827	AA
KASB Securities Limited	-	-	16,631	A+
Orix Leasing Pakistan Limited	59,366	AA+	185,469	AA+
Pace Pakistan Limited	179,882	Unrated	125,050	Unrated
Pak Arab Fertilizer Limited	146,295	AA	362,344	AA
Pak Hy Oils Limited	50,385	Unrated	50,385	Unrated

Rupees in '000	Note	2012 Market Value	2012 Rating	2011 Market Value	2011 Rating
Pak Libya Holding Company (Private) Limited		100,717	AA	101,934	AA
Pakistan International Airlines Corporation Limited	9.14.1	249,800	Unrated	249,800	Unrated
Pakistan Mobile Communication Limited		375,244	AA-	29,657	A+
Pakistan National Shipping Corporation		383,558	Unrated	366,910	Unrated
Shakarganj Mills Limited		45,000	Unrated	50,000	Unrated
United Bank Limited		361,857	AA	360,553	AA
World Call Telecom Limited		199,415	D	330,452	A
		5,117,125		4,692,937	
National Investment Trust (NIT) Units		864,363	AM2-	313,607	AM2-
Sukuk certificates	9.14.2	8,859,690	unrated	8,273,890	unrated
Foreign securities					
Mena Transformation Fund		49,328	unrated	133,816	unrated
Government of Pakistan Euro Bonds	9.14.1	1,042,563	unrated	786,350	unrated
		141,830,514		128,982,821	

9.14.1 These are Government of Pakistan guaranteed securities.

9.14.2 These include Government of Pakistan guaranteed sukuk certificates of Rs. 8,032,712 thousand (2011: Rs. 7,050,000 thousand).

9.14.3 Ratings for these equity securities / units represent 'entity ratings'.

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

Rupees in '000	2012	2011
9.15 Unrealized gain on revaluation of investments classified as held for trading		
Fully paid ordinary shares	252	-

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

9.17 Investments include Rs. 2,014,475 thousand (2011: Rs. 2,052,782 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 503,315 thousand (2011: 327,099 thousand) against non-performing investments.

9.17.1 During the year, the Bank has availed Forced Sale Value (FSV) benefit of Rs. 7,575 thousand (2011: Rs. 184,633 thousand) against non-performing investments. Had the FSV benefit not been recognized, before and after tax profit for the year would have been lower by Rs. 7,575 thousand (2011: Rs. 184,633 thousand) and Rs. 4,924 thousand (2011: Rs. 120,011 thousand) respectively.

9.18 The Bank has availed the relaxation amounting of Rs. 809,460 thousand (2011: Rs. 931,140 thousand) and Rs. 304,250 thousand (2011: Nil) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations and impairment for debt and equity securities, respectively.

Rupees in '000	Note	2012	2011
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		137,295,155	139,289,784
Outside Pakistan		3,351,665	3,103,127
		140,646,820	142,392,911
Net investment in lease finance – In Pakistan	10.2	4,827,289	6,477,358
Ijarah financing – In Pakistan	10.3	307,336	671,147
Net book value of assets / investments in Ijarah under IFAS 2			
In Pakistan	10.4	380,311	319,125
Bills discounted and purchased			
Payable in Pakistan		9,967,185	11,213,180
Payable outside Pakistan		6,725,769	6,305,678
		16,692,954	17,518,858
Advances – gross		162,854,710	167,379,399
Provision against non-performing advances	10.6		
Specific provision		(18,796,160)	(16,291,514)
General provision		(127,698)	(132,130)
General provision against consumer financing		(203,890)	(245,046)
		(19,127,748)	(16,668,690)
Advances – net of provision		143,726,962	150,710,709
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		155,124,580	158,821,261
In foreign currencies		7,730,130	8,558,138
		162,854,710	167,379,399
10.1.2 Short term (for upto one year)		121,310,194	128,877,628
Long term (for over one year)		41,544,516	38,501,771
		162,854,710	167,379,399

10.2 Net investment in lease finance – in Pakistan

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Lease rentals receivable	2,042,681	799,577	2,133	2,844,391	2,826,046	1,344,061	–	4,170,107
Residual value	1,560,684	699,902	10,289	2,270,875	1,572,134	1,253,079	–	2,825,213
Minimum lease payments	3,603,365	1,499,479	12,422	5,115,266	4,398,180	2,597,140	–	6,995,320
Finance charges for future periods	(158,245)	(129,689)	(43)	(287,977)	(307,501)	(210,461)	–	(517,962)
Present value of minimum lease payments	3,445,120	1,369,790	12,379	4,827,289	4,090,679	2,386,679	–	6,477,358

10.3 Ijarah financing – in Pakistan

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Ijarah rentals receivable	126,281	96,613	–	222,894	278,749	301,651	–	580,400
Residual value	47,907	56,200	–	104,107	114,746	95,806	–	210,552
Minimum Ijarah payments	174,188	152,813	–	327,001	393,495	397,457	–	790,952
Profit for future periods	(13,484)	(6,181)	–	(19,665)	(74,357)	(45,448)	–	(119,805)
Present value of minimum Ijarah payments	160,704	146,632	–	307,336	319,138	352,009	–	671,147

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

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Assets acquired under Ijarah	116,643	368,573	–	485,216	194,030	260,974	–	455,004
Accumulated depreciation on Ijarah	(32,225)	(72,680)	–	(104,905)	(54,802)	(81,077)	–	(135,879)
Net assets / investments in Ijarah	84,418	295,893	–	380,311	139,228	179,897	–	319,125

10.5 Advances include Rs. 26,518,448 thousand (2011: Rs. 23,645,541 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Classified Advances Domestic	Classified Advances Overseas	Classified Advances Total	Provision Required Domestic	Provision Required Overseas	Provision Required Total	Provision Held Domestic	Provision Held Overseas	Provision Held Total
	2012 – Rupees in '000								
Other Assets Especially Mentioned – note 10.5.1	127,181	–	127,181	–	–	–	–	–	-
Substandard	709,386	–	709,386	110,070	–	110,070	110,070	–	110,070
Doubtful	3,015,923	–	3,015,923	307,730	–	307,730	307,730	–	307,730
Loss	22,665,958	–	22,665,958	18,378,360	–	18,378,360	18,378,360	–	18,378,360
	26,518,448	–	26,518,448	18,796,160	–	18,796,160	18,796,160	–	18,796,160

	2011								
	Classified Advances			Provision Required			Provision Held		
Category of classification	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

10.5.1 This represents classification made for agricultural finances.

10.6 Particulars of provision against non-performing advances

Rupees in '000	Note	2012 Specific	2012 General	2012 Consumer financing -General	2012 Total	2011 Specific	2011 General	2011 Consumer financing -General	2011 Total
Opening balance		16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626
Transfer from investments		22,500	-	-	22,500	-	-	-	-
Charge for the year		3,532,354	9,575	332	3,542,261	3,877,730	13,963	-	3,891,693
Reversal for the year		(1,050,208)	(14,007)	(41,488)	(1,105,703)	(2,164,986)	(14,023)	(51,592)	(2,230,601)
Net charge / (reversal) for the year		2,482,146	(4,432)	(41,156)	2,436,558	1,712,744	(60)	(51,592)	1,661,092
Reversal of provision on rescheduled / restructured classified advances	20.1	-	-	-	-	(71,692)	-	-	(71,692)
Amounts written off	10.8	-	-	-	-	(572,336)	-	-	(572,336)
Closing balance		18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690

Rupees in '000	2012	2011
10.6.1 Provision against non-performing advances		
Net charge for the year	2,436,558	1,661,092
Reversal of capital reserve	(94,085)	(30,969)
	2,342,473	1,630,123

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 availed in last years has been reduced by Rs. 596,999 thousand (net of FSV benefit availed during the year), which has resulted in increased charge for specific provision for the year ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profit for the year ended would have been higher by Rs. 596,999 thousand (December 31, 2011: lower by Rs. 1,838,083 thousand) and Rs. 388,049 thousand (December 31, 2011: lower by Rs. 1,194,754 thousand) respectively.

10.6.3 The Bank has availed the relaxation of Rs. 262,880 thousand (2011: 249,030 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

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	2012 Specific	2012 General	2012 Consumer financing –General	2012 Total	2011 Specific	2011 General	2011 Consumer financing –General	2011 Total
In local currency	18,435,321	120,493	203,890	18,759,704	16,021,957	131,304	245,046	16,398,307
In foreign currencies	360,839	7,205	-	368,044	269,557	826	-	270,383
	18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690

Rupees in '000	2012	2011
10.8 Particulars of write–offs:		
10.8.1 Against provisions	–	572,336
Directly charged to profit and loss account	1,043	–
	1,043	572,336
10.8.2 Write offs of Rs. 500,000 and above	1,043	8,349
Write offs of below Rs. 500,000	–	563,987
	1,043	572,336

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, 2012 is given at Annexure - 1.

Rupees in '000	Note	2012	2011
10.9 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,460,577	1,492,577
Loans granted during the year		333,959	318,853
Repayments		(369,026)	(350,853)
Balance at end of year		1,425,510	1,460,577
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		291	1,072
Loans granted during the year		–	47,089
Repayments		(146)	(47,870)
Balance at end of year		145	291
		1,425,655	1,460,868
11. OPERATING FIXED ASSETS			
Capital work–in–progress	11.1	43,524	43,329
Property and equipment	11.2	7,568,768	8,080,756
Intangibles	11.2	1,228,799	1,224,730
		8,841,091	9,348,815
11.1 Capital work–in–progress			
Advances to suppliers and contractors		43,524	43,329
		43,524	43,329

11.2 Property and equipment

Rupees in '000	2012 COST / REVALUED AMOUNT as at January 1, 2012	Additions	Adjustment	Deletions/ transfers	as at December 31, 2012	DEPRECIATION as at January 1, 2012	Charge for the year	Adjustments	Deletions	as at December 31, 2012	Book value as at December 31, 2012	Annual rate of depreciation (%)
Land -freehold - note 11.3	1,639,802	-	-	-	1,639,802	-	-	-	-	-	1,639,802	-
Land -leasehold - note 11.3	2,151,818	-	-	-	2,151,818	-	-	-	-	-	2,151,818	-
Buildings on freehold land	855,882	-	-	-	855,882	222,241	31,067	-	-	253,308	602,574	5
Buildings on leasehold land	1,427,212	-	-	-	1,427,212	419,039	49,269	-	-	468,308	958,904	5
Renovation of premises	1,828,178	70,870	(1,601)	(169)	1,897,278	1,137,145	273,763	(11)	(107)	1,410,790	486,488	20
Furniture, fixtures and office equipment	526,885	16,424	147	(6,109)	537,347	222,547	30,413	31	(2,467)	250,524	286,823	10
Carpets	23,180	3,527	-	(2,272)	24,435	17,664	2,437	-	(1,604)	18,497	5,938	20
Machine and equipments	1,321,306	63,118	50	(7,837)	1,376,637	779,061	113,464	(88)	(5,820)	886,617	490,020	20
Computer equipments	2,080,728	82,212	342	(5,150)	2,158,132	1,022,895	202,659	295	(4,005)	1,221,844	936,288	20
Vehicles	223,584	43	(335)	(11,163)	212,129	205,156	9,217	(356)	(11,108)	202,909	9,220	20
Other assets	133,222	-	(88,122)	-	45,100	105,293	6,916	(68,002)	-	44,207	893	20
	12,211,797	236,194	(89,519)	(32,700)	12,325,772	4,131,041	719,205	(68,131)	(25,111)	4,757,004	7,568,768	
Operating lease - Vehicles	18,209	-	-	(16,375)	1,834	18,209	-	-	(16,375)	1,834	-	20
	12,230,006	236,194	(89,519)	(49,075)	12,327,606	4,149,250	719,205	(68,131)	(41,486)	4,758,838	7,568,768	
Intangible												
Software	1,305,468	144,162	-	-	1,449,630	80,738	140,093	-	-	220,831	1,228,799	10

Rupees in '000	2011 COST / REVALUED AMOUNT as at January 1, 2011	Additions	Adjustment	Deletions	as at December 31, 2011	DEPRECIATION as at January 1, 2011	Charge for the year	Adjustments	Deletions	as at December 31, 2011	Book value as at December 31, 2011	Annual rate of depreciation (%)
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	762	-	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	(697)	(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	278	(2,318)	222,547	304,338	10
Carpets	21,832	2,475	12	(1,139)	23,180	16,076	2,517	17	(946)	17,664	5,516	20
Machine and equipments	1,255,840	76,466	(366)	(10,634)	1,321,306	662,190	124,996	277	(8,402)	779,061	542,245	20
Computer equipments	1,933,875	239,173	(79,307)	(13,013)	2,080,728	845,385	191,864	(3,723)	(10,631)	1,022,895	1,057,833	20
Vehicles	224,843	6,315	(40)	(7,534)	223,584	191,755	17,930	59	(4,588)	205,156	18,428	20
Other assets	133,222	-	-	-	133,222	89,368	16,155	(230)	-	105,293	27,929	20
	11,740,748	595,634	(82,917)	(41,668)	12,211,797	3,424,779	739,494	(3,257)	(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	(3,257)	(29,975)	4,149,250	8,080,756	
Intangible												
Software	-	1,225,905	79,563	-	1,305,468	-	76,634	-	4,104	80,738	1,224,730	10

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 884,184 thousand (2011: Rs. 701,891 thousand).

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	Sadruddin Associates
	3,513,645	

Had the land not been revalued, the carrying amount of land as at December 31, 2012 would have been Rs. 2,094,295 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			
Vehicles						
Suzuki Vitara	1,607	1,581	26	563	As per Bank policy	Mr. Abdul Waheed - Executive
Honda Accord	2,514	2,514	-	880	- do -	Mr. M. R. Mehkari - President and CEO
Honda Civic	1,112	1,112	-	825	Tender	Mr. Abdul Hameed
Toyota Corolla	1,019	1,019	-	776	- do -	Mr. Aziz Khan
Computer Equipments	1,665	1,293	372	25	Negotiation	M/S Qadri Mustafi Engineering
	7,917	7,519	398	3,069		
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	41,158	33,967	7,191	10,264		
2012	49,075	41,486	7,589	13,333		
2011	41,668	29,975	11,693	11,713		

Rupees in '000	Note	2012	2011
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	6,130,141	7,145,152
Income / mark-up accrued in foreign currencies		193,127	165,990
Advances, deposits, advance rent and other prepayments		797,301	1,454,544
Advance taxation (payments less provisions)		3,674,110	2,960,034
Non banking assets acquired in satisfaction of claims	12.2	4,289,885	3,485,578
Un-realised gain on forward foreign exchange contracts - net		80,587	327,317
Suspense account		71,625	50,691
Stationary and stamps in hand		35,377	46,447
Dividend receivable		53,752	8,834
Others		257,579	398,325
		15,583,484	16,042,912
Less: Provision against other assets	12.3	(92,498)	(97,662)
Other assets - net of provision		15,490,986	15,945,250

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 9,519,286 thousand (2011: Rs. 7,671,302 thousand).

12.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 6,461,300 thousand (2011: Rs. 5,499,775 thousand). Further, additions include certain properties, acquired by the Bank through registered sale deeds, in its name, involving value of Rs. 532,337 thousand wherefor mutation formalities are in progress.

Rupees in '000	2012	2011
12.3 Provision against other assets		
Opening balance	97,662	98,121
Provision recognised during the year	21,633	-
Recovery from customer	(13,000)	-
	8,633	-
Written off during the year	(13,797)	(459)
Closing balance	92,498	97,662
13. BILLS PAYABLE		
In Pakistan	3,700,156	2,756,032
14. BORROWINGS		
In Pakistan	8,360,019	17,212,842
Outside Pakistan	12,598	60,628
	8,372,617	17,273,470
14.1 Particulars of borrowings with respect to currencies		
In local currency	8,360,019	17,212,842
In foreign currencies	12,598	60,628
	8,372,617	17,273,470

Rupees in '000	Note	2012	2011
14.2 Details of borrowings – secured / unsecured			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	7,170,013	8,317,225
Long term financing of export oriented projects	14.2.2	400,104	669,568
Long term financing facility	14.2.3	195,076	251,673
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.4	2,745	31,045
Refinance scheme for revival of SME activities in flood affected areas	14.2.4	7,500	7,500
		7,775,438	9,277,011
Repo borrowings from financial institutions		-	7,935,831
Unsecured			
Call borrowings	14.2.5	500,000	-
Overdrawn balance with other banks		84,581	-
		584,581	-
		8,360,019	17,212,842
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		12,598	60,628
		8,372,617	17,273,470

14.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 8.5% (2011: 10%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up rate of 5% (2011: 5%) per annum payable on a quarterly basis.

14.2.3 These carry mark-up ranging from 5.5% to 10.1% (2011: 6.5% to 8.6%) per annum payable on a quarterly basis.

14.2.4 These carry mark-up rate of 5% (2011: 5%) per annum payable on a quarterly basis.

14.2.5 These represent borrowings at mark-up rate of 8.75% (2011: Nil) per annum and have maturity upto seven days.

Rupees in '000	2012	2011
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,647,191	89,523,862
Savings deposits	155,646,270	141,028,007
Current accounts - non-remunerative	62,694,946	56,633,911
Special exporters' account	22,282	11,509
Margin accounts	2,316,551	2,416,273
Others	406,476	380,598
Financial institutions		
Remunerative deposits	9,381,065	1,507,056
Non-remunerative deposits	822,435	1,777
	306,937,216	291,502,993
15.1 Particulars of deposits		
In local currency	274,501,211	256,920,834
In foreign currencies	32,436,005	34,582,159
	306,937,216	291,502,993

Deposits include Rs. 18,631,133 thousand (2011: Rs. 19,758,975 thousand) due to related parties.

Rupees in '000	2012	2011
16. SUB-ORDINATED LOANS		
Term Finance Certificates - I	1,495,500	1,496,100
Term Finance Certificates - II	1,495,800	1,496,400
Term Finance Certificates - III	2,996,400	2,997,600
Term Finance Certificates - IV	999,600	1,000,000
	6,987,300	6,990,100

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	1,495,500	1,495,800	2,996,400	999,600
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 Limited	Lahore Stock Exchange Limited	Lahore Stock Exchange 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 on 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 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%	6-90th month: 0.32% 97-120th month: 99.68%	6-90th month: 0.32% 97-120th month: 99.68%

Rupees in '000	2012	2011
17. DEFERRED TAX LIABILITIES		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation and amortization	606,572	711,324
Provision against non-performing advances		
- excess of 1% of total advances	(651,007)	(404,730)
- classified in sub-standard category	(5,867)	7,883
	(50,302)	314,477
Surplus / (deficit) on revaluation of available for sale securities	168,678	(231,453)
	118,376	83,024

Rupees in '000	2012	2011
18. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	1,837,337	2,059,529
Mark-up / return / interest payable in foreign currencies	17,051	76,145
Unearned income / commission	168,876	188,368
Accrued expenses	696,837	338,596
Advance payments	59,315	52,068
Security deposit against lease / Ijarah financing	2,378,387	3,044,275
Unclaimed dividends	38,371	39,157
Branch adjustment account	858,692	622,392
Payable to defined contribution plan	-	22,376
Payable against purchase of listed shares	140,574	162,103
Withholding taxes payable	39,367	43,795
Federal excise duty payable	3	2,503
Workers' Welfare Fund	185,115	108,000
Others	832,031	615,114
	7,251,956	7,374,421

19. SHARE CAPITAL

19.1 Authorized capital

2012 Number of shares	2011 Number of shares		2012 Rupees in '000	2011 Rupees in '000
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000

19.2 Issued, subscribed and paid up capital

2012 Number of shares	2011 Number of shares	Ordinary shares of Rs. 10 each:	2012	2011
67,500,000	67,500,000	Fully paid in cash	675,000	675,000
717,297,769	611,245,019	Issued as bonus shares	7,172,978	6,112,451
28,273,315	28,273,315	Issued on ALL merger	282,733	282,733
813,071,084	707,018,334		8,130,711	7,070,184

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 Bank's status of compliance with regard to above is stated in note 1.3.

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note – 20.3	Capital reserve note - 20.1	General reserve	2012	2011
20. RESERVES							
Balance as at January 01	75,296	234,669	3,648,445	94,085	4,083,945	8,136,440	7,691,319
Effect of translation of net investment in Wholesale Bank Branch	7,363	-	-	-	-	7,363	19,783
Transfer from un-appropriated profit	-	-	251,072	-	1,302,158	1,553,230	1,027,359
Bonus shares issued	-	-	-	-	(1,060,527)	(1,060,527)	(642,744)
Reversal of capital reserve	-	-	-	(94,085)	-	(94,085)	(30,969)
Effect of rescheduled / restructured classified advances	-	-	-	-	-	-	71,692
Balance as at December 31	82,659	234,669	3,899,517	-	4,325,576	8,542,421	8,136,440

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 was not available for payment of cash or stock dividend. The reserve has been reversed on fulfilling the requirements of BSD Circular No. 10 dated October 20, 2009.

20.2 As at December 31, 2012, the Bank has availed net of tax benefit of Forced Sale Value (FSV) of Rs. 3,094,844 thousand (December 31, 2011: Rs. 3,477,969 thousand) in respect of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing assets allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in notes 9.17.1 and 10.6.2 above. Reserves and un-appropriated profit 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	2012	2011
21. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX		
Surplus on revaluation of land	1,697,325	1,697,325
Surplus / (deficit) on revaluation of available for sale securities		
i) Federal Government securities	781,542	(196,668)
ii) Listed shares	(34,407)	(232,399)
iii) Units of open end mutual funds	8,032	30,589
iv) Other securities	(273,230)	(262,816)
	481,937	(661,294)
Less: related deferred tax	(168,678)	231,453
	313,259	(429,841)
	2,010,584	1,267,484
22. CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Government	-	2,329,106
Others	5,373,983	7,047,996
	5,373,983	9,377,102

Rupees in '000	2012	2011
22.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	233,955	270,352
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	79,212,961	54,928,965
ii) Banks and other financial institutions	808,020	744,007
iii) Others	13,813,083	15,582,567
	93,834,064	71,255,539
	94,068,019	71,525,891

These include guarantees amounting to Rs. 901,381 thousand (2011: Rs. 890,769 thousand) issued in the normal course of business which are in litigations, wherein the Bank has been merely impleaded and is not a party to the dispute.

Rupees in '000	2012	2011
22.3 Trade-related contingent liabilities	44,442,449	36,629,023
22.4 Other contingencies		
22.4.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	615,701	649,430

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

22.4.3 The Competition Commission of Pakistan (CCP) in an order dated June 28, 2012 has penalized 1 Link (Guarantee) Limited and its member banks for allegedly following uncompetitive behaviour and imposition of uniform cost on cash withdrawals from ATMs; Askari Bank's share of such penalty is Rs. 50 million. The Bank along with other banks has filed a constitutional petition before the honorable Sindh High Court, which has suspended the order of CCP till next hearing date.

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 & 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 Commissioner Inland Revenue (Appeals) [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 Appellate Tribunal Inland Revenue [ATIR] with respect to matters not decided in its favour.

Rupees in '000	2012	2011
22.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	5,823,130	362,147
Sale and repurchase agreements	-	7,953,517
22.7 Commitments in respect of forward exchange contracts		
Purchase	13,497,314	23,775,757
Sale	8,926,334	14,977,195

The above commitments have maturities falling within one year.

Rupees in '000	2012	2011
22.8 Commitments in respect of forward sale of listed equity securities		
Sale	138,191	-
22.9 Commitments for the acquisition of operating fixed assets	140,070	146,430
22.10 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	6,480,778	5,576,283
22.11 Other commitments		
This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000
22.12 Bills for collection		
Payable in Pakistan	1,162,798	535,642
Payable outside Pakistan	11,126,400	12,239,196
	12,289,198	12,774,838

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

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

24. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as interest rate swaps, forward rate swap, forward rate agreements or foreign exchange options. However, the Bank's treasury and investments banking groups buy and sell derivative instruments such as:

- Forward exchange contracts
- Equity futures

24.1 Forward exchange contracts

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

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

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

24.2 Equity futures

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

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

The accounting policies used to recognize and disclose derivatives are given in note 5.15.

Rupees in '000	Note	2012	2011
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	25.1	17,420,940	17,704,368
ii) Financial institutions		45,910	86,448
On investments			
i) Available for sale securities		14,156,786	13,876,815
ii) Held to maturity securities		447,735	543,789
iii) Held for trading		–	2,916
On deposits with financial institutions		153,189	188,957
On securities purchased under resale agreements		177,627	363,058
		32,402,187	32,766,351

25.1 This includes an amount of Rs. 7,080 thousand (2011: Rs. 29,972 thousand) on account of income received from related parties.

Rupees in '000	Note	2012	2011
26. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits	26.1	19,110,271	18,816,220
On securities sold under repurchase agreements		2,228,432	2,010,892
On sub-ordinated loans		962,708	921,388
On call money borrowings		19,630	52,632
On refinance borrowings from SBP		597,847	834,023
On long term finance for export oriented projects from SBP		48,506	55,509
On other short term borrowings		6,387	8,919
		22,973,781	22,699,583

26.1 This includes an amount of Rs. 2,328,062 thousand (2011: Rs. 1,324,696 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2012	2011
27. GAIN ON SALE OF SECURITIES – NET		
Federal Government Securities		
Market Treasury Bills	98,930	113,283
Pakistan Investment Bonds	473,013	26,825
Term Finance Certificates	-	17,308
Shares – listed	203,835	(52,271)
Others	(94,093)	202,067
	681,685	307,212

Rupees in '000	Note	2012	2011
28. OTHER INCOME			
Rent on property	28.1	31,079	38,017
Gain on sale of operating fixed assets		5,744	20
Rent of lockers		16,211	17,450
Gain on sale of non-banking asset		6,723	–
Recovery of expenses from customers		301,203	284,271
		360,960	339,758

28.1 This includes an amount of Rs. 29,574 thousand (2011: Rs. 24,941 thousand) on account of rent received from related parties.

Rupees in '000	Note	2012	2011
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		4,086,652	3,788,951
Charge for defined benefit plan	35.3	183,704	165,706
Contribution to defined contribution plan	36	144,542	129,699
Directors' fees, allowances and other expenses		4,700	2,350
Rent, taxes, insurance, electricity, etc.		1,129,293	1,047,204
Legal and professional charges		69,212	51,647
Brokerage and commission		105,931	144,992
Communications		313,187	315,054
Repairs and maintenance		885,062	1,016,418
Stationery and printing		108,399	125,618
Advertisement and publicity		79,643	116,232
Donations		-	16,000
Auditors' remuneration	29.1	10,809	13,448
Depreciation	11.2	719,205	741,172
Amortization	11.2	140,093	76,634
Travelling and entertainment		104,148	79,614
Fuel and vehicle running expenses		543,333	462,842
Security service charges		270,802	263,847
Other expenditure		140,540	81,884
		9,039,255	8,639,312
29.1 Auditors' remuneration			
Audit fee		2,800	2,500
Fee for the audit of Wholesale Bank Branch		2,214	2,096
Fee for the audit of provident and gratuity funds		167	121
Special certifications, half year review and the audit of consolidated financial statements		2,988	2,888
Tax services		1,815	5,112
Out-of-pocket expenses		825	731
		10,809	13,448
30. OTHER CHARGES			
Workers' Welfare Fund		77,115	49,240
Penalties imposed by the State Bank of Pakistan		3,182	37,544
		80,297	86,784

Rupees in '000	Note	2012	2011
31. TAXATION			
For the year			
Current		839,144	832,723
Deferred		(364,779)	(47,670)
		474,365	785,053

31.1 Relationship between tax expense and accounting profit

	2012	2011
Profit before taxation	1,729,727	2,412,751
Tax at applicable tax rate of 35 percent (2010: 35 percent)	605,404	844,463
Effect of:		
– Income chargeable to tax at lower rates	(132,066)	(72,367)
– Permanent differences	1,114	12,872
– Others	(87)	85
	474,365	785,053

31.2 Tax status

i) The Bank has filed tax returns for and up to Tax Year 2012 (year ended 31 December 2011). The assessment for and up to Tax Year 2010 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts, 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 ATIR whereas partial relief has been provided by the CIR (A) on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

Tax returns of ALL have been filed for and up to Tax Year 2010. The returns of ALL 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	2012	2011
32. BASIC / DILUTED EARNINGS PER SHARE		
Profit for the year – Rupees in '000	1,255,362	1,627,698
Weighted average number of Ordinary Shares – numbers	813,071,084	813,071,084
Basic / diluted earnings per share – Rupees	1.54	2.00

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

Weighted average number of ordinary shares for 2011 has been restated to give effect of bonus shares issued during the year.

Rupees in '000	2012	2011
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	24,435,380	26,168,181
Balances with other banks	8,863,586	6,235,055
	33,298,966	32,403,236
33.1 Cash flow from operating activities (direct method)		
Mark-up / return / interest and commission receipts	36,090,474	35,273,937
Mark-up / return / interest payments	(23,255,067)	(22,298,156)
Cash payments to employees, suppliers and others	(6,837,244)	(7,726,597)
	5,998,163	5,249,184
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,727,890)	7,545,900
Held for trading securities	(151,593)	21,560
Advances	3,742,882	(862,910)
Other assets (excluding advance taxation)	393,836	(325,535)
	(742,765)	6,379,015
Increase / (decrease) in operating liabilities		
Bills payable	944,124	(333,952)
Borrowings	(8,900,853)	(8,281,307)
Deposits	15,434,223	35,566,490
Other liabilities (excluding current taxation)	(241,128)	(1,134,466)
	7,236,366	25,816,765
Cash flow before tax	12,491,764	37,444,964
Income tax paid	(1,553,220)	(953,125)
Net cash flow from operating activities	10,938,544	36,491,839

34. STAFF STRENGTH	Number of employees	
Permanent	4,272	4,470
Temporary / on contractual basis	1,269	1,440
Commission based	56	84
Bank's own staff strength at end of the year	5,597	5,994
Outsourced	1,310	1,283
Total staff strength at end of the year	6,907	7,277

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	2012	2011
35.2 The amounts recognised in the unconsolidated statement of financial position are as follows:		
Present value of defined benefit obligation	1,207,535	997,952
Fair value of plan assets	(1,072,829)	(865,358)
	134,706	132,594
Unrecognized actuarial losses	(134,706)	(132,594)
Net liability	–	–

Rupees in '000	2012	2011
35.3 The amounts recognised in unconsolidated profit and loss account are as follows:		
Current service cost	156,238	126,299
Interest on obligation	124,744	114,852
Expected return on plan assets	(103,838)	(91,079)
Actuarial loss recognised	6,560	15,634
	183,704	165,706
35.4 Actual return on plan assets	109,971	94,094
35.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	997,952	855,806
Current service cost	156,238	126,299
Interest cost	124,744	114,852
Actuarial loss / (gain)	14,804	(28,141)
Benefits paid	(86,204)	(70,864)
Closing defined benefit obligation	1,207,534	997,952
35.6 Changes in fair value of plan assets		
Opening fair value of plan assets	865,358	676,422
Expected return	103,838	91,079
Actuarial gain	6,133	3,015
Contributions by employer	183,704	165,706
Benefits paid	(86,204)	(70,864)
Closing fair value of plan assets	1,072,829	865,358

The Bank expects to contribute Rs. 153,744 thousand to its defined benefit gratuity plan in 2013.

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.

	2012		2011	
	Rupees '000	Percentage	Rupees '000	Percentage
35.7 Break–up of category of assets				
Pakistan Investment Bonds	761,861	71	625,423	72
Bank deposit account	310,968	29	239,935	28
	1,072,829	100	865,358	100

35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2012 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2012	2011
Discount rate – per annum	11.5%	12.5%
Expected rate of increase in salaries – per annum	11.5%	12.5%
Expected rate of return on plan assets – per annum	11%	12%
Average expected remaining life of employees – years	5	6
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	2012	2011	2010	2009	2008
As at December 31,					
Defined benefit obligation	1,207,534	997,952	855,806	700,384	538,472
Plan assets	(1,072,829)	(865,358)	(676,422)	(481,384)	(326,881)
Deficit	134,705	132,594	179,384	219,000	211,591
Experience adjustments					
Actuarial gain / (loss) on obligation	(14,804)	28,141	30,757	(26,659)	(9,796)
Actuarial gain / (loss) on plan assets	6,133	3,015	(12,421)	(468)	(27,756)

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, 2011 were Rs. 1,880,291 thousand (December 31, 2010: Rs. 1,541,256 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.

37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2012 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2012 was Rs. 203,899 thousand against related liability of Rs. 186,320 thousand carried at December 31, 2011. Expense for the year of Rs. 17,580 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2012	2011
Discount rate – per annum	11.5%	12.5%
Expected rate of increase in salaries – per annum	11.5%	12.5%
Leave accumulation factor – days	5	5

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
Rupees in '000	2012	2011	2012	2011	2012	2011
Fees	-	-	4,700	2,350	-	-
Managerial remuneration	17,187	12,579	-	-	848,796	576,414
Charge for defined benefit plan	1,354	1,128	-	-	53,412	48,028
Contribution to defined contribution plan	1,354	1,048	-	-	53,433	47,947
Rent and house maintenance	7,371	5,721	-	-	283,155	259,387
Utilities	1,625	1,258	-	-	61,366	57,641
Medical	1,625	1,258	-	-	61,366	57,641
Special performance incentive / Bonus	3,622	2,256	-	-	140,008	67,095
	34,138	25,248	4,700	2,350	1,501,536	1,114,153
Number of persons	1	1	10	10	500	542

Executives mean all executive 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:

	2012									
Rupees in '000	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	136,805	357,973	1,818,093	34,134,105	56,366	16,211	-	-	-	36,519,553
Total expenses	34,195	89,477	516,759	33,168,546	14,089	4,052	-	-	962,708	34,789,826
Net income / (loss)	102,610	268,496	1,301,334	965,559	42,277	12,159	-	-	(962,708)	1,729,727
Segment Assets (Gross)	67,809	329,278	14,659,149	357,963,868	27,939	8,035	-	-	-	373,056,078
Segment Non Performing Loans	-	-	2,873,636	23,644,812	-	-	-	-	-	26,518,448
Segment Provision Required	-	-	2,523,806	17,476,645	-	-	-	-	-	20,000,451
Segment Liabilities	1,046	5,081	18,867,165	307,351,015	431	124	-	-	7,142,759	333,367,621
Segment Return on net Assets (ROA) (%)	0.04	0.10	0.52	9.80	0.02	-	-	-	-	
Segment Cost of funds (%)	0.01	0.03	0.16	10.06	-	-	-	-	0.29	

	2011									
Rupees in '000	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	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.85% (2011: 5.01%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.73% (2011: 1.61%) 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.

42. RELATED PARTY TRANSACTIONS

Army Welfare Trust (AWT) holds 50.57% (2011: 50.57%) of the Bank's share capital at the year end. The Bank has related party relationships with subsidiaries, 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:

	December 31, 2012						December 31, 2011					
Rupees in '000	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employees funds	Parent	Key management Personnel	Directors	Companies with common directorship having equity under 20%	Associated and subsidiary companies	Employees funds
Balances outstanding as at												
- Advances	-	111,092	6,011	145	-	-	-	117,472	15,130	291	-	-
- Deposits	17,755,898	28,306	39,306	349,635	405,377	52,611	19,327,756	43,868	98,100	171,830	49,407	68,014
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	233,955	-	-	277,859	-	-	270,352	-	-
- Investment in shares / units - at cost	-	-	-	1,714,494	353,492	-	-	-	-	1,614,504	353,492	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,659	-	-	-	-	-	3,661	-
Transactions during the year ended												
- Net mark-up / interest earned	-	6,312	754	14	-	-	-	7,570	1,060	21,269	73	-
- Net mark-up / interest expensed	2,275,211	1,413	8,481	23,832	5,148	13,977	1,280,129	1,523	8,313	25,307	6,856	2,568
- Rent received against operating lease	-	-	-	-	-	-	-	-	-	9,583	-	-
- Contribution to employees' funds	-	-	-	-	-	328,246	-	-	-	-	-	295,405
- Investment made in subsidiary	-	-	-	-	-	-	-	-	-	-	68,284	-
- Investment in units of AIML funds - at cost - (net)	-	-	-	-	-	-	-	-	-	38,106	-	-
- Investment in units of AIML funds - purchase	-	-	-	16,200,000	-	-						
- Investment in units of AIML funds - sale	-	-	-	15,980,719	-	-						
- Assets sold to associated company	-	-	-	-	-	-	-	-	-	-	782	-
- Rent of property / service charges received	19,398	-	-	4,764	5,412	-	15,629	-	-	4,392	4,920	-
- Rent of property / service charges paid	67,737	-	-	70,277	607	-	71,355	-	-	77,062	-	-
- Remuneration paid	-	215,231	-	-	-	-	-	192,099	-	-	-	-
- Post employment benefits	-	16,983	-	-	-	-	-	14,862	-	-	-	-
- Insurance claim received	-	-	-	-	317	-	-	-	-	-	1,246	-
- Insurance premium paid	-	-	-	-	26,905	-	-	-	-	-	47,156	-
- Dividend Income	-	-	-	398,644	-	-	-	-	-	62,971	-	-
- Security services costs	-	-	-	198,679	-	-	-	-	-	189,053	-	-
- Fee, commission and brokerage income received	-	-	-	17	169	-	2	-	-	-	22	-
- Fees paid	-	-	4,700	-	-	-	-	-	2,350	-	-	-

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 AKBL, while ASL is 74% owned by the Bank. Both these entities are included while calculating capital adequacy for the Bank using full consolidation method. The fact that the Bank has neither any significant minority investments in banking, securities, or any other financial entities 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 risks. 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 fulfil other specified criteria under the relevant capital adequacy guidelines.

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

43.3 Capital adequacy ratio as at December 31, 2012

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	2012	2011
Tier I capital		
Fully paid-up capital	8,130,711	7,070,184
Share premium account	234,669	234,669
Reserves (excluding foreign exchange translation reserves)	8,225,093	7,826,475
Unappropriated / unremitted profits (net of losses)	1,004,290	1,302,158
Less: Book value of intangibles – note 11	(1,255,167)	(1,224,730)
Deficit on account of revaluation of investments	–	–
Shortfall in provision required against classified assets irrespective of any relaxation allowed	(158,459)	(146,949)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(132,733)	(132,733)
Total Tier I Capital	16,048,404	14,929,074
Tier II Capital		
Subordinated debt (upto 50% of total Tier I capital)	3,991,200	4,592,260
General provisions for loan losses subject to 1.25% of total risk weighted assets	331,589	377,177
Revaluation reserve (upto 45%)	980,668	570,368
Foreign exchange translation reserves	82,659	75,297
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(132,733)	(132,733)
Total Tier II capital	5,253,383	5,482,369
Eligible Tier III capital	–	–
Total regulatory capital	21,301,787	20,411,443

Risk-weighted exposures

	Capital Requirement		Risk Weighted Assets	
Rupees in '000	2012	2011	2012	2011
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	385,467	235,469	3,854,668	2,354,692
Public Sector Entities (PSEs)	215,233	414,228	2,152,334	4,142,279
Banks	2,078,571	1,570,960	20,785,715	15,709,604
Corporates	6,738,753	7,525,496	67,387,528	75,254,960
Retail portfolio	1,591,644	2,074,738	15,916,438	20,747,382
Residential mortgage finance	322,679	327,733	3,226,791	3,277,327
Listed equities and regulatory capital instruments issued by others banks	149,037	104,371	1,490,367	1,043,710
Unlisted equity investments	7,399	28,707	73,992	287,072
Fixed assets	758,592	812,409	7,585,923	8,124,085
Other assets	613,796	581,883	6,137,960	5,818,833
Past due exposures	974,568	857,002	9,745,677	8,570,024
Forward foreign exchange contracts	22,028	52,279	220,278	522,795

Rupees in '000	Capital Requirement 2012	Capital Requirement 2011	Risk Weighted Assets 2012	Risk Weighted Assets 2011
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	652,926	463,041	6,529,256	4,630,410
Equity position risk	1,047,968	662,140	10,479,682	6,621,395
Foreign exchange risk	122,736	11,913	1,227,363	119,134
Operational risk	2,355,340	2,261,726	23,553,401	22,617,255
TOTAL	18,036,737	17,984,095	180,367,373	179,840,957
Capital adequacy ratio				
Total eligible regulatory capital held			21,301,787	20,411,443
Total risk weighted assets			180,367,373	179,840,957
Capital adequacy ratio			11.81%	11.35%

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 enables 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.

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

	2012						2011					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	6,545,640	4.02	3,036,944	0.99	421,169	0.23	7,138,183	4.26	2,730,231	0.94	1,719,902	1.00
Automobiles and allied	504,084	0.31	866,646	0.28	399,962	0.22	526,364	0.31	616,816	0.21	673,050	0.39
Cables / electronics	2,162,329	1.33	1,434,976	0.47	375,371	0.21	2,494,341	1.49	2,025,873	0.69	754,296	0.44
Carpets	293,689	0.18	54,742	0.02	23,139	0.01	232,465	0.14	59,962	0.02	18,223	0.01
Cement	1,143,231	0.70	933,570	0.30	541,912	0.30	3,472,314	2.07	96,673	0.03	387,690	0.23
Chemicals / pharmaceuticals	3,119,304	1.92	825,811	0.27	3,442,339	1.91	3,989,348	2.38	3,470,496	1.19	2,268,018	1.32
Engineering	642,006	0.39	326,487	0.11	2,167,073	1.20	640,408	0.38	54,064	0.02	1,590,685	0.93
Fertilizers	3,590,314	2.20	443,461	0.14	1,577,225	0.88	4,431,649	2.65	1,405,993	0.48	330,667	0.19
Food and allied	2,185,347	1.34	778,180	0.25	913,967	0.51	2,413,088	1.44	601,058	0.21	876,855	0.51
Fuel / energy	17,495,770	10.74	2,573,058	0.84	14,241,647	7.91	18,966,087	11.33	2,252,717	0.77	12,756,311	7.45
Ghee and edible oil	1,783,207	1.09	270,704	0.09	2,618,843	1.46	2,775,354	1.66	249,194	0.09	2,450,068	1.43
Glass and ceramics	1,389,070	0.85	42,653	0.01	40,002	0.02	1,457,187	0.87	14,837	0.01	55,067	0.03
Hotels and restaurants	491,390	0.30	681,293	0.22	17,425	0.01	212,492	0.13	438,449	0.15	32,999	0.02
Individuals	16,986,713	10.42	105,024,343	34.22	167,908	0.09	19,476,749	11.64	89,273,536	30.63	1,893,002	1.10
Insurance	10,185	0.01	529,751	0.17	500	0.00	32,933	0.02	187,179	0.06	-	-
Financial institutions / investment companies	405,000	0.25	1,370,038	0.45	69,337,365	38.53	500,105	0.30	1,433,676	0.49	27,708,906	16.17
Leasing	5,835	-	11,049	-	-	-	-	-	1,472	-	-	-
Leather products and shoes	809,334	0.50	604,750	0.20	72,087	0.04	948,964	0.57	460,523	0.16	72,967	0.04
Modarabas	-	-	6	-	-	-	37,609	0.02	27	-	1,197	0.00
Paper and board	593,518	0.36	86,049	0.03	114,198	0.06	517,738	0.31	239,823	0.08	221,637	0.13
Plastic products	586,983	0.36	114,349	0.04	299,154	0.17	678,668	0.41	57,240	0.02	415,629	0.24
Ready-made garments	802,631	0.49	332,188	0.11	211,193	0.12	871,895	0.52	368,026	0.13	125,861	0.07
Real estate / construction	3,049,936	1.87	9,862,400	3.21	17,015,245	9.46	6,552,971	3.92	11,653,375	4.00	13,422,389	7.83
Rice processing and trading	2,515,494	1.54	898,041	0.29	383,880	0.21	2,849,218	1.70	765,519	0.26	534,022	0.31
Rubber products	149,588	0.09	117,901	0.04	108,559	0.06	151,078	0.09	36,715	0.01	229,176	0.13
Services												
(Other than financial, hotelling and travelling)	2,035,816	1.25	7,300,761	2.38	848,590	0.47	2,395,462	1.43	6,656,857	2.28	5,455,041	3.18
Sports goods	504,103	0.31	40,594	0.01	59,024	0.03	547,138	0.33	46,780	0.02	40,830	0.02
Sugar	171,702	0.11	94,123	0.03	1,777	0.00	82,510	0.05	73,450	0.03	3,550	0.00
Surgical equipment / metal products	5,779,211	3.55	1,203,519	0.39	320,227	0.18	5,766,500	3.45	426,596	0.15	1,008,454	0.59
Synthetic and rayon	566,460	0.35	95,444	0.03	4,953	0.00	455,108	0.27	109,963	0.04	153,933	0.09
Textile	22,082,644	13.55	1,968,746	0.64	3,672,852	2.04	23,443,856	14.01	2,457,414	0.84	7,972,087	4.65
Tobacco / cigarette manufacturing	5,122	-	5	-	-	-	6,236	-	3,015	-	-	-
Transport and communication	9,276,995	5.70	11,887,274	3.87	2,391,454	1.33	9,588,584	5.73	8,188,035	2.81	8,193,613	4.78
Travel agencies	64,054	0.04	59,486	0.02	544,456	0.30	60,973	0.04	76,262	0.03	209,016	0.12
Woolen	15,087	0.01	81,782	0.03	102,803	0.06	45,333	0.03	87,304	0.03	49,235	0.03
Public sector / Government	38,354,165	23.55	95,349,584	31.06	41,696,608	23.17	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65
Others	16,738,753	10.28	57,636,508	18.79	15,823,112	8.79	15,294,232	9.13	58,287,922	19.98	25,467,339	14.87
	162,854,710	100.00	306,937,216	100.00	179,956,019	100.00	167,379,399	100.00	291,502,993	100.00	171,322,775	100.00

44.1.1.2 Segment by sector

	2012						2011					
	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	38,354,165	23.55	95,349,584	31.06	41,696,608	23.17	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65
Private	124,500,545	76.45	211,587,632	68.94	138,259,411	76.83	139,053,140	83.08	194,907,072	66.86	117,091,715	68.35
	162,854,710	100.00	306,937,216	100.00	179,956,019	100.00	167,379,399	100.00	291,502,993	100.00	171,322,775	100.00

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

Rupees in '000	2012 Classified Advances	2012 Specific Provision Held	2011 Classified Advances	2011 Specific Provision Held
Agriculture finances	862,287	255,120	308,274	-
Automobiles and allied	469,131	264,643	459,357	208,841
Cables / electronics	1,154,254	1,130,357	1,177,820	1,014,126
Cement	406	406	87,107	64,417
Chemicals / pharmaceuticals	224,240	70,411	28,553	15,210
Financial institutions / investment companies	-	-	37,610	29,222
Food and allied	412,388	157,632	128,696	57,558
Fuel / energy	1,432,240	1,652,977	1,396,950	1,304,886
Glass manufacturing	1,110,342	1,110,342	1,110,342	981,588
Individuals	3,000,475	2,427,926	2,854,548	2,219,975
Leather products and shoes	54,877	48,135	53,984	36,483
Paper industries	19,904	1,477	19,999	-
Real estate / construction	1,099,648	415,164	1,036,670	178,714
Services (other than financial, hotelling And travelling)	500,314	202,740	617,049	192,607
Sports goods	387,057	355,587	465,120	436,667
Textile	11,363,313	7,780,563	9,657,002	6,830,023
Transport and communication	322,669	317,316	328,277	321,733
Public sector / Government	-	-	1,658	829
Others	4,104,903	2,605,364	3,876,525	2,398,635
	26,518,448	18,796,160	23,645,541	16,291,514

44.1.1.4 Details of non–performing advances and specific provisions by sector

	2012 Classified Advances	2012 Specific Provision Held	2011 Classified Advances	2011 Specific Provision Held
Public sector / Government	-	-	1,658	829
Private	26,518,448	18,796,160	23,643,883	16,290,685
	26,518,448	18,796,160	23,645,541	16,291,514

44.1.1.5 Geographical segment analysis

Rupees in '000	2012 Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,514,385	346,835,779	19,490,720	179,956,019
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - note 45.1.1.5.1	215,342	6,219,848	197,286	-
Others	-	-	-	-
	1,729,727	353,055,627	19,688,006	179,956,019

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

44.1.1.5.1 These do not include intra group items of Rs. 5,910,280 thousand (2011: Rs. 6,639,796 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 State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For foreign currency claims on sovereigns, risk weights were assigned on the basis of the credit ratings assigned by Moody's. For claims on foreign entities, rating of S&P, Moody's and Fitch Ratings were used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Type of exposures for which each agency is used in the year ended 2012 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	2012 Amount outstanding	2012 Deduction CRM	2012 Net Amount	2011 Amount outstanding	2011 Deduction CRM	2011 Net Amount
Rupees in '000							
Sovereigns	6	2,569,779	-	2,569,779	2,354,692	-	2,354,692
PSEs	1	7,062,936	-	7,062,936	8,147,961	1,118,196	7,029,765
Banks	1,2,3	6,010,629	-	6,010,629	7,324,556	-	7,324,556
Banks	4,5	784,441	-	784,441	71,512	-	71,512
Corporates	1	12,065,791	1,687,793	10,377,998	12,039,779	-	12,039,779
Corporates	2	15,348,631	-	15,348,631	10,611,848	-	10,611,848
Corporates	3,4	-	-	-	943,202	8,241	934,962
Corporates	5,6	2,077,994	-	2,077,994	2,337,992	110,928	2,227,064
Unrated		217,525,139	32,196,410	185,328,729	220,891,888	15,726,950	205,164,938
Total		263,445,340	33,884,203	229,561,137	264,723,430	16,964,315	247,759,116

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.

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 SBP and the Bank's Wholesale Banking 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.

	2012			
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	326,072,623	300,926,699	(4,570,980)	20,574,944
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	-	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	353,055,627	333,367,621	-	19,688,006

	2011			
(Rupees in '000)	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

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 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 (ALCO) 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.

	2012											
	Effective Yield / Interest rate		Exposed to yield/ interest risk									Non-interest bearing financial instruments
Rupees in '000		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	24,435,380	4,886,149	-	-	-	-	-	-	-	-	19,549,231
Balances with other banks	1.11%	8,863,586	6,478,269	-	-	-	-	-	-	-	-	2,385,317
Lendings to financial institutions	9.14%	6,319,474	5,833,725	-	-	485,749	-	-	-	-	-	-
Investments	11.26%	145,378,148	10,408,609	6,289,702	29,313,891	70,794,031	1,095,111	4,453,048	11,488,746	5,827,531	179,630	5,527,849
Advances	12.23%	143,726,962	43,048,390	66,534,365	23,761,159	5,365,247	831,196	322,171	572,951	889,750	2,401,733	-
Other assets		6,542,101	-	-	-	-	-	-	-	-	-	6,542,101
		335,265,651	70,655,142	72,824,067	53,075,050	76,645,027	1,926,307	4,775,219	12,061,697	6,717,281	2,581,363	34,004,498
Liabilities												
Bills payable		3,700,156	-	-	-	-	-	-	-	-	-	3,700,156
Borrowings	12.49%	8,372,617	5,515,911	204,083	2,584,187	4,762	19,823	19,823	19,823	4,205	-	-
Deposits and other accounts	6.75%	306,937,216	101,286,169	65,807,558	57,471,799	12,883,361	1,630,309	610,820	945,363	39,148	-	66,262,689
Sub-ordinated loans	13.72%	6,987,300	-	1,495,500	5,491,800	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		5,940,588	-	-	-	-	-	-	-	-	-	5,940,588
		331,937,880	106,802,080	67,507,141	65,547,786	12,888,123	1,650,132	630,643	965,186	43,353	-	81,844,027
On-balance sheet gap		3,327,771	(36,146,938)	5,316,926	(12,472,736)	63,756,904	276,175	4,144,576	11,096,511	6,673,928	2,581,363	(47,839,529)
Off-balance sheet financial instruments												
Purchase and resale agreements	8.16%	5,823,130	5,823,130	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		6,480,778	6,480,778	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(657,648)	(657,648)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(36,804,586)	5,316,926	(12,472,736)	63,756,904	276,175	4,144,576	11,096,511	6,673,928	2,581,363	(47,839,529)
Cumulative yield / interest risk sensitivity gap				(31,487,660)	(43,960,396)	19,796,508	20,072,683	24,217,259	35,313,770	41,987,698	44,569,061	

Mismatch of interest rate sensitive assets and liabilities

	2011											
	Effective Yield / Interest rate		Exposed to yield/ interest risk									Non-interest bearing financial instruments
Rupees in '000		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
Assets												
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
Liabilities												
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
On-balance sheet gap		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)
Off-balance sheet financial instruments												
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	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(13,167,653)	(13,167,653)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(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)	
Cumulative yield / interest risk sensitivity gap			(39,402,607)	(71,824,845)	(20,127,553)	(11,376,042)	3,083,416	11,917,776	18,244,398	22,751,612		

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 Assets do not include operating fixed assets of Rs. 8,841,091 thousand (2011: Rs. 9,348,815 thousand) and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 8,948,885 thousand (2011: 8,324,611 thousand).

44.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,311,368 thousand (2011: Rs. 1,017,126 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

	2012									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	24,435,380	24,435,380	-	-	-	-	-	-	-	-
Balances with other banks	8,863,586	8,863,586	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,319,474	5,833,725	-	-	485,749	-	-	-	-	-
Investments	145,378,148	10,720,499	5,943,257	19,261,205	72,428,216	7,346,074	6,551,380	14,002,825	7,907,412	1,217,280
Advances	143,726,962	22,835,553	34,979,153	18,884,444	29,852,156	6,872,817	5,302,015	9,975,339	9,067,809	5,957,676
Operating fixed assets	8,841,091	67,932	114,696	173,437	303,356	629,122	523,751	769,040	1,331,135	4,928,622
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	15,490,986	3,625,424	-	-	-	2,416,949	2,416,949	2,343,888	2,343,888	2,343,888
	353,055,627	76,382,099	41,037,106	38,319,086	103,069,477	17,264,962	14,794,095	27,091,092	20,650,244	14,447,466
Liabilities										
Bills payable	3,700,156	1,217,788	-	224,401	2,257,967	-	-	-	-	-
Borrowings	8,372,617	5,515,911	204,083	2,584,187	4,762	19,823	19,823	19,823	4,205	-
Deposits and other accounts	306,937,216	50,044,480	29,761,991	18,267,862	12,883,360	47,090,636	46,071,147	49,653,386	26,648,135	26,516,219
Sub-ordinated loans	6,987,300	-	1,495,500	1,100	1,496,300	1,600	1,600	3,200	3,988,000	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-
finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	118,376	-	168,678	-	-	-	-	(50,302)	-	-
Other liabilities	7,251,956	3,848,695	-	-	-	1,701,632	850,816	425,408	212,704	212,701
	333,367,621	60,626,874	31,630,252	21,077,550	16,642,389	48,813,691	46,943,386	50,051,515	30,853,044	26,728,920
Net assets	19,688,006	15,755,225	9,406,854	17,241,536	86,427,088	(31,548,729)	(32,149,291)	(22,960,423)	(10,202,800)	(12,281,454)
Share Capital	8,130,711									
Reserves	8,542,421									
Unappropriated profit	1,004,290									
Surplus on revaluation of assets	2,010,584									
	19,688,006									

Maturities of assets and liabilities

						2011				
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	26,168,181	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	5,252,128	10,029,232	25,537,182	57,057,088	5,438,510	10,788,259	14,126,597	4,845,121	682,594
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	96,826,593	31,746,863	47,507,847	76,334,143	19,863,672	19,161,353	23,068,933	16,414,132	12,832,769
Liabilities										
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
Net assets	17,776,266	17,943,590	4,119,330	30,443,130	63,023,201	(22,642,554)	(19,927,437)	(30,350,735)	(12,648,254)	(12,184,006)

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

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

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. 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. GENERAL

45.1 Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 18, 2013 has proposed the following appropriation, which will be approved in the forthcoming annual general meeting. The unconsolidated financial statements for the year ended December 31, 2012 do not include the effect of the appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2013 as follows:

Rupees in '000	2012	2011
Transfer from unappropriated profit to:		
General reserve	1,004,290	1,302,158
Transfer from general reserve to:		
Reserve for issue of bonus shares	-	1,060,528

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

46. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorised for issue on February 18, 2013 by the Board of Directors of the Bank.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Annexure–1

Annexure '1' referred to in note 10.8.3 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, 2012.

(Rupees in '000)

				Outstanding liabilities at the beginning of the year							
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
1	Hillat Textile Mills (Pvt) Ltd. 31-KM, Multan Road, Lahore	Muhammad Imran 35202-1629168-3 Aliya Imran 35202-7248245-0	Mian Muhammad Arshad Muhammad Imran	10,187	5,214	-	15,401	-	5,214	-	5,214
2	Bilal Textiles (Pvt) Limited P-102, Jail Road, Faisalabad	Saleem Umer 33100-0902344-5 Naeem Umer 33100-0571105-5 Mian Habibullah 32405-6085591-5 Bilal Umer 33100-5720610-3	Mian Muhammad Umar Mian Muhammad Umar Mian Muhammad Umar Mian Muhammad Saleem Umer	55,142	24,396	-	79,538	-	24,396	-	24,396
3	Muhammad Sharif Chaudhary 329 Block M, Moden Town Extension Lahore	Muhammad Sharif Chaudhary 35202-5927561-9	Chaudhry Jalal Din	1,995	1,276	-	3,271	-	771	-	771
4	Top Fashion Garments Plot No.1-D/5, Street No.18/1, Sector 16-B, North Karachi Industrial Area, Karachi.	Nauman Zaheer 42101-1843232-5	Zaheer Ahmed	8,593	1,445	-	10,038	1,043	1,445	-	2,488
5	S. Essa 1103, 1104, Business Centre, Mumtaz Hassan Road, Karachi	Asif Kapadia 42301-5125756-9 Saleem Kapadia 42201-0737639-5 Arif Kapadia 42201-4231223-3 Shafi Kapadia 42301-8575273-5	Ismail Kapadia Ismail Kapadia Ismail Kapadia Ismail Kapadia	14,977	4,616	-	19,593	-	2,133	-	2,133
6	Textile Farms Plot No.DP-4, Sector 21, Korangi Industrial Area, Karachi	Syed Mazhar Ali Zaidi 42201-4025527-5 Asma Zaidi 42201-0408336-4	Syed Haziq Ali Zaidi Syed Mazhar Ali Zaidi	8,381	2,945	-	11,326	-	2,385	-	2,385
7	Sara Industries No.706, 7th Floor, Ibrahim Trade Tower, Shahrah-e-Faisal, Karachi	Anwar Ahmed Khan 90309-0105588-7	Muhammad Iqbal Khan	22,230	6,610	-	28,840	-	3,957	-	3,957
8	Mian Ali Hassan 441-442-B, Peoples Colony No.1 Faisalabad.	Mian Ali Hassan 33100-0387878-9	Ch. Zahoor Ahmed	4,000	1,040	-	5,040	-	540	-	540
9	Muhammad Khalid P-600, St. No.9-A, Mustafaabad Faisalabad.	Muhammad Khalid 33100-3487758-9	Muhammad Ashraf	2,700	1,367	-	4,067	-	1,367	-	1,367
10	Nauman Bashir Khan House No.142, Block Q, Phase-II DHA, Lahore	Nauman Bashir Khan 42201-6029743-5	Muhammad Bashir	935	1,151	-	2,086	-	593	-	593

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year: Principal	Interest/ Mark-up	Others	Total	Principal Written-off	Interest/ Mark-up Written-off	Other Financial relief provided	Total
11	Arzoo (Pvt) Limited 3/1, Block-H, Gulberg-III, Lahore	Muhammad Shafiq Chaudhry 35202-2812241-3 Humaira Shafique Chaudhry 35202-2649051-6	Chaudhry Faqir Muhammad Muhammad Shafiq Chaudhry	27,000	8,992	-	35,992	-	8,992	-	8,992
12	Qadri International (Pvt) Ltd. 93, JCHS, Tipu Sultan Road, Karachi	Muhammad Shoaib Qadri 42101-4826184-5 Sheeba Shoaib Qadri 42101-2057142-4	Ahmed Hussain Qadri Muhammad Shoaib Qadri	17,520	8,379	-	25,899	-	4,899	-	4,899
13	Alif Lam Mem Rice Factory Qila Qalarwala, District Sialkot	Muhammad Siddique 34101-1349975-5 Arshad Rashid 34101-4626006-5	Haji Muhammad Ibrahim Haji Muhammad Ibrahim	-	4,271	-	4,271	-	1,771	-	1,771
14	Noor Alam 57/1/1, 33rd Street, Phase-V (Ext) DHA, Karachi	Noor Alam 42301-9655858-7	Haji Muhammad Ismail	13,930	5,215	-	19,145	-	5,215	-	5,215
15	Akram Bhutta / York Associates 20-KM, Main Ferozpur Road, Lahore	Akram Bhutta 34603-1957849-1	Ghulam Rasool Bhutta	24,852	13,267	-	38,119	-	10,450	-	10,450
16	Waseer Coach 279-N, Johar Town, Lahore	Irfan Shahid Waseer 33104-3461917-7	Nawab Sher Waseer	1,976	929	-	2,905	-	929	-	929
17	Obaidullah Usmani / Hameedullah Usmani Plot No.A-200, Block-2, KDA Scheme No.24, Gulshan-e-Iqbal Karachi	M. Obaidullah Usmani 42201-3993417-3 M. Hameedullah Usmani 42201-2844123-9	M. Hameedullah Usmani M. Karamtullah Usmani	5,695	1,931	-	7,626	-	966	-	966
	Total			220,113	93,044	-	313,157	1,043	76,023	-	77,066

Annexure–2

Islamic Banking Business - Balance Sheet

As at December 31, 2012

The Bank is operating 32 Islamic banking branches including 2 sub-branches at the end of 2012 as compared to 31 Islamic banking branches including 2 sub-branches at the end of 2011.

Rupees in '000		2012	2011
ASSETS			
Cash and balances with treasury banks		837,972	713,256
Balances with and due from financial institutions		899,960	528,613
Investments		10,201,914	9,818,059
Islamic financing and related assets	A-2.1	3,127,541	3,077,645
Operating fixed assets		216,087	264,397
Deffered tax assets		-	-
Other assets		505,564	554,875
Total Assets		15,789,038	14,956,845
LIABILITIES			
Bills payable		129,735	98,876
Due to financial institutions		500,000	-
Deposits and other accounts			
-Current accounts		3,105,265	2,301,298
-Saving accounts		3,582,107	2,977,415
-Term deposits		6,030,957	5,462,224
-Others		54,469	27,491
-Deposit from financial institutions - remunerative		1,112,699	1,072,428
-Deposits from financial institutions - non remunerative		2,304	1,777
Due to head office		156,176	1,679,067
Other liabilities		312,571	416,871
		14,986,283	14,037,447
NET ASSETS		802,755	919,398
REPRESENTED BY			
Islamic banking fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated / unremitted loss		(129,324)	(205,102)
		870,676	794,898
(Deficit) / surplus on revaluation of assets		(67,921)	124,500
		802,755	919,398
Remuneration to Shariah Advisor		1,347	1,253
CHARITY FUND			
Opening balance		213	2,700
Additions during the year		3,111	3,107
Payments / utilization during the year		(3,286)	(5,594)
Closing Balance		38	213
A-2.1 Islamic financing and related assets			
Islamic modes of financing	A-2.1.1	3,095,960	3,036,063
Advance against islamic financing		31,581	41,582
Inventories		-	-
		3,127,541	3,077,645
A-2.1.1 Islamic modes of financing			
Murabaha		536,565	184,085
Ijara		619,847	867,935
Musharaka		-	-
Diminishing musharaka		1,420,998	1,530,939
Salam		498,532	440,818
Other islamic modes		20,018	12,286
		3,095,960	3,036,063

Annexure–2

Islamic Banking Business - Profit and Loss Account

For the year ended December 31, 2012

Rupees in '000	2012	2011
Profit / return earned on financings, investments and placements	1,520,806	1,312,988
Return on deposits and other dues expensed	887,972	831,691
Net spread earned	632,834	481,297
(Reversal) / provision against non-performing financings	(21,712)	7,379
Provision / (reversal) of diminution in the value of investments	67,969	(85,680)
Bad debts written off directly	-	-
	46,257	(78,301)
Income after provisions	586,577	559,598
Other Income		
Fee, commission and brokerage income	20,631	25,542
Dividend income	-	-
Income from dealing in foreign currencies	1,883	1,858
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	18,791	31,606
Total other income	41,305	59,006
	627,882	618,604
Other expenses		
Administrative expenses	551,902	518,560
Other provisions / write offs	-	-
Other charges	202	1,495
Total other expenses	552,104	520,055
	75,778	98,549
Extra ordinary / unusual items	-	-
Profit before taxation	75,778	98,549

Annexure–2
Shariah Advisor's Report 2012

Alhamdolillah! During the year 2012, Askari Bank Limited continued with its branch expansion plan, and operated with 32 Islamic Banking Branches and 02 Islamic Banking Sub-branches, covering all major cities of the Country. Insha'Allah, the increased outreach, will strengthen our ability to offer products and services conforming to Shariah principales.

During the year under review, comprehensive Shariah Audit of all Islamic Banking Branches was conducted, resulting in strengthening of Shariah Compliance framework for Islamic Banking Services. As part of continuous improvement, customer specific transactions process flows and text of guarantee were approved to ensure Shariah Compliance, while offering financing products to the customers. Furthermore, the profit & loss distribution and pool management for Mudarabah based deposits has been standardized as per SBP instructions.

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

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

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

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

In my opinion, the affairs of Askari Bank Limited - Islamic Banking have been carried out in accordance with rules and principles of Shariah, SBP regulations 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

Consolidated Financial Statements of

Askari Bank Limited

For the year ended December 31, 2012

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Islamabad, Pakistan

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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 and its subsidiary companies as at 31 December 2012 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 consolidated financial statements include unaudited certified returns from the branches except for 20 branches which have been audited by us and one branch audited by us and one branch audited by the other auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary companies namely Askari Securities Limited and Askari Investment Management Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Askari Bank Limited and its subsidiary companies as at 31 December 2012 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Islamabad
February 26, 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner
Muhammad Rehan Chughtai

Consolidated Statement of Financial Position
As at December 31, 2012

Rupees in '000	Note	2012	2011
Assets			
Cash and balances with treasury banks	6	24,435,422	26,168,206
Balances with other banks	7	8,865,303	6,236,116
Lendings to financial institutions	8	6,341,474	1,613,584
Investments	9	145,354,253	133,655,387
Advances	10	143,727,835	150,712,556
Operating fixed assets	11	8,901,522	9,451,033
Deferred tax assets		-	-
Other assets	12	15,585,465	16,028,838
		353,211,274	343,865,720
Liabilities			
Bills payable	13	3,700,156	2,756,032
Borrowings	14	8,376,740	17,274,979
Deposits and other accounts	15	306,929,729	291,499,395
Sub-ordinated loans	16	6,987,300	6,990,100
Liabilities against assets subject to finance lease	17	1,018	2,893
Deferred tax liabilities	18	83,139	46,908
Other liabilities	19	7,305,811	7,413,555
		333,383,893	325,983,862
Net assets		19,827,381	17,881,858
Represented by			
Share capital	20	8,130,711	7,070,184
Reserves	21	8,541,776	8,135,795
Unappropriated profit		1,114,869	1,380,018
		17,787,356	16,585,997
Non-controlling interest		29,441	28,377
		17,816,797	16,614,374
Surplus on revaluation of assets - net of tax	22	2,010,584	1,267,484
		19,827,381	17,881,858

Contingencies and commitments 23

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Consolidated Profit and Loss Account

For the year ended December 31, 2012

Rupees in '000	Note	2012	2011
Mark-up / return / interest earned	26	32,404,345	32,768,950
Mark-up / return / interest expensed	27	22,973,385	22,699,089
Net mark-up / interest income		9,430,960	10,069,861
Provision against non-performing loans and advances - net	10.6.1	2,342,473	1,630,123
Impairment loss on available for sale investments		148,575	122,421
Provision / (reversal) for diminution in the value of investments - net	9.2.1	201,265	(15,775)
Provision against purchase under resale arrangement	8.5	-	34,702
Bad debts written off directly		1,043	-
		2,693,356	1,771,471
Net mark-up / interest income after provisions		6,737,604	8,298,390
Non mark-up / interest income			
Fee, commission and brokerage income		1,173,558	1,297,332
Dividend income		1,036,249	289,470
Income from dealing in foreign currencies		884,724	772,495
Gain on sale of securities - net	28	688,424	310,384
Unrealised gain on revaluation of investments classified as held for trading - net	9.15	986	80
Other income	29	532,275	348,009
Total non-markup / interest income		4,316,216	3,017,770
		11,053,820	11,316,160
Non mark-up / interest expenses			
Administrative expenses	30	9,226,563	8,787,381
Other provisions / write offs		8,633	-
Other charges	31	80,381	86,784
Total non-markup / interest expenses		9,315,577	8,874,165
		1,738,243	2,441,995
Share of profit of associate		27,814	12,949
Extra ordinary / unusual items		-	-
Profit before taxation		1,766,057	2,454,944
Taxation – current	32	840,813	833,523
– prior years'		-	-
– deferred	32	(363,901)	(83,786)
		476,912	749,737
Profit after taxation		1,289,145	1,705,207
Attributable to:			
Equity holders of the Bank		1,288,081	1,705,558
Non-controlling interest		1,064	(351)
		1,289,145	1,705,207

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2012

Rupees in '000	2012	2011
Profit after taxation	1,289,145	1,705,207
Other comprehensive income		
Effect of rescheduled / restructured classified advances	(94,085)	40,723
Effect of translation of net investment in Wholesale Bank Branch	7,363	19,783
Total comprehensive income	1,202,423	1,765,713
Attributable to:		
Equity holders of the Bank	1,201,359	1,766,064
Non-controlling interest	1,064	(351)
	1,202,423	1,765,713

The annexed notes 1 to 46 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, 2012

Rupees in '000	Note	2012	2011
Cash flow from operating activities			
Profit before taxation		1,766,057	2,454,944
Less: Dividend income		(1,036,249)	(289,470)
		729,808	2,165,474
Adjustments:			
Depreciation / amortization		875,462	830,848
Provision against non-performing advances - net		2,342,473	1,630,123
Impairment loss on available for sale investments		148,575	122,421
Provision / (reversal) for diminution in the value of investments - net		201,265	(15,775)
Provision against purchase under sale arrangement		-	34,702
Provision against other assets		8,633	-
Unrealised gain on revaluation of investments classified as held for trading - net		(986)	(80)
Gain on sale of operating fixed assets		(9,598)	(2,216)
Finance charges on leased assets		1,306	335
Share of profit of associate		(27,814)	(12,949)
		3,539,316	2,587,409
		4,269,124	4,752,883
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,727,890)	7,545,900
Held for trading securities		(161,393)	(1,418)
Advances		3,743,856	(864,640)
Other assets (excluding advance taxation)		2,061,910	(281,603)
		916,483	6,398,239
Increase / (decrease) in operating liabilities			
Bills payable		944,124	(333,952)
Borrowings		(8,898,239)	(8,279,798)
Deposits		15,430,334	35,591,246
Other liabilities (excluding current taxation)		(106,958)	(697,657)
		7,369,261	26,279,839
Cash flow before tax		12,554,868	37,430,961
Income tax paid		(1,556,450)	(958,118)
Net cash flow from operating activities	33.1	10,998,418	36,472,843
Cash flow from investing activities			
Net investments in available for sale securities		(11,917,171)	(31,930,877)
Net investments in held to maturity securities		1,201,888	430,746
Net investments in associate		-	(18,285)
Dividend income		991,331	282,447
Investments in operating fixed assets - net of adjustment		(399,407)	(217,554)
Sale proceeds of operating fixed assets - disposed off		20,748	18,108
Net cash used in investing activities		(10,102,611)	(31,435,415)
Cash flow from financing activities			
(Payments) / receipts of sub-ordinated loans		(2,800)	997,600
Lease obligations - net		(3,181)	(2,998)
Dividend paid		(786)	(219)
Net cash flow (used in) / from financing activities		(6,767)	994,383
Effect of translation of net investment in Wholesale Bank Branch		7,363	19,783
Increase in cash and cash equivalents		896,403	6,051,594
Cash and cash equivalents at beginning of the year		32,426,322	26,374,728
Cash and cash equivalents at end of the year	33	33,322,725	32,426,322

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2012

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves: General reserve	Revenue Reserves: Un-appropriated profit	Sub-total	Non-controlling interest	Total
Balance as at January 1, 2011	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
Total comprehensive income for the year ended December 31, 2011										
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)	-	-	-
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 January 1, 2012	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
Total comprehensive income for the year ended December 31, 2012										
Net profit / (loss) for the year ended December 31,2012	-	-	-	-	-	-	1,288,081	1,288,081	1,064	1,289,145
Other comprehensive income										
- Reversal of capital reserve - note 20.1	-	-	-	-	(94,085)	-	-	(94,085)	-	(94,085)
- Effect of translation of net investment in Wholesale Bank Branch	-	7,363	-	-	-	-	-	7,363	-	7,363
	-	7,363	-	-	(94,085)	-	1,288,081	1,201,359	1,064	1,202,423
Transfer to:										
Statutory reserve	-	-	-	251,072	-	-	(251,072)	-	-	-
General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-	-	-
Transaction with owners, recorded directly in equity										
Bonus shares declared / issued subsequent to year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-	-	-
Balance as at December 31, 2012	8,130,711	82,659	234,669	3,899,517	-	4,324,931	1,114,869	17,787,356	29,441	17,816,797

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

M. R. Mehkari	Dr. Bashir Ahmad Khan	Lt. Gen. (R) Tahir Mahmood	Lt. Gen. Javed Iqbal
President & Chief Executive	Director	Director	Chairman

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1. STATUS AND NATURE OF BUSINESS

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

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

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust (AWT) holds 50.57 % (2011: 50.57 %) of the Bank's share capital at the year end. The Bank has 261 branches (2011: 245 branches); 260 in Pakistan and Azad Jammu and Kashmir, including 32 (2011: 31) Islamic Banking branches, 24 (2011: 21) 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. 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 ISE Towers, 55-B, Jinnah Avenue, Islamabad. The remaining 26% shares are held by AWT. Non-controlling interest as disclosed on consolidated statement of financial position represents AWT's share in ASL which is the 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, 2012.

1.2 Army Welfare Trust (AWT), the majority shareholder of the Bank as on the date of statement of financial position, has signed an agreement with Fauji Consortium; Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited for the sale of its entire shareholding in the Bank at a purchase price of Rs. 24.32 per share. The sale and purchase is subject to approval of the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). Intimation to this effect was made by the Bank to the Stock Exchanges on February 07, 2013 and February 08, 2013.

1.3 SBP's BSD Circular No. 7 dated April 15, 2009 sets out the minimum paid-up capital requirement (MCR) for banks to be raised to Rs. 10 billion in a phased manner by December 31, 2013. The required MCR (net of losses) as of December 31, 2012 is Rs. 9 billion. The paid-up capital of the Bank as of December 31, 2012 amounted to Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level. As stated in note 1.2 above, the sale process of the Bank's shareholding by AWT, also requires a public offer to be conducted under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 read with Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008. In terms of Regulation No. 7 of the said Regulations, and during the period stated therein, it is not possible for the Bank to issue any rights or bonus shares.

Based on the above, the management and the Board of Directors of the Bank, after taking into account that the Bank intends to meet the MCR as prescribed under the aforementioned SBP circular, have resolved that it is not possible to do so at present in view of the restriction imposed by Regulation No. 7 of the above stated Regulations. The Bank has also apprised the SBP and sought relaxation from meeting the minimum capital requirement of Rs. 9 billion for the year 2012.

1.4 As per Regulation 4 and Schedule I of NBFC Regulations, 2008 and SRO 764 of 2009 AIML is required to maintain minimum equity of Rs. 150 million and Rs. 200 million to undertake asset management services and Rs. 30 million for investment advisory services as on 31 December 2012 and 30 June 2013 respectively. AIML's equity as at 31 December 2012 amounts to Rs. 160.32 million. AIML filed an application with Securities and Exchange Commission of Pakistan (SECP) on 24 December 2012 seeking extension in time to maintain minimum equity requirement. SECP in its letter dated 7 January 2013 granted extension of three months until 31 March 2013 to meet minimum equity requirement of Rs. 180 million.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the SBP's BSD Circular No. 4 dated February 17, 2006.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Group from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

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

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

3. STATEMENT OF COMPLIANCE

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

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7,"Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. 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 after January 01, 2013:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 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 01, 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 01, 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 01, 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. Following this change, unrecognised actuarial loss of Rs. 134,706 thousand will be recorded immediately in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 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 01, 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 01, 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.

  Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Group.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on 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 follows:

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

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 (2011: 100%) and ASL with 74% holding (2011: 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 Bank. Non-controlling interests are presented as separate item in the consolidated financial statements.

Associate

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

5.2 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 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the consolidated statement of financial position. Where the decline in prices of available for sale 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 cost less impairment, if any. Impairment is included in the consolidated profit and loss account.

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

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

Held to maturity

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

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

5.5 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer 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 01, 2009. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 01, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, 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 issue of bonus shares.

Intangible assets

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

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

Depreciation / amortization

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

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

Assets subject to finance lease

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

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 amortisation, if no impairment loss had been recognised.

5.8 Deposits

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

5.9 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.

5.10 Staff retirement benefits

Defined benefit plan

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

AIML was operating a funded gratuity plan, for all eligible employees who have completed the specified minimum qualifying period of service. As per the Board Resolution dated November 26, 2012, the Company has discontinued "Defined benefit scheme" by deciding to discontinue gratuity scheme. Employees are duly compensated with change in their gross salary structure.

Accordingly, contribution to gratuity ceased with effect from November 30, 2012. To avoid retrospective effect the current applicable amounts have been frozen in individual employee's name till November 30, 2012. The frozen amount will become payable to employee when they leave AIML and on completion of qualifying period of three years of employment with AIML. AIML has taken a conservative approach by providing for the amounts till November 30, 2012 (assuming that all employees will complete their qualifying period).

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.

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

Compensated absences

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

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

5.11 Revenue recognition

Mark-up / interest on advances and return on investments is recognised on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognised as permitted by the regulations of the 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.

5.12 Foreign currencies

Foreign currency transactions

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

5.13 Provisions

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

5.14 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.

5.15 Financial assets and liabilities

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

5.16 Derivative financial instruments

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

5.17 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.

5.18 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.

5.18.1 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.

Retail brokerage

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

Asset management

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

Sub-ordinated loans

It represents Term Finance Certificates issued by the Group.

5.18.2 Geographical segments

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

Rupees in '000	Note	2012	2011
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		4,645,941	3,906,124
Foreign currencies		1,357,186	971,932
		6,003,127	4,878,056
National Prize Bonds		11,689	8,688
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	10,481,338	12,651,165
Foreign currency current account	6.1	2,100,004	2,391,749
Foreign currency deposit account	6.2	4,886,149	5,359,856
		17,467,491	20,402,770
With National Bank of Pakistan in:			
Local currency current accounts		953,115	878,692
		24,435,422	26,168,206

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% (2011: 0.00%) per annum.

Rupees in '000	Note	2012	2011
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		376,746	542,978
On deposit accounts	7.1	656,967	284,550
Outside Pakistan			
On current accounts		2,011,656	1,292,950
On deposit accounts	7.2	5,819,934	4,115,638
		8,865,303	6,236,116

7.1 These represent placements with local banks, carrying interest rates ranging from 0.90% to 9.50% (2011: 0.08% to 7.00%) per annum.

7.2 These represent placements with correspondent banks, carrying interest rates upto 0.15% (2011: upto 0.35%) per annum.

Rupees in '000	Note	2012	2011
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (reverse repo)	8.1	5,816,909	360,501
Purchase under resale arrangement of equity securities	8.2	200,000	200,000
		6,016,909	560,501
Funded Trade Finance	8.3	485,749	1,214,267
Term deposits with MCB Bank Limited	8.4	22,000	22,000
		6,524,658	1,796,768
Less: Provision against purchase under resale arrangement	8.5	(183,184)	(183,184)
		6,341,474	1,613,584

8.1 These are secured against underlying government securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rate of 6.50% to 9.50% (2011: 11.90%) per annum and maturities of upto 1 month (2011: upto 1 month).

8.2 These represent shares of companies purchased under resale agreement and carried mark-up at 18.01% (2011: 18.01%) per annum.

8.3 These represent finance provided by Wholesale Bank Branch to Bank of Ceylon, Sri Lanka at mark-up rate of 2.06 % (2011: 2.01% to 2.03%) per annum with maturities of upto January 2013 and July 2013 (2011: upto April 2012 and December 2012).

8.4 Term deposit represents 6 months deposit (2011: 3 months) maturing on February 16, 2013 (2011: February 10, 2012). This term deposit carries mark-up at 8.65% (2011: 10.3%) per annum. Term deposit is under lien with MCB Bank Limited against the running finance facility under mark-up basis.

Rupees in '000	2012	2011
8.5 Particulars of provision against purchase under resale arrangement		
Opening balance	183,184	148,482
Charge for the year	-	34,702
Closing balance	183,184	183,184
8.6 Particulars of lending		
In local currency	6,038,909	582,501
In foreign currencies	485,749	1,214,267
	6,524,658	1,796,768

	2012			2011		
Rupees in '000	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.7 Securities held as collateral against lendings to financial institutions						
Market Treasury Bills	5,666,972	–	5,666,972	360,501	–	360,501
Pakistan Investment Bonds	149,937	–	149,937	–	–	–
Purchase under resale arrangement of listed shares	200,000	–	200,000	200,000	–	200,000
	6,016,909	–	6,016,909	560,501	–	560,501

Market value of securities held as collateral is Rs. 5,854,838 thousand (2011: Rs. 377,645 thousand).

9. INVESTMENTS

Rupees in '000	Note	2012 Held by the Bank	2012 Given as collateral	2012 Total	2011 Held by the Bank	2011 Given as collateral	2011 Total
9.1 Investments by types							
Held for trading securities							
Fully paid ordinary shares		151,674	-	151,674	1,491	-	1,491
Units of open end mutual funds	9.4	56,201	-	56,201	44,911	-	44,911
		207,875	-	207,875	46,402	-	46,402
Available for sale securities							
Market Treasury Bills	9.16	98,661,356	-	98,661,356	85,163,963	7,933,076	93,097,039
Pakistan Investment Bonds	9.16	22,098,414	-	22,098,414	18,760,393	36,602	18,796,995
Fully paid ordinary shares / units		2,520,257	-	2,520,257	1,637,867	-	1,637,867
Units of open end mutual funds	9.4	1,708,814	-	1,708,814	1,574,714	-	1,574,714
Fully paid preference shares	9.6	233,324	-	233,324	67,000	-	67,000
Term Finance Certificates		5,328,870	-	5,328,870	4,908,959	-	4,908,959
National Investment Trust (NIT) Units		864,395	-	864,395	372,762	-	372,762
Sukuk Certificates	9.9	8,928,672	-	8,928,672	8,150,281	-	8,150,281
Government of Pakistan Euro Bonds	9.10	1,037,900	-	1,037,900	948,612	-	948,612
Foreign securities	9.11	49,328	-	49,328	133,555	-	133,555
		141,431,330	-	141,431,330	121,718,106	7,969,678	129,687,784
Held to maturity securities							
Term Finance Certificates		116,348	-	116,348	523,726	-	523,726
Pakistan Investment Bonds	9.16	742,377	-	742,377	1,070,676	-	1,070,676
Government of Pakistan Euro Bonds	9.2.4	1,155,746	-	1,155,746	1,038,061	-	1,038,061
Sukuk Certificates	9.13	1,594,167	-	1,594,167	1,728,334	-	1,728,334
Credit Linked Notes		-	-	-	449,729	-	449,729
		3,608,638	-	3,608,638	4,810,526	-	4,810,526
Investment in associate							
Askari General Insurance Company Limited	9.12	132,481	-	132,481	104,667	-	104,667
Investment at cost		145,380,324	-	145,380,324	126,679,701	7,969,678	134,649,379
Provision for diminution in value of investments	9.2.1	(508,994)	-	(508,994)	(332,778)	-	(332,778)
Investments (net of provision)		144,871,330	-	144,871,330	126,346,923	7,969,678	134,316,601
Unrealised gain on revaluation of held for trading securities - net	9.15	986	-	986	80	-	80
Surplus / (deficit) on revaluation of available for sale securities - net		481,937	-	481,937	(665,819)	4,525	(661,294)
Total investments		145,354,253	-	145,354,253	125,681,184	7,974,203	133,655,387

Market value of held to maturity securities as at December 31, 2012 is Rs. 3,609,976 thousand (2011: Rs. 4,605,207 thousand).

Rupees in '000		2012	2011
9.2 Investments by segments			
Federal Government Securities	9.2.3		
Market Treasury Bills		98,661,356	93,097,039
Pakistan Investment Bonds		22,840,791	19,867,671
Government of Pakistan Euro Bonds	9.2.4	2,193,646	1,986,673
Sukuk Certificates		9,282,712	8,300,000
		132,978,505	123,251,383
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	2,798,732	1,688,345
Unlisted companies	9.5	5,680	55,680
		2,804,412	1,744,025
Units of open end mutual funds	9.4	1,765,015	1,619,625
Fully paid preference shares			
Listed companies	9.6	208,324	42,000
Unlisted companies	9.6	25,000	25,000
Term Finance Certificates	9.7		
Listed Term Finance Certificates		2,343,871	2,529,589
Unlisted Term Finance Certificates		3,101,347	2,903,096
		5,445,218	5,432,685
Foreign Securities			
Mena Transformation Fund	9.11	49,328	133,555
Credit Linked Notes		-	449,729
		49,328	583,284
Other Investments			
Sukuk Certificates		1,240,127	1,578,615
National Investment Trust (NIT) - Units		864,395	372,762
		2,104,522	1,951,377
Total investment at cost		145,380,324	134,649,379
Provision for diminution in value of investments	9.2.1	(508,994)	(332,779)
Investments - net of provisions		144,871,330	134,316,600
Unrealised gain on revaluation of held for trading securities - net	9.15	986	80
Surplus / (deficit) on revaluation of available for sale securities - net		481,937	(661,294)
Total investments		145,354,253	133,655,386
9.2.1 Particulars of provision for diminution in value of investments			
Opening balance		332,779	348,554
Charge for the year		201,265	-
Reversal of provision during the year		(25,050)	(15,775)
Closing balance		508,994	332,779
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	27,550
Term finance certificates		236,026	102,728
Sukuk certificates		242,288	174,320
Held to maturity securities			
Term finance certificates		-	22,500
		508,994	332,778

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2013 to November 2013	On maturity	9.18% to 11.94%	at maturity
Pakistan Investment Bonds	June 2013 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	December 2013 to September 2015	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 2012	No. of ordinary shares / units 2011	Average cost/ book value per share/unit Rupees 2012	Name of companies / mutual funds	Note	2012 Rupees in '000	2011 Rupees in '000
300,000	306,827	67.79	Adamjee Insurance Company Limited		20,336	17,523
14,489,931	-	32.67	Agritech Limited	9.3.1	473,343	-
675,772	611	67.32	Allied Bank Limited		45,491	37
8,795,384	8,376,556	15.06	Askari General Insurance Company Limited	9.12	132,481	104,667
6,504,096	13,100	7.21	Atlas Fund of Funds		46,891	79
-	914	-	Attock Cement Pakistan Limited		-	48
120,000	310	436.63	Attock Petroleum Limited		52,395	118
-	7,581,585	-	Azgard Nine Limited		-	26,959
7,697,900	6,411	16.84	Bank Alfalah Limited		129,636	69
1,352,000	-	32.06	Bank Al Habib Limited		43,346	-
532,000	-	9.35	Bank Islami Pakistan		4,973	-
325,000	-	111.57	Habib Bank Limited		36,261	-
3,000,000	-	7.87	JS Growth Fund		23,614	-
1,873,500	1,772,402	54.33	D. G. Khan Cement Company Limited		101,785	41,717
-	867,000	-	Engro Chemical (Pakistan) Limited		-	100,204
1,251,500	-	89.92	Engro Corporation Limited		112,531	-
1,000,000	-	9.51	Engro Ploymer Limited		9,513	-
-	610,500	-	Fauji Fertilizer Company Limited		-	99,395
-	677,710	-	Golden Arrow Selected Stock Fund		-	2,196
2,600,000	2,600,000	37.97	Hub Power Company Limited		98,721	99,308
-	336,252	-	ICI Pakistan Limited		-	49,901
20,000	4,110,064	4.00	Jahangir Siddiqui and Company Limited		80	21,003
2,100,000	2,248,380	44.23	Kot Addu Power Company Limited		92,887	98,921
-	10,000	-	Lotte Pakistan Pta Limited		-	154
400,000	582,507	173.07	MCB Bank Limited		69,229	97,363
6,537,034	24,034	9.32	Meezan Balanced Fund		60,914	211
-	2,224	-	Meezan Bank Limited		-	38
1,801,500	1,192,604	46.89	National Bank of Pakistan		84,479	53,693
265,000	130,000	255.15	National Refinery Limited		67,616	35,845
-	13,473	-	NIB Bank Limited		-	21
7,000,000	-	14.19	Nishat Chunian Power Limited		99,296	-
1,000,000	2,059,020	27.73	Nishat (Chunian) Limited		27,725	44,272
4,007,383	-	10.00	Karachi Stock Exchange Limited (KSE)	11.2.2	40,074	-
3,034,603	-	1.48	Islamabad Stock Exchange Limited (ISE)	11.2.2	4,505	-
6,305,000	6,230,000	15.85	Nishat Power Limited		99,927	98,859
880,000	1,980,591	55.21	Nishat Mills Limited		48,588	99,804
510,000	790	173.29	Oil and Gas Development Company Limited		88,380	113
-	438,400	-	Packages Limited		-	39,149
7,583,700	7,583,700	9.96	Pak Oman Advantage Fund		75,516	75,516
275,000	2,867	357.83	Pakistan Oilfields Limited		98,403	945
672,000	519,588	147.31	Pakistan Petroleum Limited		98,994	98,816
3,267,521	3,415,352	19.33	Pakistan Re-Insurance Company Limited		63,147	65,831
440,000	360,000	225.60	Pakistan State Oil Company Limited		99,262	98,989
3,250,000	8,041,738	17.94	Pakistan Telecommunication Company Limited		58,305	99,969
6,700,000	65,479	14.17	PICIC Growth Fund		94,958	827
200,000	-	5.83	PICIC Investment Fund		1,166	-

No. of ordinary shares / units 2012	2011	Average cost/ book value per share/unit Rupees 2012	Name of companies / mutual funds	Note	2012 Rupees in '000	2011 Rupees in '000
113,800	167,058	134.88	Shell Pakistan Limited		15,349	39,633
1,000,000	1,268,975	78.62	United Bank Limited		78,615	76,152
					2,798,733	1,688,345

9.3.1 This represents shares acquired by the Bank pursuant to sale purchase agreement executed on October 31, 2012, mainly for partial settlement of the Bank's exposure in Azgard Nine Limited (ANL).

9.4 Units of open end mutual funds

No. of units 2012	2011	Paid-up value per unit Rupees 2012	Name of mutual funds	Note	2012 Rupees in '000	2011 Rupees in '000
2,500,959	2,604,168	40.34	Askari Asset Allocation Fund (a related party)	9.8	100,884	104,837
12,138,233	12,055,683	99.27	Askari High Yield Scheme (a related party)	9.8	1,204,984	1,198,888
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	1,598,805	93.82	Askari Islamic Income Fund (a related party)	9.8	150,000	150,000
96,905	505,076	93.80	Askari Sovereign Cash Fund (a related party)	9.8	9,090	50,009
1,000,544	-	100.00	Askari Equity Fund (a related party)	9.8	100,057	-
1,000,000	-	100.00	Askari Sovereign Yield Enhancer Fund (a related party)	9.8	100,000	-
-	1,330,882	-	Al Meezan Mutual Fund		-	15,891
					1,765,015	1,619,625

9.5 Particulars of investments held in unlisted companies

Investee	Note	Percentage of holding %	Number of shares	Cost / paid-up value per share Rupees	Total paid-up value Rupees in '000	Break up value Rupees in '000	Based on audited financial statements as at	Name of Chief Executive / status
Pakistan Export Finance Guarantee Agency Limited - a related party	9.5.1	5.26	568,044	10	5,680	-	-	Under liquidation
					5,680			

9.5.1 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs 5,680 thousand (2011: 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 2012	2011	Paid-up value per share Rupees	Investee	Rate %	Book Value 2012 Rupees in '000	Book Value 2011 Rupees in '000	Market Value 2012 Rupees in '000	Market Value 2011 Rupees in '000
Listed								
10,000,000	10,000,000	10	Chenab Limited	9.25% per annum	100	17,000	10,500	17,000
18,322,418	-	10	Agritech Limited - note 9.6.1	11.00% per annum	183,224	-	185,056	-
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2% per annum	25,000	25,000	25,000	25,000
Un-listed								
2,500,000	2,500,000	10	First Dawood Investment Bank Limited		25,000	25,000	25,000	25,000
					233,324	67,000	245,556	67,000

9.6.1 This represents preference shares acquired in settlement of overdue / accrued mark-up upto July 01, 2011 against Term Finance Certificates of Azgard Nine Limited pursuant to the restructuring agreement dated July 01, 2011 and share subscription agreement dated February 13, 2012.

9.7 Investment in Term Finance Certificates

No. of certificates 2012	No. of certificates 2011	Company's Name	Redeemed value per certificate Rupees	2012 Rupees in '000	2011 Rupees in '000
Listed					
13,669	13,669	Allied Bank Limited	4,988	68,181	68,208
95,600	35,000	Bank Alfalah Limited	4,737	452,868	141,318
-	30,000	Bank Al-Habib Limited	-	-	99,740
-	8,000	Orix Leasing Limited	-	-	6,672
37,230	37,230	Pace Pakistan Limited	4,832	179,882	177,576
97,493	97,493	Pak Arab Fertilizer Limited	1,497	145,929	355,132
41,000	40,000	Pakistan Mobile Communication Limited	3,129	128,280	99,840
140,000	140,000	Engro Fertilizer Limited	5,000	700,000	700,000
4,600	4,600	Faysal Bank Limited	1,247	5,736	11,477
12,000	12,000	Soneri Bank Limited	1,247	14,964	44,892
10,000	10,000	Standard Chartered Bank Limited	1,250	12,500	34,960
72,432	92,432	United Bank Limited	4,883	353,651	423,657
133,023	133,023	Worldcall Telecom Limited	2,119	281,880	366,117
Book value as on December 31				2,343,871	2,529,589
Unlisted					
145,000	145,000	Agritech Limited - note 9.7.2	4,875	706,884	712,379
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 - note 9.3.1 & 9.6.1	2,168	186,457	429,969
50,600	35,600	Bank Alfalah Limited	5,141	260,146	182,389
50,000	-	Bank Al-Habib Limited	5,198	259,912	-
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	5,000	18,500	18,500
-	20,000	Dewan Farooq Spinning Mills Limited	-	-	25,000
74,900	74,900	Jahangir Siddique and Company Limited	4,963	371,728	367,850
-	10,000	KASB Securities Limited	-	-	16,668
3,560	3,560	Orix Leasing Pakistan Limited	16,661	59,312	176,237
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	5,000	50,385	50,385
20,000	20,000	Pak Libya Holding Company (Private) Limited (Chief Executive: Mr. Abid Aziz)	4,997	99,940	99,980
60,000	5,931	Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	4,706	282,353	29,657
50,000	50,000	Pakistan International Airlines Corporation Limited	4,996	249,800	249,800
102,282	83,865	Pakistan National Shipping Corporation	3,750	383,557	366,910
10,000	10,000	Shakarganj Mills Limited	4,500	45,000	50,000
Book value as on December 31				3,101,346	2,903,096

9.7.1 These carry rate of return ranging from 10.36% to 15.00% (2011: 8.45% to 15.64%) per annum and having remaining maturity periods of upto 8 years (2011: 9 years).

9.7.2 In the current year, AIML received 1,077 term finance certificates of Agritech Limited against settlement of unpaid mark-up of Rs. 5.3 million. The investment and the related interest have not been recognized in these financial statements.

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	2012	2011
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	37,500	67,500
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 8, 2014	30,000	50,000
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a. (floor 3%, cap 25%)	June 20, 2014	66,666	111,111
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	106,346
Kohat Cement Limited	Average of offer side of 3 month KIBOR plus 1.5% p.a.	September 20, 2016	57,378	176,500
Agritech Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 6, 2019	299,963	299,963
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	June 28, 2013	10,714	10,736
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 18, 2015	1,002,712	-
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	March 7, 2014	3,000,000	3,000,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills	December 26, 2014	2,000,000	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 1 month KIBOR plus 1% p.a.	February 19, 2020	167,393	178,125
			8,928,672	8,150,281

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 Group has invested in MENA Transformation Fund I.L.P., a closed end fund having six years term.

9.12 Investment in associate represents 27.18% (2011: 27.18%) investment in the equity of Askari General Insurance Company Limited (AGICO).

	2012	2011
	Rupees in '000	
Cost of investment	29,466	29,466
Acquired on merger of ALL	24,237	24,237
Share of Profit - net of tax	78,778	50,964
	132,481	104,667

Summary of financial information of AGICO is given below:

	Based on	
Rupees in '000	September 30, 2012 (Un-audited)	December 31, 2011 (Audited)
Assets	1,647,025	1,544,980
Liabilities	1,159,604	1,112,773
Equity	487,421	432,207
Revenue	515,226	633,283
Profit after tax	55,213	65,434

Fair value of investment in AGICO as at December 31, 2012 is Rs. 118,738 thousand (December 31, 2011: Rs. 67,599 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	2012	2011
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	67,500	135,000
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
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	166,667	200,000
			1,594,167	1,728,334

9.14 Quality of available for sale securities

	Note	2012		2011	
Rupees in '000		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.14.1	98,902,773	unrated	93,023,836	unrated
Pakistan Investment Bonds	9.14.1	22,633,877	unrated	18,711,293	unrated
Fully paid up ordinary shares	9.14.3				
Adamjee Insurance Company Limited		20,442	AA	14,271	AA
Allied Bank Limited		49,662	AA+	33	AA
Atlas Fund of Funds		62,049	unrated	72	unrated
Attock Cement Limited		-	-	47	unrated
Attock Petroleum Limited		61,349	unrated	128	unrated
Agritech Limited		169,098	D	-	-
Azgard Nine Limited		-	-	21,608	D
Bank Alfalah Limited		129,479	AA	72	AA
Bank Al Habib Limited		42,899	AA+	-	-
Bank Islami Pakistan Limited		4,900	A	-	-
D. G. Khan Cement Company Limited		-	-	33,729	unrated
Engro Corporation Limited		98,022	A	80,186	AA
Engro Polymer		10,120	unrated	-	-
Fauji Fertilizer Company Limited		-	-	91,219	unrated
Golden Arrow Selected Stock Fund		-	-	1,837	unrated
Hub Power Company Limited		117,624	AA+	88,920	AA+
Habib Bank Limited		38,288	AAA	-	-
ICI Pakistan Limited		-	-	40,441	unrated
Jahangir Siddiqui and Company Limited		-	-	16,395	AA
JS Growth Fund		26,190	unrated	-	-
Khushhali Bank Limited		-	-	50,000	A
Kot Addu Power Company Limited		103,719	AA+	92,903	AA+
Karachi Stock Exchange Limited (KSE)		40,074	unrated	-	-
Islamabad Stock Exchange Limited (ISE)		4,505	unrated	-	-
MCB Bank Limited		83,904	AA+	78,405	AA+
Meezan Balanced Fund		75,568	unrated	219	unrated
Meezan Bank Limited		-	-	39	AA-
National Bank of Pakistan		83,963	AAA	48,956	AAA

Rupees in '000	Note	2012 Market Value	2012 Rating	2011 Market Value	2011 Rating
National Refinery Limited		56,101	AAA	31,550	AAA
NIB Bank Limited		-	-	23	AA-
Nishat (Chunian) Limited		35,040	A-	36,774	unrated
Nishat Chunian Power Limited		147,070	A	-	-
Nishat Mills Limited		41,503	AA-	79,913	AA-
Nishat Power Limited		122,948	A+	80,678	AA-
Oil and Gas Development Company Limited		98,231	AAA	120	AAA
Packages Limited		-	-	36,264	AA
Pak Oman Advantage Fund		70,073	A+	69,163	AA-
Pakistan Export Finance Guarantee Agency		-	-	-	-
Pakistan Oilfields Limited		120,324	unrated	993	unrated
Pakistan Petroleum Limited		118,803	unrated	87,457	unrated
Pakistan Re-Insurance Limited		79,891	AA	52,938	AA
Pakistan State Oil Company Limited		102,172	AA+	81,796	AA+
Pakistan Telecommunication Company Limited		43,375	unrated	83,554	unrated
PICIC Growth Fund		109,880	unrated	816	unrated
PICIC Investment Fund		1,414	unrated		
Shell Pakistan Limited		15,498	unrated	31,788	unrated
United Bank Limited		83,670	AA+	66,482	AA+
Fully paid preference shares					
Agritech Limited		185,056	unrated		
Chenab Limited		10,500	unrated	17,000	unrated
Masood Textile Mills Limited		25,000	unrated	25,000	unrated
First Dawood Investment Bank Limited		-	unrated	-	unrated
Units of open end mutual fund					
Askari High Yield Scheme		1,099,848	A+ (f)	1,178,518	A+ (f)
Askari Asset Allocation Fund		115,620	4-Star	94,033	4-Star
Askari Islamic Asset Allocation Fund		126,249	unrated	107,047	unrated
Askari Islamic Income Fund		160,717	AA- (f)	161,315	AA- (f)
Askari Sovereign Yield Enhancer Fund		100,980	AA- (f)	-	-
Askari Equity Fund		113,466	unrated	-	-
Askari Sovereign Cash Fund		-	-	50,788	AA+ (f)
Al-Meezan Mutual Fund		-	-	13,602	unrated
Term Finance Certificates					
Agritech Limited		602,726	D	608,131	D
Allied Bank Limited		69,409	AA	68,361	AA-
Avari Hotels Limited		122,943	A-	121,558	A-
Azgard Nine Limited		171,050	D	394,258	D
Bank Alfalah Limited		671,162	AA-	180,940	AA-
Bank Al-Habib Limited		283,754	AA	-	-
Bunny's Limited		18,500	Unrated	18,500	Unrated
Engro Fertilizer Limited		657,902	A	707,167	AA
Jahangir Siddiqui and Company Limited		375,745	AA	377,827	AA
KASB Securities Limited		-	-	16,631	A+
Orix Leasing Pakistan Limited		59,366	AA+	185,469	AA+
Pace Pakistan Limited		179,882	Unrated	125,050	Unrated
Pak Arab Fertilizer Limited		146,295	AA	362,344	AA
Pak Hy Oils Limited		50,385	Unrated	50,385	Unrated

Rupees in '000	Note	2012 Market Value	2012 Rating	2011 Market Value	2011 Rating
Pak Libya Holding Company (Pvt) Limited		100,717	AA	101,934	AA
Pakistan International Airlines Corporation Limited	9.14.1	249,800	Unrated	249,800	Unrated
Pakistan Mobile Communication Limited		375,244	AA-	29,657	A+
Pakistan National Shipping Corporation		383,558	Unrated	366,910	Unrated
Shakarganj Mills Limited		45,000	Unrated	50,000	Unrated
United Bank Limited		361,857	AA	360,553	AA
World Call Telecom Limited		199,415	D	330,452	A
		5,124,710		4,705,927	
National Investment Trust (NIT) Units		864,363	AM2-	313,607	AM2-
Sukuk certificates	9.14.2	8,859,690	unrated	8,273,890	unrated
Foreign securities					
Mena Transformation Fund		49,328	unrated	133,816	unrated
Government of Pakistan Euro Bonds	9.14.1	1,042,563	unrated	786,350	unrated
		141,882,587		128,995,811	

9.14.1 These are Government of Pakistan guaranteed securities.

9.14.2 These include Government of Pakistan guaranteed sukuk certificates of Rs. 8,032,712 thousand (2011: Rs. 7,050,000 thousand).

9.14.3 Ratings for these equity securities / units and term finance certificates represent 'entity ratings'.

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

Rupees in '000	2012	2011
9.15 Unrealized gain on revaluation of investments classified as held for trading		
Fully paid ordinary shares / units	986	80

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

9.17 Investments include Rs. 2,014,475 thousand (2011: Rs. 2,052,782 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 503,315 thousand (2011: Rs. 327,099 thousand) against non-performing investments.

9.17.1 During the year, the Group has availed Forced Sale Value (FSV) benefit of Rs. 7,575 thousand (2011: Rs. 184,633 thousand) against non-performing investments. Had the FSV benefit not been recognized, before and after tax profit for the year would have been lower by Rs. 7,575 thousand (2011: Rs. 184,633 thousand) and Rs. 4,924 thousand (2011: Rs. 120,011 thousand) respectively.

9.18 The Group has availed the relaxation of Rs. 809,460 thousand (2011: Rs. 931,140 thousand) and Rs. 304,250 thousand (2011: Nil) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations for debt securities and impairment for equity securities, respectively.

Rupees in '000	Note	2012	2011
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		137,296,028	139,291,631
Outside Pakistan		3,351,665	3,103,127
		140,647,693	142,394,758
Net investment in lease finance - In Pakistan	10.2	4,827,289	6,477,358
Ijarah financing - In Pakistan	10.3	307,336	671,147
Net book value of assets / investments in Ijarah under IFAS 2 in Pakistan	10.4	380,311	319,125
Bills discounted and purchased			
Payable in Pakistan		9,967,185	11,213,180
Payable outside Pakistan		6,725,769	6,305,678
		16,692,954	17,518,858
Advances - gross		162,855,583	167,381,246
Provision against non-performing advances	10.6		
Specific provision		(18,796,160)	(16,291,514)
General provision		(127,698)	(132,130)
General provision against consumer financing		(203,890)	(245,046)
		(19,127,748)	(16,668,690)
Advances - net of provision		143,727,835	150,712,556
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		155,125,453	158,823,108
In foreign currencies		7,730,130	8,558,138
		162,855,583	167,381,246
10.1.2 Short term (for upto one year)		121,310,194	128,879,475
Long term (for over one year)		41,545,389	38,501,771
		162,855,583	167,381,246

10.2 Net investment in lease finance – in Pakistan

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Lease rentals receivable	2,042,681	799,577	2,133	2,844,391	2,826,046	1,344,061	-	4,170,107
Residual value	1,560,684	699,902	10,289	2,270,875	1,572,134	1,253,079	-	2,825,213
Minimum lease payments	3,603,365	1,499,479	12,422	5,115,266	4,398,180	2,597,140	-	6,995,320
Finance charges for future periods	(158,245)	(129,689)	(43)	(287,977)	(307,501)	(210,461)	-	(517,962)
Present value of minimum lease payments	3,445,120	1,369,790	12,379	4,827,289	4,090,679	2,386,679	-	6,477,358

10.3 Ijarah financing – in Pakistan

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Ijarah rentals receivable	126,281	96,613	-	222,894	278,749	301,651	-	580,400
Residual value	47,907	56,200	-	104,107	114,746	95,806	-	210,552
Minimum Ijarah payments	174,188	152,813	-	327,001	393,495	397,457	-	790,952
Profit for future periods	(13,484)	(6,181)	-	(19,665)	(74,357)	(45,448)	-	(119,805)
Present value of minimum Ijarah payments	160,704	146,632	-	307,336	319,138	352,009	-	671,147

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

Rupees in '000	2012 Not later than one year	2012 Later than one and less than five years	2012 Over five years	2012 Total	2011 Not later than one year	2011 Later than one and less than five years	2011 Over five years	2011 Total
Assets acquired under Ijarah	116,643	368,573	-	485,216	194,030	260,974	-	455,004
Accumulated depreciation on Ijarah	(32,225)	(72,680)	-	(104,905)	(54,802)	(81,077)	-	(135,879)
Net assets / investments in Ijarah	84,418	295,893	-	380,311	139,228	179,897	-	319,125

10.5 Advances include Rs. 26,518,448 thousand (2011: Rs. 23,645,541 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2012 Classified Advances Domestic	Classified Advances Overseas	Classified Advances Total	Provision Required Domestic	Provision Required Overseas	Provision Required Total	Provision Held Domestic	Provision Held Overseas	Provision Held Total
	Rupees in '000								
Other Assets Especially Mentioned - note 10.5.1	127,181	-	127,181	-	-	-	-	-	-
Substandard	709,386	-	709,386	110,070	-	110,070	110,070	-	110,070
Doubtful	3,015,923	-	3,015,923	307,730	-	307,730	307,730	-	307,730
Loss	22,665,958	-	22,665,958	18,378,360	-	18,378,360	18,378,360	-	18,378,360
	26,518,448	-	26,518,448	18,796,160	-	18,796,160	18,796,160	-	18,796,160

	2011								
	Classified Advances			Provision Required			Provision Held		
Category of classification	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

10.5.1 This represents classification made for agricultural finances.

10.6 Particulars of provision against non–performing advances

		2012				2011			
Rupees in '000	Note	Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
Opening balance		16,291,514	132,130	245,046	16,668,690	15,222,798	132,190	296,638	15,651,626
Transfer from investments		22,500	-	-	22,500	-	-	-	-
Charge for the year		3,532,354	9,575	332	3,542,261	3,877,730	13,963	-	3,891,693
Reversal for the year		(1,050,208)	(14,007)	(41,488)	(1,105,703)	(2,164,986)	(14,023)	(51,592)	(2,230,601)
Net charge / (reversal) for the year		2,482,146	(4,432)	(41,156)	2,436,558	1,712,744	(60)	(51,592)	1,661,092
Reversal of provision on rescheduled / restructured classified advances	21.1	-	-	-	-	(71,692)	-	-	(71,692)
Amounts written off	10.8	-	-	-	-	(572,336)	-	-	(572,336)
Closing balance		18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690

Rupees in '000	2012	2011
10.6.1 Provision against non–performing advances		
Net charge for the year	2,436,558	1,661,092
Reversal of capital reserve	(94,085)	(30,969)
	2,342,473	1,630,123

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 availed in last years has been reduced by Rs. 596,999 thousand (net of FSV benefit availed during the year), which has resulted in increased charge for specific provision for the year ended by the same amount. The FSV benefit is not available for cash or stock dividend. Had the FSV benefit not recognized, before and after tax profit for the year ended would have been higher by Rs. 596,999 thousand (2011: lower by Rs. 1,838,083 thousand) and Rs. 388,049 thousand (2011: lower by Rs. 1,194,754 thousand) respectively.

10.6.3 The Group has availed the relaxation of Rs. 262,880 thousand (2011: Rs. 249,030 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

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

	2012				2011			
Rupees in '000	Specific	General	Consumer financing –General	Total	Specific	General	Consumer financing –General	Total
In local currency	18,435,321	120,493	203,890	18,759,704	16,021,957	131,304	245,046	16,398,307
In foreign currencies	360,839	7,205	-	368,044	269,557	826	-	270,383
	18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690

Rupees in '000	2012	2011
10.8 Particulars of write–offs:		
10.8.1 Against provisions	–	572,336
Directly charged to profit and loss account	1,043	–
	1,043	572,336
10.8.2 Write offs of Rs. 500,000 and above	1,043	8,349
Write offs of below Rs. 500,000	–	563,987
	1,043	572,336

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, 2012 is given at Annexure - 1 to the unconsolidated financial statements.

Rupees in '000	Note	2012	2011
10.9 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,462,780	1,493,499
Loans granted during the year		333,959	320,134
Repayments		(369,026)	(350,853)
Balance at end of year		1,427,713	1,462,780
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		291	1,072
Loans granted during the year		-	47,089
Repayments		(146)	(47,870)
Balance at end of year		145	291
		1,427,858	1,463,071
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	43,524	51,948
Property and equipment	11.2	7,610,632	8,115,106
Intangibles	11.2	1,247,366	1,283,979
		8,901,522	9,451,033
11.1 Capital work–in–progress			
Advances to suppliers and contractors		43,524	51,948
		43,524	51,948

11.2 Property and equipment

	2012											
	COST / REVALUED AMOUNT					DEPRECIATION					Book value	Annual
Rupees in '000	as at January 1, 2012	Additions	Adjustment	Deletions/ transfers	as at December 31, 2012	as at January 1, 2012	Charge for the year	Adjustments	Deletions	as at December 31, 2012	as at December 31, 2012	rate of depreciation (%)
Land -freehold - note 11.3	1,639,802	-	-	-	1,639,802	-	-	-	-	-	1,639,802	-
Land -leasehold - note 11.3	2,151,818	-	-	-	2,151,818	-	-	-	-	-	2,151,818	-
Buildings on freehold land	855,882	-	-	-	855,882	222,241	31,067	-	-	253,308	602,574	5
Buildings on leasehold land	1,428,212	1,400	-	-	1,429,612	419,144	49,337	-	-	468,481	961,131	5
Renovation of premises	1,843,268	88,472	(1,601)	(169)	1,929,970	1,149,456	275,406	(11)	(107)	1,424,744	505,226	10 - 20
Furniture, fixtures and office equipment	535,163	21,820	147	(6,179)	550,951	225,042	33,791	31	(2,481)	256,383	294,568	10 - 33
Carpets	23,180	3,527	-	(2,272)	24,435	17,664	2,437	-	(1,604)	18,497	5,938	20
Machine and equipments	1,321,307	63,118	50	(7,837)	1,376,638	779,061	113,464	(88)	(5,820)	886,617	490,021	20
Computer equipments	2,095,907	83,766	342	(5,150)	2,174,865	1,028,777	208,210	295	(4,005)	1,233,277	941,588	20 - 33
Vehicles	241,839	43	(335)	(20,244)	221,303	209,447	12,605	(356)	(16,925)	204,771	16,532	20
Other assets	133,222	-	(88,122)	-	45,100	105,292	6,916	(68,002)	-	44,206	894	20
	12,269,600	262,146	(89,519)	(41,851)	12,400,376	4,156,124	733,233	(68,131)	(30,942)	4,790,284	7,610,092	
Operating Lease - Vehicles	18,209	-	-	(16,375)	1,834	18,209	-	-	(16,375)	1,834	-	20
	12,287,809	262,146	(89,519)	(58,226)	12,402,210	4,174,333	733,233	(68,131)	(47,317)	4,792,118	7,610,092	
Assets held under finance lease Vehicles	6,443	-	-	(3,150)	3,293	4,813	849	-	(2,909)	2,753	540	20
	12,294,252	262,146	(89,519)	(61,376)	12,405,503	4,179,146	734,082	(68,131)	(50,226)	4,794,871	7,610,632	
Intangible												
Software	1,314,491	148,596	-	-	1,463,087	87,517	141,380	-	-	228,897	1,234,190	10
Trading Right Entitlement Certificates - note 11.2.2	-	-	-	12,426	12,426	-	-	-	-	-	12,426	-
Stock Exchange membership cards - note 11.2.2	57,005	750	-	(57,005)	750	-	-	-	-	-	750	-
	1,371,496	149,346	-	(44,579)	1,476,263	87,517	141,380	-	-	228,897	1,247,366	

	2011											
	COST / REVALUED AMOUNT					DEPRECIATION					Book value	Annual
Rupees in '000	as at January 1, 2011	Additions	Adjustment	Deletions	as at December 31, 2011	as at January 1, 2011	Charge for the year	Adjustments	Deletions	as at December 31, 2011	as at December 31, 2011	rate of depreciation (%)
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	762	-	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	(697)	(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	278	(2,638)	225,042	310,121	10 - 33
Carpets	21,832	2,475	12	(1,139)	23,180	16,076	2,517	17	(946)	17,664	5,516	20
Machine and equipment	1,255,840	76,467	(366)	(10,634)	1,321,307	662,190	124,996	277	(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	(9,713)	(10,699)	1,028,777	1,067,130	20
Vehicles	236,685	14,563	(40)	(9,369)	241,839	194,102	20,792	59	(5,506)	209,447	32,392	20
Other assets	133,222	-	-	-	133,222	89,367	16,155	(230)	-	105,292	27,930	20
	11,801,076	609,947	(91,645)	(49,778)	12,269,600	3,450,188	750,189	(9,247)	(35,006)	4,156,124	8,113,476	-
Operating Lease - Vehicles	18,209	-	-	-	18,209	16,531	1,678	-	-	18,209	-	20
	11,819,285	609,947	(91,645)	(49,778)	12,287,809	3,466,719	751,867	(9,247)	(35,006)	4,174,333	8,113,476	
Assets held under finance lease 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	(9,247)	(37,486)	4,179,146	8,115,106	-
Intangible												
Software	-	1,226,200	88,291	-	1,314,491	-	77,423	-	10,094	87,517	1,226,974	10
Stock Exchange membership cards	57,005	-	-	-	57,005	-	-	-	-	-	57,005	-
	57,005	1,226,200	88,291	-	1,371,496	-	77,423	-	10,094	87,517	1,283,979	

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 884,184 thousand (2011: Rs. 701,891 thousand).

11.2.2 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (the Act), during the year ASL has received equity shares and one Trading Right Entitlement certificate each in Karachi Stock Exchange (KSE) and Islamabad Stock Exchange (ISE) in lieu of its membership cards in these exchanges of carrying amount of Rs. 52,500 thousand and Rs. 4,505 thousand respectively.

Based on the revalued assets and liabilities of KSE and ISE, a total of 4,007,383 ordinary shares of Rs. 10 each and 3,034,603 ordinary shares of Rs. 10 each in the corporatized and demutualized KSE and ISE respectively have been allotted to ASL in a dematerialized form. Out of the aforementioned, 1,602,953 ordinary shares in KSE and 1,213,840 ordinary shares in ISE (i.e. 40 percent) have been received in ASL's CDC participant account whereas 2,404,429 ordinary shares in KSE and 1,820,762 ordinary shares in ISE (i.e. 60 percent) have been held in the blocked sub accounts maintained under KSE and ISE participant ID with Central Depository Company of Pakistan Limited. The rights attached to 60% shares held in blocked account shall be dealt with in accordance with the provisions contained in the Act. The blocked account shall be operated by the Board of Directors of the stock exchanges in the manner prescribed by the Securities and Exchange Commission of Pakistan.

In case of KSE, par value of shares received by ASL has been recognised as available for sale investment and the excess of value of shares over the carrying value of membership card in KSE is recognised as trading right. However in case of ISE, since the par value of shares received by ASL is more than the carrying value of membership card, investment in ISE is recognised to the extent of the carrying value of membership card and trading right in ISE is recognised at Nil value.

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

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

Had the land not been revalued, the carrying amount of land as at December 31, 2012 would have been Rs. 2,094,295 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					
Vehicles						
Owned						
Suzuki Vitara	1,607	1,581	26	563	As per Bank policy	Mr. Abdul Waheed - Executive
Honda Accord	2,514	2,514	-	880	- do -	Mr. M. R. Mehkari - President and CEO
Honda Civic	1,112	1,112	-	825	Tender	Mr. Abdul Hameed
Toyota Corolla	1,019	1,019	-	776	- do -	Mr. Aziz Khan
Suzuki Cultus	858	486	372	735	- do -	Mr. Basharatullah - Employee
Honda Citi	828	821	7	851	- do -	Mr. Zeeshan Kaleem - Bidder
Honda Civic	1,748	757	991	1,325	- do -	Mr. Sajjad Hussain - Employee
Suzuki Baleno	400	400	-	334	- do -	Mr. Nasir Khan - Bidder
Honda Civic	2,097	454	1,643	1,643	As per AIML policy	Mr. Zeeshan Qudoos - Ex-Employee
Lease						
Honda Civic	1,026	1,026	-	945	Tender	Mr. Nasir Khan - Bidder
Honda Citi	1,011	876	135	900	- do -	Mr. Shakir Ali - Bidder
Honda Citi	1,113	755	358	475	As per AIML policy	Mr. Sameer Khan - Ex-Employee
Computer Equipments	1,665	1,293	372	25	Negotiation	M/S Qadri Mustafi Engineering
	16,998	13,094	3,904	10,276		
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	44,378	37,132	7,246	10,472		
2012	61,376	50,226	11,150	20,748		
2011	53,378	37,486	15,892	18,108		

Rupees in '000	Note	2012	2011
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	6,131,115	7,145,475
Income / mark-up accrued in foreign currencies		193,127	165,990
Advances, deposits, advance rent and other prepayments		822,506	1,479,261
Advance taxation (payments less provisions)		3,693,655	2,978,018
Non banking assets acquired in satisfaction of claims	12.2	4,289,885	3,485,578
Un-realised gain on forward foreign exchange contracts - net		80,587	327,317
Suspense account		71,625	50,691
Stationary and stamps in hand		35,379	46,448
Dividend receivable		53,752	8,834
Others	12.3	372,547	505,103
		15,744,178	16,192,715
Provision against other assets	12.4	(158,713)	(163,877)
Other assets - net of provision		15,585,465	16,028,838

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 9,519,286 thousand (2011: Rs. 7,671,302 thousand).

12.2 Market value of non banking assets acquired in satisfaction of claims is Rs. 6,461,300 thousand (2011: Rs. 5,499,775 thousand). Further, additions include certain properties, acquired by the Bank through registered sale deeds, in its name, involving value of Rs. 532,337 thousand wherefor mutation formalities are in progress.

12.3 This includes an amount related to recovery of Rs. 57,297 thousand from a customer of ASL, on which arbitration committee of Islamabad Stock Exchange had decided the arbitration proceedings in favor of ASL in 2003. The customer had filed a suit against ASL challenging the decision of arbitration committee. ASL had filed a case in the District Court Islamabad against the customer for the recovery of amount receivable. In January 2009, the District Court Islamabad transferred the case to the High Court Islamabad on the grounds that the amount of the case is beyond the pecuniary jurisdiction of the District Court. The case is currently pending with the High Court Islamabad.

Rupees in '000	2012	2011
12.4 Provision against other assets		
Opening balance	163,877	164,336
Provision recognised during the year	21,633	-
Recovery from customer	(13,000)	-
	8,633	-
Written off during the year	(13,797)	(459)
Closing balance	158,713	163,877
13. BILLS PAYABLE		
In Pakistan	3,700,156	2,756,032
14. BORROWINGS		
In Pakistan	8,364,142	17,214,351
Outside Pakistan	12,598	60,628
	8,376,740	17,274,979
14.1 Particulars of borrowings with respect to currencies		
In local currency	8,364,142	17,214,351
In foreign currencies	12,598	60,628
	8,376,740	17,274,979

Rupees in '000	Note	2012	2011
14.2 Details of borrowings – secured / unsecured			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	7,170,013	8,317,225
Long term financing of export oriented projects	14.2.2	400,104	669,568
Long term financing facility	14.2.3	195,076	251,673
Refinance scheme for revival of agricultural activities in flood affected areas	14.2.4	2,745	31,045
Refinance scheme for revival of SME activities in flood affected areas	14.2.4	7,500	7,500
		7,775,438	9,277,011
Repo borrowings from financial institutions			
Repo borrowings		-	7,935,831
Others	14.2.5	4,123	1,509
Unsecured			
Call borrowings	14.2.6	500,000	-
Overdrawn balance with other banks		84,581	-
		584,581	-
		8,364,142	17,214,351
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		12,598	60,628
		8,376,740	17,274,979

14.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 8.5% (2011: 10%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up rate of 5% (2011: 5%) per annum payable on a quarterly basis.

14.2.3 These carry mark-up ranging from 5.5% to 10.1% (2011: 6.5% to 8.6%) per annum payable on a quarterly basis.

14.2.4 These carry mark-up rate of 5% (2011: 5%) per annum payable on a quarterly basis.

14.2.5 This represents running finance facility of ASL obtained from MCB Bank Limited, secured against lien on its term deposits. The mark-up rate is 6 months KIBOR plus 1.37% per annum payable on quarterly basis with maturity upto 1 month.

14.2.6 These represent borrowings at mark-up rate of 8.75% (2011: Nil) per annum and have maturity upto seven days.

Rupees in '000	2012	2011
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,647,191	89,523,862
Savings deposits	155,646,270	141,026,934
Current accounts - non-remunerative	62,694,946	56,631,386
Special exporters' account	22,282	11,509
Margin accounts	2,316,551	2,416,273
Others	398,989	380,598
Financial institutions		
Remunerative deposits	9,381,065	1,507,056
Non-remunerative deposits	822,435	1,777
	306,929,729	291,499,395
15.1 Particulars of deposits		
In local currency	274,493,724	256,917,236
In foreign currencies	32,436,005	34,582,159
	306,929,729	291,499,395

Deposits include Rs. 18,623,646 thousand (2011: Rs. 19,755,378 thousand) due to related parties.

Rupees in '000	2012	2011
16. SUB-ORDINATED LOANS		
Term Finance Certificates - I	1,495,500	1,496,100
Term Finance Certificates - II	1,495,800	1,496,400
Term Finance Certificates - III	2,996,400	2,997,600
Term Finance Certificates - IV	999,600	1,000,000
	6,987,300	6,990,100

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 Certificates – I	Term Finance Certificates – II	Term Finance Certificates – III	Term Finance Certificates – IV
Outstanding amount – Rupees in thousand	1,495,500	1,495,800	2,996,400	999,600
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 Limited	Lahore Stock Exchange Limited	Lahore Stock Exchange Limited	Unlisted
Rate	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate six month KIBOR prevailing on the base rate setting date. 8 year	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate six month KIBOR prevailing on the base rate setting date. 8 year	Payable six monthly - Base Rate plus 2.5% (after 5 years: 2.95%) Base Rate is the simple average of the ask rate six month KIBOR prevailing on the base rate setting date. 10 year	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate six month KIBOR prevailing on the base rate setting date. 10 year
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%

	2012			2011		
Rupees in '000	Minimum lease payment	Financial future periods	Principal outstanding	Minimum lease payment	Financial future periods	Principal outstanding
17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE						
Not later than one year	1,018	-	1,018	1,251	195	1,056
Later than one year and not later than five years	-	-	-	1,882	45	1,837
	1,018	-	1,018	3,133	240	2,893

The liabilities represent the obligations for 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	2012	2011
18. DEFERRED TAX LIABILITIES			
Deferred credits / (debits) arising due to:			
Accelerated tax depreciation		610,110	716,235
Assets subject to finance lease		(356)	(121)
Provision for staff benefits		(350)	(3,119)
Provision against non-performing advances			
- excess of 1% of total advances		(651,007)	(404,730)
- classified in sub-standard category		(5,867)	7,883
Unused tax losses		(38,069)	(37,787)
		(85,539)	278,361
Surplus / (deficit) on revaluation of available for sale securities		168,678	(231,453)
		83,139	46,908
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,837,570	2,059,529
Mark-up / return / interest payable in foreign currencies		17,051	76,145
Unearned income / commission		168,876	188,368
Accrued expenses		703,274	350,920
Advance payments		59,315	52,068
Security deposit against lease / Ijarah financing		2,378,387	3,044,275
Unclaimed dividends		38,371	39,157
Branch adjustment account		858,692	622,392
Payable to defined benefit plan	35	9,475	3,336
Payable to defined contribution plan		14	22,376
Payable against purchase of listed shares		169,289	179,406
Withholding taxes payable		39,818	44,362
Federal excise duty payable		3	2,503
Workers' Welfare Fund		185,199	108,000
Others		840,477	620,718
		7,305,811	7,413,555

20. SHARE CAPITAL

20.1 Authorized capital

2012 (Number of shares)	2011 (Number of shares)		2012 (Rupees in '000)	2011 (Rupees in '000)
1,300,000,000	1,300,000,000	Ordinary shares of Rs. 10 each	13,000,000	13,000,000

20.2 Issued, subscribed and paid up capital

2012 (Number of shares)	2011 (Number of shares)		2012 (Rupees in '000)	2011 (Rupees in '000)
		Ordinary shares of Rs. 10 each:		
67,500,000	67,500,000	Fully paid in cash	675,000	675,000
717,297,769	611,245,019	Issued as bonus shares	7,172,978	6,112,451
28,273,315	28,273,315	Issued on ALL merger	282,733	282,733
813,071,084	707,018,334		8,130,711	7,070,184

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.

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

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

The Bank's status of compliance with regard to above is stated in note 1.3.

21. RESERVES

Rupees in '000	Exchange translation reserve	Share premium account	Statutory reserve note – 20.3	Capital reserve note - 20.1	General reserve	2012	2011
Balance as at January 01	75,296	234,669	3,648,445	94,085	4,083,300	8,135,795	7,712,855
Effect of translation of net investment in Wholesale Bank Branch	7,363	-	-	-	-	7,363	19,783
Transfer from unappropriated profit	-	-	251,072	-	1,302,158	1,553,230	1,005,178
Bonus shares issued	-	-	-	-	(1,060,527)	(1,060,527)	(642,744)
Reversal of capital reserve	-	-	-	(94,085)	-	(94,085)	(30,969)
Effect of rescheduled / restructured classified advances	-	-	-	-	-	-	71,692
Balance as at December 31	82,659	234,669	3,899,517	-	4,324,931	8,541,776	8,135,795

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 was not available for payment of cash or stock dividend. The reserve has been reversed on fulfilling the requirements of BSD Circular No. 10 dated October 20, 2009.

21.2 As at December 31, 2012, the Group has availed net of tax benefit of Forced Sale Value (FSV) of Rs. 3,094,844 thousand (2011: Rs. 3,477,969 thousand) in respect of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing assets allowed under BSD circular No. 1 of 2011 dated October 21, 2011 and referred in notes 9.17.1 and 10.6.2 above. Reserves and un-appropriated profit 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	2012	2011
22. SURPLUS ON REVALUATION OF ASSETS – NET OF TAX		
Surplus on revaluation of land	1,697,325	1,697,325
Surplus / (deficit) on revaluation of available for sale securities		
i) Federal Government securities	781,542	(196,668)
ii) Listed shares	(34,407)	(232,399)
iii) Units of open end mutual funds	8,032	30,589
iv) Other securities	(273,230)	(262,816)
	481,937	(661,294)
Less: related deferred tax	(168,678)	231,453
	313,259	(429,841)
	2,010,584	1,267,484
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Government	-	2,329,106
Others	5,373,983	7,047,996
	5,373,983	9,377,102

Rupees in '000	2012	2011
23.2 Transaction–related contingent liabilities		
Money for which the group is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	233,955	270,352
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	79,212,961	54,928,965
ii) Banks and other financial institutions	808,020	744,007
iii) Others	13,813,083	15,582,567
	93,834,064	71,255,539
	94,068,019	71,525,891

These include guarantees amounting to Rs. 901,381 thousand (2011: Rs. 890,769 thousand) issued in the normal course of business which are in litigations, wherein the Group has been merely impleaded and is not a party to the dispute

Rupees in '000	2012	2011
23.3 Trade–related contingent liabilities	44,442,449	36,629,023
23.4 Other contingencies		
23.4.1 These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.	615,701	649,430

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

23.4.3 The Competition Commission of Pakistan (CCP) in an order dated June 28, 2012 has penalized 1 Link (Guarantee) Limited and its member banks for allegedly following uncompetitive behaviour and imposition of uniform cost on cash withdrawals from ATMs; Askari Bank's share of such penalty is Rs. 50 million. The Bank along with other banks has filed a constitutional petition before the honorable Sindh High Court, which has suspended the order of CCP till next hearing date.

23.5 Tax contingencies

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

ii) ASL appealed before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue (Appeals) [CIR(A)] related to tax year 2006 assessing net income at Rs. 27,486,803 against the declared loss of Rs. 9,306,446 due to disallowing provision for doubtful debts and commission expense resulting in income tax demand of Rs. 9,565,724. The ATIR has directed the CIR(A) to re-examine the case and issue a fresh appellate order. The matter is pending adjudication by the CIR(A).

iii) Group's share of income tax demand of Rs. 1,794 thousand, not acknowledged as debt, has been challenged by AGICO and is currently in appeal; AGICO expects favourable outcome of appeal.

Rupees in '000	2012	2011
23.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	5,823,130	362,147
Sale and repurchase agreements	-	7,953,517

Rupees in '000		2012	2011
23.7	**Commitments in respect of forward exchange contracts**		
	Purchase	13,497,314	23,775,757
	Sale	8,926,334	14,977,195
	The above commitments have maturities falling within one year.		
23.8	**Commitments in respect of forward sale of listed equity securities**		
	Sale	157,880	-
23.9	**Commitments for the acquisition of operating fixed assets**	140,070	159,247
23.10	**Commitments to extend credit**		
	The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	6,480,778	5,576,283
23.11	**Other commitments**		
	This represents participation in the equity of proposed Mortgage Refinance Company	300,000	300,000
23.12	**Bills for collection**		
	Payable in Pakistan	1,162,798	535,642
	Payable outside Pakistan	11,126,400	12,239,196
		12,289,198	12,774,838

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, and equity futures. 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 Group at present does not offer structured derivative products such as interest rate swaps, forward rate swap, forward rate agreements or foreign exchange options. However, the Bank's treasury and investments banking groups buy and sell derivative instruments such as:

- Forward exchange contracts
- Equity futures

25.1 Forward exchange contracts

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

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

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

25.2 Equity futures

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

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

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

Rupees in '000	Note	2012	2011
26. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	26.1	17,423,089	17,704,368
ii) Financial institutions		45,910	86,448
On investments			
i) Available for sale securities		14,156,795	13,876,815
ii) Held to maturity securities		447,735	543,789
iii) Held for trading		-	2,916
On deposits with financial institutions		153,189	191,556
On securities purchased under resale agreements		177,627	363,058
		32,404,345	32,768,950

26.1 This includes an amount of Rs. 6,684 thousand (2011: Rs. 29,972 thousand) on account of income received from related parties.

Rupees in '000	Note	2012	2011
27. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits	27.1	19,109,875	18,815,726
On securities sold under repurchase agreements		2,228,432	2,010,892
On sub-ordinated loans		962,708	921,388
On call money borrowings		19,630	52,632
On refinance borrowings from SBP		597,847	834,023
On long term finance for export oriented projects from SBP		48,506	55,509
On other short term borrowings		6,387	8,919
		22,973,385	22,699,089

27.1 This includes an amount of Rs. 2,328,062 thousand (2011: Rs. 1,324,696 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2012	2011
28. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	98,930	113,283
Pakistan Investment Bonds	473,013	26,825
Term Finance Certificates	-	17,308
Shares - listed	203,835	(49,099)
Others	(87,354)	202,067
	688,424	310,384

Rupees in '000	Note	2012	2011
29. OTHER INCOME			
Rent on property	29.1	30,611	37,592
Gain on sale of operating fixed assets		9,598	2,216
Rent of lockers		16,211	17,450
Income from non-banking assets and profit from sale of non-banking assets		6,723	-
Recovery of expenses from customers		306,301	284,253
Others		162,831	6,498
		532,275	348,009

29.1 This includes an amount of Rs. 29,106 thousand (2011: Rs. 24,941 thousand) on account of rent received from related parties.

Rupees in '000	Note	2012	2011
30. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		4,172,826	3,870,116
Charge for defined benefit plan	35.3	191,179	168,020
Contribution to defined contribution plan	36	146,324	130,040
Directors' fees, allowances and other expenses		7,031	2,350
Rent, taxes, insurance, electricity, etc.		1,150,567	1,067,302
Legal and professional charges		70,541	57,386
Brokerage and commission		133,119	155,944
Communications		321,058	316,060
Repairs and maintenance		888,735	1,018,788
Stationery and printing		110,386	128,122
Advertisement and publicity		82,216	77,852
Donations		-	16,000
Auditors' remuneration	30.1	11,864	14,420
Depreciation	11.2	734,082	753,425
Amortization	11.2	141,380	77,423
Travelling and entertainment		105,973	79,614
Fuel and vehicle running expenses		543,333	462,842
Security service charges		270,802	263,847
Finance charges on leased assets		1,306	335
Other expenditure		143,841	127,495
		9,226,563	8,787,381
30.1 Auditors' remuneration			
Audit fee - Parent		2,800	2,500
- Subsidiaries		700	675
Fee for the audit of Wholesale Bank Branch		2,214	2,096
Fee for the audit of provident and gratuity funds		167	121
Special certifications, half year review and the audit of consolidated financial statements		3,208	3,108
Tax services		1,815	5,112
Out-of-pocket expenses		960	808
		11,864	14,420
31. OTHER CHARGES			
Workers' Welfare Fund		77,199	49,240
Penalties imposed by the State Bank of Pakistan		3,182	37,544
		80,381	86,784

Rupees in '000	2012	2011
32. TAXATION		
For the year		
Current	840,813	833,523
Deferred	(363,901)	(83,786)
	476,912	749,737
32.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,766,057	2,454,944
Tax at applicable tax rate of 35 percent (2011: 35 percent)	618,120	859,230
Effect of:		
– Income chargeable to tax at lower rates	(132,066)	(72,367)
– Permanent differences	1,114	12,872
- Minimum tax	1,669	-
– Deferred tax not recognised by ASL	1,518	-
– Deferred tax asset of prior years' losses of AIML	(615)	(37,787)
– Others	(12,828)	(12,211)
	476,912	749,737

32.2 Tax status

i) The Bank has filed tax returns for and up to Tax Year 2012 (year ended 31 December 2011). The assessment for and up to Tax Year 2010 were amended by the Tax authorities mainly in the matters of admissibility of provisions against doubtful debts, diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to Tax Year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the Tax Department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

Tax returns of ALL have been filed for and up to Tax Year 2010. The returns of ALL 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 Honorable 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	2012	2011
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	24,435,422	26,168,206
Balances with other banks	8,865,303	6,236,116
Term deposits with MCB Bank	22,000	22,000
	33,322,725	32,426,322

Rupees in '000	2012	2011
33.1 Cash flow from operating activities (direct method)		
Mark-up / return / interest and commission receipts	36,118,782	35,383,189
Mark-up / return / interest payments	(23,254,438)	(22,297,662)
Cash payments to employees, suppliers and others	(6,839,843)	(7,865,829)
	6,024,501	5,219,698
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,727,890)	7,545,900
Held for trading securities	(161,393)	(1,418)
Advances	3,743,856	(864,640)
Other assets (excluding advance taxation)	426,565	(315,479)
	(718,862)	6,364,363
Increase / (decrease) in operating liabilities		
Bills payable	944,124	(333,952)
Borrowings	(8,898,239)	(8,279,798)
Deposits	15,430,334	35,591,246
Other liabilities (excluding current taxation)	(226,990)	(1,130,596)
	7,249,229	25,846,900
Cash flow before tax	12,554,868	37,430,961
Income tax paid	(1,556,450)	(958,118)
Net cash flow from operating activities	10,998,418	36,472,843

34. STAFF STRENGTH

	Number of employees	
Permanent	4,360	4,557
Temporary / on contractual basis	1,277	1,448
Commission based	56	84
Bank's own staff strength at end of the year	5,693	6,089
Outsourced	1,310	1,283
Total staff strength at end of the year	7,003	7,372

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank and ASL operates approved funded gratuity schemes for all regular employees. Contributions are made in accordance with the actuarial recommendation.

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

Rupees in '000	2012	2011
35.2 The amounts recognised in the unconsolidated statement of financial position are as follows:		
Present value of defined benefit obligation	1,219,553	1,001,255
Fair value of plan assets	(1,075,372)	(866,311)
	144,181	134,944
Unrecognized actuarial losses	(134,706)	(131,608)
Net liability	9,475	3,336
35.3 The amounts recognised in consolidated profit and loss account are as follows:		
Current service cost	164,341	128,419
Interest on obligation	125,060	115,153
Expected return on plan assets	(105,531)	(91,152)
Non-vested past service cost	349	-
Actuarial loss recognised	6,960	15,600
	191,179	168,020

Rupees in '000	2012	2011
35.4 Actual return on plan assets	183,704	94,150
35.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	1,001,255	857,959
Current service cost	164,341	128,419
Interest cost	125,060	115,153
Actuarial loss / (gain)	15,101	(28,281)
Benefits paid	(86,204)	(71,995)
Closing defined benefit obligation	1,219,553	1,001,255
35.6 Changes in fair value of plan assets		
Opening fair value of plan assets	866,311	678,450
Expected return	105,531	91,152
Actuarial gain	6,030	2,998
Contributions by employer	183,704	165,706
Benefits paid	(86,204)	(71,995)
Closing fair value of plan assets	1,075,372	866,311

The Group expects to contribute Rs. 154,588 thousand to its defined benefit gratuity plan in 2013.

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.

	2012		2011	
	Rupees '000	Percentage	Rupees '000	Percentage
35.7 Break-up of category of assets				
Pakistan Investment Bonds	762,664	71	625,423	72
Bank deposit account	312,708	29	240,888	28
	1,075,372	100	866,311	100

35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2012 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2012	2011
Discount rate – per annum	11% - 11.5%	12.5%
Expected rate of increase in salaries – per annum	10% - 11.5%	12.5%
Expected rate of return on plan assets – per annum	11%	5% - 12.5%
Average expected remaining life of employees – years	6	6 - 10
Mortality rate	EFU 61 – 66 mortality table	EFU 64 – 66 mortality table

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

Rupees in '000	2012	2011	2010	2009	2008
As at December 31,					
Defined benefit obligation	1,219,553	1,001,255	857,959	705,452	542,214
Plan assets	(1,075,372)	(866,311)	(678,450)	(482,462)	(327,885)
Deficit	144,181	134,944	179,509	222,990	214,329
Experience adjustments					
Actuarial (loss) / gain on obligation	(15,101)	(28,281)	(30,792)	(25,745)	(9,624)
Actuarial gain / (loss) on plan assets	6,030	2,998	(12,305)	(527)	(27,807)

36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all 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, 2011 were Rs. 1,880,291 thousand (December 31, 2010: Rs. 1,541,256 thousand) as per latest available audited financial statements of the fund.

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

37. COMPENSATED ABSENCES

37.1 General description

The Bank, AIML and ASL grant compensated absences to all regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

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

Under this unfunded scheme, regular employees of AIML are entitled to 4 weeks privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 8 weeks which are encashable at the time of separation from service on the basis of last drawn gross salary.

Under this unfunded scheme, category A and B employees and category C employees of ASL are entitled to 30 days and 15 days privilege leave for each completed year of service respectively. Unutilized privilege leaves are accumulated upto a maximum of 90 days and 45 days for category A and B employees and category C employees respectively which are encashable at the time of separation from service on the basis of last drawn gross salary.

37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2012 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2012 was Rs. 206,786 thousand against related liability of Rs. 189,207 thousand carried at December 31, 2012. Expense for the year of Rs. 19,020 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2012	2011
Discount rate – per annum	11% - 11.5%	12.5%
Expected rate of increase in salaries – per annum	10% - 11.5%	12.5%
Leave accumulation factor – days	5 - 11	5 - 11

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & Chief Executive		Directors		Executives	
Rupees in '000	2012	2011	2012	2011	2012	2011
Fees	-	-	6,826	2,350	225	100
Managerial remuneration	17,187	12,579	-	-	894,669	605,742
Charge for defined benefit plan	1,354	1,128	-	-	53,412	48,028
Contribution to defined contribution plan	1,354	1,048	-	-	57,436	49,880
Rent and house maintenance	7,371	5,721	-	-	284,467	260,317
Utilities	1,625	1,258	-	-	61,658	57,848
Medical	1,625	1,258	-	-	61,366	57,641
Special performance incentive / Bonus	3,622	2,256	-	-	141,583	67,095
Others	-	-	-	-	3,428	4,567
	34,138	25,248	6,826	2,350	1,558,224	1,151,218
Number of persons	1	1	10	10	530	560

Executives mean all executive 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 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 5.5. 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:

	2012									
Rupees in '000	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
Total income	136,805	357,973	1,818,093	34,161,919	56,366	16,211	172,171	28,837	-	36,748,375
Total expenses	34,706	90,814	466,955	33,216,227	14,299	4,113	167,906	24,590	962,708	34,982,318
Net income / (loss)	102,099	267,160	1,351,138	945,691	42,067	12,098	4,265	4,247	(962,708)	1,766,057
Segment Assets (Gross)	67,659	177,881	14,661,421	357,952,153	28,009	8,055	101,185	193,229	-	373,189,592
Segment Non Performing Loans	-	-	2,873,636	23,644,812	-	-	-	-	-	26,518,448
Segment Provision Required	-	-	2,523,806	17,388,618	-	-	-	66,215	-	19,978,639
Segment Liabilities	984	2,574	18,853,154	307,332,391	405	117	15,904	35,605	7,142,759	333,383,893
Segment Return on net Assets (ROA) (%)	0.04	0.10	0.52	9.80	0.02	-	0.05	0.01	-	
Segment Cost of funds (%)	0.01	0.03	0.14	10.08	-	-	0.05	0.01	0.29	

	2011									
Rupees in '000	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	0.00	-	0.04	0.01	0.29	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.91% (2011: 5.01%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.64% (2011: 1.61%) 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% (2011: 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 were as follows:

	December 31, 2012						December 31, 2011					
Rupees in '000	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
Balances outstanding at the year end												
- Advances	-	111,092	6,011	145	-	-	-	117,472	15,130	291	-	-
- Deposits	17,755,898	28,306	39,306	349,635	405,377	52,611	19,327,756	43,868	98,100	171,830	46,865	68,014
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	-	233,955	-	-	277,859	-	-	270,352	-	-
- Investment in shares / units - at cost	-	-	-	1,770,695	353,492	-	-	-	-	1,614,504	53,703	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,659	-	-	-	-	-	3,661	-
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	2,602	-	-	-	-	-	1,705	-	-
- Management fee and commission receivable from Askari High Yield Scheme	-	-	-	2,405	-	-	-	-	-	2,418	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	150	-	-	-	-	-	285	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	461	-	-	-	-	-	430	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	-	-	-	-	-	-	62	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	1,046	-	-	-	-	-	389	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	88	-	-	-	-	-	47	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	392	-	-	-	-	-	292	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	-	-	-	-	-	-	996	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	4,655	-	-	-	-	-	6,224	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	1,002	-	-	-	-	-	1,010	-	-
- Management fee and commission receivable Askari Equity Fund	347	-	-	-	-	-	-	-	-	-	-	-
- Management fee and commission receivable Askari Sovereign Yield Enhancer	1,883	-	-	-	-	-	-	-	-	-	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	1,349	-	-	-	-	-	1,010	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	-	-	-	-	-	197	-	
- Payable to employee funds by AIML	-	-	-	-	-	-	-	-	-	-	-	3,337
Transactions during the year												
- Net mark-up / interest earned	-	6,312	754	14	-	-	-	7,570	1,060	21,269	-	-
- Net mark-up / interest expensed	2,275,211	1,413	8,481	23,832	5,148	13,977	1,280,129	1,523	8,313	25,307	4,914	2,568
- Rent received against operating lease	-	-	-	-	-	-	-	9,583	-	-		
- Contribution to employees' funds	-	-	-	-	-	337,503	-	-	-	-	-	298,060
- Investment made in units of AIML funds - at cost - (net)	-	-	-	-	-	-	-	38,106	-	-		
- Investment in units of AIML funds - purchase	-	16,211,000	-	-								
- Investment in units of AIML funds - sale	-	15,982,760	-	-								
- Rent of property / service charges received	19,398	-	-	4,764	5,412	-	15,629	-	-	4,392	4,494	-
- Rent of property / service charges paid	67,737	-	-	70,277	607	-	71,355	-	-	77,062	-	-
- Remuneration paid	-	234,849	-	-	-	-	-	205,827	-	-	-	-
- Post employment benefits	-	18,469	-	-	-	-	-	15,766	-	-	-	-
- Insurance claim received	-	-	-	-	317	-	-	-	-	-	424	-
- Insurance premium paid	-	-	-	-	27,690	-	-	-	-	768	47,924	-
- Dividend Income	-	-	-	398,644	-	-	-	-	-	62,971	-	-
- Security services costs	-	-	-	198,950	-	-	-	-	-	189,080	-	-
- Fee, commission and brokerage income	-	-	-	161,643	169	-	2	-	19	95,639	21	-
- Lease rentals paid	-	-	-	-	-	-	-	-	-			
- Fees paid	-	-	6,826	-	-	-	-	100	2,350	-	-	-

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 AKBL, 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 Group has neither any significant minority investments in banking, securities, or any other financial entities excludes it from a need for further consolidation. Furthermore, the Group does not indulge in any securitization activity that shields it from the risk inherent in securitization.

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 risks. 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 Bank 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;

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 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, 2012

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	Note	2012	2011
Tier I capital			
Fully paid-up capital		8,130,711	7,070,184
Share premium account		234,669	234,669
Reserves (excluding foreign exchange translation reserves)		8,230,992	7,825,830
Unappropriated / unremitted profits (net of losses)		1,144,869	1,380,019
Non-controlling interest		29,441	28,377
Less: Book value of intangibles	11	(1,273,733)	(1,283,979)
Deficit on account of revaluation of investments		-	-
Shortfall in provision required against classified assets irrespective of any relaxation allowed		(158,459)	(146,949)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(66,241)	(52,334)
Total Tier I Capital		16,242,249	15,055,817
Tier II Capital			
Subordinated debt (upto 50% of total Tier I capital)		3,991,200	4,592,260
General provisions for loan losses subject to 1.25% of total risk weighted assets		331,589	377,177
Revaluation reserve (upto 45%)		904,763	570,368
Foreign exchange translation reserves		82,659	75,296
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)		(66,241)	(52,334)
Total Tier II capital		5,243,970	5,562,767
Eligible Tier III capital		-	-
Total regulatory capital		21,486,219	20,618,584

Risk–weighted exposures

	Capital Requirement		Risk Weighted Assets	
Rupees in '000	2012	2011	2012	2011
Credit risk				
Portfolios subject to standardised approach (comprehensive approach for CRM)				
Claims on:				
Sovereigns other than PKR claims	385,467	235,469	3,854,668	2,354,692
Public Sector Entities (PSEs)	215,233	414,228	2,152,334	4,142,279
Banks	2,079,046	1,571,422	20,790,460	15,714,216
Corporates	6,744,335	7,530,133	67,443,348	75,301,334
Retail portfolio	1,592,047	2,074,889	15,920,467	20,748,891
Residential mortgage finance	322,679	327,733	3,226,791	3,277,327
Listed equities and regulatory capital instruments issued by others banks	149,037	104,371	1,490,367	1,043,710

	Capital Requirement		Risk Weighted Assets	
Rupees in '000	2012	2011	2012	2011
Unlisted equity investments	7,399	28,707	73,992	287,072
Fixed assets	762,779	816,705	7,627,789	8,167,053
Other assets	620,820	587,001	6,208,199	5,870,006
Past due exposures	974,587	857,002	9,745,871	8,570,024
Forward foreign exchange contracts	22,028	52,280	220,278	522,795
Market risk				
Portfolios subject to standardised approach				
Interest rate risk	652,926	463,041	6,529,256	4,630,410
Equity position risk	1,059,371	671,436	10,593,714	6,714,359
Foreign exchange risk	122,736	11,913	1,227,363	119,134
Operational risk	2,379,343	2,279,178	23,793,434	22,791,784
TOTAL	18,089,833	18,025,508	180,898,331	180,255,086
Capital adequacy ratio				
Total eligible regulatory capital held			21,486,219	20,618,584
Total risk weighted assets			180,898,331	180,255,086
Capital adequacy ratio			11.88%	11.44%

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 the Group's objectives through a well thought out strategy, which enables 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 the Group's capital requirement pertains to credit risk. The Group's advances portfolio is well diversified across various business segments, industries and geographical locations.

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

Credit risk review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Group's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Group. 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

	2012						2011					
	Advances		Deposits		Contingencies and Commitments		Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / agribusiness	6,545,640	4.02	3,036,944	0.99	421,169	0.23	7,138,183	4.26	2,730,231	0.94	1,719,902	1.00
Automobiles and allied	504,084	0.31	866,646	0.28	399,962	0.22	526,364	0.31	616,816	0.21	673,050	0.39
Cables / electronics	2,162,329	1.33	1,434,976	0.47	375,371	0.21	2,494,341	1.49	2,025,873	0.69	754,296	0.44
Carpets	293,689	0.18	54,742	0.02	23,139	0.01	232,465	0.14	59,962	0.02	18,223	0.01
Cement	1,143,231	0.70	933,570	0.30	541,912	0.30	3,472,314	2.07	96,673	0.03	387,690	0.23
Chemicals / pharmaceuticals	3,119,304	1.92	825,811	0.27	3,442,339	1.91	3,989,348	2.38	3,470,496	1.19	2,268,018	1.32
Engineering	642,006	0.39	326,487	0.11	2,167,073	1.20	640,408	0.38	54,064	0.02	1,590,685	0.93
Fertilizers	3,590,314	2.20	443,461	0.14	1,577,225	0.88	4,431,649	2.65	1,405,993	0.48	330,667	0.19
Food and allied	2,185,347	1.34	778,180	0.25	913,967	0.51	2,413,088	1.44	601,058	0.21	876,855	0.51
Fuel / energy	17,495,770	10.75	2,573,058	0.84	14,241,647	7.91	18,966,087	11.33	2,252,717	0.77	12,756,311	7.45
Ghee and edible oil	1,783,207	1.09	270,704	0.09	2,618,843	1.46	2,775,354	1.66	249,194	0.09	2,450,068	1.43
Glass and ceramics	1,389,070	0.85	42,653	0.01	40,002	0.02	1,457,187	0.87	14,837	0.01	55,067	0.03
Hotels and restaurants	491,390	0.30	681,293	0.22	17,425	0.01	212,492	0.13	438,449	0.15	32,999	0.02
Individuals	16,986,713	10.44	105,024,343	34.22	167,908	0.09	19,478,596	11.64	89,273,536	30.63	1,893,002	1.10
Insurance	10,185	0.01	529,751	0.17	500	0.00	32,933	0.02	187,179	0.06	-	-
Financial institutions / investment companies	405,000	0.25	1,370,038	0.45	69,337,365	38.53	500,105	0.30	1,433,676	0.49	27,708,906	16.17
Leasing	5,835	0.00	11,049	-	-	-	-	-	1,472	-	-	-
Leather products and shoes	809,334	0.50	604,750	0.20	72,087	0.04	948,964	0.57	460,523	0.16	72,967	0.04
Modarabas	-	-	6	0.00	-	-	37,609	0.02	27	0.00	1,197	0.00
Paper and board	593,518	0.36	86,049	0.03	114,198	0.06	517,738	0.31	239,823	0.08	221,637	0.13
Plastic products	586,983	0.36	114,349	0.04	299,154	0.17	678,668	0.41	57,240	0.02	415,629	0.24
Ready made garments	802,631	0.49	332,188	0.11	211,193	0.12	871,895	0.52	368,026	0.13	125,861	0.07
Real estate / construction	3,049,936	1.87	9,862,400	3.21	17,015,245	9.45	6,552,971	3.91	11,653,375	4.00	13,434,981	7.84
Rice processing and trading	2,515,494	1.54	898,041	0.29	383,880	0.21	2,849,218	1.70	765,519	0.26	534,022	0.31
Rubber products	149,588	0.09	117,901	0.04	108,559	0.06	151,078	0.09	36,715	0.01	229,176	0.13
Services (other than financial, hotelling and travelling)	2,035,816	1.25	7,300,761	2.38	848,590	0.47	2,395,462	1.43	6,656,857	2.28	5,455,041	3.18
Sports goods	504,103	0.31	40,594	0.01	59,024	0.03	547,138	0.33	46,780	0.02	40,830	0.02
Sugar	171,702	0.11	94,123	0.03	1,777	0.00	82,510	0.05	73,450	0.03	3,550	0.00
Surgical equipment / metal products	5,779,211	3.55	1,203,519	0.39	320,227	0.18	5,766,500	3.45	426,596	0.15	1,008,454	0.59
Synthetic and rayon	566,460	0.35	95,444	0.03	4,953	0.00	455,108	0.27	109,963	0.04	153,933	0.09
Textile	22,082,644	13.56	1,968,746	0.64	3,672,852	2.04	23,443,856	14.01	2,457,414	0.84	7,972,087	4.65
Tobacco / cigarette manufacturing	5,122	0.00	5	0.00	-	-	6,236	0.00	3,015	0.00	-	-
Transport and communication	9,276,995	5.70	11,887,274	3.87	2,391,454	1.33	9,588,584	5.73	8,188,035	2.81	8,193,613	4.78
Travel agencies	64,054	0.04	59,486	0.02	544,456	0.30	60,973	0.04	76,262	0.03	209,016	0.12
Woolen	15,087	0.01	81,782	0.03	102,803	0.06	45,333	0.03	87,304	0.03	49,235	0.03
Public sector / Government	38,354,165	23.55	95,349,584	31.07	41,696,608	23.17	28,326,259	16.92	96,595,921	33.14	54,231,060	31.65
Others	16,739,626	10.28	57,629,021	18.78	15,842,801	8.80	15,294,232	9.14	58,284,324	19.99	25,417,564	14.86
	162,855,583	100.00	306,929,729	100.00	179,975,708	100.00	167,381,246	100.00	291,499,395	100.00	171,285,592	100.00

44.1.1.2 Segment by sector

	2012						2011					
	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
Percent												
Public sector / Government	38,354,165	23.55	95,349,584	31.07	41,696,608	23.17	28,326,259	16.92	96,595,921	33.14	54,231,060	31.66
Private	124,501,418	76.45	211,580,145	68.93	138,279,100	76.83	139,054,987	83.08	194,903,474	66.86	117,054,532	68.34
	162,855,583	100.00	306,929,729	100.00	179,975,708	100.00	167,381,246	100.00	291,499,395	100.00	171,285,592	100.00

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

Rupees in '000	2012 Classified Advances	2012 Specific Provision Held	2011 Classified Advances	2011 Specific Provision Held
Agriculture finances	862,287	255,120	308,274	-
Automobiles and allied	469,131	264,643	459,357	208,841
Cables / electronics	1,154,254	1,130,357	1,177,820	1,014,126
Cement	406	406	87,107	64,417
Chemicals / pharmaceuticals	224,240	70,411	28,553	15,210
Financial institutions / investment companies	-	-	37,610	29,222
Food and allied	412,388	157,632	128,696	57,558
Fuel / energy	1,432,240	1,652,977	1,396,950	1,304,886
Glass manufacturing	1,110,342	1,110,342	1,110,342	981,588
Individuals	3,000,475	2,427,926	2,854,548	2,219,975
Leather products and shoes	54,877	48,135	53,984	36,483
Paper industries	19,904	1,477	19,999	-
Real estate / construction	1,099,648	415,164	1,036,670	178,714
Services (other than financial, hotelling and travelling)	500,314	202,740	617,049	192,607
Sports goods	387,057	355,587	465,120	436,667
Textile	11,363,313	7,780,563	9,657,002	6,830,023
Transport and communication	322,669	317,316	328,277	321,733
Public sector / Government	-	-	1,658	829
Others	4,104,903	2,605,364	3,876,525	2,398,635
	26,518,448	18,796,160	23,645,541	16,291,514

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

	2012 Classified Advances	2012 Specific Provision Held	2011 Classified Advances	2011 Specific Provision Held
Public sector / Government	-	-	1,658	829
Private	26,518,448	18,796,160	23,643,883	16,290,685
	26,518,448	18,796,160	23,645,541	16,291,514

44.1.1.5 Geographical segment analysis

Rupees in '000	2012 Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	1,550,715	346,991,426	19,630,095	179,975,708
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East - Note 44.1.1.5.1	215,342	6,219,848	197,286	-
Others	-	-	-	-
	1,766,057	353,211,274	19,827,381	179,975,708

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

44.1.1.5.1 These do not include intra group items of Rs. 5,910,280 thousand (2011: Rs. 6,639,796 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 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 2012 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	2012 Amount outstanding	2012 Deduction CRM	2012 Net Amount	2011 Amount outstanding	2011 Deduction CRM	2011 Net Amount
Rupees in '000							
Sovereigns	6	2,569,779	-	2,569,779	2,354,692	-	2,354,692
PSEs	1	7,062,936	-	7,062,936	8,147,961	1,118,196	7,029,765
Banks	1,2,3	6,010,629	-	6,010,629	7,324,556	-	7,324,556
Banks	4,5	784,441	-	784,441	71,512	-	71,512
Corporates	1	12,065,791	1,687,793	10,377,998	12,039,779	-	12,039,779
Corporates	2	15,348,631	-	15,348,631	10,611,848	-	10,611,848
Corporates	3,4	-	-	-	943,202	8,241	934,961
Corporates	5,6	2,085,488	-	2,085,488	2,350,981	110,928	2,240,053
Unrated		217,730,695	32,196,604	185,534,091	221,043,381	15,727,145	205,316,236
Total		263,658,390	33,884,397	229,773,993	264,887,912	16,964,510	247,923,402

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 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 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 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.

	2012			
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	326,228,270	300,942,971	(4,570,980)	20,714,319
U.S. Dollars	21,095,490	26,846,992	4,443,198	(1,308,304)
Pound Sterling	2,969,482	3,069,622	13,468	(86,672)
Japanese Yen	4,256	64	-	4,192
Euro	2,400,048	2,517,557	131,604	14,095
Other European Currencies	34,006	(345)	(9,723)	24,628
Other Currencies	479,722	7,032	(7,567)	465,123
	353,211,274	333,383,893	-	19,827,381

	2011			
(Rupees in '000)	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

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.

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 (ALCO) 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.

	2012											
			Exposed to yield/ interest risk									
Rupees in '000	Effective Yield / Interest rate	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	Non-interest bearing financial instruments
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	24,435,422	4,886,149	-	-	-	-	-	-	-	-	19,549,273
Balances with other banks	1.11%	8,865,303	6,476,901	-	-	-	-	-	-	-	-	2,388,402
Lendings to financial institutions	9.14%	6,341,474	5,833,725	22,000	-	485,749	-	-	-	-	-	-
Investments	11.26%	145,354,253	10,408,609	6,289,702	29,313,891	70,801,525	1,095,111	4,453,048	11,488,746	5,827,531	179,630	5,496,460
Advances	12.23%	143,727,835	43,048,390	66,534,365	23,761,159	5,366,120	831,196	322,171	572,951	889,750	2,401,733	-
Other assets	-	6,591,828	-	-	-	-	-	-	-	-	-	6,591,828
		335,316,115	70,653,774	72,846,067	53,075,050	76,653,394	1,926,307	4,775,219	12,061,697	6,717,281	2,581,363	34,025,963
Liabilities												
Bills payable	-	3,700,156	-	-	-	-	-	-	-	-	-	3,700,156
Borrowings	12.49%	8,376,740	5,515,911	208,206	2,584,187	4,762	19,823	19,823	19,823	4,205	-	-
Deposits and other accounts	6.75%	306,929,729	101,286,169	65,800,071	57,471,799	12,883,361	1,630,309	610,820	945,363	39,148	-	66,262,689
Sub-ordinated loans	13.72%	6,987,300	-	1,495,500	5,491,800	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	11.25%	1,018	-	-	-	1,018	-	-	-	-	-	-
Other liabilities	-	5,993,908	-	-	-	-	-	-	-	-	-	5,993,908
		331,988,851	106,802,080	67,503,777	65,547,786	12,889,141	1,650,132	630,643	965,186	43,353	-	75,956,753
On-balance sheet gap		3,327,264	(36,148,306)	5,342,290	(12,472,736)	63,764,253	276,175	4,144,576	11,096,511	6,673,928	2,581,563	(41,930,790)
Off-balance sheet financial instruments												
Purchase and resale agreements	8.16%	5,823,130	5,823,130	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	6,480,778	6,480,778	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(657,648)	(657,648)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(36,805,954)	5,342,290	(12,472,736)	63,764,253	276,175	4,144,576	11,096,511	6,673,928	2,581,563	(41,930,790)
Cumulative yield / interest risk sensitivity gap				(31,463,664)	(43,936,400)	19,827,853	20,104,028	24,248,604	35,345,115	42,019,043	44,600,406	

Mismatch of interest rate sensitive assets and liabilities

			2011									
	Effective		Exposed to yield/ interest risk									Non-interest
	Yield /			Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5		bearing
	Interest		Upto 1	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	Above 10	financial
Rupees in '000	rate	Total	Month	Months	Months	Year	Years	Years	Years	Years	Years	instruments
On-balance sheet financial instruments												
Assets												
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	62,426,778	10,805,068	16,052,576	10,528,123	6,382,633	4,507,214	33,781,077
Liabilities												
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
On-balance sheet gap		1,128,113	(41,209,477)	14,996,195	(32,421,667)	50,798,440	9,649,717	14,459,068	8,834,360	6,326,622	4,507,214	(34,812,359)
Off-balance sheet financial instruments												
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	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(13,167,653)	(13,167,653)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(54,377,130)	14,996,195	(32,421,667)	50,798,440	9,649,717	14,459,068	8,834,360	6,326,622	4,507,214	(34,812,359)
Cumulative yield / interest risk sensitivity gap				(39,380,935)	(71,802,602)	(21,004,162)	(11,354,445)	3,104,623	11,938,983	18,265,605	22,772,819	

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 Assets do not include operating fixed assets of Rs. 8,901,522 thousand (2011: 9,451,033 thousand) and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationery and stamps in hand of Rs. 8,993,637 thousand (2011: 8,367,313 thousand).

44.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,311,903 thousand (2011: 1,017,693 thousand).

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

	2012									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	24,435,422	24,435,422	-	-	-	-	-	-	-	-
Balances with other banks	8,865,303	8,865,303	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,341,474	5,833,725	22,000	-	485,749	-	-	-	-	-
Investments	145,354,253	10,776,529	5,951,738	19,261,205	72,472,795	7,346,074	6,551,380	13,869,841	7,907,410	1,217,280
Advances	143,727,835	22,835,553	34,979,153	18,884,444	29,853,029	6,872,817	5,302,015	9,975,339	9,067,809	5,957,676
Operating fixed assets	8,901,522	68,396	115,480	174,622	305,430	633,422	527,331	774,297	1,340,234	4,962,310
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	15,585,465	3,647,540	-	-	-	2,431,688	2,431,688	2,358,183	2,358,183	2,358,183
	353,211,274	76,462,460	41,068,371	38,320,271	103,117,002	17,284,001	14,812,414	26,977,659	20,673,666	14,495,459
Liabilities										
Bills payable	3,700,156	1,217,788	-	224,401	2,257,967	-	-	-	-	-
Borrowings	8,376,740	5,515,911	204,083	2,588,310	4,762	19,823	19,823	19,823	4,205	-
Deposits and other accounts	306,929,729	50,044,480	29,761,991	18,260,375	12,883,360	47,090,636	46,071,147	49,653,386	26,648,135	26,516,219
Sub-ordinated loans	6,987,300	-	1,495,500	1,100	1,496,300	1,600	1,600	3,200	3,988,000	-
Liabilities against assets subject to finance lease	1,018	72	141	267	538	-	-	-	-	-
Deferred tax liabilities	83,139	-	168,678	-	-	-	-	(85,539)	-	-
Other liabilities	7,305,811	3,875,822	-	-	-	1,714,266	857,133	428,569	214,284	215,737
	333,383,893	60,654,073	31,630,393	21,074,453	16,642,927	48,826,325	46,949,703	50,019,439	30,854,624	26,731,956
Net assets	19,827,381	15,808,387	9,437,978	17,245,818	86,474,075	(31,542,324)	(32,137,290)	(23,041,780)	(10,180,986)	(12,236,497)
Share Capital	8,130,711									
Reserves	8,541,776									
Unappropriated profit	1,114,869									
Non-controlling interest	29,441									
Surplus on revaluation of assets	2,010,584									
	19,827,381									

Maturities of Assets and Liabilities

	2011									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	26,168,206	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
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
Liabilities										
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
Net assets	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

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

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.

45. GENERAL

45.1 Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 18, 2013 has proposed the following appropriation, which will be approved in the forthcoming annual general meeting. The consolidated financial statements for the year ended December 31, 2012 do not include the effect of the appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2013 as follows:

Rupees in '000	2012	2011
Transfer from unappropriated profit to:		
General reserve	1,004,290	1,302,158
Transfer from general reserve to:		
Reserve for issue of bonus shares	-	1,060,528

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

46. DATE OF AUTHORIZATION

These consolidated financial statements were authorised for issue on February 18, 2013 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, 2012

Number of shareholders	Shareholding From	Shareholding To	Total shares held
2,114	1	100	86,268
3,204	101	500	879,869
2,583	501	1000	1,961,140
5,953	1001	5000	14,984,929
2,599	5001	10000	19,004,921
2,536	10001	110000	59,659,203
139	110001	325000	24,612,838
29	335001	525000	12,085,750
16	575001	900000	11,607,519
14	920001	1270000	14,635,314
34	1355001	7830000	94,933,938
10	11415001	386360000	558,619,395
19,231			813,071,084

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	18,798	170,606,461	20.98
Investment / brokerage companies	128	46,501,781	5.72
Insurance companies	14	28,768,424	3.54
Joint stock companies	35	44,957,728	5.53
Financial institutions	37	34,422,996	4.23
Modaraba and Mutual Funds	35	16,549,487	2.04
Charitable and other trusts	23	453,957,969	55.83
Foreign investors	161	17,306,238	2.13
Total	19,231	813,071,084	100.00

Note 1: Individual include 9 directors holding 20,501 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

Held by

Particulars	Number of shareholders	Shares held	Percentage
Associated company			
Army Welfare Trust	1	411,140,169	50.57
NIT / ICP			
National Investment (Unit) Trust	1	40,356,909	4.96
Investment Corporation of Pakistan	1	9,571	0.00
Directors			
Lt. Gen. Javed Iqbal	1	3,062	0.00
Lt. Gen (R.) Tahir Mahmood	1	3,853	0.00
Malik Riffat Mahmood	1	3,853	0.00
Mr. Zafar Alam Khan Sumbal	1	3,853	0.00
Dr. Bashir Ahmad Khan	1	1,278	0.00
Mr. Shahid Mahmud	1	948	0.00
Mr. Muhammad Riyazul Haque	1	948	0.00
Khawaja Jalaluddin Roomi	1	1,758	
Mr. Ali Noor Mahomed Rattansey	1	948	0.00
	9	20,501	0.00
Executives of the Bank	21	96,784	0.01
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	249	171,200,416	21.05
Individuals	18,923	176,257,911	21.69
Others	**26**	**13,988,823**	**1.72**
Total	19,231	813,071,084	100.00

Note 2: There have been no trades in the shares of the Bank, carried out by it's Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

Correspondent Network

1. ALGERIA
Banque de l' Agriculture et du
Development Rural

2. AUSTRALIA
Australia & Newzealand Banking Group
Commonwealth Bank of Australia
WestPac Banking Corporation

3. AUSTRIA
Raiffeisen Zentralbank Osterreich (RZB)
UniCredit Bank Austria AG

4. AZERBAIJAN
The International Bank of Azerbaijan Republic

5. BAHRAIN
Al Baraka Islamic Bank BSC
BMI Bank BSC ©

6. BANGLADESH
City Bank Ltd
Export Import Bank of Bangladesh
Prime Bank Ltd
Rupali Bank Ltd
Southeast Bank Ltd

7. BELGIUM
Dexia Bank Belgium
Fortis Bank, NV/S.A
ING Belgium NV/SA
KBC Bank NV

8. BRAZIL
Banco Citibank SA

9. BULGARIA
UniCredit Bulbank AD

10. CANADA
Caisse Centrale Desjardins
Canadian Imperial Bank of Commerce
Habib Candain Bank
Korea Exchange Bank of Canada
Royal Bank of Canada
Toronto-Dominion Bank

11. CHILE
Banco de Credito

12. CHINA
Agricultural Bank of China
Bank of Beijing
Bank of Changsha
Bank of China Ltd
Bank of Communications
Bank of Jiangsu Co Ltd
Bank of Jilin Co Ltd
China Construction Bank Corporation
China Everbright Bank
China Merchants Bank
China Minsheng Banking Corporation
China Zheshang Bank
Export Import Bank of China (EXIM Bank)
Evergrowing Bank
Guangdong Development Bank
Hua Xia Bank
Huishang Bank Corporation Ltd
Industrial Bank Co Ltd
Industrial and Commercial Bank of China Ltd
Jiangsu Jianyin Rural Commercial Bank
Jinan City Commercial Bank
Laiwu City Commercial Bank Co Ltd
Mizuho Corporate Bank (China) Ltd
Nanjing City Commercial Bank
Ningbo Cixi Rural Cooperative Bank
Qingdao City Commercial Bank
Shinhan Bank (China) Ltd
Shengjing Bank Co Ltd
WestLB AG (Portigon AG)
Xiamen City Commercial Bank
Yinzhou Bank

13. CROATIA
Societe Generale-Splitska banka dd
Zagrebacka Banka dd

14. CYPRUS
Cyprus Popular Bank Public Company Ltd.
Hellenic Bank Public Company Ltd.

15. CZECH REPUBLIC
Ceskoslovenska Obchodni Banka as
Raiffeisenbank as
UniCredit Bank Czeck Republic

16. DENMARK
Danske Bank
Nordea Bank Denmark A/S

17. EGYPT
Ahli United Bank Egypt Ltd
Bank of Alexandria
The United Bank

18. FINLAND
Nordea Bank Finland plc
Sampo 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
DZ Bank AG Deutsche Zentral-
Genoschaftsbank
Sparkasse Aachen
WGZ-Bank AG Westdeutsche
Genossenschafts- Zentalbank

21. GREECE
Alpha Bank AE
Marfin Egnatia Bank S.A.

22. HONG KONG
Bank of China (Hong Kong) Ltd
China Construction Bank (Asia) Corp Ltd
China Trust Commercial Bank
Habib Finance International Limited
UBAF (Hong Kong) Ltd

23. HUNGARY
Budapest Credit & Development Bank Rt
Raiffeisen Bank Zrt
UniCredit Bank Hungary Zrt

24. INDIA
Bank of Baroda
HDFC Bank
ICICI Bank Ltd
Karur Vysya Bank Ltd., The
Punjab National Bank
State Bank of India
Tamilnad Mercantile Bank Limited

25. INDONESIA
Bank China Trust Indonesia PT
Bank NISP
PT Bank CIMB Niaga TBK
PT Bank Danamon Indonesia, TBK
PT Bank Lippo TbK
PT Bank Mandiri (Persero) TbK
PT Bank SBI

26. IRELAND
Bank of Ireland
National Irish Bank

27. ITALY
Banca Antonveneta SpA
Banca de Roma
Banca Intesa SpA
Banca UBAE SpA
UniCredit SPA

28. JAPAN
Bank of Tokyo - Mitsubishi UFJ Ltd (The)
Mizuho Corporate Bank Ltd
Resona Bank Limited
Saitama Resona Bank Ltd
Sumitomo Mitsui Banking Corp.
Tama Chuo Shinkin Bank

29. JORDAN
The Housing Bank for Trade & Finance

30. KAZAKHSTAN
Alliance Bank Joint Stock Company

31. KENYA
Dubai Bank Kenya Ltd
Kenya Commercial Bank
Middle East Bank Kenya Ltd
Stanbic Bank Kenya Ltd

32. KOREA (SOUTH)
Daegu Bank Ltd
Hana Bank
Industrial Bank of Korea
Kookmin Bank
Korea Development Bank
Korea Exchange Bank
National Federation of Fisheries Cooperatives
Nonghyup Bank
Pusan Bank (Busan Bank)
Shinhan Bank
Woori Bank

33. KUWAIT
Al-Ahli Bank of Kuwait KSC
Burgan Bank
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
CIMB Bank Berhad
Hong Leong Bank Berhad
MAY Bank (Malayan Banking Berhad)
Public Bank Berhad
RHB Bank Berhad

37. MALDIVES
Bank of Maldives

38. MALTA
FIM Bank

39. MAURITIUS
Mauritius Post and Cooperative Bank
The Mauritius Commercial Bank Ltd

40. MEXICO
Banco Santander (Mexico) S.A.

41. MONACO
BNP Paribas Private Bank Monaco

42. MOROCCO
Attijariwafa Bank
Citibank Maghreb
Credit Du Moroc

43. NEPAL
Bank of Asia Nepal Limited
Laxmi Bank Limited

44. NETHERLANDS
Fortis Bank (Nederland) NV
F Van Lanschot Bankiers NV
Garanti Bank International N.V.

45. NEW ZEALAND
ANZ National Bank Ltd.
Bank of New Zealand
General Equity Building Society

46. NORWAY
DNB Nor Bank ASA
Nordea Bank Norge ASA

47. OMAN
Bank Muscat SAOG
Bank Dhofar (S.A.O.G.)
National Bank of Oman
Oman International Bank SAOG

48. PAKISTAN
Al – Baraka Bank (Pakistan) Limited
Allied Bank of Pakistan
Bank Al-Habib Limited
Bank Alfalah Limited
Bank Islami (Pakistan) Limited
Bank of Khyber, The
Bank of Punjab, The
Burj Bank Ltd
Dubai Islamic Bank Ltd
Faysal Bank Limited
Habib Bank Ltd.
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Ltd.
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
SAMBA Bank Ltd
Silk Bank Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Ltd
SUMMIT Bank Limited
United Bank Limited

49. POLAND
Bank Polska Kasa Opieki SA
Bank Handlowy Warszawie SA
Bank BPH SA
BRE Bank SA
ING Bank Slaski SA
RBS Bank Polska SA

50. PORTUGAL
Banco BPI S.A
Caixa Central de Credito Agricola Mutuo
Finibanco SA

51. QATAR
Doha Bank Ltd.
International Bank of Qatar
Qatar National Bank

52. ROMANIA
UniCredit Tiriac Bank SA
RBS Bank (Romania) SA
Romanian Commercial Bank

53. RUSSIA
Bank of Moscow
Promsv Yazbank AKB ZAO

54. SAUDI ARABIA
Al Inma Bank
Arab National Bank
Al-Rajhi Banking and Investment Corporation
Banque Saudi Fransi
Bank Al-Jazira
National Commercial Bank Ltd. (The)
Riyad Bank
Samba Financial Group
Saudi Hollandi Bank

55. SINGAPORE
DBS Bank
United Overseas Bank

56. SERBIA AND MONTENEGRO
UniCredit Bank Serbia JSC

57. SLOVAKIA
Ceskoslovenska Obchodna Banka AS
Citibank (Slovakia) as
Istrobanka A.S.

58. SLOVENIA
Banka Celje dd
Nova Ljubljanska Banka D.D.
SKB Banka DD
UniCredit Banka Slovenija dd

59. SOUTH AFRICA
First Rand Bank Limited
HBZ Bank Limited
Habib Overseas Bank Limited
Standard Bank of South Africa

60. SPAIN
Banco de Sabadell
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
Far Eastern International Bank
Huanan Commercial Bank
Taiwan Cooperative Bank
Taipei Fubon Commercial Bank Co Ltd
Taiwan Shin Kong Commercial Bank Co Ltd
Taichung Commercial Bank Ltd
Union Bank of Taiwan

65. TANZANIA

Citibank Tanzania Ltd

66. THAILAND
Bangkok Bank Public Co.
Export – Import Bank of Thailand
Kasikorn Bank Public Company Ltd
The Siam Commercial Bank Public Co Ltd
United Overseas Bank (Thai) PCL
UOVBTHKB

67. TUNISIA
Bank Franco Tunisienne
Societe Tunisienne de Banque
Tunis International Bank

68. TURKEY
Finansbank AS
ING Bank AS
Turk Ekonomy Bankasi AS
Turkiye is Bankasi AS
Yapi ve Kredi Bankasi AS

69. UKRAINE
Public Joint Stock Company "Citibank"
Public Joint Stock Compnay "First Ukrainian Bank"
Ukraine Exim Bank
Raiffeisen Bank Aval Public Jiont Stock Co
Public Joint Stock Co "Ukrsibbank"
Ukrsotsbank

70. UNITED ARAB EMIRATES
Abu Dhabi Commercial Bank
Abu Dhabi Islamic Bank
Commercial Bank of Dubai
Credit Europe Bank (Dubai) Ltd
Dubai Bank PJSC
Dubai Islamic Bank
Emirates Islamic Bank PJSC
Emirates NBD PJSC
First Gulf Bank
MashreqBank Psc
National Bank of Fujairah
Union National Bank
United Arab Bank

71. 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 Bank UK

72. U S A
Bank of New York
Bank of Oklahama, 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

73. UZBEKISTAN
Royal Bank of Scotland Uzbekiston NB

74. VIETNAM
AN BINH Commercial Joint Stock Bank
Chohung Vina Bank
Joint Stock Commercial Bank For Fireugb Trade of Vietnam

75. YEMEN ARAB REPUBLIC
International Bank of Yemen YSC
Islamic Bank of Yemen for Finance & Investment National Bank of Yemen
Saba Islamic Bank
Tadhamon International Islamic Bank
Yemen Gulf Bank
Yemen Bank for Reconstruction and Development
Yemen Commercial Bank

327 Banks of 75 Countries of Origin, as on December 31, 2012

Statement of Financial Position in US$

As at December 31, 2012

2012	2011		2012	2011
US $ in '000			Rupees in '000	
		Assets		
251,523	290,933	Cash and balances with treasury banks	24,435,380	26,168,181
91,236	69,320	Balances with other banks	8,863,586	6,235,055
65,049	17,695	Lendings to financial institutions	6,319,474	1,591,584
1,496,434	1,487,083	Investments	145,378,148	133,756,712
1,479,438	1,675,574	Advances	143,726,962	150,710,709
91,005	103,938	Operating fixed assets	8,841,091	9,348,815
-	-	Deferred tax assets	-	-
159,455	177,276	Other assets	15,490,986	15,945,250
3,634,140	3,821,819		353,055,627	343,756,306
		Liabilities		
38,087	30,641	Bills payable	3,700,156	2,756,032
86,183	192,043	Borrowings	8,372,617	17,273,470
3,159,425	3,240,877	Deposits and other accounts	306,937,216	291,502,993
71,923	77,715	Sub-ordinated loans	6,987,300	6,990,100
-	-	Liabilities against assets subject to finance lease	-	-
1,218	923	Deferred tax liabilities	118,376	83,024
74,647	81,987	Other liabilities	7,251,956	7,374,421
3,431,483	3,624,186		333,367,621	325,980,040
202,657	197,633	**Net assets**	19,688,006	17,776,266
		Represented by		
83,693	78,605	Share capital	8,130,711	7,070,184
87,930	90,459	Reserves	8,542,421	8,136,440
10,338	14,477	Unappropriated profit	1,004,290	1,302,158
181,961	183,542		17,677,422	16,508,782
20,696	14,091	Surplus on revaluation of assets - net of tax	2,010,584	1,267,484
202,657	197,633		19,688,006	17,776,266

Note:

The above is for information only and coversion have been made @ 1US$=Pak Rs. 97.1497 as at December 31, 2012. (1US$=Pak Rs. 89.9457 as at December 31, 2011)

Profit and Loss Account in US$

For the year ended December 31, 2012

2012	2011		2012	2011
US $ in '000			Rupees in '000	
333,528	364,290	Mark-up / return / interest earned	32,402,187	32,766,351
236,478	252,370	Mark-up / return / interest expensed	22,973,781	22,699,583
97,050	111,921	Net mark-up / interest income	9,428,406	10,066,768
24,112	18,123	Provision against non-performing loans and advances - net	2,342,473	1,630,123
1,473	1,361	Impairment loss on available for sale investments	143,079	122,421
2,072	485	Provision for diminution in the value of investments	201,265	43,596
-	386	Provision against repurchase agreement lendings	-	34,702
11	-	Bad debts written off directly	1,043	-
27,667	20,355		2,687,860	1,830,842
69,383	91,566	Net mark-up / interest income after provisions	6,740,546	8,235,926
		Non mark-up / interest income		
11,873	13,275	Fee, commission and brokerage income	1,153,496	1,193,986
10,667	3,218	Dividend income	1,036,249	289,470
9,107	8,588	Income from dealing in foreign currencies	884,724	772,495
7,017	3,416	Gain on sale of investments - net	681,685	307,212
-	-	Unrealised gain on revaluation of investments		
3	-	classified as held for trading - net	252	-
3,716	3,777	Other income	360,960	339,758
42,382	32,274	Total non-markup / interest income	4,117,366	2,902,921
111,765	123,840		10,857,912	11,138,847
		Non mark-up / interest expenses		
93,045	96,050	Administrative expenses	9,039,255	8,639,312
89	-	Other provisions / write offs	8,633	-
827	965	Other charges	80,297	86,784
93,960	97,015	Total non-markup / interest expenses	9,128,185	8,726,096
17,805	26,825		1,729,727	2,412,751
-	-	Extra ordinary / unusual items	-	-
17,805	26,825	**Profit before taxation**	1,729,727	2,412,751
8,638	9,258	Taxation – current	839,144	832,723
-	-	– prior years'	-	-
(3,755)	(530)	– deferred	(364,779)	(47,670)
4,883	8,728		474,365	785,053
12,922	18,096	Profit after taxation	1,255,362	1,627,698
13,404	7,803	Unappropriated profit brought forward	1,302,158	701,819
26,326	25,899	Profit available for appropriation	2,557,520	2,329,517
0.02	0.02	Basic / diluted earnings per share - US $	1.54	2.00

Note:

The above is for information only and coversion have been made @ 1US$=Pak Rs. 97.1497 as at December 31, 2012. (1US$=Pak Rs. 89.9457 as at December 31, 2011)

Glossary of Financial & Banking Terms

ACCEPTANCES
Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.

ACCRUAL BASIS
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

BILLS FOR COLLECTION
A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.

BONUS ISSUE (SCRIP ISSUE)
The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

CAPITAL ADEQUACY RATIO
The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

CASH EQUIVALENTS
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

COMMITMENT TO EXTEND CREDIT
Credit facilities approved but not yet utilized by the client as at the Balance sheet date.

COMMITMENT TO EXTEND CREDIT
Commitments to extend credit are those commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

CONTINGENCIES
A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.

COST / INCOME RATIO
Operating expenses as a percentage of total income.

CORPORATE GOVERNANCE
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

CAGR
An abbreviation for Compound Annual Growth Rate.

DEFERRED TAXATION
Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

DERIVATIVES
Derivative is a financial instrument or other contract which has the following characteristics:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

EARNINGS PER SHARE
Profit after taxation divided by the weighted average number of ordinary share in issue.

EFFECTIVE TAX RATE
Provision for taxation excluding deferred tax divided by the profit before taxation.

EQUITY METHOD
A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Income Statement reflects the investor's share of the results of operations of the investee.

FINANCE LEASE
A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

FORWARD EXCHANGE CONTRACT
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

GROSS DIVIDENDS
The portion of profits distributed to the shareholders including the tax withheld.

GUARANTEES
An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.

HISTORICAL COST CONVENTION
Recording transactions at the actual value received or paid.

INTEREST IN SUSPENSE
Interest suspended on non-performing loans and advances.

INTEREST SPREAD
Represents the difference between the average interest rate earned and the average interest rate paid on funds.

LIQUID ASSETS
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

LOAN LOSSES AND PROVISIONS
Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

MARKET CAPITALISATION
Number of ordinary shares in issue multiplied by the market value of share as at the year end.

MATERIALITY
The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

NET ASSETS VALUE PER SHARE
Shareholders' funds divided by the number of ordinary shares in issue.

NET DIVIDENDS
Dividend net of withholding tax.

NET INTEREST INCOME
The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

NON PERFORMING LOANS
A loan placed on cash basis (i.e Interest Income is only recognized when cash is received) because in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.

OFF BALANCE SHEET TRANSACTIONS
Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

PRICE EARNINGS RATIO (P/E RATIO)
Market price of a share divided by earnings per share.

PRUDENCE
Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

RELATED PARTIES
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

RETURN ON AVERAGE ASSETS
Profit after tax divided by the average assets.

RISK WEIGHTED ASSETS
On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

REPURCHASE AGREEMENT
Contract to sell and subsequently repurchase securities at a specified date and price.

REVERSE REPURCHASE AGREEMENT
Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

RETURN ON AVERAGE EQUITY
Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE
Reserves set aside for future distribution and investment.

SHAREHOLDERS' FUNDS
Total of Issued and fully paid share capital and capital and revenue reserves.

STATUTORY RESERVE FUNDS
A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

SUBSIDIARY COMPANY
A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

Notes

AGM

On March 28, 2013 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 28, 2013 at 10:00 a.m** at Blue Lagoon Complex opposite, near Pearl Continental Hotel Rawalpindi and at any adjournment thereof.

As witness my / our hand this ____________________ day of ____________________ 2013.

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 one person whose name, address and CNIC number 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

AWT Plaza, The Mall, P.O. Box No. 1084,
Rawalpindi – Pakistan.

askaribank.com.pk

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