

Report for the half year ended June 30, 2012

# The art of banking



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## 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) 906 3000  
Fax: (92 51) 927 2455  
E-mail: [webmaster@askaribank.com.pk](mailto:webmaster@askaribank.com.pk)

### Registrar & Share Transfer Office

THK Associates (Pvt) 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

This condensed interim financial information along with contacts of branches / offices can be accessed at the Bank's website: [www.askaribank.com.pk](http://www.askaribank.com.pk)

## Directors' Review

Dear Shareholders

We are pleased to present the un-audited condensed interim unconsolidated financial information for the half year ended June 30, 2012. The financial results of the quarter and half year end are summarized as under:

Quarter ended June 30	Rupees in thousand	
	2012	2011
Profit before tax	775,370	251,226
Taxation	(250,735)	(85,898)
Profit after tax	<u>524,635</u>	<u>165,328</u>

  

Half year ended June 30	Rupees in thousand	
	2012	2011
Profit before tax	1,576,014	1,066,317
Taxation	(477,249)	(362,739)
Profit after tax	<u>1,098,765</u>	<u>703,578</u>
Basic / diluted earnings per share - Rs.	<u>1.35</u>	<u>0.87</u>

During the half year under review, your Bank posted profit before tax of Rs.1,576 million, an increase of 48% over the corresponding period last year while profit after taxation registered an increase of 56% - the growth is mainly attributable to the decline in provision against non-performing assets by 39% over the same period last year.

During the period under review, net mark-up income declined by 3%, however, this decline was largely offset by 31% increase in non-markup income – also reflecting change in revenue streams due to certain re-composition of our investment portfolio made during the period under review. Administrative expenses increased by 7% mainly due to additional expenses incurred on expansion of branch network that reached 245 at the close of the half year from 235 as on June 30, 2011, besides inflationary upsurge.

At half year end 2012, customer deposits stood at Rs.294.5 billion against Rs.291.5 billion at year end 2011. On the asset side, net advances increased by 3%, to Rs.155.3 billion compared with Rs.150.7 billion as at December 31, 2011 while net investments at Rs.133.7 billion remained almost unchanged from the position at the year end 2011. The non-performing loans (NPLs) decreased by 2% while provisions there-against increased by 5%, thereby improving the coverage ratio to 75% at June 30, 2012, from 70% as at December 31, 2011.

Out of the total reserves of the Bank amounting to Rs.8,506 million as at June 30, 2012, an amount of Rs. 3,265 million (December 31, 2011: Rs. 3,478 million) represents after tax benefit of forced sale values of eligible collaterals held against non-performing advances, as allowed under State Bank of Pakistan's BSD Circular No. 1 of 2011 dated October 21, 2011 – also referred in note 13.1 of the annexed financial information. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

Our branch network has reached 245, including 31 Islamic Banking branches, 21 sub-branches and a whole sale bank branch in Bahrain. Through this branch network, we are well positioned to offer wide range of products and services to our valued customers. Given the current economic conditions, your Bank would be placing greater emphasis on consolidation of recent expansion while further expansion will be gradual and incremental.

We would like to thank our valued customers for their continued patronage and support, to the SBP and other regulatory authorities for their guidance, to our staff for their commitment, hard work and dedication, and to our shareholders for the trust and confidence reposed in us.

- sd -

President & Chief Executive

Rawalpindi  
August 28, 2012

- sd -

Chairman



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

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## Independent Auditors' Report on Review of Interim Financial Information to the Members of Askari Bank Limited

### Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of Askari Bank Limited ("the Bank") as at June 30, 2012 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the six-months' period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended June 30, 2012 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

- sd -

**KPMG TASEER HADI & Co.**  
**CHARTERED ACCOUNTANTS**

**Engagement Partner**  
**Muhammad Rehan Chughtai**

**Islamabad**

**Date: August 28, 2012**

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

## Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2012

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
<b>Assets</b>			
Cash and balances with treasury banks		22,771,770	26,168,181
Balances with other banks		2,682,099	6,235,055
Lendings to financial institutions		962,304	1,591,584
Investments	7	133,687,386	133,756,712
Advances	8	155,209,481	150,710,709
Operating fixed assets	9	9,134,166	9,348,815
Deferred tax assets		-	-
Other assets		17,484,775	15,945,250
		<u>341,931,981</u>	<u>343,756,306</u>
<b>Liabilities</b>			
Bills payable		3,872,392	2,756,032
Borrowings	10	10,185,137	17,273,470
Deposits and other accounts	11	294,487,859	291,502,993
Sub-ordinated loans		6,988,700	6,990,100
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	306,449	83,024
Other liabilities		7,315,545	7,374,421
		<u>323,156,082</u>	<u>325,980,040</u>
<b>Net Assets</b>		<u><u>18,775,899</u></u>	<u><u>17,776,266</u></u>
<b>Represented By:</b>			
Share capital		8,130,712	7,070,184
Reserves	13	8,505,900	8,136,440
Unappropriated profit		879,012	1,302,158
		<u>17,515,624</u>	<u>16,508,782</u>
Surplus on revaluation of assets - net of tax	14	1,260,275	1,267,484
		<u><u>18,775,899</u></u>	<u><u>17,776,266</u></u>
<b>Contingencies and Commitments</b>	15		

The annexed notes 1 to 21 and Annexure form an integral part of this condensed interim unconsolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the half year ended June 30, 2012

Note	June 30, 2012		June 30, 2011	
	For the quarter ended (Rupees in thousand)	For the half year ended (Rupees in thousand)	For the quarter ended (Rupees in thousand)	For the half year ended (Rupees in thousand)
<b>Mark-up / return / interest earned</b>	8,468,943	17,010,256	7,537,438	15,831,315
<b>Mark-up / return / interest expensed</b>	6,172,571	12,346,470	5,529,145	11,004,166
Net mark-up / interest income	2,296,372	4,663,786	2,008,293	4,827,149
Provision against non-performing loans and advances 8.2.1	266,742	727,536	588,835	1,113,838
Impairment loss on available for sale investments	10,350	10,350	5,000	5,000
Provision for diminution in the value of investments	-	-	60,543	77,285
Provision against repurchase agreement lending	-	-	23,130	23,130
Bad debts written off directly	-	1,043	-	-
	277,092	738,929	677,508	1,219,253
Net mark-up / interest income after provisions	2,019,280	3,924,857	1,330,785	3,607,896
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	365,416	620,168	352,692	647,942
Dividend income	261,093	739,004	39,026	73,087
Income from dealing in foreign currencies	280,518	495,838	279,461	494,839
Gain on sale of securities 16	126,540	77,586	73,212	152,476
Unrealised gain on revaluation of investments classified as held for trading - net	-	-	1,718	-
Other income	71,061	164,182	120,024	232,678
	1,104,628	2,096,778	866,133	1,601,022
Total non-markup / interest income	3,123,908	6,021,635	2,196,918	5,208,918
<b>Non mark-up / interest expenses</b>				
Administrative expenses	2,293,896	4,390,901	1,941,796	4,120,318
Other provisions / write offs	20,123	20,123	-	-
Other charges	34,519	34,597	3,896	22,283
Total non-markup / interest expenses	2,348,538	4,445,621	1,945,692	4,142,601
	775,370	1,576,014	251,226	1,066,317
Extra ordinary / unusual items	-	-	-	-
<b>Profit before taxation</b>	775,370	1,576,014	251,226	1,066,317
Taxation - current	2,116	249,940	131,209	222,255
- prior years'	-	-	-	-
- deferred	248,619	227,309	(45,311)	140,484
	250,735	477,249	85,898	362,739
<b>Profit after taxation</b>	524,635	1,098,765	165,328	703,578
<b>Basic and diluted earnings per share (Rupees)</b>	0.65	1.35	0.20	0.87

The annexed notes 1 to 21 and Annexure form an integral part of this condensed interim unconsolidated financial information.

- sd -

President & Chief Executive

- sd -

Director

- sd -

Director

- sd -

Chairman

## Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2012

	June 30, 2012		June 30, 2011	
	For the quarter ended (Rupees in thousand)	For the half year ended	For the quarter ended	For the half year ended
<b>Profit after taxation</b>	524,635	1,098,765	165,328	703,578
<b>Other comprehensive income</b>				
Effect of rescheduled / restructured classified advances	(92,276)	(94,085)	(14,821)	56,871
Effect of translation of net investment in Wholesale Bank Branch	730	2,162	1,211	658
<b>Total comprehensive income</b>	<u>433,089</u>	<u>1,006,842</u>	<u>151,718</u>	<u>761,107</u>

The annexed notes 1 to 21 and Annexure form an integral part of this condensed interim unconsolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman



## Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
(Rupees in thousand)			
<b>Cash flow from operating activities</b>			
Profit before taxation		1,576,014	1,066,317
Less: Dividend income		(739,004)	(73,087)
		<u>837,010</u>	<u>993,230</u>
Adjustments:			
Depreciation		437,993	323,855
Provision against non-performing advances (net)		727,536	1,113,838
Impairment loss on available for sale investments		10,350	5,000
Provision for diminution in the value of investments		-	77,285
Provision against repurchase agreement lending		-	23,130
Bad debts written off directly		1,043	-
Other provisions / write offs		20,123	-
Net (profit) / loss on sale of operating fixed assets		(372)	1,047
		<u>1,196,673</u>	<u>1,544,155</u>
Decrease / (increase) in operating assets		<u>2,033,683</u>	<u>2,537,385</u>
Lendings to financial institutions		629,280	5,495,995
Held for trading securities		-	21,560
Advances		(5,992,585)	4,008,342
Other assets (excluding advance taxation)		346,512	(634,755)
		<u>(5,016,793)</u>	<u>8,891,142</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,116,360	46,461
Borrowings		(7,088,333)	(5,835,911)
Deposits and other accounts		2,984,866	18,773,319
Other liabilities (excluding current taxation)		(58,810)	750,965
		<u>(3,045,917)</u>	<u>13,734,834</u>
		<u>(6,029,027)</u>	<u>25,163,361</u>
Income tax paid		(1,419,487)	(742,335)
Net cash (outflow) / inflow from operating activities		<u>(7,448,514)</u>	<u>24,421,026</u>
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(213,870)	(23,588,292)
Net investments in held to maturity securities		261,756	254,484
Net investments in associate		-	(68,284)
Dividend income		695,285	25,181
Investments in operating fixed assets		(249,645)	(32,166)
Sale proceeds of operating fixed assets		4,925	8,087
Net cash inflow / (outflow) from investing activities		<u>498,451</u>	<u>(23,400,990)</u>
<b>Cash flow from financing activities</b>			
Payments of sub-ordinated loans		(1,400)	(1,200)
Dividends paid		(66)	(107)
Net cash outflow from financing activities		<u>(1,466)</u>	<u>(1,307)</u>
Effect of translation of net investment in Wholesale Bank Branch		2,162	658
<b>(Decrease) / Increase in cash and cash equivalents</b>		<u>(6,949,367)</u>	<u>1,019,387</u>
Cash and cash equivalents at beginning of the period		32,403,236	26,350,050
Cash and cash equivalents at end of the period	17	<u>25,453,869</u>	<u>27,369,437</u>

The annexed notes 1 to 21 and Annexure form an integral part of this condensed interim unconsolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the half year ended June 30, 2012

	(Rupees in thousand)							
	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Total
						General reserve	Unappropriated profit	
<b>Balance as at January 1, 2011</b>	6,427,440	55,513	234,669	3,322,905	53,362	4,024,870	701,819	14,820,578
Transfer to General reserve	-	-	-	-	-	701,819	(701,819)	-
<b>Transaction with owners, recorded directly in equity</b>								
Bonus shares dedared / issued subsequent to year ended December 31, 2010	642,744	-	-	-	-	(642,744)	-	-
<b>Total comprehensive income for the half year ended June 30, 2011</b>								
Net profit for the half year ended June 30, 2011	-	-	-	-	-	-	703,578	703,578
Effect of rescheduled / restructured classified advances	-	-	-	-	56,871	-	-	56,871
Effect of translation of net investment in Wholesale Bank Branch	-	658	-	-	-	-	-	658
	-	658	-	-	56,871	-	703,578	761,107
Transfer to statutory reserve	-	-	-	140,716	-	-	(140,716)	-
<b>Balance as at June 30, 2011</b>	<u>7,070,184</u>	<u>56,171</u>	<u>234,669</u>	<u>3,463,621</u>	<u>110,233</u>	<u>4,083,945</u>	<u>562,862</u>	<u>15,581,685</u>
<b>Total comprehensive income for the half year ended December 31, 2011</b>								
Net profit for the half year ended December 31, 2011	-	-	-	-	-	-	924,120	924,120
Effect of rescheduled / restructured classified advances	-	-	-	-	(16,148)	-	-	(16,148)
Effect of translation of net investment in Wholesale Bank Branch	-	19,125	-	-	-	-	-	19,125
	-	19,125	-	-	(16,148)	-	924,120	927,097
Transfer to Statutory reserve	-	-	-	184,824	-	-	(184,824)	-
<b>Balance as at December 31, 2011</b>	<u>7,070,184</u>	<u>75,296</u>	<u>234,669</u>	<u>3,648,445</u>	<u>94,085</u>	<u>4,083,945</u>	<u>1,302,158</u>	<u>16,508,782</u>
Transfer to General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-
<b>Transaction with owners, recorded directly in equity</b>								
Bonus shares dedared / issued subsequent to year ended December 31, 2011	1,060,528	-	-	-	-	(1,060,528)	-	-
<b>Total comprehensive income for the half year ended June 30, 2012</b>								
Net profit for the half year ended June 30, 2012	-	-	-	-	-	-	1,098,765	1,098,765
Effect of rescheduled / restructured classified advances	-	-	-	-	(94,085)	-	-	(94,085)
Effect of translation of net investment in Wholesale Bank Branch	-	2,162	-	-	-	-	-	2,162
	-	2,162	-	-	(94,085)	-	1,098,765	1,006,842
Transfer to statutory reserve	-	-	-	219,753	-	-	(219,753)	-
<b>Balance as at June 30, 2012</b>	<u>8,130,712</u>	<u>77,458</u>	<u>234,669</u>	<u>3,868,198</u>	<u>-</u>	<u>4,325,575</u>	<u>879,012</u>	<u>17,515,624</u>

The annexed notes 1 to 21 and Annexure form an integral part of this condensed interim unconsolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust (AWT) holds 50.57% (December 31, 2011: 50.57%) of the Bank's share capital at the period / year end. The Bank has 245 branches (December 31, 2011: 245 branches); 244 in Pakistan and Azad Jammu and Kashmir, including 31 (December 31, 2011: 31) Islamic Banking branches, 21 (December 31, 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.

During the year 2011, the Sponsors of the Bank, AWT approved the non-binding indicative offer made by the Fauji Foundation to purchase (alone or with one or more of its affiliated entities) up to 100% of AWT's shareholding in the Bank, subject to obtaining of all regulatory approvals under the applicable laws and regulations. An intimation to this effect was forwarded to the Islamabad, Lahore and Karachi stock exchanges on December 15, 2011. The process of due diligence of the Bank, in this regard, is under process.

### 2. BASIS OF MEASUREMENT

This condensed interim unconsolidated financial information has been prepared under historical cost convention except that certain fixed assets are stated at revalued amount and certain investments and commitments in respect of certain forward foreign exchange contracts have been marked to market and are carried at fair value and certain staff retirement benefits are carried at present value.

This condensed interim unconsolidated financial information is presented in Pak Rupee which is the Bank's functional and presentation currency.

### 3. STATEMENT OF COMPLIANCE

This condensed interim unconsolidated financial information of the Bank for the half year ended June 30, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirement of said directives have been followed.

The disclosures made in this condensed interim unconsolidated financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information as required in the annual financial statements. Accordingly, this condensed interim unconsolidated financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2011.

The SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

7), has not been made applicable for the banks. However, instruments have been valued in accordance with the requirements of various circulars issued by SBP.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of this condensed interim unconsolidated financial information are the same as those followed in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2011.

### 5. ACCOUNTING ESTIMATES

The basis and the methods used for critical accounting estimates and judgements adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2011.

### 6. FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by the Bank are consistent with that disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2011.

7. INVESTMENTS	(Rupees in thousand)		
	Held by the Bank	Given as collateral	Total
As at June 30, 2012 - (Un-audited)	<u>130,439,177</u>	<u>3,248,209</u>	<u>133,687,386</u>
As at December 31, 2011 - (Audited)	<u>125,782,509</u>	<u>7,974,203</u>	<u>133,756,712</u>
	As at June 30, 2012 (Un-audited)		
7.1 Investments by type	Held by the Bank	Given as collateral	Total
Available for sale securities	126,598,225	3,255,039	129,853,264
Held to maturity securities	4,548,770	-	4,548,770
Investment in an associated company	53,703	-	53,703
Investment in subsidiary companies	299,789	-	299,789
	<u>131,500,487</u>	<u>3,255,039</u>	<u>134,755,526</u>
Less: Provision for diminution in value of investments	(395,756)	-	(395,756)
Deficit on revaluation of available for sale securities - net	(665,554)	(6,830)	(672,384)
Investments - net of provision	<u>130,439,177</u>	<u>3,248,209</u>	<u>133,687,386</u>

7.2 The Bank has availed the FSV benefit against classified investments amounting to Rs. 184,633 thousand (December 31, 2011: Rs. 184,633 thousand).

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
(Rupees in thousand)			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		143,474,188	139,289,784
Outside Pakistan		3,261,934	3,103,127
		146,736,122	142,392,911
Lease Financing - In Pakistan		5,440,038	6,477,358
Ijarah Financing - In Pakistan		513,054	671,147
Net book value of assets / investments in Ijarah under IFAS 2			
In Pakistan	8.1	324,507	319,125
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		7,964,093	11,213,180
Payable outside Pakistan		11,744,478	6,305,678
		19,708,571	17,518,858
Advances - gross		172,722,292	167,379,399
Provision for non-performing advances	8.2		
Specific provision		(17,152,664)	(16,291,514)
General provision		(139,237)	(132,130)
General provision against consumer loans		(220,910)	(245,046)
		(17,512,811)	(16,668,690)
Advances - net of provision		155,209,481	150,710,709

8.1 Net book value of assets / investments in Ijarah under IFAS 2 is net of depreciation of Rs. 143,263 thousand (December 31, 2011: Rs. 135,879 thousand)

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

(Rupees in thousand)

	June 30, 2012 - (Un-audited)				December 31, 2011 - (Audited)			
	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 period / year	1,393,890	9,392	-	1,403,282	3,877,730	13,963	-	3,891,693
Reversal for the period / year	(555,240)	(2,285)	(24,136)	(581,661)	(2,164,986)	(14,023)	(51,592)	(2,230,601)
Net charge / (reversal) for the period / year	838,650	7,107	(24,136)	821,621	1,712,744	(60)	(51,592)	1,661,092
Reversal of provision on rescheduled / restructured classified advances	-	-	-	-	(71,692)	-	-	(71,692)
Amounts written off	-	-	-	-	(572,336)	-	-	(572,336)
Closing balance	17,152,664	139,237	220,910	17,512,811	16,291,514	132,130	245,046	16,668,690

	Note	June 30, 2012 - (Un-audited)		June 30, 2011 - (Un-audited)	
		For the quarter ended (Rupees in thousand)	For the half year ended (Rupees in thousand)	For the quarter ended (Rupees in thousand)	For the half year ended (Rupees in thousand)
<b>8.2.1 Provision against non-performing advances</b>					
Net charge for the period	8.2	359,018	821,621	603,656	1,128,659
Reversal of capital reserve		(92,276)	(94,085)	(14,821)	(14,821)
		266,742	727,536	588,835	1,113,838

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

- 8.3 The State Bank of Pakistan 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. 327,087 thousand which has resulted in increased charge for specific provision for the half year ended by the same amount. Had the FSV benefit not recognized, before and after tax profit for the half year ended would have been higher by Rs. 327,087 thousand (June 30, 2011: lower by Rs. 246,000 thousand) and Rs. 212,607 thousand (June 30, 2011: lower by Rs. 159,900 thousand) respectively.
- 8.4 Advances include Rs. 23,210,427 thousand (December 31, 2011: Rs. 23,645,541 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	Note	June 30, 2012 - (Un-audited)				
		Classified Advances			Provision Required	Provision Held
		Domestic	Overseas	Total		
(Rupees in thousand)						
Other Assets Especially Mentioned	8.4.1	53,896	-	53,896	-	-
Substandard		389,657	-	389,657	28,362	28,362
Doubtful		744,951	-	744,951	220,558	220,558
Loss		22,021,923	-	22,021,923	16,903,744	16,903,744
		<u>23,210,427</u>	<u>-</u>	<u>23,210,427</u>	<u>17,152,664</u>	<u>17,152,664</u>
December 31, 2011 - (Audited)						
Category of Classification		Classified Advances			Provision Required	Provision Held
		Domestic	Overseas	Total		
(Rupees in thousand)						
Other Assets Especially Mentioned	8.4.1	82,833	-	82,833	-	-
Substandard		822,789	-	822,789	70,785	70,785
Doubtful		1,754,185	-	1,754,185	353,690	353,690
Loss		20,985,734	-	20,985,734	15,867,039	15,867,039
		<u>23,645,541</u>	<u>-</u>	<u>23,645,541</u>	<u>16,291,514</u>	<u>16,291,514</u>

- 8.4.1 This represents classification made for agricultural finances as per the requirement of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
(Rupees in thousand)			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		46,549	43,329
Property and equipment	9.1	7,852,141	8,080,756
Intangibles	9.2	1,235,476	1,224,730
		<u>9,087,617</u>	<u>9,305,486</u>
		<u>9,134,166</u>	<u>9,348,815</u>

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)		
<b>9.1 Property and equipment</b>		
Book value at beginning of the period / year	8,080,756	8,317,647
Cost of additions during the period / year	168,165	595,634
Book value of deletions during the period / year	(4,553)	(11,693)
Depreciation charge for the period / year	(370,479)	(741,172)
Book value of adjustments during the period / year	(21,748)	(79,660)
Book value at end of the period / year	<u>7,852,141</u>	<u>8,080,756</u>
<b>9.2 Intangibles</b>		
Book value at beginning of the period / year	1,224,730	-
Cost of additions during the period / year	78,260	1,225,905
Depreciation charge for the period / year	(67,514)	(76,634)
Book value of adjustments during the period / year	-	75,459
Book value at end of the period / year	<u>1,235,476</u>	<u>1,224,730</u>
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan:		
- Export refinance scheme	6,061,866	8,317,225
- Long term financing of export oriented projects	523,350	669,568
- Long term financing facility	226,624	251,673
- Refinance scheme for revival of agricultural activities in flood affected areas	11,010	31,045
- Refinance scheme for revival of SME activities in flood affected areas	7,500	7,500
- Repurchase agreement borrowings (repo)	2,901,375	7,935,831
	9,731,725	17,212,842
Repo borrowings from financial institutions	297,387	-
	<u>10,029,112</u>	<u>17,212,842</u>
<b>Un-secured</b>		
Call borrowings	125,000	-
<b>Outside Pakistan - foreign currencies</b>		
- Overdrawn nostro accounts - unsecured	31,025	60,628
	<u>10,185,137</u>	<u>17,273,470</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	86,731,722	89,523,862
Savings deposits	143,388,668	141,028,007
Current accounts - non-remunerative	60,236,986	56,633,911
Special exporters' account	79,326	11,509
Margin accounts	2,453,913	2,416,273
Others	352,638	380,598
Financial institutions		
Remunerative deposits	1,242,201	1,507,056
Non-Remunerative deposits	2,405	1,777
	<u>294,487,859</u>	<u>291,502,993</u>

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
<b>12. DEFERRED TAX LIABILITIES - NET</b>		
	(Rupees in thousand)	
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	660,482	711,324
Provision against non performing advances		
- Reclassification of sub-standard category as loss category	(65,411)	(65,411)
- excess of 1% of total advances	(61,171)	(339,319)
- classified in sub-standard category	7,883	7,883
	<u>541,783</u>	<u>314,477</u>
Deficit on revaluation of available for sale securities	(235,334)	(231,453)
	<u>306,449</u>	<u>83,024</u>

	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	General reserve	(Un-audited) June 30, 2012	(Audited) December 31, 2011
<b>13. RESERVES</b>							
	(Rupees in thousand)						
Balance at beginning of the period / year	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	2,162	-	-	-	-	2,162	19,783
Transfer from un-appropriated profit	-	-	219,753	-	1,302,158	1,521,911	1,027,359
Bonus shares issued	-	-	-	-	(1,060,528)	(1,060,528)	(642,744)
Effect of rescheduled / restructured classified advances	-	-	-	(94,085)	-	(94,085)	40,723
Balance at end of the period / year	<u>77,458</u>	<u>234,669</u>	<u>3,868,198</u>	<u>-</u>	<u>4,325,575</u>	<u>8,505,900</u>	<u>8,136,440</u>

13.1 General reserve as at June 30, 2012 include Rs. 3,265,365 thousand (December 31, 2011: Rs. 3,477,970 thousand) in respect of net of tax benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances allowed under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves to that extent are not available for distribution by way of cash or stock dividend.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
<b>14. SURPLUS ON REVALUATION OF ASSETS</b>		
Surplus on revaluation of land	1,697,325	1,697,325
(Deficit) / surplus on revaluation of available for sale investments		
i) Federal Government securities	(455,846)	(196,668)
ii) Listed shares	1,024	(232,399)
iii) Units of open end mutual funds	21,595	30,589
iv) Other securities	(239,157)	(262,816)
	(672,384)	(661,294)
Less: Related deferred tax	235,334	231,453
	<u>(437,050)</u>	<u>(429,841)</u>
	<u>1,260,275</u>	<u>1,267,484</u>



## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	<u>(Un-audited)</u>	<u>(Audited)</u>
	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
<b>15. CONTINGENCIES AND COMMITMENTS</b>		
<b>15.1 Direct credit substitutes</b>		
i) Government	-	2,329,106
ii) Others	6,323,950	7,047,996
	<u>6,323,950</u>	<u>9,377,102</u>
<b>15.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
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
Guarantees given, favouring:		
i) Government	64,521,522	54,928,965
ii) Banks and other financial institutions	2,051,217	744,007
iii) Others	13,020,404	15,582,567
	<u>79,593,143</u>	<u>71,255,539</u>
	<u>79,827,098</u>	<u>71,525,891</u>

These include guarantees amounting to Rs. 888,681 thousand (December 31, 2011: Rs. 890,769 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

	<u>(Un-audited)</u>	<u>(Audited)</u>
	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
<b>15.3 Trade-related contingent liabilities</b>	<u>31,690,425</u>	<u>36,629,023</u>
<b>15.4 Other Contingencies</b>		
<b>15.4.1</b> This represents certain claims filed 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.	<u>821,673</u>	<u>649,430</u>

**15.4.2** 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 fine 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.

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 15.5 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) 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 with respect to matters not decided in its favour.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15.6 Commitments in respect of forward lending</b>		
Commitment against "Repo" transactions		
Purchase and resale agreements	-	362,147
Sale and repurchase agreements	<u>3,212,194</u>	<u>7,953,517</u>
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	23,596,766	23,775,757
Sale	<u>17,457,398</u>	<u>14,977,195</u>
<b>15.8 Commitments for acquisition of operating fixed assets</b>	<u>74,881</u>	<u>146,430</u>
<b>15.9 Commitments to extend credit</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	<u>7,922,033</u>	<u>5,576,283</u>
<b>15.10 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company.	<u>300,000</u>	<u>300,000</u>
<b>15.11 Bills for collection</b>		
Payable in Pakistan	937,767	535,642
Payable outside Pakistan	<u>12,388,924</u>	<u>12,239,196</u>
	<u>13,326,691</u>	<u>12,774,838</u>
	June 30, 2012 - (Un-audited)	June 30, 2011 - (Un-audited)
	For the quarter ended (Rupees in thousand)	For the quarter ended (Rupees in thousand)
<b>16. GAIN ON SALE OF SECURITIES</b>		
Gain on sale of government securities	12,695	46,591
Gain on sale of other investments	113,845	30,995
	<u>126,540</u>	<u>77,586</u>
	<u>73,212</u>	<u>152,476</u>

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited) June 30, 2012	(Un-audited) June 30, 2011
	(Rupees in thousand)	
<b>17. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash and balances with treasury banks	22,771,770	22,599,689
Balances with other banks	2,682,099	4,369,748
Call money lendings	-	400,000
	<u>25,453,869</u>	<u>27,369,437</u>

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

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

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Sub-Ordinated loans	Total
	Rupees in thousand							
	<b>For the half year ended June 30, 2012 - (Un-audited)</b>							
Total income	89,406	150,339	968,719	17,861,637	28,248	8,685	-	19,107,034
Total expenses	20,802	34,979	229,225	16,751,910	6,572	2,021	485,509	17,531,020
Net income / (loss)	68,604	115,360	739,494	1,109,727	21,676	6,664	(485,509)	1,576,014
	<b>For the half year ended June 30, 2011 - (Un-audited)</b>							
Total income	90,168	26,820	1,002,102	16,270,103	35,433	7,711	-	17,432,337
Total expenses	21,441	6,377	253,107	15,616,419	8,426	1,834	458,416	16,366,020
Net income / (loss)	68,727	20,443	748,995	653,684	27,007	5,877	(458,416)	1,066,317
	<b>As at June 30, 2012 - (Un-audited)</b>							
Segment Assets (Gross)	90,511	152,197	18,769,278	341,092,141	28,597	8,792	-	360,141,516
Segment Non Performing Loans	-	-	2,921,374	20,289,053	-	-	-	23,210,427
Segment Provision Required	-	-	2,259,284	15,950,251	-	-	-	18,209,535
Segment Liabilities	1,345	2,261	17,874,347	298,118,241	425	131	7,159,332	323,156,082
Segment return on net assets (%)	0.03	0.04	0.28	5.21	0.01	-	-	
Segment cost of funds (%)	0.01	0.01	0.07	5.16	-	-	0.15	
	<b>As at December 31, 2011 - (Audited)</b>							
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
	<b>For the half year ended June 30, 2011 - (Un-audited)</b>							
Segment return on net assets (%)	0.03	0.01	0.30	4.80	0.01	-	-	
Segment cost of funds (%)	0.01	-	0.08	5.11	-	-	0.15	

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 19. RELATED PARTY TRANSACTIONS

Army Welfare Trust (AWT) held 50.57% (December 31, 2011: 50.57%) of the Bank's share capital at the period end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

Details of transactions with related parties during the half year and balances as at June 30, 2012, are as follows:

	June 30, 2012 (Un-audited)						December 31, 2011 (Audited)					
	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
<b>Balances outstanding as at</b>												
- Advances	-	105,915	6,115	220	-	-	-	117,472	15,130	291	-	-
- Deposits	20,209,285	33,859	78,938	234,294	12,058	62,599	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	-	-	-	1,714,495	353,492	-	-	-	-	1,614,504	353,492	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	3,660	-	-	-	-	-	3,661	-
<b>Transactions during the half year ended</b>												
- Mark-up / interest earned	-	2,957	796	9	-	-	-	4,365	993	22,411	45	-
- Net mark-up / interest expensed	1,203,721	405	3,781	13,777	994	7,364	780,631	320	4,153	9,780	2,958	1,383
- Rent received against operating lease	-	-	-	-	-	-	-	-	-	2,398	-	-
- Contributions to employees' funds	-	-	-	-	-	165,549	-	-	-	-	-	159,363
- Investment made in subsidiary	-	-	-	-	-	-	-	-	-	-	68,284	-
- Investment / redemption of units of AINL funds - at cost - net	-	-	-	99,991	-	-	-	-	-	211,893	-	-
- Rent of property / service charges paid	37,127	-	-	34,280	656	-	41,224	-	-	22,662	1,011	-
- Rent of property / service charges received	17,073	-	-	13,910	5,178	-	14,324	-	-	1,418	4,707	-
- Dividend income received	-	-	-	347,406	-	-	-	-	-	-	-	-
- Remuneration paid	-	82,034	-	-	-	-	-	75,287	-	-	-	-
- Post employment benefits	-	7,674	-	-	-	-	-	7,410	-	-	-	-
- Insurance premium paid	-	-	-	-	18,182	-	-	-	-	-	40,716	-
- Insurance claims received	-	-	-	-	80	-	-	-	-	-	139	-
- Security services costs	-	-	-	100,018	-	-	-	-	-	94,908	-	-
- Fee, commission and brokerage income	3	-	-	-	9	-	1	-	-	-	12	-
- Fees paid	-	-	1,925	-	-	-	-	20	830	-	-	-

### 20. CORRESPONDING FIGURES

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

### 21. DATE OF AUTHORISATION

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors on August 28, 2012.

- sd -	- sd -	- sd -	- sd -
President & Chief Executive	Director	Director	Chairman

## Islamic Banking Business - Statement of Financial Position

As at June 30, 2012

Annexure  
(1 of 2)

The Bank is operating 31 Islamic banking branches including 2 sub-branches at half year ended June 30, 2012.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>ASSETS</b>		
Cash and balances with treasury banks	715,797	713,256
Balances with and due from Financial Institutions	435,982	528,613
Investments	9,455,011	9,818,059
Financing and Receivables		
-Murahaba	498,386	184,085
-Ijarah	719,603	867,935
-Musharaka	-	-
-Diminishing Musharaka	1,404,938	1,530,939
-Salam	445,735	440,818
-Other Islamic Modes	17,583	12,286
Other assets	789,813	860,854
<b>Total Assets</b>	<b>14,482,848</b>	<b>14,956,845</b>
<b>LIABILITIES</b>		
Bills payable	97,604	98,876
Due to Financial Institutions	-	-
Deposits and other accounts		
-Current Accounts	2,341,692	2,301,298
-Saving Accounts	3,150,497	2,977,415
-Term Deposits	6,294,401	5,462,224
-Others	169,025	27,491
-Deposit from Financial Institutions - Remunerative	1,133,671	1,072,428
-Deposits from Financial Institutions - Non-remunerative	2,405	1,777
Due to Head Office	80,129	1,679,067
Other liabilities	369,170	416,871
	<b>13,638,594</b>	<b>14,037,447</b>
<b>Net Assets</b>	<b>844,254</b>	<b>919,398</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	1,000,000	1,000,000
Reserves	-	-
Unappropriated / Unremitted loss	(158,546)	(205,102)
	841,454	794,898
Surplus on revaluation of assets	2,800	124,500
	<b>844,254</b>	<b>919,398</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>672</b>	<b>1,253</b>
<b>CHARITY FUND</b>		
Opening Balance	213	2,700
Additions during the period / year	1,789	3,107
Payments / Utilization during the period / year	-	(5,594)
Closing Balance	<b>2,002</b>	<b>213</b>

## Islamic Banking Business - Profit and Loss Accounts (Un-audited)

For the half year ended June 30, 2012

Annexure  
(2 of 2)

	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
Profit / return earned on financings, investments and placements	758,066	655,112
Return on deposits and other dues expensed	467,832	407,702
Net spread earned	<u>290,234</u>	<u>247,410</u>
Provision against non-performing financings	4,434	36,692
Provision against consumer financings	-	-
(Reversal) / provision for diminution in the value of investments	-	(13,440)
Bad debts written off directly	-	-
	<u>4,434</u>	<u>23,252</u>
Income after provisions	<u>285,800</u>	<u>224,158</u>
<b>Other Income</b>		
Fee, commission and brokerage Income	12,806	11,636
Dividend income	-	-
Income from dealing in foreign currencies	933	1,071
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	9,876	20,006
Total other income	<u>23,615</u>	<u>32,713</u>
	<u>309,415</u>	<u>256,871</u>
<b>Other expenses</b>		
Administrative expenses	262,859	263,139
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	<u>262,859</u>	<u>263,139</u>
	<u>46,556</u>	<u>(6,268)</u>
Extra Ordinary / unusual items	-	-
Profit / (loss) before taxation	<u><u>46,556</u></u>	<u><u>(6,268)</u></u>

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**ASKARI BANK LIMITED  
& ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL INFORMATION (Un-Audited)  
FOR THE HALF YEAR ENDED  
JUNE 30, 2012**



## Condensed Interim Consolidated Statement of Financial Position (Un-audited)

As at June 30, 2012

	Note	(Un-audited) June 30, 2012	(Audited) December 31, 2011
(Rupees in thousand)			
<b>Assets</b>			
Cash and balances with treasury banks		22,771,835	26,168,206
Balances with other banks		2,682,404	6,236,116
Lendings to financial institutions		984,304	1,613,584
Investments	7	133,618,321	133,655,387
Advances	8	155,210,831	150,712,556
Operating fixed assets	9	9,243,550	9,451,033
Deferred tax assets		-	-
Other assets		17,580,218	16,028,838
		<u>342,091,463</u>	<u>343,865,720</u>
<b>Liabilities</b>			
Bills payable		3,872,392	2,756,032
Borrowings	10	10,194,475	17,274,979
Deposits and other accounts	11	294,482,329	291,499,395
Sub-ordinated loans		6,988,700	6,990,100
Liabilities against assets subject to finance lease		2,339	2,893
Deferred tax liabilities - net	12	270,229	46,908
Other liabilities		7,373,667	7,413,555
		<u>323,184,131</u>	<u>325,983,862</u>
<b>Net Assets</b>		<u>18,907,332</u>	<u>17,881,858</u>
<b>Represented By:</b>			
Share capital		8,130,712	7,070,184
Reserves	13	8,583,115	8,135,795
Unappropriated profit		903,940	1,380,018
		<u>17,617,767</u>	<u>16,585,997</u>
Non-controlling interest		29,290	28,377
		<u>17,647,057</u>	<u>16,614,374</u>
Surplus on revaluation of assets - net of tax	14	1,260,275	1,267,484
		<u>18,907,332</u>	<u>17,881,858</u>
<b>Contingencies and Commitments</b>	15		

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the half year ended June 30, 2012

Note	June 30, 2012		June 30, 2011	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in thousand)		(Rupees in thousand)	
<b>Mark-up / return / interest earned</b>	8,469,517	17,011,392	7,539,429	15,832,472
<b>Mark-up / return / interest expensed</b>	6,172,807	12,346,926	5,530,205	11,003,372
Net mark-up / interest income	2,296,710	4,664,466	2,009,224	4,829,100
Provision against non-performing loans and advances 8.2.1	266,742	727,536	588,835	1,113,838
Impairment loss on available for sale investments	10,350	10,350	5,000	5,000
Provision for diminution in the value of investments	-	-	22,071	38,813
Provision against repurchase agreement lending	-	-	23,130	23,130
Bad debts written off directly	-	1,043	-	-
	277,092	738,929	639,036	1,180,781
Net mark-up / interest income after provisions	2,019,618	3,925,537	1,370,188	3,648,319
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	427,712	731,949	377,602	691,793
Dividend income	261,093	739,004	39,026	73,087
Income from dealing in foreign currencies	280,518	495,838	279,461	494,839
Gain on sale of securities 16	126,540	81,428	74,016	153,275
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	(163)	274	1,923	(335)
Other income	58,543	159,151	122,494	236,033
	1,154,243	2,207,644	894,522	1,648,692
Total non-markup / interest income	3,173,861	6,133,181	2,264,710	5,297,011
<b>Non mark-up / interest expenses</b>				
Administrative expenses	2,348,025	4,493,250	1,978,978	4,188,543
Other provisions / write offs	20,123	20,123	(1,193)	-
Other charges	34,519	34,597	3,896	22,283
Total non-markup / interest expenses	2,402,667	4,547,970	1,981,681	4,210,826
	771,194	1,585,211	283,029	1,086,185
Share of profit of associate	12,807	18,255	3,811	8,283
Extra ordinary / unusual items	-	-	-	-
<b>Profit before taxation</b>	784,001	1,603,466	286,840	1,094,468
Taxation - current	3,042	251,655	131,432	222,716
- prior years'	-	-	-	-
- deferred	246,744	227,205	(45,311)	140,484
	249,786	478,860	86,121	363,200
<b>Profit after taxation</b>	534,215	1,124,606	200,719	731,268
Attributable to:				
Equity holders of the Bank	534,408	1,123,693	200,840	731,384
Non-controlling interest	(193)	913	(121)	(116)
	534,215	1,124,606	200,719	731,268

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2012

	June 30, 2012		June 30, 2011	
	For the quarter ended (Rupees in thousand)	For the half year ended	For the quarter ended (Rupees in thousand)	For the half year ended
<b>Profit after taxation</b>	534,215	1,124,606	200,719	731,268
<b>Other comprehensive income</b>				
Effect of rescheduled / restructured classified advances	(92,276)	(94,085)	(14,821)	56,871
Effect of translation of net investment in Wholesale Bank Branch	730	2,162	1,211	658
<b>Total comprehensive income</b>	<u>442,669</u>	<u>1,032,683</u>	<u>187,109</u>	<u>788,797</u>
Attributable to:				
Equity holders of the Bank	442,862	1,031,770	187,230	788,913
Non-controlling interest	(193)	913	(121)	(116)
	<u>442,669</u>	<u>1,032,683</u>	<u>187,109</u>	<u>788,797</u>

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
(Rupees in thousand)			
<b>Cash flow from operating activities</b>			
Profit before taxation		1,603,466	1,094,468
Less: Dividend income		(739,004)	(73,087)
		<u>864,462</u>	<u>1,021,381</u>
Adjustments:			
Depreciation / amortization		447,699	329,468
Provision against non-performing advances (net)		727,536	1,113,838
Impairment loss on available for sale investments		10,350	5,000
Provision for diminution in the value of investments		-	38,813
Provision against repurchase agreement lending		-	23,130
Bad debts written off directly		1,043	-
Unrealised (gain) / loss on revaluation of investments classified as held for trading - net		(274)	335
Other provisions / write offs		20,123	-
Net (profit) / loss on sale of operating fixed assets		(640)	1,920
Finance charges on leased assets		100	258
Share of profit of associate		(18,255)	(8,283)
		<u>1,187,682</u>	<u>1,504,479</u>
Decrease / (increase) in operating assets		2,052,144	2,525,860
Lendings to financial institutions		629,280	5,495,995
Held for trading securities		(13,734)	(26,514)
Advances		(5,992,088)	4,008,429
Other assets (excluding advance taxation)		334,026	(643,493)
		<u>(5,042,516)</u>	<u>8,834,417</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,116,360	46,461
Borrowings		(7,080,504)	(5,835,911)
Deposits and other accounts		2,982,934	18,797,036
Other liabilities (excluding current taxation)		(39,822)	767,658
		<u>(3,021,032)</u>	<u>13,775,244</u>
		<u>(6,011,404)</u>	<u>25,135,521</u>
Income tax paid		(1,420,571)	(743,689)
Net cash (outflow) / inflow from operating activities		<u>(7,431,975)</u>	<u>24,391,832</u>
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		(213,867)	(23,601,282)
Net investments in held to maturity securities		261,756	254,484
Net investments in associate		-	(18,284)
Dividend income		695,285	25,181
Investments in operating fixed assets		(266,889)	(40,716)
Sale proceeds of operating fixed assets		5,565	9,222
Net cash inflow / (outflow) from operating activities		<u>481,850</u>	<u>(23,371,395)</u>
<b>Cash flow from financing activities</b>			
Payments of sub-ordinated loans		(1,400)	(1,200)
Payment of lease obligations		(654)	(1,661)
Dividends paid		(66)	(107)
Net cash outflow from financing activities		<u>(2,120)</u>	<u>(2,968)</u>
Effect of translation of net investment in Wholesale Bank Branch		2,162	658
<b>(Decrease) / Increase in cash and cash equivalents</b>		<u>(6,950,083)</u>	<u>1,018,127</u>
Cash and cash equivalents at beginning of the period		32,426,322	26,374,728
Cash and cash equivalents at end of the period	17	<u>25,476,239</u>	<u>27,392,855</u>

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.

- sd -

President & Chief Executive

- sd -

Director

- sd -

Director

- sd -

Chairman

## Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the half year ended June 30, 2012

(Rupees in thousand)

	Share capital	Exchange transition reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Sub-Total	Non-controlling interest	Total
						General reserve	Unappropriated profit			
<b>Balance as at January 01, 2011</b>	6,427,440	55,513	234,669	3,322,905	53,362	4,046,406	679,638	14,819,933	28,728	14,848,661
Transfer to general reserve	-	-	-	-	-	679,638	(679,638)	-	-	-
<b>Distribution to owners</b>										
Bonus shares declared / issued subsequent to year ended December 31, 2010	642,744	-	-	-	-	(642,744)	-	-	-	-
<b>Total comprehensive income for the half year ended June 30, 2011</b>										
Net profit for the half year ended June 30, 2011	-	-	-	-	-	-	731,384	731,384	(116)	731,268
Effect of rescheduled / restructured classified advances	-	-	-	-	56,871	-	-	56,871	-	56,871
Effect of translation of net investment in Wholesale Bank Branch	-	658	-	-	-	-	-	658	-	658
	-	658	-	-	56,871	-	731,384	788,913	(116)	788,797
Transfer to statutory reserve	-	-	-	140,716	-	-	(140,716)	-	-	-
<b>Balance as at June 30, 2011</b>	7,070,184	56,171	234,669	3,463,621	110,233	4,083,300	590,668	15,608,846	28,612	15,637,458
<b>Total comprehensive income for the half year ended December 31, 2011</b>										
Net profit for the half year ended December 31, 2011	-	-	-	-	-	-	974,174	974,174	(235)	973,939
Effect of rescheduled / restructured classified advances	-	-	-	-	(16,148)	-	-	(16,148)	-	(16,148)
Effect of translation of net investment in Wholesale Bank Branch	-	19,125	-	-	-	-	-	19,125	-	19,125
	-	19,125	-	-	(16,148)	-	974,174	977,151	(235)	976,916
Transfer to Statutory reserve	-	-	-	184,824	-	-	(184,824)	-	-	-
<b>Balance as at December 31, 2011</b>	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,380,018	16,585,997	28,377	16,614,374
Transferred to General reserve	-	-	-	-	-	1,380,018	(1,380,018)	-	-	-
<b>Distribution to owners</b>										
Bonus shares declared / issued subsequent to year ended December 31, 2011	1,060,528	-	-	-	-	(1,060,528)	-	-	-	-
<b>Total comprehensive income for the half year June 30, 2012</b>										
Net profit for the half year ended June 30, 2012	-	-	-	-	-	-	1,123,693	1,123,693	913	1,124,606
Effect of rescheduled / restructured classified advances	-	-	-	-	(94,085)	-	-	(94,085)	-	(94,085)
Effect of translation of net investment in Wholesale Bank Branch	-	2,162	-	-	-	-	-	2,162	-	2,162
	-	2,162	-	-	(94,085)	-	1,123,693	1,031,770	913	1,032,683
Transfer to Statutory reserve	-	-	-	219,753	-	-	(219,753)	-	-	-
<b>Balance as at June 30, 2012</b>	8,130,712	77,458	234,669	3,868,198	-	4,402,790	903,940	17,617,767	29,290	17,647,057

The annexed notes 1 to 21 and form an integral part of this condensed interim consolidated financial information.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 1. STATUS AND NATURE OF BUSINESS

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

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust (AWT) holds 50.57% (December 31, 2011: 50.57%) of the Bank's share capital at the half year end. The Bank has 245 branches (December 31, 2011: 245 branches); 244 in Pakistan and Azad Jammu and Kashmir, including 31 (December 31, 2011: 31) Islamic Banking branches, 21 (December 31, 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 public limited company. AIML is 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 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 01, 1999 under the Companies Ordinance, 1984 as a public limited company and obtained corporate membership of the Islamabad Stock Exchange on December 24, 1999. The Bank acquired 74% ordinary shares of ASL on October 1, 2007. The Principal activity includes share brokerage, investment advisory and consultancy services. The registered office of the company is situated at AWT Plaza, The Mall, Rawalpindi.

The financial statements of AIML and ASL have been consolidated based on their un-audited financial statements for the half year ended June 30, 2012.

During the year 2011, the Sponsors of the Bank, AWT approved the non-binding indicative offer made by the Fauji Foundation to purchase (alone or with one or more of its affiliated entities) up to 100% of AWT's shareholding in the Bank, subject to obtaining of all regulatory approvals under the applicable laws and regulations. An intimation to this effect was forwarded to the Karachi, Lahore and Islamabad Stock Exchanges on December 15, 2011. The process of due diligence of the Bank, in this regard, is under process.

### 2. BASIS OF MEASUREMENT

This condensed interim consolidated financial information has been prepared under historical cost convention except that certain fixed assets are stated at revalued amount and certain investments and commitments in respect of certain forward foreign exchange contracts have been marked to market and are carried at fair value and certain staff retirement benefits are carried at present value.

This condensed interim consolidated financial information is presented in Pak Rupee which is the Group's functional and presentation currency.

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 3. STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information of the Group for the half year ended June 30, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirement of said directives have been followed.

The disclosures made in this condensed interim consolidated financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting' and do not include all the information as required in the annual financial statements. Accordingly, this condensed interim consolidated financial information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2011.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' (IFRS 7), has not been made applicable for the banks. However, instruments have been valued in accordance with the requirements of various circulars issued by SBP.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for preparation of this condensed interim consolidated financial information are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2011.

### 5. ACCOUNTING ESTIMATES

The basis and methods used for critical accounting estimates and judgements adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2011.

### 6. FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by the Group are consistent with that disclosed in the consolidated financial statements of the Group for the year ended December 31, 2011.

	(Rupees in thousand)		
	Held by the Bank	Given as collateral	Total
7. INVESTMENTS			
As at June 30, 2012 - (Un-audited)	<u>130,370,112</u>	<u>3,248,209</u>	<u>133,618,321</u>
As at December 31, 2011 - (Audited)	<u>125,681,184</u>	<u>7,974,203</u>	<u>133,655,387</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Rupees in thousand)		
	As at June 30, 2012 - (Un-audited)		
	Held by the Bank	Given as collateral	Total
<b>7.1 Investments by type</b>			
Held for trading securities	60,216	-	60,216
Available for sale securities	126,621,563	3,255,039	129,876,602
Held to maturity securities	4,548,770	-	4,548,770
Investment in an associated company	122,922	-	122,922
	<u>131,353,471</u>	<u>3,255,039</u>	<u>134,608,510</u>
Less: Provision for diminution in value of investments	(307,729)	-	(307,729)
Unrealised gain on revaluation of investments classified as held for trading - net	274	-	274
Deficit on revaluation of available for sale securities - net	(675,904)	(6,830)	(682,734)
Investments - net of provision	<u>130,370,112</u>	<u>3,248,209</u>	<u>133,618,321</u>

7.2 The Bank has availed FSV benefit against classified investments amounting to Re. 184,633 thousand (December 31, 2011: Rs. 184,633 thousand)

8. ADVANCES	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
(Rupees in thousand)			
Loans, cash credits, running finances, etc.			
In Pakistan		143,475,538	139,291,631
Outside Pakistan		3,261,934	3,103,127
		<u>146,737,472</u>	<u>142,394,758</u>
Lease Financing - In Pakistan		5,440,038	6,477,358
Ijarah Financing - In Pakistan		513,054	671,147
Net book value of assets/ investments in Ijarah under IFAS 2			
In Pakistan	8.1	324,507	319,125
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		7,964,093	11,213,180
Payable outside Pakistan		11,744,478	6,305,678
		<u>19,708,571</u>	<u>17,518,858</u>
Advances - Gross		<u>172,723,642</u>	<u>167,381,246</u>
Provision for non-performing advances	8.2		
Specific provision		(17,152,664)	(16,291,514)
General provision		(139,237)	(132,130)
General provision against consumer loans		(220,910)	(245,046)
		<u>(17,512,811)</u>	<u>(16,668,690)</u>
Advances - net of provision		<u>155,210,831</u>	<u>150,712,556</u>

8.1 Net book value of assets/ investments in Ijarah under IFAS 2 is net of depreciation of Rs. 141,065 thousand (December 31,

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

	June 30, 2012 - (Un-audited)				December 31, 2011 - (Audited)			
	Specific	General	Consumer Financing- General	Total	Specific	General	Consumer Financing- General	Total
(Rupees in thousand)								
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 period / year	1,393,890	9,392	-	1,403,282	3,877,730	13,963	-	3,891,693
Reversal for the period / year	(555,240)	(2,285)	(24,136)	(581,661)	(2,164,986)	(14,023)	(51,592)	(2,230,601)
Net charge / (reversal) for the period / year	838,650	7,107	(24,136)	821,621	1,712,744	(60)	(51,592)	1,661,092
Reversal of provision on rescheduled/ restructured classified advances	-	-	-	-	(71,692)	-	-	(71,692)
Amounts written off	-	-	-	-	(572,336)	-	-	(572,336)
Closing balance	<u>17,152,664</u>	<u>139,237</u>	<u>220,910</u>	<u>17,512,811</u>	<u>16,291,514</u>	<u>132,130</u>	<u>245,046</u>	<u>16,668,690</u>



## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	June 30, 2012 - (Un-audited)		June 30, 2011 - (Un-audited)	
	For the quarter ended (Rupees in thousand)	For the half year ended	For the quarter ended (Rupees in thousand)	For the half year ended
<b>8.2.1 Provision against non-performing advances</b>				
Net charge for the period / year	359,018	821,621	603,656	1,128,659
Reversal of capital reserve	(92,276)	(94,085)	(14,821)	(14,821)
	<u>266,742</u>	<u>727,536</u>	<u>588,835</u>	<u>1,113,838</u>

8.3 The State Bank of Pakistan 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 reduced by Rs. 327,087 thousand which has resulted in increased charge for specific provision for the half year ended by the same amount. Had the FSV benefit not recognized, before and after tax profit for the half year ended would have been higher by Rs. 327,087 thousand (June 30, 2011: lower by Rs. 246,000 thousand) and Rs. 212,607 thousand (June 30, 2011: lower by Rs. 159,900 thousand) respectively.

8.4 Advances include Rs. 23,210,427 thousand (December 31, 2011: Rs. 23,645,541 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2012 - (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned - note 8.4.1	53,896	-	53,896	-	-
Substandard	389,657	-	389,657	28,362	28,362
Doubtful	744,951	-	744,951	220,558	220,558
Loss	22,021,923	-	22,021,923	16,903,744	16,903,744
	<u>23,210,427</u>	<u>-</u>	<u>23,210,427</u>	<u>17,152,664</u>	<u>17,152,664</u>

Category of Classification	December 31, 2011 - (Audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned - note 8.4.1	82,833	-	82,833	-	-
Substandard	822,789	-	822,789	70,785	70,785
Doubtful	1,754,185	-	1,754,185	353,690	353,690
Loss	20,985,734	-	20,985,734	15,867,039	15,867,039
	<u>23,645,541</u>	<u>-</u>	<u>23,645,541</u>	<u>16,291,514</u>	<u>16,291,514</u>

8.4.1 This represents classification made for agricultural finances as per the requirement of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

9. OPERATING FIXED ASSETS	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
		(Rupees in thousand)	
Capital work-in-progress		46,549	51,948
Property and equipment	9.1	7,898,212	8,115,106
Intangibles	9.2	1,298,789	1,283,979
		<u>9,197,001</u>	<u>9,399,085</u>
		<u>9,243,550</u>	<u>9,451,033</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited)	(Audited)
	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
<b>9.1 Property and equipment</b>		
Book value at beginning of the period / year	8,115,106	8,356,874
Cost of additions during the period / year	189,553	609,947
Book value of deletions during the period / year	(4,925)	(15,892)
Depreciation charge for the period / year	(379,774)	(753,425)
Book value of adjustments	(21,748)	(82,398)
Book value at end of the period / year	<u>7,898,212</u>	<u>8,115,106</u>
<b>9.2 Intangibles</b>		
Book value at beginning of the period / year	1,283,979	57,005
Cost of additions during the period / year	82,735	1,226,200
Amortization charge for the period / year	(67,925)	(77,423)
Book value of adjustments	-	78,197
Book value at end of the period / year	<u>1,298,789</u>	<u>1,283,979</u>
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan:		
- Export refinance scheme	6,061,866	8,317,225
- Long term financing of export oriented projects	523,350	669,568
- Long term financing facility	226,624	251,673
- Refinance scheme for revival of agricultural activities in flood affected area	11,010	31,045
- Refinance scheme for revival of SME activities in flood affected area	7,500	7,500
- Repurchase agreement borrowings (repo)	2,901,375	7,935,831
	9,731,725	17,212,842
Repo and other borrowings from financial institutions	297,387	-
Others	9,338	1,509
	<u>10,038,450</u>	<u>17,214,351</u>
<b>Un-secured</b>		
- Call borrowings	125,000	-
<b>Outside Pakistan - foreign currencies</b>		
- Overdrawn nostro accounts - unsecured	31,025	60,628
	<u>10,194,475</u>	<u>17,274,979</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	86,731,722	89,523,862
Savings deposits	143,383,187	141,026,934
Current accounts - non-remunerative	60,236,937	56,631,386
Special exporters' account	79,326	11,509
Margin accounts	2,453,913	2,416,273
Others	352,638	380,598
Financial institutions		
Remunerative deposits	1,242,201	1,507,056
Non-Remunerative deposits	2,405	1,777
	<u>294,482,329</u>	<u>291,499,395</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

12. DEFERRED TAX LIABILITIES - NET	(Un-audited)	(Audited)
	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	663,263	716,235
Assets subject to finance lease	(154)	(121)
Provision for staff benefits	(3,334)	(3,119)
Provision against non-performing advances		
- reclassification of sub-standard category to loss category	(65,411)	(65,411)
- excess of 1% of total advances	(61,171)	(339,319)
- classified in sub-standard category	7,883	7,883
Unused tax lossess	(35,513)	(37,787)
	<u>505,563</u>	<u>278,361</u>
Deficit on revaluation of available for sale securities	(235,334)	(231,453)
	<u>270,229</u>	<u>46,908</u>

13. RESERVES	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	General reserve	(Un-audited) June 30, 2012	(Audited) December 31, 2011
		(Rupees in thousand)					
Balance at beginning of the period / year	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	2,162	-	-	-	-	2162	19,783
Transfer from un-appropriated profit	-	-	219,753	-	1,380,018	1,599,771	1,005,178
Bonus shares issued	-	-	-	-	(1,060,528)	(1,060,528)	(642,744)
Effect of rescheduled / restructured classified advances - note 13.1	-	-	-	(94,085)	-	(94,085)	40,723
Balance at end of the period / year	<u>77,458</u>	<u>234,669</u>	<u>3,868,198</u>	<u>-</u>	<u>4,402,790</u>	<u>8,583,115</u>	<u>8,135,795</u>

- 13.1 General reserve as at June 30, 2012 include Rs. 3,265,365 thousand (December 31, 2011: Rs. 3,477,970 thousand) in respect of net of tax benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial, industrial properties (land and building only) and plant and machinery under charge held as collateral against non-performing advances allowed under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves to that extent are not available for distribution by way of cash or stock dividend.

14. SURPLUS ON REVALUATION OF ASSETS	(Un-audited)	(Audited)
	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
Surplus on revaluation of land	1,697,325	1,697,325
(Deficit) / surplus on revaluation of available for sale investments		
i) Federal Government securities	(455,846)	(196,668)
ii) Listed shares	1,024	(232,399)
iii) Units of open end mutual funds	21,595	30,589
iv) Other securities	(239,157)	(262,816)
	(672,384)	(661,294)
Less: Related deferred tax	235,334	231,453
	(437,050)	(429,841)
	<u>1,260,275</u>	<u>1,267,484</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15. CONTINGENCIES AND COMMITMENTS</b>		
<b>15.1 Direct credit substitutes</b>		
i) Government	-	2,329,106
ii) Others	6,323,950	7,047,996
	<u>6,323,950</u>	<u>9,377,102</u>
<b>15.2 Transaction-related contingent liabilities</b>		
Money for which the Group is contingently liable:		
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
Guarantees given, favouring:		
i) Government	64,521,522	54,928,965
ii) Banks and other financial institutions	2,051,217	744,007
iii) Others	13,020,404	15,582,567
	<u>79,593,143</u>	<u>71,255,539</u>
	<u>79,827,098</u>	<u>71,525,891</u>

These include guarantees amounting to Rs. 888,681 thousand (December 31, 2011: Rs. 890,769 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15.3 Trade-related contingent liabilities</b>	<u>31,690,425</u>	<u>36,629,023</u>
<b>15.4 Other Contingencies</b>		
<b>15.4.1</b> This represents certain claims filed 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.	<u>821,673</u>	<u>649,430</u>

**15.4.2** 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 fine 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.

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

### 15.5 Tax contingencies / Status

- 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 Commissioner Inland Revenue (Appeals) 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 with respect to matters not decided in its favour.
- ii) Income tax demand of Rs. 9,565 thousand, not acknowledged as debt, has been challenged by ASL and are currently in appeal; ASL expects favourable outcome of appeal.
- iii) Group's share of income tax demand of Rs. 1,794 thousand, not acknowledged as debt, has been challenged by AGICO and are currently in appeal; AGICO expects favourable outcome of appeal.

	(Un-audited) June 30, 2012	(Audited) December 31, 2011
	(Rupees in thousand)	
<b>15.6 Commitments in respect of forward lending</b>		
Commitment against "Repo" transactions		
Purchase and resale agreements	-	362,147
Sale and repurchase agreements	3,212,194	7,953,517
<b>15.7 Commitments in respect of forward exchange contracts</b>		
Purchase	23,596,766	23,775,757
Sale	17,457,398	14,977,195
<b>15.8 Commitments for acquisition of operating fixed assets</b>	79,078	159,247
<b>15.9 Commitments to extend credit</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	7,922,033	5,576,283
<b>15.10 Other commitments</b>		
This represents participation in the equity of proposed Mortgage Refinance Company.	300,000	300,000
<b>15.11 Bills for collection</b>		
Payable in Pakistan	937,767	535,642
Payable outside Pakistan	12,388,924	12,239,196
	13,326,691	12,774,838

	June 30, 2012 - (Un-audited)		June 30, 2011 - (Un-audited)	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in thousand)		(Rupees in thousand)	
<b>16. GAIN ON SALE OF SECURITIES</b>				
Gain on sale of government securities	12,695	46,591	9,479	11,977
Gain on sale of other investments	113,845	34,837	64,537	141,298
	126,540	81,428	74,016	153,275

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

	(Un-audited) June 30, 2012 (Rupees in thousand)	(Un-audited) June 30, 2011 (Rupees in thousand)
<b>17. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash and balances with treasury banks	22,771,835	22,599,737
Balances with other banks	2,682,404	4,371,118
Call money lendings	-	400,000
Term deposits with MCB Banks	22,000	22,000
	<u>25,476,239</u>	<u>27,392,855</u>

## 18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans	Total
	(Rupees in thousand)									
	<b>For the half year ended June 30, 2012 - (Un-audited)</b>									
Total income	89,406	150,339	968,719	17,869,649	28,248	8,685	105,326	16,919	-	19,237,291
Total expenses	20,802	34,979	229,225	16,741,668	6,573	2,021	100,345	12,703	485,569	17,633,825
Net income / (loss)	68,604	115,360	739,494	1,127,981	21,675	6,664	4,981	4,216	(485,569)	1,603,466
	<b>For the half year ended June 30, 2011 - (Un-audited)</b>									
Total income	90,168	26,820	1,002,102	16,276,039	35,433	7,711	42,116	9,058	-	17,489,447
Total expenses	21,780	6,478	256,876	15,571,229	8,559	1,863	60,723	9,055	458,416	16,394,979
Net income / (loss)	68,388	20,342	745,226	704,810	26,874	5,848	(18,607)	3	(458,416)	1,094,468
	<b>As at June 30, 2012 - (Un-audited)</b>									
Segment Assets (Gross)	90,371	151,961	18,767,760	340,821,407	28,597	8,792	193,363	150,721	-	360,212,972
Segment Non Performing Loans	-	-	2,921,374	20,289,053	-	-	-	-	-	23,210,427
Segment Provision Required	-	-	2,259,284	15,862,225	-	-	-	-	-	18,121,509
Segment Liabilities	1,345	2,261	17,874,347	298,076,188	424	130	32,039	38,067	7,159,332	323,184,131
Segment return on net assets (%)	0.03	0.04	0.28	5.21	0.01	-	0.03	-	-	-
Segment cost of funds (%)	0.01	0.01	0.07	5.16	-	-	0.03	-	0.15	-
	<b>As at December 31, 2011 - (Audited)</b>									
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
	<b>For the half year ended June 30, 2011 - (Un-audited)</b>									
Segment return on net assets (%)	0.03	0.01	0.30	4.90	0.01	-	0.01	-	-	-
Segment cost of funds (%)	0.01	-	0.08	5.11	-	-	0.02	-	0.15	-

## 19. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 50.57 % (December 31, 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.

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the half year ended June 30, 2012

Details of transactions with related parties during the half year and balances as at June 30, 2012, are as follows:

	(Rupees in thousand)											
	June 30, 2012 - (Un-audited)						December 31, 2011 - (Audited)					
	Parent	Key Management Personnel	Directors	Companies with common directorship, having equity under 20%	Associated and Subsidiary Companies	Employee Funds	Parent	Key Management Personnel	Directors	Companies with common directorship, having equity under 20%	Associated and Subsidiary Companies	Employee Funds
<b>Balances outstanding as at</b>												
- Advances	-	105,915	6,115	220	-	-	-	117,472	15,130	291	-	-
- Deposits	20,929,285	33,859	78,938	234,294	6,238	62,599	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 - at cost	-	-	-	1,764,492	53,703	-	-	-	-	1,659,415	53,703	-
- Security deposits against lease	-	-	-	132	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	-	-	-	-	-	-	3661	-
- Reimbursable expenses on behalf of AIML Funds	-	-	-	5,418	-	-	-	-	-	5,115	-	-
- Management fee and commission receivable from AIML Funds	-	-	-	12,533	-	-	-	-	-	9,753	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	149	-	-	-	-	-	197	-
- Payable to employee funds	-	-	-	-	-	4,190	-	-	-	-	-	3,337
- Receivable from employee funds	-	-	-	-	-	409	-	-	-	-	-	-
<b>Transactions during the quarter ended</b>												
- Mark-up / interest earned	-	2,957	796	9	-	-	-	4,365	993	22,411	-	-
- Net mark-up / interest expensed	1,203,721	405	3,781	13,777	531	7,364	780,631	320	4,153	9,780	1,599	1,383
- Rent received against operating lease	-	-	-	-	-	-	-	-	-	2,398	-	-
- Contributions to employees' funds	-	-	-	-	-	169,095	-	-	-	-	-	161,877
- Investment / redemption in shares / units - at cost - net	-	-	-	105,077	-	-	-	-	-	-	-	-
- Rent of property / service charges paid	37,127	-	-	34,280	-	-	41,224	-	-	22,662	-	-
- Rent of property / service charges received	17,073	-	-	13,910	4,944	-	14,324	-	-	1,418	4,494	-
- Dividend income received	-	-	-	347,406	-	-	-	-	-	-	-	-
- Remuneration paid	-	83,338	-	-	-	-	-	75,287	-	-	-	-
- Post employment benefits	-	7,674	-	-	-	-	-	7,410	-	-	-	-
- Insurance premium paid	-	-	-	-	18,495	-	-	-	-	55	41,214	-
- Insurance claims received	-	-	-	-	80	-	-	-	-	-	139	-
- Security services costs	-	-	-	100,099	-	-	-	-	-	94,908	-	-
- Investment in units of AHYS by AIML - at cost	-	-	-	-	-	-	-	-	-	9,998	-	-
- Redemption of units of funds of AIML - at cost	-	-	-	-	-	-	-	-	-	236,020	-	-
- Purchase of Agritec TFC by AIML from AAAF	-	-	-	-	-	-	-	-	-	12,990	-	-
- Fee, commission and brokerage income	3	-	140	-	12	-	1	-	13	199	12	-
- Payment received by AIML from funds against reimbursable expenses	-	-	-	38	-	-	-	-	-	6,309	-	-
- Remuneration received by AIML from funds	-	-	-	101,124	-	-	-	-	-	39,586	-	-
- Expenses incurred by AIML for funds	-	-	-	-	-	-	-	-	-	547	-	-
- Fees paid	-	1,925	-	-	-	-	-	20	830	-	-	-

## 20. CORRESPONDING FIGURES

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

## 21. DATE OF AUTHORISATION

This condensed interim consolidated financial information was authorized for issue by the Board of Directors on August 28, 2012.

- sd -  
President & Chief Executive

- sd -  
Director

- sd -  
Director

- sd -  
Chairman

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