

Report for the half year ended June 30, 2013



banking
forward

askaribank
LIMITED



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Corporate Information

Board of Directors	<p>Lt. Gen. (R) Muhammad Mustafa Khan, HI (M) - Chariman</p> <p>Lt. Gen. (R) Muhammad Zaki, HI, HI (M)</p> <p>Lt. Gen. (R) Naeem Khalid Lodhi, HI (M)</p> <p>Mr. Qaiser Javed</p> <p>Dr. Nadeem Inayat</p> <p>Mr. Asif Reza Sana</p> <p>Mr. Manzoor Ahmed - NIT Nominee</p> <p>Khawaja Jalaluddin Roomi</p> <p>Syed M. Husaini - President & Chief Executive</p>
Audit Committee	<p>Mr. Qaiser Javed - Chairman</p> <p>Dr. Nadeem Inayat - Member</p>
Chief Financial Officer	<p>Mr. Saleem Anwar, FCA</p>
Company Secretary	<p>Mr. M. A. Ghazali Marghoob, FCA</p>
Auditors	<p>KPMG Taseer Hadi & Co.</p> <p>Chartered Accountants</p>
Legal Advisors	<p>RIAALAW Advocates & Corporate Counsellors</p>
Shariah Advisor	<p>Dr. Muhammad Tahir Mansoori</p>
Registered / Head Office	<p>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</p>
Registrar & Share Transfer Office	<p>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</p>
Entity Ratings	<p>Long Term : AA Short Term : A1 + by Pakistan Credit Rating Agency (PACRA)</p>
Website	<p>www.askaribank.com.pk</p>

Directors' Review

Dear Shareholders,

We present the un-audited condensed interim unconsolidated financial information for the quarter and six months ended June 30, 2013.

Acquisition by Fauji Consortium:

As stated in our earlier communications, the process of acquisition of Askari Bank's shareholding stands completed and w.e.f. June 21, 2013, the Bank's major shareholding has been acquired by Fauji Consortium; comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) - collectively holding 71.91 percent shares of the Bank as on the date of the financial position.

The change of Sponsors has added further strength to the Askari brand and under the umbrella of Fauji Group, the Bank is well positioned to navigate through the challenges – some of which are reflected in the annexed financial results. With the strength and resolve of the new Sponsors, Askari Bank stands committed to take a strategic direction that will make it a prosperous and leading financial institution of the country.

Review of financial results

The financial results of the quarter and six months are summarized as under:

Quarter ended June 30	Rupees in thousand	
	2013	2012
(Loss) / profit before tax	(6,759,665)	775,370
Taxation	2,376,407	(250,735)
(Loss) / profit after tax	<u>(4,383,258)</u>	<u>524,635</u>

Half year ended June 30	Rupees in thousand	
	2013	2012
(Loss) / profit before tax	(6,335,344)	1,576,014
Taxation	2,228,089	(477,249)
(Loss) / profit after tax	<u>(4,107,255)</u>	<u>1,098,765</u>
Basic / diluted (loss) / earnings per share - Rs.	<u>(5.05)</u>	<u>1.35</u>

The financial results of the Bank for the period under review reflect a significant decline from the previous periods mainly due to a sharp increase in non-performing assets and provisions there-against. During the period under review, the aggregate non-performing assets increased by 30.5 percent – loans by 32.2 percent and investments by 7.8 percent. The increase in non-performing assets was mainly due to recognition of certain accounts; a sizeable portion of which was previously assigned for close monitoring. As a result, the aggregate provisions / impairment charged against profits for the current six months increased almost ten times over the corresponding period last year. As of June 30, 2013, the non-performing loans to gross advances ratio increased to 21.1 percent from 16.3 percent at year-end 2012, whereas the coverage ratio against non-performing loans was 73.2 percent as of June 30, 2013, against 72.1 percent at December 31, 2012.

The operating profit i.e., profit before provisions / impairment against NPAs and taxation declined by 64.9 percent in comparison with the same period last year, due to decline in margin caused by the trend of bench mark rates, and additional impact of profit suspension on non-performing accounts. The non-markup income declined by 18.9 percent mainly due to a one-off income recognized during the corresponding period last year. Administrative expenses increased by 6.6 percent during the period under review mainly due to inflationary reasons.

During the six month period, net advances declined to Rs. 140 billion while investments remained almost unchanged at Rs. 146 billion. On the liability side, customer deposits stood at Rs. 293 billion against Rs. 307 billion at year end 2012, a decline of 4.4 percent during the first half of the year 2013.

Out of the total reserves of the Bank amounting to Rs. 9,552 million appearing in the statement of financial position as at June 30, 2013, an amount of Rs. 2,981 million (December 31, 2012: Rs. 3,095 million) represents the benefit of forced sale values of eligible collaterals held against non-performing assets, 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 distribution as cash or stock dividend in terms of above referred circular.

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 June 30, 2013 was Rs. 9.0 billion. The paid-up capital of the Bank as of that date amounted to Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level. The Board, in cognizance of the Bank's financial position vis-à-vis the regulatory capital requirements, announced enhancement in paid-up capital of the Bank by issue of 55 percent right shares, that is, 55 shares for every 100 shares held to be issued at par value of Rs.10 per share. The enhanced capital will enable the Bank to meeting the regulatory MCR and will also provide room for further growth.

Our branch network comprised of 261 branches, including 34 Islamic Banking branches, 22 sub-branches and a whole sale bank branch in Bahrain. Through this branch network, we are now post acquisition by Fauji Group well poised to offer wide range of products and services to our valued customers.

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-

Syed M. Husaini
President & Chief Executive

-sd-

Lt. Gen. (R) Muhammad Mustafa Khan
Chairman

Rawalpindi
July 23, 2013



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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, 2013 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, 2013 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, 2013 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 -

Islamabad

Date: August 17, 2013

KPMG TASEER HADI & Co.
CHARTERED ACCOUNTANTS

Engagement Partner
Riaz Pesnani

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, 2013

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012 Restated
(Rupees in thousand)			
Assets			
Cash and balances with treasury banks		24,853,731	24,435,380
Balances with other banks		2,582,984	8,863,586
Lendings to financial institutions		182,915	6,319,474
Investments	7	145,813,288	145,378,148
Advances	8	140,320,803	143,726,962
Operating fixed assets	9	8,620,671	8,841,091
Deferred tax assets - net	12	1,925,438	-
Other assets		15,996,551	15,462,240
		340,296,381	353,026,881
Liabilities			
Bills payable		6,400,339	3,700,156
Borrowings	10	9,154,327	8,372,617
Deposits and other accounts	11	293,324,922	306,937,216
Sub-ordinated loans		5,490,700	6,987,300
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	-	71,229
Other liabilities		9,699,643	7,386,659
		324,069,931	333,455,177
Net Assets		16,226,450	19,571,704
Represented By:			
Share capital		8,130,711	8,130,711
Reserves	13	9,551,731	8,542,421
Unappropriated (loss) / profit		(4,195,660)	887,988
		13,486,782	17,561,120
Surplus on revaluation of assets - net of tax	14	2,739,668	2,010,584
		16,226,450	19,571,704
Contingencies and Commitments	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, 2013

	Note	June 30, 2013		June 30, 2012	
		For the quarter ended (Rupees in thousand)	For the half year ended	For the quarter ended (Rupees in thousand)	For the half year ended
Mark-up / return / interest earned		6,331,735	13,617,757	8,092,908	16,634,221
Mark-up / return / interest expensed		4,667,429	9,766,977	5,796,536	11,970,435
Net mark-up / interest income		1,664,306	3,850,780	2,296,372	4,663,786
Provision against non-performing loans and advances - net	8.2.1	6,369,302	6,583,700	266,742	727,536
Impairment loss on available for sale investments		85,165	135,873	10,350	10,350
Provision for diminution in the value of investments		311,156	427,677	-	-
Provision against repurchase agreement lending		-	-	-	-
Bad debts written off directly		-	-	-	1,043
		6,765,623	7,147,250	277,092	738,929
Net mark-up / interest income after provisions		(5,101,317)	(3,296,470)	2,019,280	3,924,857
Non mark-up / interest income					
Fee, commission and brokerage income		329,842	593,086	365,416	620,168
Dividend income		30,541	107,266	261,093	739,004
Income from dealing in foreign currencies		82,000	230,265	280,518	495,838
Gain on sale of securities - net	16	328,036	572,292	126,540	77,586
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		-	-	-	-
Other income		112,534	198,178	71,061	164,182
Total non-markup / interest income		882,953	1,701,087	1,104,628	2,096,778
		(4,218,364)	(1,595,383)	3,123,908	6,021,635
Non mark-up / interest expenses					
Administrative expenses		2,464,467	4,663,103	2,293,896	4,390,901
Other provisions / write offs		76,632	76,632	20,123	20,123
Other charges		202	226	34,519	34,597
Total non-markup / interest expenses		2,541,301	4,739,961	2,348,538	4,445,621
		(6,759,665)	(6,335,344)	775,370	1,576,014
Extra ordinary / unusual items		-	-	-	-
(Loss) / profit before taxation		(6,759,665)	(6,335,344)	775,370	1,576,014
Taxation - current		(10,866)	(176,182)	(2,116)	(249,940)
- prior years'		-	-	-	-
- deferred		2,387,273	2,404,271	(248,619)	(227,309)
		2,376,407	2,228,089	(250,735)	(477,249)
(Loss) / profit after taxation		(4,383,258)	(4,107,255)	524,635	1,098,765
Basic and diluted (loss) / earnings per share (Rupees)		(5.39)	(5.05)	0.65	1.35

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, 2013

	June 30, 2013		June 30, 2012	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in thousand)		(Rupees in thousand)	
(Loss) / Profit after taxation	(4,383,258)	(4,107,255)	524,635	1,098,765
Other comprehensive income				
Effect of rescheduled / restructured classified advances	-	-	(92,276)	(94,085)
Effect of recognition of actuarial losses	27,897	27,897	-	-
Effect of translation of net investment in Wholesale Bank Branch	2,439	5,020	730	2,162
Total comprehensive income	<u>(4,352,922)</u>	<u>(4,074,338)</u>	<u>433,009</u>	<u>1,006,842</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, 2013

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Cash flow from operating activities		
(Loss) / Profit before taxation	(6,335,344)	1,576,014
Add: Dividend income	(107,266)	(739,004)
	<u>(6,442,610)</u>	<u>837,010</u>
Adjustments:		
Depreciation / amortization	396,765	437,993
Provision against non-performing advances - net	6,583,700	727,536
Impairment loss on available for sale investments	135,873	10,350
Provision for diminution in the value of investments - net	427,677	-
Bad debts written off directly	-	1,043
Other provisions / write offs	76,632	20,123
Net profit on sale of operating fixed assets	(1,180)	(372)
	<u>7,619,467</u>	<u>1,196,673</u>
	<u>1,176,857</u>	<u>2,033,683</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	6,136,559	629,280
Held for trading securities	139,130	-
Advances	(3,144,045)	(5,992,585)
Other assets (excluding advance taxation)	158,909	346,512
	<u>3,290,553</u>	<u>(5,016,793)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,700,183	1,116,360
Borrowings	781,710	(7,088,333)
Deposits and other accounts	(13,612,294)	2,984,866
Other liabilities (excluding current taxation)	2,355,982	(58,810)
	<u>(7,774,419)</u>	<u>(3,045,917)</u>
	<u>(3,307,009)</u>	<u>(6,029,027)</u>
Income tax paid	(965,474)	(1,419,487)
Net cash outflow from operating activities	<u>(4,272,483)</u>	<u>(7,448,514)</u>
Cash flow from investing activities		
Net investments in available for sale securities	(19,097)	(213,870)
Net investments in held to maturity securities	102,946	261,756
Net investments in subsidiary	(100,000)	-
Dividend income	101,179	695,285
Investments in operating fixed assets - net of adjustment	(188,620)	(249,645)
Sale proceeds of operating fixed assets - disposed off	5,484	4,925
Net cash (outflow) / inflow from investing activities	<u>(98,108)</u>	<u>498,451</u>
Cash flow from financing activities		
Payments of sub-ordinated loans	(1,496,600)	(1,400)
Dividends paid	(80)	(66)
Net cash outflow from financing activities	<u>(1,496,680)</u>	<u>(1,466)</u>
Effect of translation of net investment in Wholesale Bank Branch	5,020	2,162
Decrease in cash and cash equivalents	<u>(5,862,251)</u>	<u>(6,949,367)</u>
Cash and cash equivalents at beginning of the period	33,298,966	32,403,236
Cash and cash equivalents at end of the period	<u>27,436,715</u>	<u>25,453,869</u>
Cash and cash equivalents at end of the period		
Cash and balances with treasury banks	24,853,731	22,771,770
Balances with other banks	2,582,984	2,682,099
	<u>27,436,715</u>	<u>25,453,869</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, 2013

	(Rupees in thousand)							
	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves		Total
						General reserve	Unappropriated profit / (loss)	
Balance as at January 01, 2012 - as previously reported	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,302,158	16,508,782
Effect of retrospective change in accounting policy with respect to accounting for actuarial losses	-	-	-	-	-	-	(112,634)	(112,634)
Balance as at January 01, 2012 - represented	7,070,184	75,296	234,669	3,648,445	94,085	4,083,945	1,189,524	16,396,148
Transfer to General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-
Distribution to owners								
Bonus shares declared / issue subsequent to year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-
Total comprehensive income for the half year ended June 30, 2012								
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
Transfer to Statutory reserve	-	2,162	-	-	(94,085)	-	1,098,765	1,006,842
Balance as at June 30, 2012	8,130,711	77,458	234,669	3,868,198	-	4,325,576	766,378	17,402,990
Total Comprehensive income for the half year ended December 31, 2012								
Net Profit for the six months ended December 31, 2012	-	-	-	-	-	-	165,582	165,582
Effect of recognition of actuarial losses - note 17	-	-	-	-	-	-	(12,653)	(12,653)
Effect of translation of net investment in Wholesale Bank Branch	-	5,201	-	-	-	-	-	5,201
Transfer to Statutory reserve	-	5,201	-	-	-	-	152,929	158,130
Balance as at December 31, 2012	8,130,711	82,659	234,669	3,899,517	-	4,325,576	887,988	17,561,120
Transfer to General reserve	-	-	-	-	-	1,004,290	(1,004,290)	-
Total comprehensive income for the half year ended June 30, 2013								
Net loss for the half year ended June 30, 2013	-	-	-	-	-	-	(4,107,255)	(4,107,255)
Effect of recognition of actuarial losses - note 17	-	-	-	-	-	-	27,897	27,897
Effect of translation of net investment in Wholesale Bank Branch	-	5,020	-	-	-	-	-	5,020
Transfer to Statutory reserve	-	5,020	-	-	-	-	(4,097,358)	(4,074,338)
Balance as at June 30, 2013	8,130,711	87,679	234,669	3,899,517	-	5,329,866	(4,195,660)	13,486,782

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, 2013

1. STATUS AND NATURE OF BUSINESS

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

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. The Bank has 261 branches (December 31, 2012: 261 branches); 260 in Pakistan and Azad Jammu and Kashmir, including 32 (December 31, 2012: 32) Islamic Banking branches, 24 (December 31, 2012: 24) 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 The process of acquisition of the Bank's shareholding by Fauji Consortium; comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL), was completed at the close of business on June 20, 2013. The collective shareholding of Fauji Consortium in the Bank had reached 71.91 percent as on June 30, 2013. After the acquisition, the Bank had become subsidiary of FFCL, which directly and indirectly held 54.09 percent shares of the Bank as on that date.
- 1.3 State Bank of Pakistan's (SBP) 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 June 30, 2013 was Rs. 9 billion. The paid-up capital of the Bank as of June 30, 2013 was Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level for which relaxation was granted by the SBP till June 30, 2013 through its letter No. BPRD/BAID/641/2220/2013 dated February 26, 2013. The Board of Directors of the Bank in their meeting held on July 23, 2013 has approved enhancement in paid-up capital of the Bank to Rs. 12.60 billion from existing Rs. 8.13 billion by virtue of issuing right shares at par value of Rs. 10 per share in proportion to 55 shares for every 100 shares held. On the back of the approval for issue of right shares, the Bank is contemplating to apply SBP for further relaxation from meeting MCR upto September 30, 2013 by which time a significant portion of the right issue proceeds is expected to be received.

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, 2013 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 requirements 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, 2012.

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

For the half year ended June 30, 2013

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 and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2012 except for:

4.1 Grant

Grants are recognized as income over the periods to match with the related costs on a systematic basis.

4.2 Change in accounting policy - staff retirement benefits

Defined benefit plans

IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 changed the method of accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for defined benefit obligation and plan assets. The amendments require full recognition of variations in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach', permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed in note 17.

5. ACCOUNTING ESTIMATES

The basis and the methods used for critical accounting estimates and judgments 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, 2012.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objective and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2012.

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

For the half year ended June 30, 2013

	(Rupees in thousand)		
7. INVESTMENTS	Held by the Bank	Given as collateral	Total
As at June 30, 2013 - (Un-audited)	<u>144,823,207</u>	<u>990,081</u>	<u>145,813,288</u>
As at December 31, 2012 - (Audited)	<u>145,378,148</u>	<u>-</u>	<u>145,378,148</u>
	As at June 30, 2013 (Un-audited)		
7.1 Investments by type	Held by the Bank	Given as collateral	Total
Held for trading securities	12,716	-	12,716
Available for sale securities	140,272,400	990,081	141,262,481
Held to maturity securities	3,505,692	-	3,505,692
Investment in an associated company	53,703	-	53,703
Investment in subsidiary companies	399,789	-	399,789
	<u>144,244,300</u>	<u>990,081</u>	<u>145,234,381</u>
Provision for diminution in value of investments	(1,024,697)	-	(1,024,697)
Surplus on revaluation of available for sale securities - net	1,603,604	-	1,603,604
Investments - net of provision	<u>144,823,207</u>	<u>990,081</u>	<u>145,813,288</u>

7.2 Investments include Rs. 2,170,784 thousand (December 31, 2012: Rs. 2,014,475 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 930,990 thousand (December 31, 2012: Rs. 503,315 thousand) against non performing investments.

7.3 During the period, the Bank has availed Forced Sale Value (FSV) benefit of Rs. 81,632 thousand (June 30, 2012: Rs. Nil) against non-performing investments.

Had the FSV benefit not been recognized, before and after tax loss for the half year ended would have been higher by Rs. 81,632 thousand (June 30, 2012: Rs. Nil) and Rs. 53,061 thousand (June 30, 2012: Rs. Nil) respectively.

7.4 The Bank has availed the relaxation of Rs. 444,872 thousand (December 31, 2012: Rs. 809,460 thousand) and Rs. 169,679 thousand (December 31, 2012: Rs. 304,250 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations for debt securities and impairment for equity securities respectively.

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

For the half year ended June 30, 2013

	Note	(Un-audited) June 30, 2013	(Audited) December 31, 2012
(Rupees in thousand)			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		138,586,634	137,295,155
Outside Pakistan		3,438,253	3,351,665
		142,024,887	140,646,820
Lease Financing - In Pakistan		4,331,417	4,827,289
Ijarah Financing - In Pakistan		191,318	307,336
Net book value of assets / investments in Ijarah under IFAS 2			
In Pakistan	8.1	495,731	380,311
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		11,954,446	9,967,185
Payable outside Pakistan		7,007,492	6,725,769
		18,961,938	16,692,954
Advances - gross		166,005,291	162,854,710
Provision for non-performing advances	8.2		
Specific provision		(25,370,615)	(18,796,160)
General provision		(122,359)	(127,698)
General provision against consumer loans		(191,514)	(203,890)
		(25,684,488)	(19,127,748)
Advances - net of provision		140,320,803	143,726,962

8.1 Net book value of assets/ investments in Ijarah under IFAS 2 is net of depreciation of Rs. 108,320 thousand (December 31, 2012: Rs. 104,905 thousand).

8.2 Particulars of provision against non-performing advances

	June 30, 2013 - (Un-audited)				December 31, 2012 - (Audited)			
	Specific	General	Consumer Financing-General	Total	Specific	General	Consumer Financing-General	Total
Opening balance	18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690
Transfer from investments	-	-	-	-	22,500	-	-	22,500
Charge for the period / year	6,848,288	4,445	544	6,853,277	3,532,354	9,575	332	3,542,261
Reversal for the period / year	(246,873)	(9,784)	(12,920)	(269,577)	(1,050,208)	(14,007)	(41,488)	(1,105,703)
Net charge / (reversal) for the period / year	6,601,415	(5,339)	(12,376)	6,583,700	2,482,146	(4,432)	(41,156)	2,436,558
Amounts written off	(26,960)	-	-	(26,960)	-	-	-	-
Closing balance	25,370,615	122,359	191,514	25,684,488	18,796,160	127,698	203,890	19,127,748

8.2.1 Provision against non-performing advances

	June 30, 2013 (Un-audited)		June 30, 2012 (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)	
Net charge for the period - note 8.3	6,369,302	6,583,700	359,018	821,621
Reversal of capital reserve	-	-	(92,276)	(94,085)
	6,369,302	6,583,700	266,742	727,536

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

For the half year ended June 30, 2013

- 8.3 This includes specific provision on subjective basis against certain loans and advances, further, during the period the Bank has not availed FSV benefit on Agri Loans in its entirety and FSV benefit of Rs. 1,844 million on provisioning against other loans and advances. Furthermore, net reduction in FSV benefit during the period amounted to Rs. 257,017 thousand resulting in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend.
- 8.4 The Bank has availed the relaxation of Rs. 199,489 thousand (December 31, 2012: Rs. 262,880 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.
- 8.5 Advances include Rs. 35,065,831 thousand (December 31, 2012: Rs. 26,518,448 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2013 - (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned-note 8.5.1	568,029	-	568,029	-	-
Substandard	1,619,492	-	1,619,492	264,982	264,982
Doubtful	2,631,742	-	2,631,742	1,072,140	1,072,140
Loss	30,246,568	-	30,246,568	24,033,493	24,033,493
	<u>35,065,831</u>	<u>-</u>	<u>35,065,831</u>	<u>25,370,615</u>	<u>25,370,615</u>
Category of Classification	December 31, 2012 - (Audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned-note 8.5.1	127,181	-	127,181	-	-
Substandard	709,386	-	709,386	110,070	110,070
Doubtful	3,015,923	-	3,015,923	307,730	307,730
Loss	22,665,958	-	22,665,958	18,378,360	18,378,360
	<u>26,518,448</u>	<u>-</u>	<u>26,518,448</u>	<u>18,796,160</u>	<u>18,796,160</u>

- 8.5.1 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, 2013	December 31, 2012
		(Rupees in thousand)	
9. OPERATING FIXED ASSETS			
Capital work-in-progress		89,535	43,524
Property and equipment	9.1	<u>7,385,505</u>	<u>7,568,768</u>
Intangibles	9.2	<u>1,145,631</u>	<u>1,228,799</u>
		<u>8,531,136</u>	<u>8,797,567</u>
		<u>8,620,671</u>	<u>8,841,091</u>

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
9.1 Property and equipment		
Book value at beginning of the period / year	7,568,768	8,080,756
Cost of additions during the period / year	141,142	236,194
Book value of deletions / transfers during the period / year	(4,306)	(7,589)
Depreciation charge for the period / year	(312,130)	(719,205)
Book value of adjustments during the period / year	(7,969)	(21,388)
Book value at end of the period / year	<u>7,385,505</u>	<u>7,568,768</u>

9.2 Intangibles

Book value at beginning of the period / year	1,228,799	1,224,730
Cost of additions during the period / year	1,467	144,162
Amortization charge for the period / year	(84,635)	(140,093)
Book value at end of the period / year	<u>1,145,631</u>	<u>1,228,799</u>

10. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan:

- Export refinance scheme	6,625,150	7,170,013
- Long term financing of export oriented projects	289,411	400,104
- Long term financing facility	174,617	195,076
- Refinance scheme for revival of agricultural activities in flood affected areas	1,345	2,745
- Refinance scheme for revival of SME activities in flood affected areas	7,500	7,500
	<u>7,098,023</u>	<u>7,775,438</u>
Repo borrowings from financial institutions	989,837	-

Un-secured

Call borrowings	400,000	500,000
Overdrawn balance with other banks	78,211	84,581
	<u>478,211</u>	<u>584,581</u>
	<u>8,566,071</u>	<u>8,360,019</u>
Outside Pakistan - foreign currencies		
- Overdrawn nostro accounts - unsecured	588,256	12,598
	<u>9,154,327</u>	<u>8,372,617</u>

11. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	55,954,471	75,647,191
Savings deposits	164,435,470	155,646,270
Current accounts - non-remunerative	68,785,009	62,694,946
Special exporters' account	49,321	22,282
Margin accounts	2,313,135	2,316,551
Others	465,090	406,476
Financial institutions		
Remunerative deposits	1,067,277	9,381,065
Non-Remunerative deposits	255,149	822,435
	<u>293,324,922</u>	<u>306,937,216</u>

For the half year ended June 30, 2013

	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	(Un-audited) June 30, 2013	(Audited) December 31, 2012
13. RESERVES						
				(Rupees in thousand)		
Balance at beginning of the period / year - restated	82,659	234,669	3,899,517	4,325,576	8,542,421	8,136,440
Effect of translation of net investment in Wholesale Bank Branch	5,020	-	-	-	5,020	7,363
Transfer from un-appropriated profit	-	-	-	1,004,290	1,004,290	1,553,230
Bonus shares issued	-	-	-	-	-	(1,060,527)
Reversal of capital reserves	-	-	-	-	-	(94,085)
Balance at end of the period / year	87,679	234,669	3,899,517	5,329,866	9,551,731	8,542,421

13.2 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.

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
i) Government	-	-
ii) Others	5,731,737	5,373,983
	<u>5,731,737</u>	<u>5,373,983</u>
15.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
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.	134,012	233,955
Contingent liability in respect of guarantees given, favouring:		
i) Government	69,703,622	79,212,961
ii) Banks and other financial institutions	873,532	808,020
iii) Others	10,695,527	13,813,083
	<u>81,272,681</u>	<u>93,834,064</u>
	<u>81,406,693</u>	<u>94,068,019</u>

These include guarantees amounting to Rs. 957,595 thousand (December 31, 2012: Rs. 901,381 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15.3 Trade-related contingent liabilities	<u>63,165,868</u>	<u>44,442,449</u>
15.4 Other Contingencies		
15.4.1 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>761,587</u>	<u>615,701</u>
15.4.2 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 the Bank's favour. However, in case of award of damages, the potential liability of the Bank is estimated not to be more than Rs. 100 million.		

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

For the half year ended June 30, 2013

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 and brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the 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, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15.6 Commitments in respect of forward lending		
Commitment against "Repo" transactions		
Purchase and resale agreements	-	5,823,130
Sale and repurchase agreements	990,802	-

15.7 Commitments in respect of forward exchange contracts

Purchase	26,265,754	13,497,314
Sale	13,883,598	8,926,334

The above commitments have maturities falling within one year.

15.8 Commitments in respect of sale of listed equity securities

Sale	-	138,191
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15.9 Commitments for acquisition of operating fixed assets

	119,848	140,070
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15.10 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs. 4,417,026 thousand (December 31, 2012: Rs. 6,480,778 thousand).

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15.11 Other commitments		
This represents participation in the equity of proposed Mortgage Refinance Company.	300,000	300,000

15.12 Bills for collection

Payable in Pakistan	1,713,543	1,162,798
Payable outside Pakistan	12,882,605	11,126,400
	14,596,148	12,289,198

	June 30, 2013 - (Un-audited)		June 30, 2012 - (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
16. GAIN ON SALE OF SECURITIES				
Gain on sale of government securities	148,331	289,694	12,695	46,591
Gain on sale of other investments	179,705	282,598	113,845	30,995
	328,036	572,292	126,540	77,586

Notes to the Condensed Interim Unconsolidated Financial Information

For the half year ended June 30, 2013

(Un-audited)

17. EFFECTS OF CHANGE IN ACCOUNTING POLICY - STAFF RETIREMENT BENEFITS

The change in accounting policy as disclosed in note 4.2 has been accounted for retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in adjustment of prior year financial statements.

Effect of retrospective application of change in accounting policy are as follows:

	As at December 31, 2012		
	As previously reported	Effect of Restatement	As Restated
17.1 EFFECT ON BALANCE SHEET	(Rupees in thousand)		
Increase in defined benefit obligation	-	134,705	134,705
Decrease in deferred tax liability - net	118,376	(47,147)	71,229
Decrease in advance taxation	3,674,110	(28,745)	3,645,364
Decrease in unappropriated profit	1,004,290	(116,302)	887,988
	6 Months ended June 30, 2013	For the year ended December 31, 2012	Prior to January 01, 2012
17.2 EFFECT ON PROFIT AND LOSS ACCOUNT	(Rupees in thousand)		
Net increase in profit after tax	-	11,280	75,570
Net increase in tax expenses	-	(3,948)	(26,450)
	-	7,332	49,120
17.3 EFFECT ON OTHER COMPREHENSIVE INCOME			
Actuarial losses reclassified to other comprehensive income	-	11,280	75,570
Net actuarial (gain)/loss recognised in other comprehensive income	(27,897)	1,373	86,185
	(27,897)	12,653	161,755
		December 31, 2012	December 31, 2011
The effect on earnings per share related to the restatement is as follows:			
Basic and diluted earnings per share - rupee		0.01	0.01

17.4 STAFF RETIREMENT BENEFITS

Changes in defined benefit obligation, fair value of plan assets are as follows:

(Rupees in thousand)	January 01, 2012	Current service cost	Interest cost	Expected return on plan assets	Benefits Paid	Actuarial losses recognised in other comprehensive income	Contribution by the employer	Total December 31, 2012
Defined benefit obligation	997,952	156,238	124,744	-	(86,204)	14,805	-	1,207,535
Fair value of plan assets	(865,358)	-	-	(108,558)	86,204	(1,413)	(183,705)	(1,072,830)
Defined benefit liability	132,594	156,238	124,744	(108,558)	-	13,392	(183,705)	134,705

There is no change in the actuarial assumptions which has been disclosed in note 35.8 to the financial statements for the year ended December 31, 2012 except for change in expected rate of return on investments from 11% to 11.5%.

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

For the half year ended June 30, 2013

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							
	For the half year ended June 30, 2013 - (Un-audited)							
Total income	65,125	(65,397)	804,156	14,475,871	30,154	8,935	-	15,318,844
Total expenses	19,825	19,908	249,318	21,014,619	9,180	2,720	338,618	21,654,188
Net income / (loss)	45,300	(85,305)	554,838	(6,538,748)	20,974	6,215	(338,618)	(6,335,344)
	For the half year ended June 30, 2012 - (Un-audited)							
Total income	89,406	150,339	968,719	17,485,602	28,248	8,685	-	18,730,999
Total expenses	20,802	34,979	229,225	16,375,876	6,572	2,021	485,510	17,154,985
Net income / (loss)	68,604	115,360	739,494	1,109,726	21,676	6,664	(485,510)	1,576,014
	As at June 30, 2013 - (Un-audited)							
Segment Assets (Gross)	76,043	89,076	16,568,170	350,578,943	35,210	10,433	-	367,357,875
Segment Non-Performing Loans	-	-	2,858,341	32,207,490	-	-	-	35,065,831
Segment Provision Required	-	-	2,523,806	24,537,688	-	-	-	27,061,494
Segment Liabilities	1,667	1,952	21,641,475	296,859,106	772	229	5,564,730	324,069,931
Segment return on net assets (%)	0.04	(0.04)	0.46	8.35	0.02	0.01	-	
Segment cost of funds (%)	0.01	0.01	0.14	12.12	0.01	0.00	0.20	
	As at December 31, 2012 - (Audited)							
Segment Assets (Gross)	67,809	329,278	14,659,149	357,935,122	27,939	8,035	-	373,027,332
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	307,438,571	431	124	7,142,759	333,455,177
Segment return on net assets (%)	0.04	0.10	0.52	9.80	0.02	-	-	
Segment cost of funds (%)	0.01	0.03	0.16	10.06	-	-	0.29	

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

For the half year ended June 30, 2013

19. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited ("the Parent") holds 71.91percent (December 31, 2012: AWT held 50.57percent) 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, 2013, are as follows:

	June 30, 2013 (Un-audited)						December 31, 2012 (Audited) - Note 19.2					
	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	88,541	106,517	322	-	3,003,774	-	-	111,092	6,011	145	-	-
- Deposits	1,759,808	25,858	113,691	476,855	3,489,662	50,629	17,755,898	28,306	39,306	349,635	405,377	52,611
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	626,866	-	-	-	1,253,366	-	-	-	-	233,955	-	-
- Investment in shares / units - at cost	-	-	-	1,714,494	453,492	-	-	-	-	1,714,494	353,492	-
- Security deposits against lease	-	-	-	-	-	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	2,393	-	-	-	-	-	3,659	-
Transactions during the half year ended												
	June 30, 2013 (Un-audited) - Note 19.1						June 30, 2012 (Un-audited) - Note 19.2					
- Mark-up / interest earned	220	2,951	43	-	9,965	-	-	2,957	796	9	-	-
- Net mark-up / interest expensed	878,641	479	1,223	7,870	9,107	3,578	1,203,721	405	3,781	13,777	994	7,364
- Contributions to employees' funds	-	-	-	-	-	147,419	-	-	-	-	-	165,549
- Investment / redemption of units of AIML funds - at cost - net	-	-	-	-	-	-	-	-	-	99,991	-	-
- Rent of property / service charges paid	7,362	-	-	34,350	-	-	37,127	-	-	34,280	656	-
- Rent of property / service charges received	19,510	-	-	4,335	5,695	-	17,073	-	-	13,910	5,178	-
- Dividend income received	-	-	-	8,868	-	-	-	-	-	347,406	-	-
- Remuneration paid	-	85,392	-	-	-	-	-	82,034	-	-	-	-
- Post employment benefits	-	6,729	-	-	-	-	-	7,674	-	-	-	-
- Insurance premium paid	-	-	-	-	15,973	-	-	-	-	-	18,182	-
- Insurance claims received	-	-	-	-	14	-	-	-	-	-	80	-
- Security services costs	-	-	-	104,727	-	-	-	-	-	100,018	-	-
- Fee, commission and brokerage income	-	-	-	1,363	-	-	3	-	-	-	9	-
- Fees paid	-	-	3,450	-	26	-	-	-	1,925	-	-	-

19.1 These include transactions with those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT) upto June 20, 2013. Further related parties transactions of Fauji Consortium are included from June 20, 2013 onward.

19.2 Comparative figures of December 31, 2012 and June 30, 2012 are of those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT).

20. CORRESPONDING FIGURES

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

21. DATE OF AUTHORIZATION

This condensed interim unconsolidated financial information was authorized for issue by the Board of Directors on July 23, 2013.

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

Islamic Banking Business - Statement of Financial Position

Annexure
(1 of 2)

As at June 30, 2013

The Bank is operating 34 Islamic banking branches including 2 sub-branches at half year ended June 30, 2013 as compared to 31 Islamic banking branches including 2 sub-branches at the end of prior half year.

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
		(Rupees in thousand)	
ASSETS	Note		
Cash and balances with treasury banks		761,456	837,972
Balances with other banks		908,940	899,960
Due from Financial Institutions		-	-
Investments		9,937,263	10,201,914
Islamic financing and related assets	A-2.1	3,188,787	3,127,541
Operating fixed assets		209,456	216,087
Deferred tax assets		-	-
Other assets		410,478	505,564
Total Assets		15,416,380	15,789,038
LIABILITIES			
Bills payable		199,460	129,735
Due to Financial Institutions		400,000	500,000
Deposits and other accounts			
-Current Accounts		3,486,268	3,105,265
-Saving Accounts		4,156,121	3,582,107
-Term Deposits		5,390,283	6,030,957
-Others		133,860	54,469
-Deposits from Financial Institutions - Non-remunerative		520,362	1,112,699
-Deposit from Financial Institutions - Remunerative		382	2,304
Due to Head Office		186,723	156,176
Other liabilities		328,023	312,571
		14,801,482	14,986,283
Net Assets		614,898	802,755
REPRESENTED BY			
Islamic Banking Fund		1,000,000	1,000,000
Reserves		-	-
Unappropriated / Unremitted loss		(385,781)	(129,324)
		614,219	870,676
Surplus / (deficit) on revaluation of assets		679	(67,921)
		614,898	802,755
Remuneration to Shariah Advisor / Board		681	1,347
CHARITY FUND			
Opening Balance		38	213
Additions during the period / year		275	3,111
Payments / Utilization during the period / year		-	(3,286)
Closing Balance		313	38
A-2.1 Islamic Financing and Related Assets			
Islamic modes of financing	A-2.1.1	3,096,847	3,095,960
Advance against Islamic financing		91,940	31,581
Inventories		-	-
		3,188,787	3,127,541
A-2.2 Islamic modes of Financing			
Murahaba		657,995	536,565
Ijarah		593,971	619,847
Diminishing Musharaka		1,328,244	1,420,998
Salam		498,676	498,532
Other Islamic Modes		17,961	20,018
		3,096,847	3,095,960

Islamic Banking Business - Profit and Loss Account (Un-audited)

For the half year ended June 30, 2013

Annexure
(2 of 2)

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Profit / return earned on financings, investments and placements	588,426	758,066
Return on deposits and other dues expensed	357,557	467,832
Net spread earned	230,869	290,234
Provision against non-performing financings	66,866	4,434
Provision against consumer financings	-	-
Provision for diminution in the value of investments	169,952	-
Bad debts written off directly	-	-
	236,818	4,434
(Loss) / income after provisions	(5,949)	285,800
Other Income		
Fee, commission and brokerage Income	9,343	12,806
Dividend income	-	-
Income from dealing in foreign currencies	1,133	933
Capital gain on sale of securities	-	-
Unrealised gain / (loss) on revaluation of investments classified as held for trading	-	-
Other income	12,130	9,876
Total other income	22,606	23,615
	16,657	309,415
Other expenses		
Administrative expenses	273,114	262,859
Other provisions / write offs	-	-
Other charges	-	-
Total other expenses	273,114	262,859
	(256,457)	46,556
Extra ordinary / unusual items	-	-
(Loss) / profit before taxation	(256,457)	46,556

**ASKARI BANK LIMITED
& ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION (Un-Audited)
FOR THE HALF YEAR ENDED
JUNE 30, 2013**

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

As at June 30, 2013

		(Un-audited)	(Audited)
		June 30,	December 31,
		2013	2012
	Note		Restated
		(Rupees in thousand)	
Assets			
Cash and balances with treasury banks		24,853,809	24,435,422
Balances with other banks		2,590,581	8,865,303
Lendings to financial institutions		204,915	6,341,474
Investments	7	145,794,639	145,354,253
Advances	8	140,322,655	143,727,835
Operating fixed assets	9	8,681,300	8,901,522
Deferred tax assets - net	12	1,964,648	-
Other assets		16,087,596	15,556,719
		340,500,143	353,182,528
Liabilities			
Bills payable		6,400,339	3,700,156
Borrowings	10	9,155,951	8,376,740
Deposits and other accounts	11	293,310,457	306,929,729
Sub-ordinated loans		5,490,700	6,987,300
Liabilities against assets subject to finance lease		796	1,018
Deferred tax liabilities - net	12	-	35,992
Other liabilities		9,762,197	7,440,514
		324,120,440	333,471,449
Net Assets		16,379,703	19,711,079
Represented By:			
Share capital		8,130,711	8,130,711
Reserves	13	9,551,086	8,541,776
Unappropriated (loss) / profit		(4,072,296)	998,567
		13,609,501	17,671,054
Non-controlling interest		30,534	29,441
		13,640,035	17,700,495
Surplus on revaluation of assets - net of tax	14	2,739,668	2,010,584
		16,379,703	19,711,079
Contingencies and Commitments	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, 2013

Note	June 30, 2013		June 30, 2012	
	For the quarter ended (Rupees in thousand)	For the half year ended	For the quarter ended (Rupees in thousand)	For the half year ended
Mark-up / return / interest earned	6,331,787	13,618,251	8,469,517	16,635,357
Mark-up / return / interest expensed	4,667,546	9,767,088	6,172,807	11,970,891
Net mark-up / interest income	1,664,241	3,851,163	2,296,710	4,664,466
Provision against non-performing loans and advances-net 8.2.1	6,369,302	6,583,700	266,742	727,536
Impairment loss on available for sale investments	85,165	135,873	10,350	10,350
Provision for diminution in the value of investments - net	311,156	427,677	-	-
Bad debts written off directly	-	-	-	1,043
	6,765,623	7,147,250	277,092	738,929
Net mark-up / interest income after provisions	(5,101,382)	(3,296,087)	2,019,618	3,925,537
Non mark-up / interest income				
Fee, commission and brokerage income	394,900	662,968	427,712	731,949
Dividend income	30,541	107,266	261,093	739,004
Income from dealing in foreign currencies	82,000	230,265	280,518	495,838
Gain on sale of securities 16	328,036	573,862	126,540	81,428
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	2,575	3,766	(163)	274
Other income	88,967	202,082	58,543	159,151
Total non-markup / interest income	927,019	1,780,209	1,154,243	2,207,644
	(4,174,363)	(1,515,878)	3,173,861	6,133,181
Non mark-up / interest expenses				
Administrative expenses	2,512,416	4,746,462	2,348,025	4,493,250
Other provisions / write offs	76,632	76,632	20,123	20,123
Other charges	(1,882)	226	34,519	34,597
Total non-markup / interest expenses	2,587,166	4,823,320	2,402,667	4,547,970
	(6,761,529)	(6,339,198)	771,194	1,585,211
Share of profit of associate	8,747	14,109	12,807	18,255
Extra ordinary / unusual items	-	-	-	-
(Loss) / profit before taxation	(6,752,782)	(6,325,089)	784,001	1,603,466
Taxation - current	(10,915)	(176,532)	(3,042)	(251,655)
- prior years'	-	-	-	-
- deferred	2,391,246	2,408,244	(246,744)	(227,205)
	2,380,331	2,231,712	(249,786)	(478,860)
(Loss) / profit after taxation	(4,372,451)	(4,093,377)	534,215	1,124,606
Attributable to:				
Equity holders of the Bank	(4,373,128)	(4,094,470)	534,408	1,123,693
Non-controlling interest	677	1,093	(193)	913
	(4,372,451)	(4,093,377)	534,215	1,124,606

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, 2013

	June 30, 2013		June 30, 2012	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in thousand)		(Rupees in thousand)	
(Loss) / profit after taxation	(4,372,451)	(4,093,377)	534,215	1,124,606
Other comprehensive income				
Effect of rescheduled / restructured classified advances	-	-	(92,276)	(94,085)
Effect of recognition of actuarial losses	27,897	27,897	-	-
Effect of translation of net investment in Wholesale Bank Branch	2,439	5,020	730	2,162
Total comprehensive income	<u>(4,342,115)</u>	<u>(4,060,460)</u>	<u>442,669</u>	<u>1,032,683</u>
Attributable to:				
Equity holders of the Bank	(4,342,792)	(4,061,553)	442,862	1,031,770
Non-controlling interest	677	1,093	(193)	913
	<u>(4,342,115)</u>	<u>(4,060,460)</u>	<u>442,669</u>	<u>1,032,683</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, 2013

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Cash flow from operating activities		
(Loss) / profit before taxation	(6,325,089)	1,603,466
Add: Dividend income	(107,266)	(739,004)
	<u>(6,432,355)</u>	<u>864,462</u>
Adjustments:		
Depreciation / amortization	403,425	447,699
Provision against non-performing advances - net	6,583,700	727,536
Impairment loss on available for sale investments	135,873	10,350
Provision for diminution in the value of investments - net	427,677	-
Bad debts written off directly	-	1,043
Unrealised gain on revaluation of investments classified as held for trading - net	(3,766)	(274)
Other provisions / write offs	76,632	20,123
Net profit on sale of operating fixed assets	(1,180)	(640)
Finance charges on leased assets	-	100
Share of profit of associate	<u>(14,109)</u>	<u>(18,255)</u>
	<u>7,608,252</u>	<u>1,187,682</u>
	<u>1,175,897</u>	<u>2,052,144</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	6,136,559	629,280
Held for trading securities	51,757	(13,734)
Advances	(3,145,024)	(5,992,088)
Other assets (excluding advance taxation)	154,374	334,026
	<u>3,197,666</u>	<u>(5,042,516)</u>
Increase / (decrease) in operating liabilities		
Bills payable	2,700,183	1,116,360
Borrowings	779,211	(7,080,504)
Deposits and other accounts	(13,619,272)	2,982,934
Other liabilities (excluding current taxation)	2,364,681	(39,822)
	<u>(7,775,197)</u>	<u>(3,021,032)</u>
	<u>(3,401,634)</u>	<u>(6,011,404)</u>
Income tax paid	(965,824)	(1,420,571)
Net cash outflow from operating activities	<u>(4,367,458)</u>	<u>(7,431,975)</u>
Cash flow from investing activities		
Net investments in available for sale securities	(19,097)	(213,867)
Net investments in held to maturity securities	102,946	261,756
Dividend income	101,179	695,285
Investment in operating fixed assets	(189,295)	(266,889)
Sale proceeds of operating fixed assets	7,272	5,565
Net cash inflow from operating activities	<u>3,005</u>	<u>481,850</u>
Cash flow from financing activities		
Payments of sub-ordinated loans	(1,496,600)	(1,400)
Payment of lease obligations	(222)	(654)
Dividends paid	(80)	(66)
Net cash outflow from financing activities	<u>(1,496,902)</u>	<u>(2,120)</u>
Effect of translation of net investment in Wholesale Bank Branch	<u>5,020</u>	<u>2,162</u>
	<u>(5,856,335)</u>	<u>(6,950,083)</u>
Decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	<u>33,322,725</u>	<u>32,426,322</u>
Cash and cash equivalents at end of the period	<u>27,466,390</u>	<u>25,476,239</u>
Cash and Cash equivalents at end of the period		
Cash and balances with treasury banks	24,853,809	22,771,835
Balance with other banks	2,590,581	2,682,404
Term deposits with MCB Bank	<u>22,000</u>	<u>22,000</u>
	<u>27,466,390</u>	<u>25,476,239</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, 2013

	(Rupees in thousand)								
	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Capital reserve	Revenue Reserves			Total
						General reserve	Unappropriated profit	Sub-Total	Non-controlling interest
Balance as at January 01, 2012 - as previously reported	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,380,018	16,585,997	28,377
Effect of retrospective change in accounting policy with respect to accounting for actuarial losses	-	-	-	-	-	-	(112,634)	(112,634)	-
Balance as at January 01, 2012 - re presented	7,070,184	75,296	234,669	3,648,445	94,085	4,083,300	1,267,384	16,473,363	28,377
Transfer to General reserve	-	-	-	-	-	1,302,158	(1,302,158)	-	-
Distribution to owners									
Bonus shares declared / issued subsequent to year ended December 31, 2011	1,060,527	-	-	-	-	(1,060,527)	-	-	-
Total comprehensive income for the half year ended June 30, 2012	-	-	-	-	-	-	-	-	-
Net profit for the half year ended June 30, 2012	-	-	-	-	-	-	1,123,693	1,123,693	913
Effect of rescheduled / restructured classified advances	-	-	-	-	(94,085)	-	-	(94,085)	-
Effect of translation of net investment in Wholesale Bank Branch	-	2,162	-	-	-	-	-	2,162	-
Transfer to Statutory reserve	-	2,162	-	-	(94,085)	-	1,123,693	1,031,770	913
Balance as at June 30, 2012	8,130,711	77,458	234,669	3,763,271	-	4,324,931	974,093	17,505,133	29,290
Total comprehensive income for the six months ended December 31, 2012	-	-	-	-	-	-	148,067	148,067	151
Net profit for the six months ended December 31, 2012	-	-	-	-	-	-	-	-	-
Effect of rescheduled / restructured classified advances	-	-	-	-	-	-	-	-	-
Effect of recognition of actuarial losses - note 17	-	-	-	-	-	-	12,653	12,653	-
Effect of translation of net investment in Wholesale Bank Branch	-	5,201	-	-	-	-	-	5,201	-
Transfer to Statutory reserve	-	5,201	-	-	-	-	160,720	165,921	151
Balance as at December 31, 2012	8,130,711	82,659	234,669	3,899,517	-	4,324,931	998,567	17,671,054	29,441
Transferred to General reserve	-	-	-	-	-	1,004,290	(1,004,290)	-	-
Total comprehensive income for the half year ended June 30, 2013	-	-	-	-	-	-	(4,094,470)	(4,094,470)	1,093
Net loss for the half year ended June 30, 2013	-	-	-	-	-	-	27,897	27,897	-
Effect of recognition of actuarial losses - note 17	-	-	-	-	-	-	-	-	-
Effect of translation of net investment in Wholesale Bank Branch	-	5,020	-	-	-	-	-	5,020	-
Transfer to Statutory reserve	-	5,020	-	-	-	-	(4,066,573)	(4,061,553)	1,093
Balance as at June 30, 2013	8,130,711	87,679	234,669	3,899,517	-	5,329,221	(4,072,296)	13,609,501	30,534

The annexed notes 1 to 21 from 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, 2013

1. STATUS AND NATURE OF BUSINESS

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

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Fauji Fertilizer Company Limited (FFCL) holds 54.09% (December 31, 2012: 50.57% were held by AWT) of the Bank's share capital at the half year end. The Bank has 261 branches (December 31, 2012: 261 branches); 260 in Pakistan and Azad Jammu and Kashmir, including 32 (December 31, 2012: 32) Islamic Banking branches, 24 (December 31, 2012: 24) 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. 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 in consolidated statement of financial position represents AWT's share in ASL.

The financial statements of AIML and ASL have been consolidated based on their un-audited financial statements for the half year ended June 30, 2013.

- 1.2 The process of acquisition of the Bank's shareholding by Fauji Consortium; comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL), was completed at the close of business on June 20, 2013. The collective shareholding of Fauji Consortium in the Bank had reached 71.91 percent as on June 30, 2013. After the acquisition, the Bank had become subsidiary of FFCL, which directly and indirectly held 54.09 percent shares of the Bank as on that date.
- 1.3 State Bank of Pakistan's (SBP) 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 June 30, 2013 was Rs. 9 billion. The paid-up capital of the Bank as of June 30, 2013 was Rs. 8.13 billion, and thus remained short by Rs. 870 million of the prescribed level for which relaxation was granted by the SBP till June 30, 2013 through its letter No. BPRD/BAID/641/2220/2013 dated February 26, 2013. The Board of Directors of the Bank in their meeting held on July 23, 2013 has approved enhancement in paid-up capital of the Bank to Rs. 12.60 billion from existing Rs. 8.13 billion by virtue of issuing right shares at par value of Rs. 10 per share in proportion to 55 shares for every 100 shares held. On the back of the approval for issue of right shares, the Bank is contemplating to apply SBP for further relaxation from meeting MCR upto September 30, 2013 by which time a significant portion of the right issue proceeds is expected to be received.

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.

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

For the half year ended June 30, 2013

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

3. STATEMENT OF COMPLIANCE

This condensed interim consolidated financial information of the Group for the half year ended June 30, 2013 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 requirements 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 (IAS) 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, 2012.

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, 2012, except for:

4.1 Grant

Grants are recognized as income over the periods to match with the related costs on a systematic basis.

4.2 Change in accounting policy - staff retirement benefits

Defined benefit plans

IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 changed the method of accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for defined benefit obligation and plan assets. The amendments require full recognition of variations in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach', permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Adoption of the amended IAS 19 amounts to change in accounting policy as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and effects of retrospective application of this change in accounting policy has been disclosed in note 17.

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

For the half year ended June 30, 2013

5. ACCOUNTING ESTIMATES

The basis and methods used for critical accounting estimates and judgments 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, 2012.

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, 2012.

(Rupees in thousand)			
7. INVESTMENTS	Held by the Bank	Given as collateral	Total
As at June 30, 2013 - (Un-audited)	<u>144,804,558</u>	<u>990,081</u>	<u>145,794,639</u>
As at December 31, 2012 - (Audited)	<u>145,354,253</u>	<u>-</u>	<u>145,354,253</u>
As at June 30, 2013 - (Un-audited)			
7.1 Investments by type	Held by the Bank	Given as collateral	Total
Held for trading securities	157,104	-	157,104
Available for sale securities	140,324,473	990,081	141,314,554
Held to maturity securities	3,505,692	-	3,505,692
Investment in an associated company	146,589	-	146,589
	<u>144,133,858</u>	<u>990,081</u>	<u>145,123,939</u>
Provision for diminution in value of investments	(936,670)	-	(936,670)
Unrealized gain on revaluation of investments classified as held for trading - net	3,766	-	3,766
Surplus on revaluation of available for sale securities - net	1,603,604	-	1,603,604
Investments - net of provision	<u>144,804,558</u>	<u>990,081</u>	<u>145,794,639</u>

7.2 Investments include Rs. 2,170,784 thousand (December 31, 2012: Rs. 2,014,475 thousand) which have been placed under non-performing status and the Group maintains provision of Rs. 930,990 thousand (December 31, 2012: Rs. 503,315 thousand) against non performing investments.

7.3 During the half year, the Group has availed Forced Sale Value (FSV) benefit of Rs. 81,632 thousand (June 30, 2012: Rs. Nil) against non-performing investments. Had the FSV benefit not been recognized, before and after tax loss for the half year ended would have been higher by Rs. 81,632 thousand (June 30, 2012: Rs. Nil) and Rs. 53,061 thousand (June 30, 2012: Rs. Nil) respectively.

7.4 The Group has availed relaxation of Rs. 444,872 thousand (December 31, 2012: Rs. 809,460 thousand) and Rs. 169,679 thousand (December 31, 2012: Rs. 304,250 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations for debt securities and impairment for equity securities respectively.

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
8. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	138,588,486	137,296,028
Outside Pakistan	3,438,253	3,351,665
	142,026,739	140,647,693
Lease Financing - In Pakistan	4,331,417	4,827,289
Ijarah Financing - In Pakistan	191,318	307,336
Net book value of assets / investments in Ijarah under IFAS 2		
In Pakistan - Note 8.1	495,731	380,311
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	11,954,446	9,967,185
Payable outside Pakistan	7,007,492	6,725,769
	18,961,938	16,692,954
Advances - Gross	166,007,143	162,855,583
Provision for non-performing advances - Note 8.2		
Specific provision	(25,370,615)	(18,796,160)
General provision	(122,359)	(127,698)
General provision against consumer loans	(191,514)	(203,890)
	(25,684,488)	(19,127,748)
Advances - net of provision	140,322,655	143,727,835

8.1 Net book value of assets / investments in Ijarah under IFAS 2 is net of depreciation of Rs. 108,230 thousand (December 31, 2012: Rs. 104,905 thousand)

8.2 Particulars of provision against non-performing advances

	June 30, 2013 - (Un-audited)				December 31, 2012 - (Audited)			
	Specific	General	Consumer Financing-General	Total	Specific	General	Consumer Financing-General	Total
	(Rupees in thousand)				(Rupees in thousand)			
Opening balance	18,796,160	127,698	203,890	19,127,748	16,291,514	132,130	245,046	16,668,690
Transfer from investments	-	-	-	-	22,500	-	-	22,500
Charge for the period / year	6,848,288	4,445	544	6,853,277	3,532,354	9,575	332	3,524,261
Reversal for the period / year	(246,873)	(9,784)	(12,920)	(269,577)	(1,050,208)	(14,007)	(41,488)	(1,105,703)
Net charge / (reversal) for the period / year	6,601,415	(5,339)	(12,376)	6,583,700	2,482,146	(4,432)	(41,156)	2,436,558
Amounts written off	(26,960)	-	-	(26,960)	-	-	-	-
Closing balance	25,370,615	122,359	191,514	25,684,488	18,796,160	127,698	203,890	19,127,748

	(Un-audited) June 30, 2013		(Un-audited) June 30, 2012	
	for the quarter ended	for the year ended	for the quarter ended	for the year ended
	(Rupees in thousand)		(Rupees in thousand)	
8.2.1 Provision against non-performing advances				
Net charge for the period / year - note 8.3	6,369,302	6,583,700	359,018	821,621
Reversal of capital reserve	-	-	(92,276)	(94,085)
	6,369,302	6,583,700	266,742	727,536

8.3 This includes specific provision on subjective basis against certain loans and advances, further, during the period the Bank has not availed FSV benefit on Agri Loans in its entirety and FSV benefit of Rs. 1,844 million on provisioning against other loans and advances. Furthermore, net reduction in FSV benefit during the period amounted to Rs. 257,017 thousand resulting in increased charge for specific provision for the period ended by the same amount. The FSV benefit is not available for cash or stock dividend.

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

For the half year ended June 30, 2013

- 8.4 The Group has availed the relaxation of Rs. 199,489 thousand (December 31, 2012: Rs. 262,880 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.
- 8.5 Advances include Rs. 35,065,831 thousand (December 31, 2012: Rs. 26,518,448 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2013 - (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned - note 8.5.1	568,029	-	568,029	-	-
Substandard	1,619,492	-	1,619,492	264,982	264,982
Doubtful	2,631,742	-	2,631,742	1,072,140	1,072,140
Loss	30,246,568	-	30,246,568	24,033,493	24,033,493
	<u>35,065,831</u>	<u>-</u>	<u>35,065,831</u>	<u>25,370,615</u>	<u>25,370,615</u>

Category of Classification	December 31, 2012 - (Audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	(Rupees in thousand)				
Other Assets Especially Mentioned - note 8.5.1	127,181	-	127,181	-	-
Substandard	709,386	-	709,386	110,070	110,070
Doubtful	3,015,923	-	3,015,923	307,730	307,730
Loss	22,665,958	-	22,665,958	18,378,360	18,378,360
	26,518,448	-	26,518,448	18,796,160	18,796,160

- 8.5.1 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, 2013	December 31, 2012
	(Rupees in thousand)	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	89,535	43,524
Property and equipment	9.1 7,426,610	7,610,632
Intangibles	9.2 1,165,155	1,247,366
	8,591,765	8,857,998
	<u>8,681,300</u>	<u>8,901,522</u>

9.1 Property and equipment

Book value at beginning of the period / year	7,610,632	8,115,106
Cost of additions during the period / year	147,775	262,146
Book value of deletions during the period / year	(5,919)	(11,150)
Depreciation charge for the period / year	(317,909)	(734,082)
Book value of adjustments	(7,969)	(21,388)
Book value at end of the period / year	<u>7,426,610</u>	<u>7,610,632</u>

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
9.2 Intangibles		
Book value at beginning of the period / year	1,247,366	1,283,979
Cost of additions during the period / year	3,478	149,346
Book value of deletions during the period / year	(173)	-
Amortization charge for the period / year	(85,516)	(44,579)
Book value of adjustments	-	(141,380)
Book value at end of the period / year	<u>1,165,155</u>	<u>1,247,366</u>
10. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan:		
- Export refinance scheme	6,625,150	7,170,013
- Long term financing of export oriented projects	289,411	400,104
- Long term financing facility	174,617	195,076
- Refinance scheme for revival of agricultural activities in flood affected area	1,345	2,745
- Refinance scheme for revival of SME activities in flood affected area	7,500	7,500
Repo borrowings from financial institutions	7,098,023	7,775,438
Repo borrowings	989,837	-
Others	1,624	4,123
	<u>8,089,484</u>	<u>7,779,561</u>
Un-secured		
Call borrowings	400,000	500,000
Overdrawn balance with other banks	78,211	84,581
	<u>478,211</u>	<u>584,581</u>
	<u>8,567,695</u>	<u>8,364,142</u>
Outside Pakistan - foreign currencies		
- Overdrawn nostro accounts - unsecured	588,256	12,598
	<u>9,155,951</u>	<u>8,376,740</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	55,954,471	75,647,191
Savings deposits	164,421,005	155,646,270
Current accounts - non-remunerative	68,785,009	62,694,946
Special exporters' account	49,321	22,282
Margin accounts	2,313,135	2,316,551
Others	465,090	398,989
Financial institutions		
Remunerative deposits	1,067,277	9,381,065
Non-Remunerative deposits	255,149	822,435
	<u>293,310,457</u>	<u>306,929,729</u>

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
12. DEFERRED TAX (ASSETS) / LIABILITIES - NET		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	549,786	610,110
Minimum Tax	(149,366)	-
Assets subject to finance lease	-	(356)
Provision for staff benefits	-	(350)
Provision against non-performing advances		
- excess of 1% of total advances	(2,362,146)	(651,007)
- classified in sub-standard category	(46,336)	(5,867)
Unused tax losses	(485,721)	(38,069)
	<u>(2,493,783)</u>	<u>(85,539)</u>
Surplus on revaluation of available for sale securities	561,261	168,678
Actuarial losses	(32,126)	(47,147)
	<u>529,135</u>	<u>121,531</u>
	<u>(1,964,648)</u>	<u>35,992</u>

	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	(Un-audited) June 30, 2013	(Audited) December 31, 2012
13. RESERVES						
					(Rupees in thousand)	
Balance at beginning of the period / year	82,659	234,669	3,899,517	4,324,931	8,541,776	8,135,795
Effect of translation of net investment in Wholesale Bank Branch	5,020	-	-	-	5,020	7,363
Transfer from un-appropriated profit	-	-	-	1,004,290	1,004,290	1,553,230
Bonus shares issued	-	-	-	-	-	(1,060,527)
Reversal of capital reserve	-	-	-	-	-	(94,085)
Balance at end of the period / year	<u>87,679</u>	<u>234,669</u>	<u>3,899,517</u>	<u>5,329,221</u>	<u>9,551,086</u>	<u>8,541,776</u>

13.1 As at June 30, 2013, the Group has availed net of tax benefit of Forced Saled Value (FSV) of Rs. 2,981 million (December 31, 2012: Rs. 3,095 million) in respect of pledged collaterals against non-performing assets as allowed under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent of FSV benefit availed are not available for distribution by way of cash or stock dividend.

13.2 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.

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
14. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of land	1,697,325	1,697,325
Surplus / (deficit) on revaluation of available for sale investments		
i) Federal Government securities	984,265	781,542
ii) Listed shares	490,189	(34,407)
iii) Units of open end mutual funds	237,012	8,032
iv) Other securities	(107,862)	(273,230)
	<u>1,603,604</u>	<u>481,937</u>
Less: related deferred tax	(561,261)	(168,678)
	<u>1,042,343</u>	<u>313,259</u>
	<u>2,739,668</u>	<u>2,010,584</u>

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

For the half year ended June 30, 2013

	(Un-audited) June 30, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15. CONTINGENCIES AND COMMITMENTS		
15.1 Direct credit substitutes		
i) Government	-	-
ii) Others	5,731,737	5,373,983
	<u>5,731,737</u>	<u>5,373,983</u>
15.2 Transaction-related contingent liabilities		
Money for which the Group is contingently liable:		
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.	134,012	233,955
Contingent liability given in respect of guarantees given, favouring:		
i) Government	69,703,622	79,212,961
ii) Banks and other financial institutions	873,532	808,020
iii) Others	10,695,527	13,813,083
	<u>81,272,681</u>	<u>93,834,064</u>
	<u>81,406,693</u>	<u>94,068,019</u>
These include guarantees amounting to Rs. 957,595 thousand (December 31, 2012: Rs. 901,381 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, 2013 (Rupees in thousand)	(Audited) December 31, 2012
15.3 Trade-related contingent liabilities	<u>63,165,868</u>	<u>44,442,449</u>
15.4 Other Contingencies		
15.4.1 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.	<u>761,587</u>	<u>615,071</u>
15.4.2 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 the Bank's favour. However, in case of award of damages, the potential liability of the Bank is estimated not to be more than Rs. 100 million.		
15.5 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 and brokerage income at corporate tax rate instead of final tax regime and allocating financial expenses to exempt income and income taxable at a lower rate. Such issues have however been decided in the Bank's favour by the 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.		

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

For the half year ended June 30, 2013

- 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, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
15.6 Commitments in respect of forward lending		
Commitment against "Repo" transactions		
Purchase and resale agreements	-	5,832,130
Sale and repurchase agreements	990,802	-
15.7 Commitments in respect of forward exchange contracts		
Purchase	26,265,754	13,497,314
Sale	13,883,598	8,926,334
The above commitments have maturities falling within one year.		
15.8 Commitments for acquisition of operating fixed assets	124,045	140,070
15.9 Commitments in respect of forward sale of listed equity shares		
Sale	-	157,880
15.10 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 Rs. 4,417,026 thousand (December 31, 2012: Rs. 6,480,778 thousand).

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	(Rupees in thousand)	
15.11 Other commitments		
This represents participation in the equity of proposed Mortgage Refinance Company.	300,000	300,000
15.12 Bills for collection		
Payable in Pakistan	1,713,543	1,162,798
Payable outside Pakistan	12,882,605	11,126,400
	14,596,148	12,289,198

	(Un-audited) June 30, 2013		(Un-audited) June 30, 2012	
	For the quarter ended	For the half year ended	For the quarter ended	For the half year ended
	(Rupees in thousand)		(Rupees in thousand)	
16. GAIN ON SALE OF SECURITIES				
Gain on sale of government securities	148,331	289,694	12,695	46,591
Gain on sale of other investments	179,705	284,168	113,845	34,837
	328,036	573,862	126,540	81,428

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

For the half year ended June 30, 2013

17. EFFECTS OF CHANGE IN ACCOUNTING POLICY - STAFF RETIREMENT BENEFITS

The change in accounting policy as disclosed in note 4.2 has been accounted for retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in adjustment of prior year financial statements.

Effect of retrospective application of change in accounting policy are as follows:

	As at December 31, 2012		
	As previously reported	Effect of Restatement	As Restated
	(Rupees in thousand)		
17.1 Effect on Balance Sheet			
Increase in defined benefit obligation	9,475	134,705	144,180
Decrease in deferred tax liability - net	83,139	(47,147)	35,992
Decrease in advance taxation	3,693,655	(28,745)	3,664,910
Net decrease in unappropriated profit	1,114,869	(116,302)	998,567
	6 Months ended June 30, 2013	6 Months ended December 31, 2012	Prior to January 01, 2012
	(Rupees in thousand)		
17.2 Effect on profit and loss account			
Net increase in profit after tax	-	11,280	75,570
Net increase in tax expenses	-	(3,948)	(26,450)
	-	7,332	49,120
17.3 Effect on other comprehensive Income			
Amortization of actuarial gains reclassified to other comprehensive income	-	11,280	75,570
Net actuarial (gain) / loss recognized in other comprehensive income	(27,897)	1,373	86,185
	(27,897)	12,653	161,755
		December 31, 2012	December 31, 2011
The effect on earnings per share related to the restatement is as follows:			
Basic and diluted earnings per share - Rupee		0.01	0.01

17.4 Staff retirement benefits

Changes in defined benefit obligation, fair value of plan assets are as follows:

(Rupees in thousand)	January 01, 2012	Current service cost	Interest cost	Expected return on plan assets	Benefits paid	Actuarial losses recognised in other comprehensive income	Contribution by the employer	December 31, 2012
Defined benefit obligation	1,001,255	164,341	125,060	-	(86,204)	15,101	-	1,219,553
Fair value of plan assets	(866,311)	-	-	(110,149)	86,204	(1,413)	(183,704)	(1,075,373)
Defined benefit liability	134,944	164,341	125,060	(110,149)	-	13,688	(183,704)	144,180

There is no change in the actuarial assumptions which has been disclosed in note 35.8 to the financial statements for the year ended December 31, 2012 except for change in expected rate of return on investments from 11% to 11.5%.

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

For the half year ended June 30, 2013

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										
For the half year ended June 30, 2013 - (Un-audited)										
Total income	65,125	(65,397)	804,156	14,490,836	30,154	8,935	61,841	16,919	-	15,412,569
Total expenses	19,825	19,908	249,318	21,018,998	9,180	2,720	66,275	12,816	338,618	21,737,658
Net income / (loss)	45,300	(85,305)	554,838	(6,528,162)	20,974	6,215	(4,434)	4,103	(338,618)	(6,325,089)
For the half year ended June 30, 2012 - (Un-audited)										
Total income	89,406	150,339	968,719	17,493,614	28,248	8,685	105,326	16,919	-	18,861,256
Total expenses	20,802	34,979	229,225	16,365,574	6,572	2,021	100,345	12,703	485,569	17,257,790
Net income / (loss)	68,604	115,360	739,494	1,128,040	21,676	6,664	4,981	4,216	(485,569)	1,603,466
As at June 30, 2013 - (Un-audited)										
Segment Assets (Gross)	76,043	89,076	16,568,170	350,208,075	35,210	10,433	278,451	156,812	-	367,422,270
Segment Non Performing Loans	-	-	2,858,341	32,207,490	-	-	-	-	-	35,065,831
Segment Provision Required	-	-	2,523,806	24,332,106	-	-	-	66,215	-	26,922,127
Segment Liabilities	1,667	1,952	21,641,475	296,844,129	772	229	23,761	41,725	5,564,730	324,120,440
Segment return on net assets (%)	0.04	(0.04)	0.46	8.36	0.02	0.01	0.04	0.01	-	
Segment cost of funds (%)	0.01	0.01	0.15	12.79	0.01	0.00	0.04	0.01	0.21	
As at December 31, 2012 - (Audited)										
Segment Assets (Gross)	67,659	177,881	14,661,421	357,923,728	28,009	8,055	101,185	193,229	-	373,161,167
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	307,421,947	405	117	15,904	33,605	7,142,759	333,471,449
Segment return on net assets (%)	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	

19. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited ("the Parent") holds 71.91 percent (December 31, 2012: AWT held 50.57 percent) of the Bank's share capital at the period 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, 2013

(Rupees in thousand)

	June 30, 2013 (Un-audited)						December 31, 2012 (Audited) - Note 19.2					
	Parent	Key Management Personnel	Directors	Companies with common directorship, having equity under 20%	Associated Companies	Employee Funds	Parent	Key Management Personnel	Directors	Companies with common directorship, having equity under 20%	Associated Company	Employee Funds
Balances outstanding as at												
- Advances	88,541	106,517	322	-	3,003,774	-	-	111,092	6,011	145	-	-
- Deposits	1,759,808	25,858	113,691	476,855	3,489,662	50,629	17,775,898	28,306	39,306	349,635	405,377	52,611
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	626,866	-	-	-	1,253,366	-	-	-	-	233,955	-	-
- Investment in shares / units - at cost	-	-	-	1,714,494	453,492	-	-	-	-	1,770,695	353,492	-
- Security deposits against lease	-	-	-	-	2,393	-	-	-	-	132	-	-
- Investment in TFCs issued by the Bank	-	-	-	-	-	-	-	-	-	-	3,659	-
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	3,708	-	-	-	-	-	2,602	-	-
- Management fee and commission receivable from Askari High Yield Scheme (AHYS)	-	-	-	3,058	-	-	-	-	-	2,405	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	427	-	-	-	-	-	150	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund (AAAF)	-	-	-	232	-	-	-	-	-	461	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	171	-	-	-	-	-	-	-	-
- Management fee and commission receivable from Askari Islamic Income Fund (AIF)	-	-	-	633	-	-	-	-	-	1,046	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund (AIAAF)	-	-	-	444	-	-	-	-	-	392	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	120	-	-	-	-	-	88	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	1,092	-	-	-	-	-	4,655	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund (ASCF)	-	-	-	4,044	-	-	-	-	-	1,002	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	102	-	-	-	-	-	-	-	-
- Management fee and commission receivable from Askari Equity Fund (AEF)	-	-	-	376	-	-	-	-	-	347	-	-
- Management fee and commission receivable from Askari Sovereign Yield Enhancer (ASYE)	-	-	-	1,322	-	-	-	-	-	1,883	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer (ASYE)	-	-	-	360	-	-	-	-	-	1,349	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	569	-	-	-	-	-	-	-
- Payable to employee funds	-	-	-	-	-	7,947	-	-	-	-	-	9,475
	June 30, 2013 (Un-audited) - Note 19.1						June 30, 2012 (Un-audited) - Note 19.2					
Transactions during the half year ended												
- Mark-up / interest earned	220	2,951	43	-	9,965	-	-	2,957	796	9	-	-
- Net mark-up / interest expensed	878,641	479	1,223	7,870	9,107	3,578	1,203,721	405	3,781	13,777	531	7,364
- Contributions to employees' funds	-	-	-	-	-	149,450	-	-	-	-	-	169,095
- Investment in shares / units - at cost	-	-	-	-	-	-	-	-	-	105,077	-	-
- Rent of property / service charges paid	-	-	-	-	-	-	37,127	-	-	34,280	-	-
- Rent of property / service charges received	7,362	-	-	34,350	-	-	17,073	-	-	13,910	4,944	-
- Dividend income received	19,510	-	-	4,335	5,695	-	-	-	-	347,406	-	-
- Remuneration paid	-	85,392	-	8,868	-	-	-	83,338	-	-	-	-
- Post employment benefits	-	6,729	-	-	-	-	-	7,674	-	-	-	-
- Insurance premium paid	-	-	-	-	16,467	-	-	-	-	-	18,495	-
- Insurance claims received	-	-	-	-	14	-	-	-	-	-	80	-
- Security services cost	-	-	-	104,727	-	-	-	-	-	100,099	-	-
- Fee, commission and brokerage income	-	-	-	-	-	-	3	-	140	-	12	-
- Payment received by AIML from ASCF against reimbursable expenses	3	-	140	-	-	-	-	-	-	38	-	-
- Remuneration received by AIML from AAAF, AHYS, AIAAF, AIF, ASCF and AEF	-	-	-	56,363	-	-	-	-	-	101,124	-	-
- Fees paid	-	3,450	-	-	-	-	-	1,925	-	-	-	-

19.1 These include transactions with those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT) upto June 20, 2013. Further related parties transactions of Fauji Consortium are included from June 20, 2013 onward.

19.2 Comparative figures of December 31, 2012 and June 30, 2012 are of those related parties which were categorized as related parties based on the ownership at that time (i.e. parent being AWT).

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

For the half year ended June 30, 2013

20. CORRESPONDING FIGURES

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

21. DATE OF AUTHORIZATION

This condensed interim consolidated financial information was authorized for issue by the Board of Directors on July 23, 2013.

- sd -
President & Chief Executive

- sd -
Director

- sd -
Director

- sd -
Chairman

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