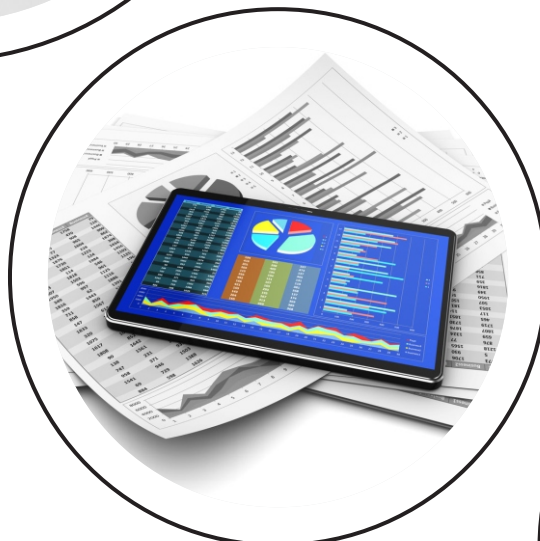




ZTBL

Consolidated FINANCIAL STATEMENTS





RIAZ AHMAD & COMPANY

Chartered Accountants
2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad

ILYAS SAEED & CO.

Chartered Accountants
Office # 26, 2nd Floor
Rose Plaza, I-8 Markaz
Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Zarai Taraqiati Bank Limited ("the Bank") and its subsidiary company as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for one hundred and thirty one branches which have been audited by us. We have also expressed separate opinion on the financial statements of Zarai Taraqiati Bank Limited. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by Ilyas Saeed & Co., Chartered Accountants, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of Ilyas Saeed & Co., Chartered Accountants. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Zarai Taraqiati Bank Limited and its subsidiary company as at 31 December 2014 and the results of their operations for the year then ended.

Emphasis of matter

We draw attention to Note 16.5 to the consolidated financial statements, which more fully explains the decisions on conversion of borrowings from State Bank of Pakistan (SBP) (Note 16.3 and 16.4), SBP sub-ordinated loan (Note 18) and related accrued mark-up on borrowings from SBP and SBP sub-ordinated loan into fully paid-up ordinary shares of the Bank. Further, the Bank's claim from Government of Pakistan on account of mark-up differential (Note 23.1.1) and various Presidential Relief Packages (Note 23.1.2) has been waived off by the Board of Directors of the Bank.

Our opinion is not qualified in respect of the above matter.



RIAZ AHMAD & COMPANY

Chartered Accountants
Name of engagement partner:
Atif Bin Arshad
Date: 27 March 2015
Islamabad



ILYAS SAEED & CO.

Chartered Accountants
Name of engagement partner:
Imran Ilyas
Date: 27 March 2015
Islamabad

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	6,302,813	9,370,154
Lendings to financial institutions	9	820,190	3,646,716
Investments - net	10	29,237,315	23,542,336
Advances - net	11	108,553,958	95,311,716
Operating fixed assets	12	1,584,150	1,348,947
Deferred tax assets - net	13	4,581,812	
Other assets - net	14	11,664,530	11,802,325
		163,846,901	148,650,116
LIABILITIES			
Bills payable	15	561,964	706,265
Borrowings	16	969,349	55,174,903
Deposits and other accounts	17	26,695,967	14,897,893
Sub-ordinated loan	18	-	3,204,323
Liabilities against assets subject to finance lease		-	
Deferred tax liabilities - net	13	-	97,002
Other liabilities	19	10,800,223	41,926,879
		39,027,503	116,007,265
NET ASSETS			
		124,819,398	32,642,851
REPRESENTED BY			
Share capital	20	12,522,441	12,522,441
Reserves	21	4,588,766	3,505,289
Unappropriated profit		14,742,303	13,758,929
		31,853,510	29,786,659
Share deposit money	16.5	89,490,985	
Surplus on revaluation of assets - net of tax	22	3,474,903	2,856,192
		124,819,398	32,642,851
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
Mark-up / return / interest earned	24	15,522,130	12,962,641
Mark-up / return / interest expensed	25	2,398,270	3,891,207
Net mark-up / interest income		13,123,860	9,071,434
Provision for diminution in the value of investments - net	10.3	-	-
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Write offs under relief packages		113,663	7,911
Bad debts written off directly		-	-
		1,494,987	1,050,959
Net mark-up / interest income after provisions		11,628,873	8,020,475
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		28,648	13,512
Dividend income		68,116	54,068
Income from trading in government securities		-	
Income from dealing in foreign currencies		-	
Gain on sale of securities		118,414	30,399
Unrealized gain on revaluation of investments classified as held for trading		-	
Other income	26	4,269,529	4,785,455
Total non-mark-up / interest income		4,484,707	4,883,434
		16,113,580	12,903,909
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	7,730,765	7,656,119
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Other charges	28	11,099	464
Total non mark-up / interest expenses		7,731,198	7,692,977
		8,382,382	5,210,932
EXTRA ORDINARY / UNUSUAL ITEMS			
PROFIT BEFORE TAXATION		8,382,382	5,210,932
Taxation - Current year		3,003,990	1,820,705
- Prior years		4,263	62
- Deferred		(82,153)	(16,297)
	29	2,926,100	1,804,470
PROFIT AFTER TAXATION		5,456,282	3,406,462
Unappropriated profit brought forward		13,758,929	12,389,354
Profit available for appropriation		19,215,211	15,795,816
Basic earnings per share (Rupees)	30	4.357	2.720
Diluted earnings per share (Rupees)	31	4.357	2.720

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	..... Rupees in '000	
PROFIT AFTER TAXATION FOR THE YEAR	5,456,282	3,406,462
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans	(5,214,509)	(2,094,843)
Deferred tax	1,825,078	733,268
	(3,389,431)	(1,361,575)
Items that may be reclassified to profit and loss account	-	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY	2,066,851	2,044,887
COMPONENTS OF COMPREHENSIVE INCOME NOT		
Net change in fair value of available for sale securities	847,130	1,174,788
Deferred tax	(228,419)	(117,480)
	618,711	1,057,308
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,685,562	3,102,195

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

 PRESIDENT / CHIEF EXECUTIVE

 DIRECTOR

 DIRECTOR

 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		..... Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,382,382	5,210,932
Dividend income		(68,116)	(54,068)
		8,314,266	5,156,864
Adjustments for non-cash charges:			
Depreciation	12.2	213,243	139,270
Amortization	12.3	111	117
Amortization of deferred income	19.4	(796)	(838)
Provision against non-performing loans and advances - net		1,381,324	1,043,048
Provision for employees post retirement medical benefits	35.5.6	624,216	464,608
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Fixed assets - written off	28	1,171	336
Write offs under relief packages		113,663	7,911
Reversal for defined benefit plans	27	(914,358)	(285,908)
Gain on sale of securities		(118,414)	(30,399)
Gain on sale of operating fixed assets	26	(55,283)	(14,873)
		1,234,211	1,359,666
		9,548,477	6,516,530
(Increase) / decrease in operating assets:			
Lendings to financial institutions		2,826,526	(3,646,716)
Net investments in held for trading securities		-	1,041,437
Advances - net		(14,737,229)	(8,302,251)
Other assets - net		(2,171,452)	(513,647)
		(14,082,155)	(11,421,177)
Increase / (decrease) in operating liabilities:			
Bills payable		(144,301)	412,241
Borrowings		(2,948,341)	3,882,746
Deposits and other accounts		11,798,074	3,832,040
Other liabilities		1,316,766	4,148,045
		10,022,198	12,275,072
Employees' benefits paid		(414,036)	(250,134)
Income tax paid		(2,611,850)	(1,021,898)
Net cash generated from operating activities		2,462,634	6,098,393

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(14,518,583)	(1,851,624)
Net investments in held to maturity securities	9,789,148	(3,712,490)
Dividend income	68,116	54,068
Investments in operating fixed assets	(465,209)	(311,624)
Sale proceeds of property and equipment disposed off	70,764	20,038
Net cash used in investing activities	(5,055,764)	(5,801,632)

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease) / increase in cash and cash equivalents	(2,593,130)	296,761
Cash and cash equivalents at beginning of the year	12,998,076	12,701,315
Cash and cash equivalents at end of the year	32 10,404,946	12,998,076

The annexed notes 1 to 43 and Annexure I form an integral part of these financial statements.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue Reserves		Share Capital	Statutory Reserve	Contingencies reserve	Un-appropriated profit	Total
..... Rupees in '000						
12,522,441	2,769,977	60,000	12,389,354	27,741,772	3,406,462	(1,361,575)
-	-	-	3,406,462	(1,361,575)	2,044,887	-
-	675,312	-	(675,312)	-	-	-
12,522,441	3,445,289	60,000	13,758,929	29,786,659	5,456,282	(3,389,431)
-	-	-	5,456,282	(3,389,431)	2,066,851	-
-	1,083,477	-	(1,083,477)	-	2,066,851	-
12,522,441	4,528,766	60,000	14,742,303	31,853,510		

Balance as at 31 December 2012 - restated

Profit after taxation for the year ended 31 December 2013
 Other comprehensive loss for the year ended 31 December 2013
 Total comprehensive income for the year ended 31 December 2013
 Transferred to statutory reserve

Balance as at 31 December 2013

Profit after taxation for the year ended 31 December 2014
 Other comprehensive loss for the year ended 31 December 2014
 Total comprehensive income for the year ended 31 December 2014
 Transferred to statutory reserve

Balance as at 31 December 2014

The annexed notes 1 to 43 and Annexure I form an integral part of these consolidated financial statements.

PRESIDENT / CHIEF EXECUTIVE
 DIRECTOR
 DIRECTOR
 DIRECTOR

ZARAI TARAQIATI BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqati Bank Limited

Subsidiary company

Kissan Support Services (Private) Limited

1.1 Zarai Taraqati Bank Limited ("the Bank")
(a) Reorganization and conversion

The Federal Government in its cabinet meeting held on 28 August 2002 decided for the reorganization and conversion of Agricultural Development Bank of Pakistan into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly, the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of Agricultural Development Bank of Pakistan and for matters connected therewith or incidental thereto.

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1) / 2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqati Bank Limited on 14 December 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rupees 8.7 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 416 (2013: 379) branches in Pakistan as at close of the year.

(c) Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

1.2 Kissan Support Services (Private) Limited ("the Company")

Kissan Support Services (Private) Limited was incorporated in Pakistan as a private limited company on 19 September 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqati Bank Limited, 1-Faisal Avenue, Zero Point, Head Office, Islamabad. The Company's principal business is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

These consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary company.

2.2 The State Bank of Pakistan (SBP) vide Banking Surveillance Department (BSD) Circular No. 4 dated 17 February 2006 has issued 'Revised forms of Annual Financial Statements'. These unconsolidated financial statements have been presented in accordance with such revised form.
3 STATEMENT OF COMPLIANCE
3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) shall prevail.
3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments Disclosures' on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the Group's financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
3.3 IFRS 8, 'Operating Segments' is effective for the accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.
3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

There are new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2014 but are considered not relevant or do not have a significant effect on the Group's operations and therefore are not detailed in these consolidated financial statements.

3.5 Standards, amendments and interpretations to published approved accounting standards that are relevant and not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2015:

	Effective date (accounting periods beginning on or after)
- IAS 27 - Separate financial statements (Amendments)	1 January 2015
- IFRS 10 - Consolidated financial statements (Amendments)	1 January 2015
- IFRS 11 - Joint Arrangements	1 January 2015
- IFRS 12 - Disclosure of interests in other entities (Amendments)	1 January 2015
- IFRS 13 - Fair value measurement	1 January 2015

There are other new and amended standards and interpretations that are mandatory for the accounting periods beginning on or after 1 January 2015 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on these consolidated financial statements other than in presentation / disclosures.

4 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments which are carried at fair value.

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to the nearest thousand Rupees.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

5.1 Classification of investments

As described in Note 6.5, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

5.2 Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. The amount of provision is determined in accordance with the requirements of Prudential Regulations issued by State Bank of Pakistan (SBP) from time to time and the management's judgment in case of subjective provision.

5.3 Defined benefit plans

Certain actuarial assumptions have been adopted as disclosed in Note 35 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimates. Changes in the expected useful life are accounted for by changing the depreciation / amortization period or method, as appropriate, and are treated as change in accounting estimates. Such changes are accounted for as change in accounting estimate in accordance with the IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

5.5 Impairment

Impairment of available for sale equity investments

Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

Impairment of investments in associates

The Group considers that a decline in the recoverable value of investment in associates below their cost may be evidence of impairment. Recoverable value is calculated as the higher of fair value less costs to sell and value in use. An impairment loss is recognized when the recoverable value falls below the carrying value and is charged to the consolidated profit and loss account.

Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of non-financial assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the consolidated profit and loss account.

5.6 Taxation

In making the estimates for income tax currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred tax, estimates of the Group's future taxable profits are taken into account.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

6.1 Basis of consolidation

The consolidated financial statements include the financial statements of Zarai Taraqiati Bank Limited and its subsidiary company.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiary is disposed off. The assets and liabilities of subsidiary company has been consolidated on a line by line basis based on the financial statements as at 31 December 2014 and the carrying value of investments held by the Bank is eliminated against the subsidiary shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

6.2 Staff retirement benefits

Zarai Taraqiati Bank Limited

The Bank operates the following staff retirement benefits for its employees:

Pension scheme

The Bank operates defined benefit funded pension scheme approved by the income tax authorities, for its eligible employees who opted for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuary by using 'Projected Unit Credit Method'.

Gratuity scheme

The Bank operates defined benefit funded gratuity scheme approved by the income tax authorities, for its eligible employees who did not opt for the employees' benefits scheme, introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers, respectively. Annual contributions are made on the basis of actuarial recommendations.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the employees' benefit scheme introduced in 1975 and 1977 for clerical / non-clerical staff and for executives / officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees' benefit scheme, as mentioned above. Under this, non-contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

Benevolent scheme

The Bank also has two funded defined benefit benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Equal contribution to these schemes are made by employees and the Bank. The Bank is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation.

Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains / losses are accounted for in the manner similar to pension scheme.

Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The compensated absences are only encashable at the time of retirement and that too for a certain period provided in the terms of employment. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year on the basis of actuarial valuation carried out using the 'Projected Unit Credit Method'.

Kissan Support Services (Private) Limited

Unfunded medical benefits

The Company operates an unfunded medical benefit fund for its employees. Employees are entitled for free medical facility during their service. This unfunded amount is utilized against the reimbursement of employee's actual medical expenses. The benefits are charged to profit and loss account at the rate of Rupees 400/- per employee per month.

Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at 31 December 2014 using the 'Projectes Unit Credit Method' as under the latest IAS - 19 revised 2011.

6.3 Cash and cash equivalents

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

6.4 Advances

Advances are stated net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery. Further, advances are charged off in accordance with the Prudential Regulations issued by the SBP.

6.5 Investments

The Group classifies its investments as follows:

Held-for-trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold till maturity.

Available-for-sale

These are investments, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' and are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale' is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on valuation of quoted securities which are classified as 'held for trading', is taken to the consolidated profit and loss account for the current year.

Unquoted equity securities (excluding investments in subsidiary and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiary and investments in associates are carried at cost less accumulated impairment losses, if any.

6.6 Operating fixed assets and depreciation / amortization

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work-in-progress are stated at cost less accumulated impairment losses, if any.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. Depreciation is charged on reducing balance method except for vehicles, computer equipment and leasehold land which are depreciated / amortized on straight line method. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses, if any, on disposal of operating fixed assets are charged to consolidated profit and loss account during the year.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account.

6.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the costs of the intangible assets are amortized over its useful life over which economic benefits are expected to flow to the Group. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

6.8 Impairment

The carrying value of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. The resulting impairment loss is taken to the consolidated profit and loss account except for the impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.9 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value and the current fair value of such assets.

6.10 Taxation**Current**

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits, exemptions and rebate as laid down in the applicable income tax law. The charge for current tax also includes adjustments wherever considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'. The related deferred tax asset / liability is adjusted against the related deficit / surplus.

6.11 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

Borrowings / deposits costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method.

6.12 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.13 Revenue recognition**Zarai Taraqiati Bank Limited**

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.

- Commission income is recognized on a time proportion basis.

- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.

- Dividend income is recognized when the Group's right to receive has been established.

- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.

- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

Kissan Support Services (Private) Limited

Revenue from services is recognized as and when services are rendered. Interest income is recognized on accrual basis. Commission income is recognized when services are rendered.

6.14 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect current best estimates.

6.15 Foreign currencies

Transactions in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the statement of financial position date.

6.16 Financial assets and financial liabilities

Financial instruments carried in the consolidated statement of financial position include cash and balances with treasury banks, balances with other banks, investments (excluding investment in associates), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

All the financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income for the current year.

6.17 Offsetting

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

6.18 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

6.19 Borrowing cost

Borrowing cost on finances which are specifically obtained for the acquisition of qualifying assets are capitalized. All other borrowing costs are charged to consolidated profit and loss account in the period in which these are incurred.

6.20 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Group.

6.21 Other receivables

Other receivables are recognized at nominal amount which is fair value of consideration to be received in future.

6.22 Trade debts

Trade debts are carried at the amounts billed / charged, less an estimate made for doubtful debts based on review of outstanding amounts at the year end, if any.

	Note	2014	2013
		Rupees in '000	
7 CASH AND BALANCES WITH TREASURY BANKS			
Local currency			
In hand		1,648,193	981,661
Prize bonds		1,246	1,177
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,452,692	2,645,082
National Bank of Pakistan		2	2
		4,102,133	3,627,922
7.1 Deposits with SBP are maintained to comply with their requirements issued from time to time.			
8 BALANCES WITH OTHER BANKS			
In Pakistan - local currency:			
In current accounts		35,036	21,373
In deposit accounts	8.1	6,267,777	9,348,781
		6,302,813	9,370,154
8.1 These carry mark-up rates ranging from 6.50% to 10.25% per annum (2013: 6.00% to 10.30% per annum).			
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	2,365,000
Repurchase agreement lendings	9.2	820,190	1,281,716
		820,190	3,646,716
9.1 Particulars of lendings			
In local currency		820,190	3,646,716
In foreign currencies		-	-
		820,190	3,646,716
9.2 These carry mark-up rate of 10.25% per annum (2013: 10.00% to 10.40% per annum).			
9.3 Securities held as collateral against lendings to financial institutions			

	2014			2013		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Market Treasury Bills	820,190	-	820,190	1,281,716	-	1,281,716
	820,190	-	820,190	1,281,716	-	1,281,716

10 INVESTMENTS - NET
10.1 Investments by types

	Note	2014			2013		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
..... Rupees in '000							
Available-for-sale securities							
Market Treasury Bills	10.6	15,021,572	969,349	15,990,921	1,693,733	3,916,490	5,610,223
Shares in listed companies	10.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	10.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds		-	-	-	20,042	-	20,042
Pakistan Investment Bonds	10.8	4,170,348	-	4,170,348	-	-	-
Term Finance Certificates	10.9	39,976	-	39,976	19,996	-	19,996
Units of mutual funds		-	-	-	32,401	-	32,401
		19,332,450	969,349	20,301,799	1,866,726	3,916,490	5,783,216
Held-to-maturity securities							
Market Treasury Bills	10.6	3,223,265	-	3,223,265	12,464,036	-	12,464,036
Pakistan Investment Bonds	10.8	890,399	-	890,399	1,325,350	-	1,325,350
Sukuk Bonds	10.7	812,431	-	812,431	807,443	-	807,443
		4,926,095	-	4,926,095	14,596,829	-	14,596,829
Investments at cost		24,258,545	969,349	25,227,894	16,463,555	3,916,490	20,380,045
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
Investments (net of provisions)		24,247,287	969,349	25,216,636	16,452,297	3,916,490	20,368,787
Surplus on revaluation of available-for-sale securities - net	22	4,019,978	701	4,020,679	3,154,697	18,852	3,173,549
Investments at revalued amounts (net of provisions)		28,267,265	970,050	29,237,315	19,606,994	3,935,342	23,542,336

10.2 Investments by segments	Note	2014	2013
		Rupees in '000	
Federal Government Securities:			
Market Treasury Bills	10.6	19,214,186	18,074,259
Pakistan Investment Bonds	10.8	5,060,747	1,325,350
Sukuk Bonds	10.7	812,431	827,485
		25,087,364	20,227,094
Fully paid-up ordinary shares:			
Listed companies	10.4	90,031	90,031
Un-listed companies	10.5	10,523	10,523
		100,554	100,554
Units of Mutual Funds		-	32,401
Other investments			
Term Finance Certificates	10.9	39,976	19,996
Total investments at cost		25,227,894	20,380,045
Provision for diminution in value of investments	10.3	(11,258)	(11,258)
Investments (net of provisions)		25,216,636	20,368,787
Surplus on revaluation of available-for-sale securities	22	4,020,679	3,173,549
Total investments at carrying value		29,237,315	23,542,336
10.3 Particulars of provision for diminution in value of investments			
Opening balance		11,258	11,258
Charge for the year		-	-
Closing balance		11,258	11,258

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities - listed securities	735	735
Available-for-sale securities - un-listed securities	10,523	10,523
	11,258	11,258

10.4 Particulars of investments held in listed companies

Number of ordinary shares		Paid up value/share	Name	2014	2013
2014	2013	Rupees		Rupees in '000	
430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
450,000	450,000	10	Uqab Breeding Farm Limited (Note 10.4.1)	585	585
150,000	150,000	10	Mubarik Dairies Limited (Note 10.4.2)	150	150
300,000	300,000	10		-	-
			Dadabhoy Agricultural Leasing Limited (Note 10.4.3)		
				90,031	90,031

10.4.1 Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.

10.4.2 Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested of final settlement. This investment has been fully provided for in these consolidated financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.

10.4.3 Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.

10.4.4 Market value of listed investments is Rupees 3,918.014 million (2013: Rupees 3,250.660 million).

10.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
			Rupees		
Pakistan Mercantile Exchange Limited (Note 10.5.1)	3.30%	909,091	(3.15)	30 June 2014	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 10.5.4)	8.33%	2,500	83,014.57	31 March 2014	Maj. Gen. (R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 10.5.3 & 10.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

10.5.1 Due to negative break up value, this investment has been fully provided for in these consolidated financial statements.

10.5.2 Saudi Pak Kala Bagh Livestock Limited has defaulted in the re payment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.

10.5.3 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

10.5.4 Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.

10.5.5 Cost of unlisted investments is Rupees 10.523 million (2013: Rupees 10.523 million) and face value of investments in unlisted shares is Rupees 21.591 million (2013: Rupees 21.591 million)

10.6 Principal terms of investments in Market Treasury Bills - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Feb 2015 to May 2015	On maturity	9.47 to 9.98	at maturity
Market Treasury Bills - held to maturity	Unrated	April 2015	On maturity	9.80 to 9.82	at maturity

10.6.1 Market Treasury Bills are held by the Bank which also cover statutory liquidity reserve requirements calculated on the basis of domestic demand and time liabilities. Market value of Market Treasury Bills classified as 'held to maturity' as on 31 December 2014 is Rupees 3,225.416 million (2013: Rupees 12,426.447 million)

10.7 Principal terms of investments in Sukuk Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	9.97	at maturity

10.7.1 Market value of Sukuk bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 802.160 million (2013: Rupees 808.810 million).

10.8 Principal terms of investments in Pakistan Investment Bonds - Federal Government Securities

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds - available for	Unrated	July 2016 to July 2017	On maturity	10.13 to 12.52	at maturity
Pakistan Investment Bonds - held to	Unrated	July 2015 to August 2015	On maturity	10.24 to 10.70	at maturity

10.8.1 Market value of Pakistan Investment Bonds classified as 'held to maturity' as on 31 December 2014 is Rupees 870.037 million (2013: Rupees 1,140.701 million).

10.9 Particulars of investments in Term Finance Certificates

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA-	February 2021	at maturity	11.41 to 11.43	at maturity

10.10 Quality of Available-for-Sale securities

	2014		2013	
	Market value Rupees in '000	Credit rating	Market value Rupees in '000	Credit rating
Shares in listed companies				
Nestle Pakistan Limited	3,918,014	Unrated	3,250,660	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	<u>3,918,014</u>		<u>3,250,660</u>	
Units of Mutual Funds				
NAFA	-		21,596	AA
Askari Fund Management	-		10,782	AAA
	<u>-</u>		<u>32,378</u>	
Pakistan Investment Bonds	4,362,582	Unrated	-	
Market Treasury Bills	16,165,413	Unrated	5,629,883	Unrated
Sukuk Bonds	20,106	Unrated	20,106	Unrated
Term Finance Certificates	39,692	AA-	20,431	AA/A1+
	<u>24,505,807</u>		<u>8,985,836</u>	

Note 2014 2013
Rupees in '000

11 ADVANCES - NET

Loans, etc.			
In Pakistan - gross	11.1	115,495,766	102,224,529
Less:			
- Provision against non-performing advances	11.2	(6,919,999)	(6,896,440)
- Provision against staff advances		(21,809)	(16,373)
		<u>(6,941,808)</u>	<u>(6,912,813)</u>
Advances - net of provision		<u>108,553,958</u>	<u>95,311,716</u>

11.1 Particulars of advances (gross)

11.1.1 In local currency	66,699,624	58,935,133
11.1.2 Short term	48,796,142	43,289,396
Long term	<u>115,495,766</u>	<u>102,224,529</u>

11.2 Advances include Rupees 18,663.722 million (2013: Rupees 17,771.792 million) which have been placed under non-performing status as detailed below:

Category of classification	2014			2013		
	..... Rupees in '000 .....			..... Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	11,279,270	-	-	10,546,077	-	-
Substandard	2,774,219	554,840	554,840	2,675,831	535,162	535,162
Doubtful	2,490,127	1,245,053	1,245,053	2,377,209	1,188,602	1,188,602
Loss	2,120,106	2,120,106	2,120,106	2,172,675	2,172,676	2,172,676
	18,663,722	3,919,999	3,919,999	17,771,792	3,896,440	3,896,440
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	18,663,722	3,919,999	6,919,999	17,771,792	3,896,440	6,896,440

11.3 Particulars of provision against non-performing advances

Note	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553
Charge for the year	5,223,911	-	5,223,911	5,395,181	-	5,395,181
Reversals	(3,848,023)	-	(3,848,023)	(4,349,042)	-	(4,349,042)
	1,375,888	-	1,375,888	1,046,139	-	1,046,139
Amounts written off	11.4	-	-	-	-	-
Amounts charged off	11.5	(1,352,329)	(1,352,329)	(1,312,252)	-	(1,312,252)
Closing balance	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

11.3.1 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
In local currency	3,919,999	3,000,000	6,919,999	3,896,440	3,000,000	6,896,440

11.3.2 Regulations R-11, R-12, R-13 and R-15 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

11.3.3 In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,679.524 million (2013: Rupees 1,378.412 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2014	2013
Rupees in '000			
11.4 Particulars of write offs			
11.4.1 Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
11.5 Particulars of charged offs			
11.5.1 Against provisions		1,352,329	1,312,252
11.5.2 Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000	11.7	1,352,329	1,312,252

11.6 Details of write offs of Rupees 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2014, no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

11.7 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part B (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2014 was Rupees 25,741 million (Rupees 26,966 million as at 31 December 2013) with an addition of Rupees 1,352 million (Rupees 1,312 million for the year ended 31 December 2013) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

11.8 Particulars of loans and advances to directors, executives and officers

Debts due by the directors, executives and officers of the Bank or any of them either severally or jointly with other persons:

	Note	2014	2013
Rupees in '000			
Balance at the beginning of year		1,698,988	1,951,795
Loans granted during the year		298,812	111,232
		1,997,800	2,063,027
Repayments		(307,554)	(364,039)
Balance at the end of year		1,690,246	1,698,988

12 OPERATING FIXED ASSETS

Capital work-in-progress	12.1	213,711	399,850
Property and equipment	12.2	1,370,336	948,886
Intangible assets	12.3	103	211
		1,584,150	1,348,947

12.1 Capital work-in-progress

Civil works		195,216	335,703
Equipment		1,270	46,971
Advances to suppliers and contractors		150	150
Consultancy charges		13,547	13,547
Others		3,528	3,479
		213,711	399,850

12.2 Property and equipment

Description	C O S T				A C C U M U L A T E D D E P R E C I A T I O N				Book value at 31 December 2014	Annual rate of Depreciation
	At 01 January 2014	Additions	(Deletions)/ adjustments	At 31 December 2014	At 01 January 2014	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2014		
	..... Rupees in '000									
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	9,075	813	-	9,888	5,251	Lease terms for 33 to 99 years
Buildings on freehold land	150,112	183,166	-	333,278	59,720	4,435	-	64,155	269,123	5%
Buildings on leasehold land	355,577	4,982	-	360,559	118,058	3,442	-	121,500	239,059	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	5,299	796	-	6,095	15,129	5%
Furniture and fixtures	139,279	48,339	(5,506)	182,112	54,264	13,792	(4,841)	63,215	118,897	10% / 20%
Computer, office and other equipment	285,611	222,953	(5,124)	503,440	205,445	67,530	(5,021)	267,954	235,486	20% / 33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20% / 33.33%
Vehicles	921,503	190,734	(96,850)	1,015,387	709,593	122,435	(82,137)	749,891	265,496	20%
2014	2,267,859	650,174	(107,480)	2,810,553	1,318,973	213,243	(91,999)	1,440,217	1,370,336	

Description	C O S T				A C C U M U L A T E D D E P R E C I A T I O N				Book value at 31 December 2013	Annual rate of Depreciation
	At 01 January 2013	Additions	(Deletions)/ adjustments	At 31 December 2013	At 01 January 2013	Charge for the year	Depreciation on (deletions) / adjustments	At 31 December 2013		
	..... Rupees in '000									
Land - Freehold	221,895	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	15,139	7,981	1,094	-	9,075	6,064	Lease terms for 33 to 99 years
Buildings on freehold land	147,048	3,064	-	150,112	55,472	4,248	-	59,720	90,392	5%
Buildings on leasehold land	348,394	7,183	-	355,577	113,535	4,523	-	118,058	237,519	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	4,461	838	-	5,299	15,925	5%
Furniture and fixtures	111,180	30,912	(2,813)	139,279	47,517	9,443	(2,696)	54,264	85,015	10%/20%
Computer, office and other equipment	259,684	30,950	(5,023)	285,611	184,111	26,333	(4,999)	205,445	80,166	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	843,872	112,039	(34,408)	921,503	646,186	92,791	(29,384)	709,593	211,910	20%
2013	2,125,955	184,148	(42,244)	2,267,859	1,216,782	139,270	(37,079)	1,318,973	948,886	

12.2.1 Detail of disposal of operating fixed assets during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal/ settlement	Particulars of buyers	Location
..... Rupees in '000							
Vehicles							
Suzuki Cultus, VE-508	939	345	594	594	As per Bank policy	S. Farrukh Mehdi Jaffari, Ex-SVP	Islamabad
Suzuki Cultus, AU-291	1,044	70	974	975	As per Bank policy	Shakil-ud-Din, Ex-VP	Islamabad
Honda City, CA-434	1,044	8	1,036	1,036	As per Bank policy	Iftikhar Hussain (late), Ex-VP	Islamabad
Toyota Corolla, QG-680	1,294	1,014	280	281	As per Bank policy	Razia Begum, Ex-EVP	Islamabad
Toyota Corolla, QF-708	1,294	972	322	323	As per Bank policy	Muhammad Asghar, Ex-EVP	Islamabad
Toyota Corolla, VS-349	1,504	477	1,027	1,027	As per Bank policy	Shabbir Ahmed, Ex-AEVP	Islamabad
Toyota Hilux, SZ-128	3,009	1,903	1,106	1,106	As per Bank policy	Ihsan-ul-Haq Khan, Ex-President	Islamabad
	10,128	4,789	5,339	5,342			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	97,352	87,210	10,142	65,422			
	107,480	91,999	15,481	70,764			
			2014	2013			
			Rupees in '000				

12.2.2 Carrying amount of temporarily idle property

74,971	74,996
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12.2.3 The title documents of freehold land having cost of Rupees 0.849 million (2013: Rupees 0.849 million) and leasehold land having book value of Rupees 0.061 million (2013: Rupees 0.121 million) are still in the name of Agricultural Development Bank of Pakistan.

12.3 Intangible assets

Description	C O S T			A C C U M U L A T E D A M O R T I Z A T I O N			Book value at 31 December 2014	Annual rate of amortization
	At 01 January 2014	Additions	At 31 December 2014	At 01 January 2014	Charge for the year	At 31 December 2014		
..... Rupees in '000								
Computer software	1,156	3	1,159	946	111	1,057	102	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2014	81,656	3	81,659	81,445	111	81,556	103	

Description	C O S T			A C C U M U L A T E D A M O R T I Z A T I O N			Book value at 31 December 2013	Annual rate of Amortization
	At 01 January 2013	Additions	At 31 December 2013	At 01 January 2013	Charge for the year	At 31 December 2013		
..... Rupees in '000								
Computer software	1,156	-	1,156	829	117	946	210	33.33%
Computer software - ADB	80,500	-	80,500	80,499	-	80,499	1	33.33%
2013	81,656	-	81,656	81,328	117	81,445	211	

	Note	2014	2013
Rupees in '000			
13 DEFERRED TAX ASSETS / (LIABILITIES) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Accelerated tax depreciation		(49,477)	(38,224)
Defined benefit plans		-	(331,074)
Surplus on revaluation of assets	22	(545,776)	(317,357)
		<u>(595,253)</u>	<u>(686,655)</u>
Deductible temporary differences on:			
Provision for medical facilities		15,300	12,003
Defined benefit plans		1,504,887	
Provision against non-performing loans and advances		656,878	577,650
		<u>1,581,812</u>	<u>(97,002)</u>
14 OTHER ASSETS - NET			
Income / mark-up accrued on deposits in local currency		10,234	45,394
Income / mark-up accrued on securities		387,602	21,685
Accrued interest / mark-up on advances	14.1	6,842,759	5,497,079
Stationery and stamps in hand		74,588	68,998
Amount recoverable from Federal Government	14.2	549,154	404,818
Crop loan insurance claim recoverable from Insurance Company		-	303,522
Tax recoverable	14.3	422,653	410,934
Non banking assets acquired in satisfaction of claims	14.4	270,697	281,670
Receivable from defined benefit plans	14.5	2,761,549	5,093,181
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		25,235	18,591
Security deposits		2,776	2,472
Advances and other prepayments		604,608	310,533
Others		445,139	86,578
		<u>12,410,119</u>	<u>12,558,580</u>
Provision held against other assets	14.6	(745,589)	(756,255)
Other assets - net of provisions		<u>11,664,530</u>	<u>11,802,325</u>

14.1 This does not include Rupees 3,254.630 million (2013: Rupees 2,838.183 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

14.2 This includes amount recoverable from Federal Government on account of crop loan insurance premium.

14.3 This includes tax recoverable of Rupees 297.149 million for assessment years 1991-92 to 1998-99 as disclosed in Note 23.2.3.

14.4 Market value of non-banking assets acquired in satisfaction of claims is Rupees 638.346 million (2013: Rupees 667.784 million).

	Note	2014	2013
Rupees in '000			
14.5 Receivable from defined benefit plans			
Pension scheme	35.1.5	822,242	3,310,851
Gratuity scheme - Staff Regulations 1975	35.4.1.5	1,939,307	1,741,282
Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.5	-	41,048
	14.5.1	<u>2,761,549</u>	<u>5,093,181</u>

14.5.1 These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 'Employee Benefits' against its defined benefit schemes on the recommendation of independent actuary.

	Note	2014	2013
Rupees in '000			
14.6 Provision held against other assets			
Opening balance		756,255	719,861
Charge for the year		908	55,464
Reversals		(11,574)	(19,070)
		(10,666)	36,394
Amount written off		-	-
Closing balance		<u>745,589</u>	<u>756,255</u>

	Note	2014	2013
Rupees in '000			
15 BILLS PAYABLE			
- In Pakistan		561,964	706,265
16 BORROWINGS			
- In Pakistan	16.1	969,349	55,174,903
16.1 Particulars of borrowings with respect to currencies			
- In local currency	16.2	969,349	55,174,903
16.2 Details of borrowings from financial institutions - secured			
Borrowing from State Bank of Pakistan (SBP)			
Agricultural loans	16.3 & 16.5	-	50,174,089
Agri-project loans	16.4 & 16.5	-	1,083,124
SMEs and Agricultural loans		-	1,200
		-	51,258,413
Repurchase agreement borrowings	16.6	969,349	3,916,490
		<u>969,349</u>	<u>55,174,903</u>

16.3 As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rupees 1.577 billion carried interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rupees 48.597 billion were based on profit and loss sharing subject to maximum share of profit to the SBP ranging from 4.00% to 10.00% per annum. These loans were secured by way of guarantee of Government of Pakistan (GoP).

16.4 These loans were given by the SBP for the purpose of providing finance to agro based industry. These were subject to profit and loss sharing with a maximum share of profit to the SBP ranging from 4.00% to 6.00% per annum. These were secured by guarantee given by the GoP.

16.5 In view of future financial viability and sustainability of the Bank, in a meeting, held on 11 July 2014 among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert outstanding SBP debt - principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presidential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18 July 2014 and the shareholders of the Bank in their extra ordinary general meeting dated 13 August 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in process to complete further legal and corporate formalities.

16.6 It carries markup at the rate of 9.75% (2013: 9.65% to 9.98%) and is secured against market treasury bills of carrying value of Rupees 970.050 million (2013: Rupees 3,935.342 million). This is repayable by April 2015.

	Note	2014	2013
		Rupees in '000	
17 DEPOSITS AND OTHER ACCOUNTS			
Customers - local currency			
Fixed deposits		496,081	378,583
Saving deposits	17.1	13,763,443	5,974,665
Current accounts - remunerative		80,182	83,188
Current accounts - non-remunerative	17.2	12,328,978	8,433,377
Unclaimed deposits		27,283	28,080
		<u>26,695,967</u>	<u>14,897,893</u>
17.1	This includes Rupees 62.993 million (2013: Rupees 66.533 million) as deposit of employees' benefit funds.		
17.2	This includes Rupees 0.010 million (2013: Rupees 0.010 million) as deposit of employees' benefit funds.		
18 SUB-ORDINATED LOAN			
As more fully explained in Note 16.5, the Bank is in process to issue fully paid-up ordinary shares to the SBP against sub-ordinated debt and related mark-up.			
	Note	2014	2013
		Rupees in '000	
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		777	33,411,693
Accrued expenses		916,213	988,754
Taxation (provisions less payments)		3,415,308	3,007,186
Branch adjustment account		341,025	473,257
Provision for Gratuity scheme	19.1	160,053	60,939
Payable to Ministry of Food Agriculture and Livestock	19.2	176,100	176,100
Profit payable on deposits and other accounts		149,395	65,685
Net liabilities relating to Bangladesh	19.3	189	189
Provision for employees' post retirement medical benefits	35.5.4	4,220,464	2,325,802
Provision for employees' compensated absences	35.6.2	866,380	681,457
Security deposits		25,904	24,065
Deferred income	19.4	15,131	15,927
Others	19.5	513,284	695,825
		<u>10,800,223</u>	<u>41,926,879</u>
19.1 Provision for Gratuity scheme			
Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.5	53,215	
Gratuity scheme of the Company	35.4.3.4	106,838	60,939
	19.1.1	<u>160,053</u>	<u>60,939</u>
19.1.1	These represent assets recognized by the Bank as required by International Accounting Standard (IAS) 19 'Employee Benefits' against its defined benefit schemes on the recommendation of independent actuary.		

- 19.2** This represents the amount of Rupees 8.100 million (2012: Rupees 8.100 million) payable under Japanese KR-II Grant-1996 and Rupees 168 million (2012: Rupees 168 million) payable under Crop Maximization Project - Productivity Enhancement on Sustainable Basis.

	Note	2014	2013
Rupees in '000			
19.3 Net liabilities relating to Bangladesh			
Liabilities		1,607,516	1,578,146
Assets		(1,607,327)	(1,577,957)
	19.3.1	189	189

- 19.3.1** This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated 6 May 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP. Instead of carrying the interest to profit and loss account, the Bank shows it in the statement of financial position only. The Bank is accruing interest at the rate of 8% per annum on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

	Note	2014	2013
Rupees in '000			
19.4 Deferred Income			
Opening balance		15,927	16,765
Amortization during the year	26	(796)	(838)
Closing balance		15,131	15,927

- 19.4.1** Deferred income comprises of the grants from the Asian Development Bank via Government of Pakistan for Rural Support Development Finance Project (RSDFP).

- 19.5** This represents various payables which include insurance claims payable / adjustable against the loan liability of the borrowers, withholding income tax, contribution received from borrowers, etc.

20 SHARE CAPITAL

20.1 Authorized Capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
12,500,000,000	2,500,000,000	Ordinary shares of Rupees 10 each	125,000,000	25,000,000

20.2 Issued, subscribed and paid up capital

2014	2013		2014	2013
1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each fully paid in cash	11,869,612	11,869,612
65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
1,252,244,067	1,252,244,067		12,522,441	12,522,441

As more fully explained in Note 16.5, the Board of Directors has resolved to waive off claims against the above Presidential Relief Packages.

- 23.1.3** The Company had let out a property to the Institute of Business Education (IBE) on the 27 March 2008. Subsequently, the Company served vacation notice dated 26 January 2009 on IBE. IBE failed to vacate the property within notice period. The Company filed a petition with Civil Judge, Islamabad for the vacation of the property. This petition was decided in the favor of the Company. Subsequently, the Company filed another petition for the recovery of rent arrears for the period beyond the notice period of Rupees 2.669 million along with markup @ 2% plus prevailing bank profit rate and cost of suit with the Civil Judge, Islamabad. IBE paid an amount of Rupees 0.658 million out of the total claim and deducted tax including surcharge amounting to Rupees 0.045 million. However, the Company returned the cheque received as the amount claimed is higher than the payment made but took credit of tax withheld and deposited in the Government treasury by IBE. This reduced the receivable balance to Rupees 2.647 million. The management decided to settle the case out of court and the party agreed to pay Rupees 2.000 million and the case was placed before the Company's Board in its 33rd meeting held on 1 October 2014 and decided to settle the account after recovery of Rupees 2.000 million. The remaining amount approved to be written-off accordingly by the BoD.

23.2 Contingent liabilities

	2014	2013
	Rupees in '000	
23.2.1 Contingent liabilities in respect of 521 cases (2013: 596 cases) filed against the Bank by various borrowers.	4,580,091	8,762,497
23.2.2 Contingent liabilities in respect of 458 cases (2013: 432 cases) filed against the Bank in various courts of law by the employees.	1,692,334	1,240,130
23.2.3 There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP against the aforesaid decision.		
23.2.4 Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), where case is pending. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.5 The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated 9 June 2010, 1 March 2011, 22 July 2011 and 16 April 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 4,640.154 million out of which Rupees 1,887.415 million has been adjusted against payment of advance tax for the period from June 2012 to May 2013. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in these consolidated financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.		
23.2.6 Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard, has been received so far. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		
23.2.7 Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of the Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), on appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 of the Income Tax Ordinance, 2001. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.		

- 23.2.8** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 27.792 million for tax year 2009. To avail the Government amnesty, the Bank paid Rupees 19.183 million under protest with waiver of penalty amount of Rupees 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR(A) against the orders of DCIR. CIR(A) upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9** DCIR passed order under section 122(1) read with section 122(5) and raised a demand of Rs. 1,150.617 million and subsequently reduced it to Rupees 597.740 million for tax year 2010. The Bank filed appeal before CIR(A) who decided the case by annulling the orders of DCIR with the directions to give the lawful treatment to the evidences provided by the appellant. The Bank has filed appeal with ATIR against the orders of the CIR(A) where the case is still pending. No provision has been made in these consolidated financial statements as favourable outcome is expected.
- 23.2.10** ACIR passed orders under section 122(5A) and raised demand of Rupees 3.288 billion for tax year 2010, Rupees 2.923 billion for tax year 2011 and Rupees 2.037 billion for tax year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to ACIR. The Bank has filed appeal with ATIR against the orders of the CIR(A) which has been decided by the ATIR in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.11** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 208.337 million for tax year 2011. The Bank filed appeal before CIR(A) against the orders of DCIR who remanded back the case to Assessing Officer for verification. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12** ACIR passed order under section 122(5A) of the Income Tax Ordinance, 2001 and raised demand of Rupees 4.920 billion for tax year 2013. The Bank filed appeal before CIR(A) against the orders of ACIR who deleted the demand on various issues and also confirmed the action of ACIR on certain issues. The Bank and FBR both have filed appeals before ATIR against the orders of the CIR(A) which are pending for adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.13** Order STA No. 416/IB/2012 for tax year 2008 and STA No. 417/IB/2012 for tax year 2009 were issued by ATIR to delete the demand of Rupees 51.476 million and Rupees 171.794 million respectively in respect of Federal Excise Duty / Sales Tax raised by the Assessing Officer. Against the orders, reference applications have been filed by FBR in Honorable Islamabad High Court, Islamabad on 7 May 2013. No provision for said amounts have been recognized in these consolidated financial statements as the Bank is confident of a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.14** Assessment orders were passed by DCIR regarding Federal Excise Duty / Sales Tax for the year 2011 and year 2012 by raising demand of Rupees 485.940 million and Rupees 712.552 million respectively. The Bank filed appeal against the orders with CIR(A) who reduced the amount by Rupees 855.251 million and confirmed the rest of demand of Rupees 343.242 million. Further appeal was filed before ATIR against the decision of the CIR(A) which has been decided in favour of the Bank. However, the department has filed reference application before Honorable Islamabad High Court, Islamabad for the year 2011. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.15** The Officer Inland Revenue, Large Taxpayers Unit (LTU), Islamabad amended the assessment of the Company under section 122(5A) for the financial year ended 31 December 2009 i.e. tax year 2010 and created a demand of Rupees 5.095 million. Being aggrieved, the Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment framed by the Officer Inland Revenue. The tax amount of Rupees 5.095 million has been deposited with the tax authorities and at the same time the Company preferred an appeal before the Appellate Tribunal Inland Revenue, Islamabad under section 131 of the Income Tax Ordinance, 2001. Date of hearing is yet to be fixed. No provision has been made in these consolidated financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.
- 23.2.16** The Officer Inland Revenue, Large Taxpayers Unit (LTU), Islamabad has invited proceedings against the Company under Section 161/205 of the Income Tax, Ordinance, 2001 for the tax year 2009 and 2011. The Company has submitted all the documentary evidences yet, the case is pending for adjudication. No provision has been made in these consolidated financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.

		2014	2013
		Rupees in '000	
23.3	Commitments against capital expenditure	4,496	93,638
24	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to customers	12,889,081	10,704,108
	On investments:		
	- In held for trading securities	-	17,434
	- In held to maturity securities	558,667	853,975
	- In available for sale securities	1,585,733	803,109
		2,144,400	1,674,518
	On deposits with financial institutions	297,902	472,344
	On securities purchased under resale agreement	130,154	37,698
	On call money lendings	60,593	73,973
		15,522,130	12,962,641
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On deposits	560,036	277,165
	On borrowings and subordinated debt - State Bank of Pakistan	1,689,826	3,526,059
	On securities sold under repurchased agreement	122,327	76,541
	Bank commission and other charges	26,081	11,442
		2,398,270	3,891,207
		Note	
26	OTHER INCOME	2014	2013
		Rupees in '000	
	Rent on property	23,753	18,847
	Recoveries of charged off amounts	2,557,110	3,418,065
	Gain on sale of operating fixed assets	55,283	14,873
	Loan application fee	1,149,550	897,521
	Deferred income amortization	19.4	796
	Others	26.1	483,037
		4,269,529	4,785,455
26.1	OTHERS		
	Sale proceeds of loan application forms	53,474	49,632
	Postal charges received from loanees	208,956	195,423
	Miscellaneous income	26.1.1	220,607
		483,037	435,311
26.1.1	This includes sale of scrap, renewal fee of Sada Bahar Scheme and charges of loose cheques.		
27	ADMINISTRATIVE EXPENSES		
	Salaries, allowances and benefits	27.1	6,930,913
	Charge / (reversal) for defined benefit plans and other benefits:		
	- Pension scheme	35.1.7	(1,171,745)
	- Benevolent scheme - officers / executives	35.2.7	32,021
	- Benevolent scheme - clerical / non-clerical	35.3.7	(3,576)
	- Gratuity under old staff regulations	35.4.1.7	(220,475)
	- Gratuity scheme - staff regulation 2005	35.4.2.7	233,551
	- Gratuity scheme of the Company	35.4.3.6	30,590
	- Employees' compensated absences	35.6.2	185,276
			(914,358)
			(285,908)

Contribution to defined contribution plan - provident fund	35.8	79,646	20,166
Non-executive directors' fees and other expenses		3,233	6,249
Rent, taxes, insurance, electricity, etc.		257,338	207,012
Legal and professional charges		182,824	85,012
Communications		82,429	78,248
Repairs and maintenance		50,671	56,762
Motor vehicle expenses		444,317	407,993
Traveling expenses		154,317	152,359
Stationery and printing		94,175	98,195
Advertisement and publicity		14,210	11,388
Auditors' remuneration	27.2	5,526	5,374
Depreciation - tangible	12.2	213,243	139,270
Amortization - intangible	12.3	111	117
Commutation to employees	27.3	14,073	3,320
Others		118,097	160,512
		<u>7,730,765</u>	<u>7,656,119</u>

27.1 This includes post retirement medical benefit amounting to Rupees 624.216 million (2013: Rupees 464.608 million)

27.2 Auditors' remuneration

	2014		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	1,018	880	1,898
Fee for half year review	271	200	471
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	53	-	53
Out of pocket expenses	873	873	1,746
	<u>2,894</u>	<u>2,632</u>	<u>5,526</u>
	2013		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	925	800	1,725
Fee for half year review	265	200	465
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	80	-	80
Out of pocket expenses	873	873	1,746
	<u>2,822</u>	<u>2,552</u>	<u>5,374</u>

27.3 Commutation to employees

- Under Staff Regulations - 2005

Commutation to employees under Staff Regulations - 2005 (SR - 2005) comprises the differential of 100% commutation of pension (on the basic pay admissible as on the date of option in respect of officers / executives under SSR-1961 opted for SR - 2005) and amount received from pension fund thereof.

- Voluntary Golden Handshake Scheme - 2011 for drivers

All drivers of the Bank having age between 55-59 years as on 1 January 2011 were entitled for Voluntary Golden Handshake Scheme (VGHSS - 2011) subject to completion of 10-20 years of service. VGHSS - 2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2014	2013
Rupees in '000			
28 OTHER CHARGES			
Penalties imposed by SBP		9,928	128
Fixed assets - written off		1,171	336
		11,099	464
29 TAXATION			
For the year:			
Current		3,003,990	1,820,705
Deferred		(82,153)	(16,297)
For prior years:			
Current		4,263	62
	29.1	2,926,100	1,804,470
	Note	2014	2013
Rupees in '000			
29.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year		8,382,382	5,210,932
Tax rate		35%	35%
Tax on accounting income		2,933,834	1,823,826
Tax effect on separate block of income (taxable at reduced rate)			
Gain on sale of securities @ 25%		-	(7,600)
Dividend income		(19,387)	(12,917)
		(19,387)	(20,517)
Tax effect of permanent differences			
Penalties imposed by SBP		3,475	45
Repair allowance of one fifth allowed against rental income		(2,286)	-
		1,189	45
Tax effect of prior years		4,263	62
Others		42,201	1,054
		2,962,100	1,804,470
		2014	2013
30 BASIC EARNINGS PER SHARE			
Profit after tax for the year - Rupees in '000		5,456,282	3,406,462
Weighted average number of ordinary shares outstanding during the year.		1,252,244,067	1,252,244,067
Basic earnings per share in Rupees		4.357	2.720
31 DILUTED EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2014.			
	Note	2014	2013
Rupees in '000			
32 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	6,302,813	9,370,154
		10,404,946	12,998,076

		2014	2013
33	STAFF STRENGTH		Number
	- The Bank		
	Permanent	5,777	5,599
	Contractual	10	13
	Total staff strength	5,787	5,612
	- The Company		
	Total staff strength	2,474	2,164
34	CREDIT RATING		
	JCR-VIS Credit Rating Company Limited, Karachi in their report dated 8 August 2014 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2013: AAA/A-1+) with stable outlook, medium to long term credit rating of A and short-term credit rating of A-2 (31 December 2013: A medium to long term credit rating, A-2 short term credit rating).		
35	DEFINED BENEFIT AND CONTRIBUTION PLANS		
	The Group operates the following retirement benefit plans for its employees:		
	Pension Scheme - funded		
	Benevolent Scheme - funded		
	Post Retirement Medical Benefits - unfunded		
	Employees Gratuity Scheme - funded		
	Employees Gratuity Scheme - unfunded of the Company		
	Employees Compensated Absences - unfunded		
	Defined Contribution Plan		
35.1	Pension scheme		
35.1.1	General description		
	For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.		
35.1.2	Principal actuarial assumption		
	The latest actuarial valuation is carried out as at 31 December 2014. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:		
		2014	2013
	 %	
	Valuation discount rate	11.25	12.75
	Expected rate of increase in salary	9.25	10.50
	Expected rate of return on plan assets	11.25	12.75
	Expected rate of increase in pension	7.00	7.50
		Note	
		2014	2013
		Rupees in '000	
35.1.3	Changes in the present value of obligation		
	Present value of obligation as on 01 January	2,748,554	1,848,263
	Current service cost	71,279	39,085
	Interest cost	337,765	199,879
	Benefits paid	(198,834)	(203,416)
	Transferred to Gratuity - SSR 1961	(24,131)	(16,952)
	Transferred from SR 2005	3,194,617	-
	Remeasurement due to change in demographic assumptions	-	254,268
	Remeasurement due to experience	3,738,355	627,427
	Present value of obligation as at 31 December	9,867,605	2,748,554
35.1.4	Changes in the fair value of plan assets		
	Total assets as on 01 January	6,059,405	5,692,003
	Expected return on plan assets	759,898	642,968
	Remeasurement due to return on investment	53,870	(73,607)
	Contributions	-	1,457
	Benefits paid	(198,834)	(203,416)
	Funds receivable from Gratuity under Staff Regulations - 2005 (SR-2005)	1,411,508	-
	Amount to be recovered from employees transferred from SR 2005	2,604,000	-
	Total assets as at 31 December	10,689,847	6,059,405

	Note	2014	2013
Rupees in '000			
35.1.5 Amounts recognized in statement of financial position			
Present value of defined benefit obligation		9,867,605	2,748,554
Fair value of plan assets		(10,689,847)	(6,059,405)
Asset recognized in the statement of financial position	14.5	<u>(822,242)</u>	<u>(3,310,851)</u>
	Note	2014	2013
Rupees in '000			
35.1.6 Movement in net asset recognized			
Opening net assets		(3,310,851)	(3,843,740)
Credit for the year	35.1.7	(1,171,745)	(404,004)
Other comprehensive income		3,684,485	955,302
Transferred to Gratuity - SSR 1961		(24,131)	(16,952)
Contributions		-	(1,457)
Closing net asset	14.5	<u>(822,242)</u>	<u>(3,310,851)</u>
35.1.7 Expense / (income) recognized in the profit and loss account			
Current service cost		71,279	39,085
Interest cost		(422,134)	(443,089)
Net impact of transfer from SR 2005		(820,890)	-
		<u>(1,171,745)</u>	<u>(404,004)</u>
35.1.8 Actual return on plan assets			
Actual return on plan assets		813,768	569,361

	2014		2013	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
35.1.9 Composition of fair value of plan assets				
Government securities	5,662,464	52.97	231,356	3.82
Term deposit receipts	995,464	9.31	5,800,141	95.72
Deposits in the Bank	16,411	0.15	30,256	0.50
Debtors and creditors	4,015,508	37.57	(189)	(0.00)
Due to the Bank	-	-	(2,159)	(0.04)
Fair value of total plan assets	<u>10,689,847</u>	<u>100.00</u>	<u>6,059,405</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
..... Rupees in '000					
35.1.10 Other relevant details					
Present value of defined benefit obligation	9,867,605	2,748,554	1,848,263	1,503,105	1,202,368
Fair value of plan assets	(10,689,847)	(6,059,405)	(5,692,003)	(5,206,173)	(4,609,499)
Surplus in pension fund	<u>(822,242)</u>	<u>(3,310,851)</u>	<u>(3,843,740)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>
Experience adjustment	(3,738,355)	(881,695)	(301,482)	(197,824)	219,527
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(3,738,355)</u>	<u>(881,695)</u>	<u>(301,482)</u>	<u>(197,824)</u>	<u>219,527</u>
Experience adjustment	53,870	(73,607)	-	44,065	(85,595)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>53,870</u>	<u>(73,607)</u>	<u>-</u>	<u>44,065</u>	<u>(85,595)</u>

35.1.11 The expected contribution to the Pension Fund for 2015 is Rupees 268.181 million (2014: Nil).

35.2 Benevolent scheme - officers / executives

35.2.1 General description

For all officers / executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rupees 100, by each officer / executive. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
..... %		
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

	Note	2014	2013
Rupees in '000			
35.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		245,632	244,874
Current service cost		28,317	9,887
Contributions - Employees		(11,930)	-
Interest cost		30,010	27,097
Remeasurement due to change in demographic assumptions		-	(4,868)
Remeasurement due to change in financial assumptions		-	(16,540)
Remeasurement due to change in experience		36,303	3,679
Past service cost		75,729	-
Benefits paid		(20,515)	(18,497)
Present value of obligation as at 31 December		<u>383,546</u>	<u>245,632</u>
35.2.4 Changes in the fair value of plan assets			
Total assets as on 01 January		728,898	677,701
Expected return on plan assets		90,106	77,460
Remeasurement due to return on investment		31,590	(17,984)
Contributions - Employer		11,930	5,109
Contributions - Employees		11,930	5,109
Benefits paid		(20,515)	(18,497)
Total assets as at 31 December		<u>853,939</u>	<u>728,898</u>
35.2.5 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation		383,546	245,632
Fair value of plan assets		(853,939)	(728,898)
Unrecognized due to impact of asset ceiling		470,393	483,266
Asset recognized in the statement of financial position		<u>-</u>	<u>-</u>
35.2.6 Movement in net asset recognized			
Opening net receivable		-	-
Expense / (credit) for the year	35.2.7	32,021	(45,585)
Comprehensive income		(20,091)	50,694
Contribution to fund / benefits paid during the year		(11,930)	(5,109)
Closing net receivable		<u>-</u>	<u>-</u>
35.2.7 Expense / (income) recognized in profit and loss account			
Current service cost		28,317	9,887
Interest cost		(60,095)	(50,363)
Contributions - Employees		(11,930)	(5,109)
Past service cost		75,729	-
		<u>32,021</u>	<u>(45,585)</u>
35.2.8 Actual return on plan assets			
Actual return on plan assets		<u>121,696</u>	<u>59,476</u>
35.2.9 Composition of fair value of plan assets			
		2014	2013
		Fair value	Fair value
		Rupees in '000	Rupees in '000
		%	%
Government securities		829,008	61,358
		97.08	8.42
Term deposit receipts		21,034	664,610
		2.46	91.18
Deposits in the Bank		3,897	2,938
		0.46	0.40
Debtors and creditors		-	(8)
		-	(0.00)
Fair value of total plan assets		<u>853,939</u>	<u>728,898</u>
		100.00	100.00

	2014	2013	2012	2011	2010
	..... Rupees in '000				
35.2.10 Other relevant details					
Present value of defined benefit obligation	383,546	245,632	244,874	211,133	177,105
Fair value of plan assets	(853,939)	(728,898)	(677,701)	(609,363)	(545,226)
Surplus in benevolent scheme - officers / executives	(470,393)	(483,266)	(432,827)	(398,230)	(368,121)
Experience adjustment	(36,303)	17,729	6,596	(11,828)	6,636
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(36,303)	17,729	6,596	(11,828)	6,636
Experience adjustment	31,590	(17,984)	-	(3,017)	(16,541)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	31,590	(17,984)	-	(3,017)	(16,541)

35.3 Benevolent scheme - clerical / non-clerical
35.3.1 General description

For all clerical / non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rupees 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank, which is also liable to meet any shortfall in the fund.

35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
 %	
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

35.3.3 Changes in the present value of obligation

	2014	2013
	Rupees in '000	
Present value of obligation as on 01 January	28,012	31,149
Current service cost	4,430	1,394
Contributions - Employees	(2,506)	-
Interest cost	3,376	3,453
Remeasurement due to change in demographic assumptions	-	(1,360)
Remeasurement due to change in financial assumptions	-	(2,668)
Remeasurement due to change in experience	176	(1,707)
Past service cost	34,599	-
Benefits paid	(3,060)	(2,249)
Present value of obligation as at 31 December	65,027	28,012

35.3.4 Changes in the fair value of plan assets

	2014	2013
	Rupees in '000	
Total assets as on 01 January	340,003	306,517
Expected return on plan assets	43,475	35,455
Remeasurement due to return on investment	8,654	(5,540)
Contributions - Employer	2,506	2,910
Contributions - Employees	2,506	2,910
Benefits paid	(3,060)	(2,249)
Total assets as at 31 December	394,084	340,003

35.3.5 Amounts recognized in the statement of financial position

	2014	2013
Present value of defined benefit obligation	65,027	28,012
Fair value of plan assets	(394,084)	(340,003)
Unrecognized due to impact of asset ceiling	329,057	311,991
Asset recognized in the statement of financial position	-	-

	Note	2014	2013	
		Rupees in '000		
35.3.6 Movement in net asset recognized				
Opening net receivable		-	-	
Credit for the year	35.3.7	(3,576)	(33,518)	
Comprehensive income		6,082	36,428	
Contribution to fund / benefits paid during the year		(2,506)	(2,910)	
Closing net receivable		-	-	
35.3.7 Income recognized in profit and loss account				
Current service cost		4,430	1,394	
Interest cost		(2,506)	(2,910)	
Contributions - Employees		(40,099)	(32,002)	
Past service cost		34,599	-	
		(3,576)	(33,518)	
35.3.8 Actual return on plan assets				
Actual return on plan assets		52,129	29,915	
35.3.9 Composition of fair value of plan assets				
		2014	2013	
		Fair value	Fair value	
		Rupees in '000	Rupees in '000	
		%	%	
Government securities		381,139	20,092	
		96.71	5.90	
Term deposit receipts		10,584	317,209	
		2.69	93.30	
Deposits in the Bank		2,361	2,710	
		0.60	0.80	
Debtors and creditors		-	(8)	
		-	(0.00)	
Fair value of total plan assets		394,084	340,003	
		100.00	100.00	
35.3.10 Other relevant details				
		2014	2013	
		2012	2011	
		2010		
	 Rupees in '000		
Present value of defined benefit obligation		65,027	28,012	
		31,149	23,370	
		20,014		
Fair value of plan assets		(394,084)	(340,003)	
		(306,517)	(273,293)	
		(249,923)	(240,105)	
Surplus in benevolent scheme - clerical / non-clerical		(329,057)	(311,991)	
		(275,368)	(249,923)	
		(220,091)		
Experience adjustment		(176)	5,735	
		(1,618)	(835)	
		19,057		
Assumptions gain / (loss)		-	-	
		-	-	
Actuarial (loss) / gain on obligation		(176)	5,735	
		(1,618)	(835)	
		19,057		
Experience adjustment		8,654	(5,540)	
		-	-	
		-	-	
Assumptions gain / (loss)		-	-	
		-	-	
Actuarial (loss) / gain on assets		8,654	(5,540)	
		-	-	
		-	-	

35.4 Gratuity scheme

35.4.1 Gratuity under old Staff Regulations of the Bank

35.4.1.1 General description

For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

35.4.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

		2014	..... % .....	2013
Valuation discount rate		11.25		12.75
Expected rate of increase in salary		9.25		10.50
Expected rate of return on plan assets		11.25		12.75

	Note	2014	2013
Rupees in '000			
35.4.1.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		-	-
Benefits paid		(24,131)	(16,952)
Addition to liability from Pension Fund		24,131	16,952
Present value of obligation as at 31 December		<u>-</u>	<u>-</u>
35.4.1.4 Changes in the fair value of plan assets			
Total assets as on 01 January		1,741,282	1,594,870
Expected return on plan assets		220,475	182,435
Remeasurement due to return on investment		1,681	(19,071)
Benefits paid		(24,131)	(16,952)
Total assets as at 31 December		<u>1,939,307</u>	<u>1,741,282</u>
35.4.1.5 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation		-	-
Fair value of plan assets		(1,939,307)	(1,741,282)
Asset recognized in the statement of financial position	14.5	<u>(1,939,307)</u>	<u>(1,741,282)</u>
35.4.1.6 Movement in net asset recognized			
Opening net assets		(1,741,282)	(1,594,870)
Credit for the year	35.4.1.7	(220,475)	(182,435)
Comprehensive income		(1,681)	19,071
Addition to liability from Pension Fund		24,131	16,952
Closing net assets	14.5	<u>(1,939,307)</u>	<u>(1,741,282)</u>
35.4.1.7 Income recognized in profit and loss account			
Expected return on plan assets		(220,475)	(182,435)
35.4.1.8 Actual return on plan assets			
Actual return on plan assets		<u>222,156</u>	<u>163,364</u>

	2014		2013	
	Fair value	%	Fair value	%
	Rupees in '000		Rupees in '000	
35.4.1.9 Composition of fair value of plan assets				
Government securities	979,491	50.50	57,438	3.30
Term deposit receipts	954,228	49.21	1,671,471	95.99
Deposits in the Bank	5,588	0.29	9,048	0.52
Debtors and creditors	-	-	3,861	0.22
Due from / (to) the Bank	-	-	(536)	(0.03)
Fair value of total plan assets	<u>1,939,307</u>	<u>100.00</u>	<u>1,741,282</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
	..... Rupees in '000				
35.4.1.10 Other relevant details					
Present value of defined benefit obligation	-	-	-	-	-
Fair value of plan assets	(1,939,307)	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)
Surplus in gratuity scheme under old staff regulations	(1,939,307)	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)
Experience adjustment	-	-	-	-	397,152
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	-	-	-	-	397,152
Experience adjustment	1,681	(19,071)	-	3,700	(12,429)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	1,681	(19,071)	-	3,700	(12,429)

35.4.1.11 No contribution is expected in 2015 to the Gratuity Fund scheme under old regulations.

35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005) of the Bank

35.4.2.1 General description

The Bank also operates a separate Gratuity Fund scheme, w.e.f. August 2006, established upon introduction of Staff Regulations - 2005 (SR-2005) for the employees governed under SR-2005 and contributions to this Fund are made by the Bank at the rate of 8.333% of the monetized salary per month.

35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
 %	
Valuation discount rate	11.25	12.75
Expected rate of increase in salary	9.25	10.50
Expected rate of return on plan assets	11.25	12.75

	Note	2014	2013
		Rupees in '000	
35.4.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		1,634,839	992,636
Current service cost		262,655	185,120
Interest cost		203,749	111,627
Remeasurement due to change in demographic assumptions		-	(5,794)
Remeasurement due to experience		253,178	395,189
Transferred to SSR 1961		(1,411,508)	-
Benefits paid		(73,610)	(43,939)
Present value of obligation as at 31 December		869,303	1,634,839

35.4.2.4 Changes in the fair value of plan assets

Total assets as on 01 January	1,675,887	1,360,616
Expected return on plan assets	232,853	166,435
Remeasurement due to return on investment	18,034	(24,461)
Funds payable to SSR 1961	(1,411,508)	-
Contributions	374,432	217,236
Benefits paid	(73,610)	(43,939)
Total assets as at 31 December	816,088	1,675,887

35.4.2.5 Amounts recognized in the statement of financial position

Present value of defined benefit obligation		869,303	1,634,839
Fair value of plan assets		(816,088)	(1,675,887)
Asset recognized in the statement of financial position	19.1	53,215	(41,048)

	Note	2014	2013
Rupees in '000			
35.4.2.6 Movement in net asset recognized			
Opening net assets		(41,048)	(367,980)
Charge for the year	35.4.2.7	233,551	130,312
Comprehensive income		235,144	413,856
Contribution to fund during the year		(374,432)	(217,236)
Closing net assets		<u>53,215</u>	<u>(41,048)</u>
35.4.2.7 Expense recognized in profit and loss account			
Current service cost		262,655	185,120
Interest cost		(29,104)	(54,808)
		<u>233,551</u>	<u>130,312</u>
	Note	2014	2013
Rupees in '000			
35.4.2.8 Actual return on plan assets			
Actual return on plan assets		<u>250,887</u>	<u>141,974</u>

	2014		2013	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
35.4.2.9 Composition of fair value of plan assets				
Government securities	1,991,836	244.07	-	-
Term deposit receipts	229,123	28.08	1,670,667	99.69
Deposits in the Bank	6,637	0.81	5,228	0.31
Debtors and creditors	(1,411,508)	(172.96)	(8)	(0.00)
Fair value of total plan assets	<u>816,088</u>	<u>100.00</u>	<u>1,675,887</u>	<u>100.00</u>

	2014	2013	2012	2011	2010
..... Rupees in '000					
35.4.2.10 Other relevant details					
Present value of defined benefit obligation	869,303	1,634,839	992,636	804,808	612,864
Fair value of plan assets	(816,088)	(1,675,887)	(1,360,616)	(1,038,563)	(730,213)
(Surplus) / deficit in gratuity scheme under staff regulations - 2005 (SR-2005)	<u>53,215</u>	<u>(41,048)</u>	<u>(367,980)</u>	<u>(233,755)</u>	<u>(117,349)</u>
Experience adjustment	(253,178)	(389,395)	72,489	57,132	154,132
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>(253,178)</u>	<u>(389,395)</u>	<u>72,489</u>	<u>57,132</u>	<u>154,132</u>
Experience adjustment	18,034	(24,461)	(13,283)	(2,186)	(8,812)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>18,034</u>	<u>(24,461)</u>	<u>(13,283)</u>	<u>(2,186)</u>	<u>(8,812)</u>

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2015 amount to Rupees 122.184 million.

35.4.3 Gratuity scheme of the Company

35.4.3.1 General description

The scheme provides for terminal benefits for all permanent employees of the Company whose period of service is one year. Employees are entitled to gratuity on the basis set out in the Company's staff regulations.

35.4.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:

	2014	2013
	%	
Valuation discount rate	11.25	13.00
Expected rate of increase in salary	10.25	12.00

	Note	2014	2013
Rupees in '000			
35.4.3.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		60,939	54,919
Current service cost		22,748	7,794
Interest cost		7,842	6,273
Benefits paid		(1,236)	(751)
Actuarial (gain) / loss on obligation		16,545	(7,296)
Present value of obligation as at 31 December		<u>106,838</u>	<u>60,939</u>
35.4.3.4 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation	19.1	<u>106,838</u>	<u>60,939</u>
	Note	2014	2013
Rupees in '000			
35.4.3.5 Movement in net (asset) / liability recognized			
Opening net (asset) / liability		60,939	54,919
Charge for the year	35.4.3.6	30,590	14,067
Comprehensive income		(1,236)	(7,296)
Contribution to fund during the year		16,545	(751)
Closing net asset		<u>106,838</u>	<u>60,939</u>
35.4.3.6 Expense recognized in profit and loss account			
Current service cost		22,748	7,794
Interest cost		7,842	6,273
		<u>30,590</u>	<u>14,067</u>
35.5 Post retirement medical benefits			
35.5.1 General description			
The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.			
35.5.2 Principal actuarial assumption			
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:			
		2014	2013
	 %	
Valuation discount rate		11.25	12.75
Medical inflation rate		8.25	7.50
	Note	2014	2013
Rupees in '000			
35.5.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		2,325,802	1,257,078
Current service cost		227,175	150,501
Past service cost		-	170,846
Interest cost		242,300	143,261
Net impact of transfer		154,741	
Remeasurement due to change in demographic assumptions		-	200,839
Remeasurement due to experience		1,294,026	425,949
Benefits paid		(23,580)	(22,672)
Present value of obligation as at 31 December		<u>4,220,464</u>	<u>2,325,802</u>
35.5.4 Amounts recognized in the statement of financial position			
Present value of defined benefit obligation	19	<u>4,220,464</u>	<u>2,325,802</u>

	Note	2014	2013	
		Rupees in '000		
35.5.5 Movement in net liability recognized				
Opening net liability		2,325,802	1,257,078	
Charge for the year	35.5.6	624,216	464,608	
Comprehensive income		1,294,026	626,788	
Benefits paid during the year		(23,580)	(22,672)	
Closing net liability		<u>4,220,464</u>	<u>2,325,802</u>	
35.5.6 Expense recognized in profit and loss account				
Current service cost		227,175	321,347	
Interest cost		242,300	143,261	
Net impact of transfer		154,741	-	
		<u>624,216</u>	<u>464,608</u>	
35.5.7 Post retirement medical benefits - sensitivity analysis				
		Discount rate		
		+1%	-1%	
		Salary increase rate		
		+1%	-1%	
Obligation (Rupees in million)		3,783,224	4,679,650	
%age change		-10.36%	10.88%	
		Withdrawal rate		
		+1%	-1%	
		Mortality age		
		1 year back	1 year forward	
Obligation (Rupees in million)		4,241,566	4,201,894	
%age change		50.00%	-0.44%	
		2014	2013	
		2012	2011	
		2010		
35.5.8 Other relevant details	 Rupees in '000		
Present value of defined benefit obligation		4,220,464	2,325,802	1,257,078
Deficit in post retirement medical benefits		4,220,464	2,325,802	1,257,078
Experience adjustment		(1,294,026)	(626,788)	107,383
Assumptions gain / (loss)		-	-	-
Actuarial gain / (loss) on obligation		(1,294,026)	(626,788)	107,383
35.6 Employees compensated absences - unfunded				
The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.				
35.6.1 Principal actuarial assumption				
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:				
		2014	2013	
	 %		
Valuation discount rate		11.25	12.75	
Expected rate of increase in salary		9.25	10.50	
		2014	2013	
35.6.2 Movement in liability recognized for compensated absences		Rupees in '000		
Opening liability		681,457	446,202	
Charge for the year		185,276	235,255	
Benefits paid during the year		(353)	-	
Closing liability		<u>866,380</u>	<u>681,457</u>	

Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2014	2013	2012	2011	2010
	..... Rupees in '000				
Opening liability	681,457	446,202	343,973	798,452	1,194,349
Charged / (reversal) for the year	185,276	235,255	102,229	(454,479)	(395,897)
Benefits paid during the year	(353)	-	-	-	-
	866,380	681,457	446,202	343,973	798,452

35.7 Risks Associated with Defined Benefit Plans

Investment Risk

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity Risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

35.8 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 4061 (2013: 2067) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 1716 (2013: 3532) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 79.646 million (2013: Rupees 20.166 million) in respect of this fund.

36 COMPENSATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for compensation, including all benefits to the President, Directors and Executives of the Bank is as follows:

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	..... Rupees in '000					
Fee	-	-	3,233	6,249	-	-
Managerial remuneration	9,617	6,116	-	-	2,361,113	2,066,149
Charged for defined benefit plan	1,722	1,226	-	-	1,998,456	129,483
Contribution to defined benefit or contributory fund	-	-	-	-	38,706	25,394
Rent and house maintenance	1,665	3,364	-	-	22,784	7,807
Utilities	330	917	-	-	6,172	1,901
Medical	1,290	917	-	-	3,650	1,909
Conveyance	227	845	-	-	-	1,469
Club facility	16	56	-	-	-	-
Leave fare assistance	1,456	1,425	-	-	-	-
	16,323	14,866	3,233	6,249	4,430,881	2,234,112
Number of persons	1	1	8	11	4,023	1,828

36.1 The Chief executive, senior vice presidents and above, other than covered under SR-2005, have been provided with Bank maintained cars. Vice Presidents and above, governed by SR-2005, have also been provided cars under Car Loan Depreciation Policy (CLDP).

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in Note 5.2 to these consolidated financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

38 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	Agri financing
..... Rupees in '000									
2014									
Total income	-	-	-	-	-	-	-	-	20,008,645
Total expenses	-	-	-	-	-	-	-	-	11,681,539
Net income before tax	-	-	-	-	-	-	-	-	8,327,106
Taxation	-	-	-	-	-	-	-	-	2,909,722
Income after tax	-	-	-	-	-	-	-	-	5,417,384
Segment assets (gross)	-	-	-	-	-	-	-	-	171,261,532
Segment non performing loans	-	-	-	-	-	-	-	-	18,663,722
Segment provision required	-	-	-	-	-	-	-	-	3,919,999
Segment liabilities	-	-	-	-	-	-	-	-	38,931,238
Segment return on net assets (%)	-	-	-	-	-	-	-	-	6.68%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	8.67%
2013									
Total income	-	-	-	-	-	-	-	-	17,855,967
Total expenses	-	-	-	-	-	-	-	-	12,689,423
Net income before tax	-	-	-	-	-	-	-	-	5,166,544
Taxation	-	-	-	-	-	-	-	-	1,789,985
Income after tax	-	-	-	-	-	-	-	-	3,376,559
Segment assets (gross)	-	-	-	-	-	-	-	-	156,128,603
Segment non performing loans	-	-	-	-	-	-	-	-	17,771,792
Segment provision required	-	-	-	-	-	-	-	-	3,896,440
Segment liabilities	-	-	-	-	-	-	-	-	115,965,018
Segment return on net assets (%)	-	-	-	-	-	-	-	-	15.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.31%

39 RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party transactions with its employee benefit plans and key management personnel.

Details of transactions with related parties and balances with them other than those disclosed in these consolidated financial statements are as under:

	Key management personnel	
	2014	2013
	..... Rupees in '000'	
Advances		
Balance at the beginning of the year	7,183	14,533
Loan granted during the year	6,555	910
Repayment during the year	(2,179)	(8,260)
Balance at the end of the year	<u>11,559</u>	<u>7,183</u>
Deposits		
Deposits at the beginning of the year	3,054	8,250
Deposits received during the year	80,399	74,889
Deposits repaid during the year	(79,592)	(80,085)
Deposits at the end of the year	<u>3,861</u>	<u>3,054</u>
Other transactions		
Mark-up / interest earned	466	308
Compensation	56,762	72,477
Post retirement benefit	5,252	4,976
Contribution to defined benefit plans	530	319

40 CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of application

The Basel III Framework is applicable to the Bank at the level of standalone financial statements of the Bank. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

40.2 Capital Management

Objectives and goals of managing capital

The Bank manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and capital adequacy ratio

The State Bank of Pakistan through its BSD Circular No. 07 dated 15 April 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ended on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2014 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2014 is 25.61% of its risk weighted exposure.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular BPRD Circular No. 06 dated 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr.No.	Ratio	Year ended						As of 31
		2013	2014	2015	2016	2017	2018	December 2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

- *(Consisting of CET1 only)

Bank's regulatory capital is analyzed in to three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer to note 40.3)
- Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1 (refer to note 40.3)
- Tier 2 capital, which includes subordinated debt, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets) and net of tax reserves on revaluation of equity investments up to a maximum of 56% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.3)

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management, striking compromise proposal and settlement and composition of assets mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank's management of capital during the year.

40.3 Capital Adequacy Ratio

	2014	2013
	Amount	Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	12,522,441
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on issue of Shares	-	-
5 General/ Statutory Reserves	4,590,135	3,506,658
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	14,553,175	13,597,945
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	31,665,751	29,627,044
10 Total regulatory adjustments applied to CET1 (Note 40.3.1)	(204,551)	(50,211)
11 Common Equity Tier 1	31,461,200	29,576,833
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustments applied to AT1 capital (Note 40.3.2)	-	-
19 Additional Tier 1 capital	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	31,461,200	29,576,833
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	3,204,323
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules	-	-
24 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,323,858	1,250,883
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on Property	-	-
29 of which: Unrealized Gains/Losses on AFS	1,945,946	1,285,297
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	3,269,804	5,740,503
33 Total regulatory adjustments applied to T2 capital (Note 40.3.3)	(40,000)	(50,000)
34 Tier 2 capital (T2) after regulatory adjustments	3,229,804	5,690,503
35 Tier 2 capital recognized for capital adequacy	3,229,804	5,690,503

	2014 Amount	2013 Amount
36		
37	3,229,804	5,690,503
38	34,691,004	35,267,336
39	135,471,027	119,020,881
Capital Ratios and buffers (in percentage of risk weighted assets)		
40	23.22%	24.85%
41	23.22%	24.85%
42	25.61%	29.63%
43		
44	-	-
45	-	-
46	-	-
47	-	-
National minimum capital requirements prescribed by SBP		
48	5.50%	5.00%
49	7.00%	6.50%
50	10.00%	10.00%

Regulatory Adjustments and Additional Information	2014		2013
	Amount	Amounts subject to Pre - Basel III treatment	Amount
	..... Rupees in '000		
40.3.1 Common Equity Tier 1 capital: Regulatory adjustments			
1 Goodwill (net of related deferred tax liability)	-		-
2 All other intangibles (net of any associated deferred tax liability)	(103)		(211)
3 Shortfall of provisions against classified assets	-		-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5 Defined-benefit pension fund net assets	(164,448)	(822,242)	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of property/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		-
17 of which: deferred tax assets arising from temporary differences	-		-
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investment in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(40,000)		(50,000)
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	(204,551)		(50,211)
40.3.2 Additional Tier 1 Capital: regulatory adjustments			
23 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		-
24 Investment in own AT1 capital instruments	-		-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(40,000)		(50,000)
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	40,000		50,000
30 Total of Regulatory Adjustment applied to AT1 capital (sum of 23 to 29)	-		-

	2014 Amount	2013 Amount
..... Rupees in '000		
40.3.3 Tier 2 Capital: regulatory adjustments		
31 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(40,000)	(50,000)
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 Total Regulatory Adjustment applied to T2 capital (sum of 31 to 35)	(40,000)	(50,000)
	2014	2013
40.3.4 Additional Information	Amount	Amount
Risk weighted assets subject to Pre-Basel III Treatment		
37 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	822,242	2,152,053
(iii) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,000,000	3,000,000
42 Cap on inclusion of provisions in Tier 2 under standardized approach	1,323,858	1,250,883
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

40.4 Capital Structure Reconciliation
Step 1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2014	2014
Rupees in '000		
Assets		
Cash and balances with treasury banks	4,102,133	4,102,133
Balanced with other banks	5,982,441	5,982,198
Lending to financial institutions	820,190	820,190
Investments	29,337,315	29,337,315
Advances	108,553,958	108,552,835
Operating fixed assets	1,581,077	1,565,827
Deferred tax assets	1,528,810	
Other assets	11,656,953	14,540,165
Total assets	163,562,877	164,900,663
Liabilities & Equity		
Bills payable	561,964	561,964
Borrowings	969,349	969,349
Deposits and other accounts	26,701,911	26,701,911
Sub-ordinated loans	-	
Liabilities against assets subject to finance lease	-	
Deferred tax liabilities	-	176,878
Other liabilities	10,698,014	8,794,703
Total liabilities	38,931,238	37,204,805
Share capital/ Head office capital account	12,522,441	12,522,441
Reserves	4,590,135	4,498,502
Unappropriated/ Unremitted profit/ (losses)	14,553,175	17,565,319
Minority Interest	-	
Share deposit money	89,490,985	89,490,985
Surplus on revaluation of assets	3,474,903	3,618,611
Total liabilities	124,631,639	127,695,858
Total liabilities & equity	163,562,877	164,900,663

Step 2	Balance sheet as in published	Under regulatory scope	Ref
	financial statements	of consolidation	
	2014	2014	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	4,102,133	4,102,133	
Balanced with other banks	5,982,441	5,982,198	
Lending to financial institutions	820,190	820,190	
Investments	29,337,315	29,337,315	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	108,553,958	108,552,835	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	3,000,000	3,000,000	g
Fixed Assets	1,581,077	1,565,827	
Deferred Tax Assets	1,528,810	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	11,656,953	14,540,165	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	103	103	k
<i>of which: Defined-benefit pension fund net assets</i>	822,242	3,396,086	l
Total assets	163,562,877	164,900,663	
Liabilities & Equity			
Bills payable	561,964	561,964	
Borrowings	969,349	969,349	
Deposits and other accounts	26,701,911	26,701,911	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	176,878	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	287,785	-	q
<i>of which: other deferred tax liabilities</i>	(287,785)	-	r
Other liabilities	10,698,014	8,794,703	
Total liabilities	38,931,238	37,204,805	
Share capital	12,522,441	12,522,441	
<i>of which: amount eligible for CET1</i>	12,522,441	12,522,441	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	4,590,135	4,498,502	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	4,590,135	4,498,502	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	14,553,175	17,565,319	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Share deposit money	89,490,985	89,490,985	
Surplus on revaluation of assets	3,474,903	3,618,611	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	3,474,903	3,618,611	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Equity	124,631,639	127,695,858	
Total liabilities & Equity	163,562,877	164,900,663	

Step 3	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from Step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	4,498,502	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/(losses)	17,565,319	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	34,586,262	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	(103)	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,103)	
Common Equity Tier 1	34,536,159	
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from 40.4.2
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,476,555	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities	1,279,350	portion of (aa)
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	2,755,905	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	(50,000)	
64 Tier 2 capital (T2)	2,705,905	
65 Tier 2 capital recognized for capital adequacy	2,705,905	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	2,705,905	
TOTAL CAPITAL (T1 + admissible T2)	37,242,064	

40.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Zarai Taraqati Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,522,441
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

40.6 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2014	2013	2014	2013
	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Banks	119,736	232,407	1,197,362	2,324,070
Retail	7,152,636	6,210,220	71,526,362	62,102,197
Loans secured against residential property	50,461	57,170	504,614	571,702
Past due loans	2,038,336	1,914,839	20,383,358	19,148,392
Listed equity investments	-	325,066	-	3,250,660
Investments in fixed assets	158,097	134,710	1,580,974	1,347,096
Other assets	1,071,583	1,132,279	10,715,830	11,322,785
Total credit risk	10,590,849	10,006,691	105,908,500	100,066,902
Off-Balance Sheet				
Non-market related	14	377	140	3,770
	10,590,863	10,007,068	105,908,640	100,070,672
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	640	-	7,995	-
Equity position risk	626,882	-	7,836,028	-
Foreign exchange risk	-	-	-	-
Total market risk	627,522	-	7,844,023	-
Operational risk				
Capital requirement for operational risks	1,737,469	1,516,017	21,718,364	18,950,209
	1,737,469	1,516,017	21,718,364	18,950,209
Total	12,955,854	11,523,085	135,471,027	119,020,881
Capital adequacy ratio				
	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	23.22%	5.00%	24.85%
Tier-1 capital to total RWA	7.00%	23.22%	6.50%	24.85%
Total capital to RWA	10.00%	25.61%	10.00%	29.63%

* As SBP capital requirement of 10% (10% in 2013) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

41 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.
- Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore
- Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management departments independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

41.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) Model for fresh borrowers in year 2010, credit portfolio is more effectively monitored as well as the loaning products. As an early warning signal, Portfolio at Risk (PAR) report is also be generated. This enables the management to take proactive measurements for having a quality credit portfolio / products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach for minimum capital requirements for credit risk. An internal credit rating system (obligor risk rating) is also under process which will be implemented in due course of time.

A robust MIS is prerequisite for establishment of an effective risk management system therefore the existing MIS of the bank is under going substantial up gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinize agriculture portfolio on a continuous basis and report crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

41.1.1 Credit Risk - General disclosures

The Bank has adopted Standardized Approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

41.1.2 Credit Risk: Disclosures for portfolio subject to the standardized approach

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank

Credit exposures subject to standardized approach

Exposures	Rating	2014			2013	
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Net amount
..... Rupees '000						
Cash and cash equivalents	-	1,649,439	1,649,439	-	982,838	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	29,488,963	29,488,963	-	24,592,603	-
Claims on banks	-	-	-	-	2,384,996	492,996
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	5,986,810	4,789,448	1,197,362	9,155,372	1,831,074
Claims categorized as retail portfolio	-	95,368,482	23,842,121	71,526,362	82,802,929	62,102,197
Claims fully secured by residential property	-	1,441,753	937,139	504,614	1,633,435	571,702
Past due loans	-	14,743,723	(5,639,635)	20,383,358	13,875,353	19,148,392
Listed equity investments	-	-	-	-	3,250,660	3,250,660
Investments in premises, plant and equipment and all other fixed assets	-	1,580,974	-	1,580,974	1,347,096	1,347,096
All other assets	-	10,715,830	-	10,715,830	11,322,785	11,322,785
		160,975,974	55,067,475	105,908,499	151,348,067	100,066,902

41.1.3 Credit Risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

41.1.4 Credit Risk: Disclosures for portfolio subject to the standardized approach

The wholesale portfolio, which represents agricultural loans are ideally collateralized by land.

The Bank manages limits and controls concentrations of credit risk as identified. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank sets limits on its credit exposure to counterparty, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due). Advances are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations.

Concentration of risk

Out of the total financial assets of Rupees 158,714 million (2013: Rupees 146,097 million) the financial assets which are subject to credit risk amount to Rupees 139,996 million (2013: Rupees 127,909 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 25,087 million (2013: Rupees 20,227 million) are guaranteed by the Government of Pakistan.

41.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2014 the composition of equity investments and subsidiary is as follows:

Exposures	Available for Sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	3,918,014	-
Equity investments - others	-	100,000
Total value	<u>3,918,014</u>	<u>100,000</u>

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

Investments - Available for sale
Investment in subsidiary

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiary are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

The cumulative unrealized gain of Rupees 4,020.679 million (2013: Rupees 3,173.572 million) is recognized in the statement of financial position in respect of 'available for sale' securities.

41.1.6 Segmental information

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

41.1.7 Segments by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	113,537,306	98.30%	-	-	4,580,091	24.88%
Individuals	-	-	16,916,465	63.35%	1,692,334	9.19%
Others	1,958,460	1.70%	9,785,446	36.65%	12,138,249	65.93%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%
	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
	Agriculture, forestry, hunting and fishing	100,187,375	98.01%	-	-	8,762,497	29.36%
Individuals	-	-	14,831,122	99.49%	1,174,436	3.93%
Others	2,037,154	1.99%	75,460	0.51%	19,911,431	66.71%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

41.1.8 Segments by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	9,736,611	36.46%	12,138,249	65.93%
Private	115,495,766	100.00%	16,965,300	63.54%	6,272,425	34.07%
	115,495,766	100.00%	26,701,911	100.00%	18,410,674	100.00%
	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
	Public / government *	-	-	23,917	0.16%	19,911,431	66.71%
Private	102,224,529	100.00%	14,882,665	99.84%	9,936,933	33.29%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%

* This amount represents deposits belonging to autonomous / semi-autonomous bodies.

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

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000			
Agriculture, forestry, hunting and fishing	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

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

Private	18,663,722	6,919,999	17,771,792	6,896,440
Advances to employees	21,809	21,809	16,373	16,373
	18,685,531	6,941,808	17,788,165	6,912,813

41.1.11 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	8,327,105	163,509,662	124,631,638	18,410,674

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	5,166,544	148,448,277	32,483,259	29,848,364

41.2 Market risk management

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments / placements are being placed in held to maturity securities / investments. Correspondingly, the borrowing from SBP is in the process of conversion into equity instruments. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach (SA) for minimum capital requirements for market risk.

41.2.1 Foreign exchange risk management

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

41.2.2 Equity price risk

The Bank's proprietary positions in the equity instruments expose it to the equity price risk in banking book. Equity price risk is managed by applying limits. The stress test for equity price risk assesses the impact of fall in stock market index. This exercise is done based on the criteria advised by SBP for Stress Testing on Equities.

41.3 Mismatch of interest rate sensitive assets and liabilities

The Bank's interest rate exposure originates from its investing and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The Risk Management Department calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve of the Bank's capital using sensitivity positions.

Effective Yield / Interest rate	Total	2014 Exposed to Yield / Interest risk									Not exposed to Yield / Interest risk	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	4,102,133	-	-	-	-	-	-	-	-	-	4,102,133
Balances with other banks	5.69	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	820,190	820,190	-	-	-	-	-	-	-	-	-
Investments - net	10.08	29,237,315	-	11,570,461	12,541,912	358,862	360,783	155,345	-	39,976	-	4,209,976
Advances - net	12.39	108,553,958	36,693,613	47,439	3,380,196	25,520,951	18,506,237	8,856,122	9,698,049	5,009,432	454,072	387,847
Other assets - net	-	10,070,539	-	-	-	-	-	-	-	-	-	10,070,539
		158,766,576	41,496,244	13,617,900	15,922,108	25,879,813	18,867,020	9,011,467	9,698,049	5,049,408	454,072	18,770,495
Liabilities												
Bills payable	-	561,964	-	-	-	-	-	-	-	-	-	561,964
Borrowings	-	969,349	-	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	7.02	26,701,911	14,107,842	69,109	-	124,731	2,249	272,442	1,331	-	-	12,124,207
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	6,376,521	-	-	-	-	-	-	-	-	-	6,376,521
		34,609,745	14,107,842	69,109	-	1,094,080	2,249	272,442	1,331	-	-	19,062,692
On-balance sheet gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		124,156,831	27,388,402	13,548,791	15,922,108	24,785,733	18,864,771	8,739,025	9,696,718	5,049,408	454,072	(292,197)
Cumulative yield / interest risk sensitivity gap		124,156,831	27,388,402	40,937,193	56,859,301	81,645,034	100,509,805	109,248,830	118,945,548	123,994,956	124,449,028	124,156,831

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000		Rupees in '000
Total financial assets	158,766,576	Total financial liabilities	34,609,745
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Other liabilities	4,321,493
Operating fixed assets	1,581,077	Total liability as per statement of financial position	38,931,238
Deferred tax assets - net	1,528,810		
Other assets	1,586,414		
Total assets as per statement of financial position	163,562,877		

41.3.1 Mismatch of interest rate sensitive assets and liabilities

2013

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Not exposed to Yield / Interest risk	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,627,922	-	-	-	-	-	-	-	-	-	3,627,922
Balances with other banks	7.27	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-	-
Lendings to financial institutions	8.65	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-	-
Investments - net	9.92	23,509,958	1,297,847	16,744,800	427,561	1,066,905	464,237	155,345	19,996	-	-	3,333,267
Advances - net	12.35	95,311,716	30,341,193	39,248	2,504,885	25,187,504	16,234,117	7,781,364	8,612,938	3,745,828	524,710	339,929
Other assets - net	-	10,887,238	-	-	-	-	-	-	-	-	-	10,887,238
		146,097,382	42,017,872	19,165,764	2,504,885	25,615,065	17,301,022	8,245,601	8,768,283	3,765,824	524,710	18,188,356
Liabilities												
Bills payable	-	706,265	-	-	-	-	-	-	-	-	-	706,265
Borrowings	6.09	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-	-
Deposits and other accounts	2.34	14,906,582	6,306,159	70,390	100,200	129,037	-	53,258	1,161	-	-	8,246,377
Sub-ordinated loans	bill rate	3,204,323	-	-	-	3,204,323	-	-	-	-	-	-
Other liabilities	-	37,624,741	-	-	-	-	-	-	-	-	-	37,624,741
		111,616,814	10,223,849	70,390	100,200	54,590,573	-	53,258	1,161	-	-	46,577,383
On-balance sheet gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	(28,389,027)
Cumulative yield / interest risk sensitivity gap		34,480,568	31,794,023	50,889,397	53,294,082	24,318,574	41,619,596	49,811,939	58,579,061	62,344,885	62,869,595	34,480,568

Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:

	Rupees in '000		Rupees in '000
Total financial assets	146,097,382	Total financial liabilities	111,616,814
Add non-financial assets:		Add non-financial liabilities:	
Investment in subsidiary company	100,000	Deferred tax liabilities - net	130,022
Operating fixed assets	1,347,307	Other liabilities	4,218,182
Other assets	903,588	Total liability as per statement of financial position	115,965,018
Total assets as per statement of financial position	148,448,277		

41.4 Liquidity risk

Assets and Liabilities Management Committee (ALCO) is effectively performing the function of cash management at the Bank. Accordingly, the yields on fund's placement have been constantly increasing.

41.4.1 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	2014									
	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	4,102,133	4,102,133	-	-	-	-	-	-	-	-
Balances with other banks	5,982,441	3,982,441	2,000,000	-	-	-	-	-	-	-
Lending to financial institutions	820,190	820,190	-	-	-	-	-	-	-	-
Investments - net	29,337,315	-	11,610,438	12,541,912	358,862	360,783	155,345	-	39,976	4,269,999
Advances - net	108,553,958	36,695,926	52,063	3,387,280	25,532,525	18,535,951	8,876,820	9,725,126	5,120,158	628,109
Other assets - net	11,656,953	1,126,767	781,450	854,481	1,687,833	1,047,876	881,251	1,519,799	1,965,699	1,791,797
Deferred tax assets - net	1,528,810	1,528,810	-	-	-	-	-	-	-	-
Operating fixed assets	1,581,077	-	-	-	198,054	-	-	-	-	1,383,023
	163,562,877	48,256,267	14,443,951	16,783,673	27,777,274	19,944,610	9,913,416	11,244,925	7,125,833	8,072,928
Liabilities										
Bills payable	561,964	561,964	-	-	-	-	-	-	-	-
Borrowings	969,349	-	-	969,349	-	-	-	-	-	-
Deposits and other accounts	26,701,911	26,232,049	69,109	-	124,731	2,249	272,442	1,331	-	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,698,014	2,842,386	992,743	84,309	1,761,692	1,907,352	306,802	759,442	1,459,056	584,232
	38,931,238	29,636,399	1,061,852	1,053,658	1,886,423	1,909,601	579,244	760,773	1,459,056	584,232
Net assets	124,631,639	18,619,868	13,382,099	15,730,015	25,890,851	18,035,009	9,334,172	10,484,152	5,666,777	7,488,696
Share capital	12,522,441									
Reserves	4,590,135									
Unappropriated profit	14,553,175									
Surplus on revaluation of assets - net of tax	3,474,903									
Share deposit money	89,490,985									
	124,631,639									

41.4.2 Maturities of assets and liabilities - Based on contractual maturity of the assets and liabilities of the Bank

2013

	Total	Upto 1month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
..... Rupees in '000										
Assets										
Cash and balances with treasury banks	3,627,922	3,627,922	-	-	-	-	-	-	-	-
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
Lending to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
Investments - net	23,609,958	1,397,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	3,333,267
Advances - net	95,311,716	30,343,526	42,583	2,511,633	25,201,310	16,252,556	7,800,380	8,639,859	3,858,506	661,363
Other assets - net	11,790,826	2,752,106	520,228	591,162	1,561,129	851,859	730,094	1,321,290	1,768,522	1,694,436
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	1,347,307	-	-	-	367,574	-	-	-	-	979,733
	148,448,277	48,500,233	19,689,327	3,102,795	27,557,574	18,171,320	8,994,711	10,116,494	5,647,024	6,668,799
Liabilities										
Bills payable	706,265	706,265	-	-	-	-	-	-	-	-
Borrowings	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-
Deposits and other accounts	14,906,582	14,552,536	70,390	100,200	129,037	-	53,258	1,161	-	-
Sub-ordinated loan	3,204,323	-	-	-	3,204,323	-	-	-	-	-
Deferred tax liabilities - net	130,022	-	-	-	-	-	-	130,022	-	-
Other liabilities	41,842,923	687,329	358,218	1,317,940	34,612,423	317,940	224,286	591,142	1,037,125	2,696,520
Net assets	32,483,259	28,636,413	19,260,719	1,684,655	(61,645,422)	17,853,380	8,717,167	9,394,169	4,609,899	3,972,279
Share capital	12,522,441									
Reserves	3,506,658									
Unappropriated profit	13,597,945									
Surplus on revaluation of assets - net of tax	2,856,215									
	<u>32,483,259</u>									

41.5 Operational risk

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issue, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.
- With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 27 March 2015 by the Board of Directors of the Bank.

43 GENERAL

- 43.1** Comparative information has been re-classified or re-arranged in these consolidated financial statements for the purposes of better presentation. However, no significant reclassification has been made in these consolidated financial statements.
- 43.2** The figures in the consolidated financial statements are rounded off to the nearest thousand rupees.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

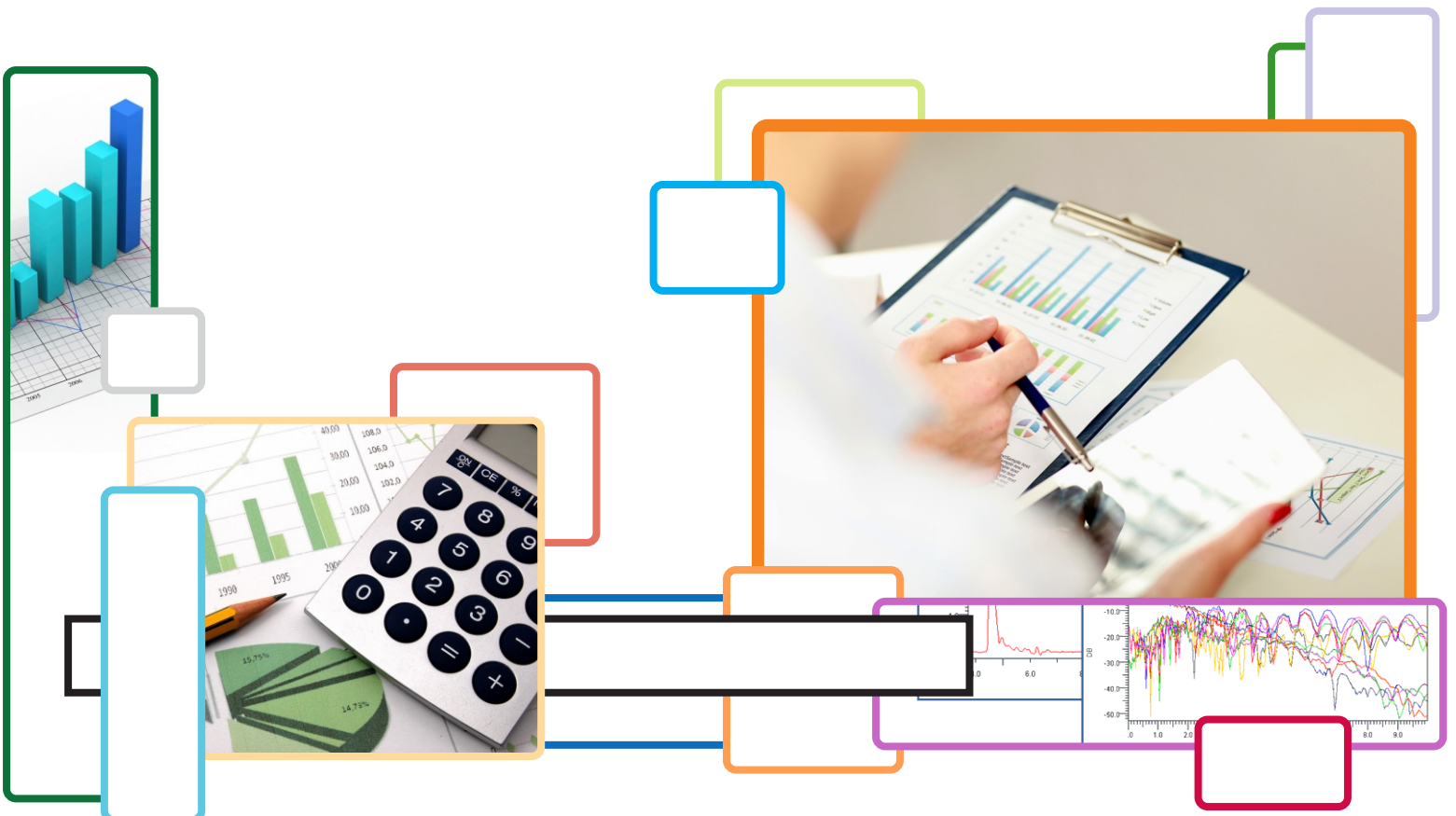
Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
13	VEHARI MST MUMTAZ MAI VILL SHATAB GARH, KARAMPUR, VEHARI	MST MUMTAZ MAI	36602-3141239-6	AHMED KHAN	0.931	0.140	-	1.071	0.931	0.140	-	1.071
	SAKINDAR HAYAT KHAN VILL. SHATAB GARH, KARAMPUR, VEHARI	SAKINDAR HAYAT KHAN	325 52 385629	AHMED KHAN							-	
14	MST. SAGHER MAI VILL DHALLOO, KARAMPUR, VEHARI	MST. SAGHER MAI	00325-6353834-2	M. MUMTAZ KHAN	0.726	0.027	-	0.754	0.726	0.027	-	0.754
15	MUHAMMAD SARDAR KHAN VILL DHALLOO, KARAMPUR, VEHARI	MUHAMMAD SARDAR KHAN	325-36-024786	ATTA MUHAMMAD KHAN	0.976	0.634	-	1.610	0.657	-	-	0.657
16	GOHAR ALI VILL GHARYALA, MAKHDOOM RASHID, MULTAN	GOHAR ALI	32304-7008328-6	HABIB AHMED	3.022	1.179	-	4.201	2.583	-	-	2.583
17	MUHAMMAD SADIQ DEH DAM, HUB CHOWKI, KARACHI	MUHAMMAD SADIQ	51507-7447859-3	MUHAMMAD HASSAN	0.095	0.950	-	1.046	0.095	0.800	-	0.896
18	AMIR SAEED ALI KHAN DEH KHOORO, BADIN, HYDERABAD	AMIR SAEED ALI KHAN	00344-2103533-8	ALTAFA ALI KHAN	0.135	1.702	-	1.837	0.135	1.702	-	1.837
	AHMED DEH KHOROO, BADIN HYDERABAD	AHMED	42201-6288325-5	MUHAMMAD ZIA								
	ABDUL SATTAR DEH KHOROO, BADIN, HYDERABAD	ABDUL SATTAR	270-50-169808	SAADAT ALI KHAN								
19	MUHAMMAD AZHAR UNIT NO 3 LATIFABAD HYDERABAD	MUHAMMAD AZHAR	41308-8923326-3	RASOOL BUX BALUCH	0.000	6.192	-	6.193	0.000	3.044	-	3.044
20	MUHAMMAD ASHRAF DEH RIP, GOLARCHI, HYDERABAD	MUHAMMAD ASHRAF	459-53-076719	MUHAMMAD RAHIM	0.114	1.080	-	1.193	0.114	1.076	-	1.189
21	SHAMASUDDIN DEH GHARO, K N SHAH, LARKANA	SHAMASUDDIN	46408-7014877-0	MOHAMMD RAMZAN	0.387	0.289	-	0.676	0.387	0.289	-	0.676
22	MIRAL KHAN DEH JAGIRABAD, KANDHKOT, LARKANA	MIRAL KHAN	00404-8800869-8	ABDULLAH KHAN	0.081	0.825	-	0.906	0.081	0.695	-	0.776
23	MUHAMMAD ISMAIL DEH UDDI TAL THUL, LARKANA	MUHAMMAD ISMAIL	00404-3004971-6	MITHO KHAN	0.079	0.509	-	0.589	0.079	0.507	-	0.586
24	NAZIMUDDIN	NAZIMUDDIN	00427-4905462-6	SHAHABUDDIN	0.084	0.816	-	0.899	0.084	0.632	-	0.715

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
	R/O BHADUR BHAND TALKA MIROKHA											
25	KAMAL KHAN DEH GHARI P.O.SOHBAT PUR	KAMAL KHAN	607-40-008751	MITHA KHAN	0.086	0.878	-	0.964	0.086	0.853	-	0.939
26	SALEEM DAD KHAN VILL ARAZI NOUSHER, BASIRPUR, OKARA	SALEEM DAD KHAN	273-62-126720	JAMIL DAD KHAN	0.595	0.280	-	0.875	0.595	0.264	-	0.859
27	YASMIN BEGUM VILL. HASSAN SHAH, TEHSIL KARAMPUR, SAHIWAL	YASMIN BEGUM	325-89-158574	RIAZ HUSSAIN	0.770	0.961	-	1.731	0.770	0.116	-	0.886
28	MST. NOOR SAIN VILL SHER GARH, KARAMPUR, SAHIWAL	MST. NOOR SAIN	325-31-295873	NOOR MUHAMMAD	0.775	0.937	-	1.712	0.775	0.099	-	0.874
29	SULTAN BIBI VILL ZARKOT, KARAMPUR, SAHIWAL	SULTAN BIBI	325-75-120735	MIAN SHAH SAWAR	0.500	0.018	-	0.518	0.500	0.018	-	0.518
30	MUHAMMAD ANWAR VILL 57 EB, ARIFWALA, SAHIWAL	MUHAMMAD ANWAR	338-86-270599	CHIRAGH HASSAN	0.804	1.230	-	2.034	0.804	0.334	-	1.138
31	MST. GHERO BIBI VILL MATIAL P O GUJER KHAN	MST. GHERO BIBI	217-00-105528	RANG BAZ KHAN	0.300	0.255	-	0.555	0.300	0.255	-	0.555
32	JUMMA MOUZA PI9RKUS, TEHSIL HUB CHOWKI, KARACHI	JUMMA	641-38-064941	MUBARAK	0.372	0.560	-	0.932	0.372	0.188	-	0.560
33	AL SYED DAIRY FARM VILL JERO RATIAL, GUJER KHAN	SYED ZOUQ ALI SHAH	217-49-223755	SYED FEROZ SHAH	1.875	4.044	-	5.919	1.875	1.107	-	2.982
34	MST. RABIA VILL DHOODA, MAILSI VEHARI	SYED FEROZ SHAH MST. RABIA	217-26-202208 325-37-371136	SYED MUHAMMAD SHAH MEHFOOZ ALI	0.313	0.275	-	0.588	0.313	0.265	-	0.578
35	PARVEEN MAI VILL FADDA, MAILSI, VEHARI	PARVEEN MAI	36325-64533948	MUHAMMAD NAWAZ KHAN	0.865	0.812	-	1.677	0.627	-	-	0.627
	MUHAMMAD JAMIL VILL FADDA, MAILSI, VEHARI	MUHAMMAD JAMIL	325-90-234698	FATEH MUHAMMAD								
36	MUHAMMAD ISMAIL KHAN VILL FADDA, MAILSI, VEHARI	MUHAMMAD ISMAIL KHAN	325-60-356466	AHMED YAR	0.603	0.526	-	1.129	0.603	0.026	-	0.629
37	MEHFOOZ ALI VILL FADDA, MAILSI, VEHARI	MEHFOOZ ALI	325-95-39371138	FAJJAR DIN	0.815	0.054	-	0.869	0.813	0.040	-	0.853
38	MUHAMMAD AKMAL KHAN VILL HASSAN SHAH, KARAMPUR,VEHARI	MUHAMMAD AKMAL KHAN	325-89-440640	MUHAMMAD ZAFAR KHAN	0.950	0.567	-	1.517	0.588	0.063	-	0.651
39	MUHAMMAD HAYAT KOHISTAN 7/1, VILL	MUHAMMAD HAYAT	451-38-018449	MIAN DAD	0.100	0.907	-	1.007	0.100	0.884	-	0.984

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in million												
40	BOTA MAKAN THATTA JAMAL UD DIN KOHISTAN 7/1, VILL BOTA MAKAN THATTA	JAMAL UD DIN	49192-99133177	MUHAMMAD FAZIL	0.095	0.666	-	0.761	0.095	0.662	-	0.757
41	JAMAL UD DIN KOHISTAN 7/1, VILL BOTA MAKAN THATTA	JAMAL UD DIN	49192-99133177	MUHAMMAD FAZIL	0.064	0.485	-	0.549	0.064	0.485	-	0.549
42	MUHAMMAD UMMER VILL BOOCHKI, TANDO JAM, HYDERABAD	MUHAMMAD UMMER	0045-142844861	JAN MUHAMMAD	0.023	0.633	-	0.656	0.023	0.608	-	0.631
43	LAL KHAN VILL 6 CHAK SUHELO, NAWABSHAH	LAL KHAN	431-16-149703	SAEED KHAN	0.084	0.993	-	1.077	0.084	0.909	-	0.993
44	PIRAL KHAN VILL DEHRAN, QAZI AHMED TOWN, NAWABSHAH	PIRAL KHAN	435-41-093090	SHAKAL KHAN	0.287	0.229	-	0.516	0.287	0.229	-	0.516
45	HABIBULLAH VILL THERHI TALUKA, KHAIRPUR	HABIBULLAH	439-36-036452	MUHAMMAD SALEH	0.077	1.001	-	1.078	0.077	0.918	-	0.995
46	NASAR ULLAH VILL PIRJAN KHAN, KANDHKOT, LARAKANA	NASAR ULLAH	403-37-131370	PIR JAN KHAN	0.099	0.820	-	0.919	0.099	0.743	-	0.842
47	NAZAR MUHAMMAD HYDERPUR P O BAHOO KHOSO, THUL	NAZAR MUHAMMAD	404-47-004543	SARDAR KHAN	0.081	0.751	-	0.832	0.081	0.629	-	0.710
48	GHULAM HUSSAIN DEH HYDERPUR P O BAHOO KHOSO THUL	GHULAM HUSSAIN	40495-89148854	ARZ MUHAMMAD	0.092	0.689	-	0.781	0.092	0.584	-	0.676
49	KARAM KHAN VILL SOOPHEE KILLI, DUKI, QUETTA	KARAM KHAN	56301-10772443	MUHAMMAD	0.186	1.184	-	1.370	0.186	0.998	-	1.184
50	SHER JAN DOULATABAD TEHSIL KIRDGAP, MASTUNG	SHER JAN	54102-15663163	HAJI DAULAT KHAN	0.460	0.325	-	0.785	0.460	0.189	-	0.649
51	ABDUL WAHID TURBAT TEH, TURBAT KECHI	ABDUL WAHID	632-89-030292	M A SALAM	0.218	0.736	-	0.954	0.218	0.681	-	0.899
					26.351	43.018	-	69.369	22.248	25.322	-	47.571



Statistical ANNEX



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SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

Sr. No.	DESCRIPTION	2010	2011	2012	2013	2014
	<u>DURING THE YEAR</u>					
1	AGRICULTURAL CREDIT DISBURSED	69,561	65,452	64,133	71,107	81,934
2	LOANS TO SUBSISTENCE FARMERS	47,135	44,606	45,207	51,858	61,321
3	2 AS %AGE OF 1	1	1	1	1	1
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	61,174	58,066	57,617	64,575	75,300
5	4 AS %AGE OF 1	1	1	1	1	1
6	FINANCING OF TRACTORS					
	- NUMBER	13,321	908	7,296	9,212	10,554
	- AMOUNT	6,270	431	3,594	5,977	7,489
7	6 AS %AGE OF 1	0	0	0	0	0
8	AGRI. CREDIT RECOVERY	71,936	72,422	67,376	72,636	78,721
9	CUMMULATIVE RECOVERY (%)	1	1	1	1	1
10	TOTAL INCOME	13,248	12,581	15,737	17,856	16,114
11	TOTAL EXPENDITURE	10,370	9,302	11,848	7,746	7,787
12	PROFIT BEFORE TAXATION	2,879	3,277	3,889	5,167	8,327
	<u>AT THE END OF THE YEAR</u>					
1	TOTAL ASSETS	117,586	122,468	131,859	148,448	163,563
2	LOAN PORTFOLIO (NET)	84,793	84,744	88,060	95,312	108,554
3	NUMBER OF ZONAL OFFICES	27	31	31	31	32
4	NUMBER OF BRANCHES	355	359	359	379	416
5	NUMBER OF MCO's	1,362	1,277	1,313	1,308	1,271
6	NUMBER OF REGULAR EMPLOYEES	5,494	5,789	5,724	5,599	5,777

LOANS DISBURSED SINCE INCEPTION: AREA-WISE UPTO 31.12.2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	763,883.676	77.8
2	SINDH	145,567.747	14.8
3	KHYBER PAKHTUN KHWA	55,098.712	5.6
4	BALUCHISTAN	9,960.057	1.0
5	AZAD KASHMIR	3,849.224	0.4
6	GILGIT/BALTISTAN	3,577.756	0.4
	TOTAL	981,937.172	100.0

LOANS DISBURSED : AREA-WISE DURING 01-01-2014 TO 31-12-2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	348,856.000	66,119.011	80.7
2	SINDH	41,377.000	11,294.875	13.8
3	KHYBER PAKHTUN KHWA	17,321.000	3,726.698	4.5
4	BALUCHISTAN	755.000	216.860	0.3
5	AZAD KASHMIR	4,481.000	276.860	0.3
6	GILGIT/BALTISTAN	1,568.000	299.443	0.4
	TOTAL	414,358.000	81,933.747	100.0

TERM-WISE COMPOSITION OF LOANS DISBURSED DURING 01-01-2014 TO 31-12-2014

(RUPEES MILLION)

Sr. No.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	303,843	49,514.564	28,424	7,981.532	16,589	8,622.915	348,856	66,119.011
2	SINDH	36,978	10,104.572	3,638	853.960	761	336.343	41,377	11,294.875
3	KHYBER PAKHTUN KHWA	13,632	3,130.112	3,244	444.046	445	152.540	17,321	3,726.698
4	BALUCHISTAN	662	177.715	46	10.382	47	28.763	755	216.860
5	AZAD KASHMIR	3,837	195.882	623	66.076	21	14.902	4,481	276.860
6	GILGIT/BALTISTAN	570	162.784	985	127.970	13	8.689	1,568	299.443
	TOTAL	359,522	63,285.629	36,960	9,483.966	17,876	9,164.152	414,358	81,933.747

**LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2014 TO 31.12.2014**

(RUPEES MILLION)

Sr. No.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	409,412.000	81,219.481	99.1
2	HYPOTHECATION LOANS	324.000	93.860	0.1
3	PERSONAL SURETY LOANS	3,217.000	102.524	0.1
4	OTHER SECURITY	1,405.000	517.882	0.7
	TOTAL	414,358.000	81,933.747	100.0

**ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2014**

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSED	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since Inception upto 31-12-2003	299,868.874	450,648.000	73,726.696	132,613.000	12,630.003
2004	33,714.580	7,848.000	1,952.655	4,369.000	845.424
2005	39,356.053	10,807.000	2,893.575	3,895.000	703.891
2006	52,520.505	9,052.000	2,512.927	1,918.000	292.898
2007	55,912.018	10,275.000	3,478.103	1,218.000	178.114
2008	70,698.335	16,143.000	5,741.191	1,941.000	340.850
2009	77,680.431	24,596.000	9,994.861	1,917.000	360.733
2010	69,561.375	13,321.000	6,269.645	1,839.000	397.014
2011	65,451.788	908.000	431.248	1,745.000	476.253
2012	64,132.759	7,296.000	3,594.398	2,051.000	524.817
2013	71,106.707	9,212.000	5,976.749	1,522.000	575.109
2014	81,933.747	10,554.000	7,489.295	1,569.000	608.154
TOTAL	981,937.172	570,660.000	124,061.343	156,597.000	17,933.260

**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
I. DEVELOPMENT LOANS	54,836.000	18,648.118	22.8
1. TRACTORS	12,542.000	7,489.295	9.1
2. DAIRY FARMING	25,772.000	7,240.714	8.8
3. FARM EQUIPMENT	1,945.000	455.148	0.6
4. TUBEWELLS	1,625.000	608.154	0.8
5. LIVESTOCK	8,645.000	1,936.593	2.4
6. POULTRY FARMING	28.000	4.586	-
7. ORCHARDS	316.000	61.261	0.1
8. LAND DEVELOPMENT	532.000	68.314	0.1
9. FISHERIES	6.000	1.970	-
10. FARM TRANSPORTATION	3.000	0.220	-
11. GODOWN/ COLD STORAGE	1,396.000	501.612	0.6
12. OTHERS	2,026.000	280.251	0.3
II. PRODUCTION LOANS	359,522.000	63,285.629	77.2
1. FERTILIZER	172,571.000	30,377.102	37.1
2. PESTICIDES	68,309.000	12,024.270	14.7
3. SEEDS	100,666.000	17,719.976	21.6
4. LABOUR HIRE/ OTHER CHARGES	6.000	0.490	-
5. WORKING CAPITAL FOR POULTRY	4,533.000	818.724	1.0
6. WORKING CAPITAL FOR DAIRY	7,277.000	1,721.652	2.1
7. WORKING CAPITAL FOR LIVESTOCK	18.000	2.751	-
8. WORKING CAPITAL FOR FISHERIES	83.000	10.937	-
9. OTHERS	6,059.000	609.727	0.7
TOTAL:-	414,358.000	81,933.747	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25,000/-	9,349.000	2.300	190.367	0.2
RS.25,001 TO 50,000/-	40,250.000	9.700	1,584.218	1.9
RS.50,001 TO 100,000/-	99,088.000	23.900	7,668.141	9.4
RS.100,001 TO 200,000/-	117,384.000	28.300	16,642.531	20.3
RS.200,001 TO 500,000/-	120,162.000	29.000	37,926.276	46.3
RS.500,001 TO 1,000,000/-	27,679.000	6.700	17,245.876	21.1
OVER 1,000,000/-	446.000	0.100	676.338	0.8
TOTAL	414,358.000	100.000	81,933.747	100.0

**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING
DURING 01-01-2014 TO 31-12-2014**

(RUPEES MILLION)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	83	0.0	6.696	0.0
B. OWNERS				
UNDER 5.1 HECTARES (UNDER 12.5 ACRES)	346,882	83.7	59,611.364	72.8
5.1 TO UNDER 6.5 HECTARES (12.5 TO UNDER 16 ACRES)	23,442	5.7	6,914.090	8.4
6.5 TO UNDER 10.1 HECTARES (16 TO UNDER 25 ACRES)	25,171	6.1	8,767.928	10.7
10.1 TO UNDER 13 HECTARES (25 TO UNDER 32 ACRES)	6,584	1.6	2,421.312	3.0
13 TO UNDER 20.2 HECTARES (32 TO UNDER 50 ACRES)	6,843	1.6	2,471.319	3.0
20.2 TO UNDER 26 HECTARES (50 TO UNDER 64 ACRES)	2,042	0.5	674.362	0.8
26 HECTARES & ABOVE (64 ACRES & ABOVE)	3,311	0.8	1,066.676	1.3
TOTAL	414,358	100.0	81,933.747	100.0

RECOVERY POSITION DURING 01-01-2014 TO 31-12-2014

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	68,566.625	63,591.135	92.7
2	SINDH	12,014.176	10,389.047	86.5
3	KHYBER PAKHTUN KHWA	4,459.852	4,034.894	90.5
4	BALUCHISTAN	239.898	182.691	76.2
5	AZAD KASHMIR	285.841	283.040	99.0
6	GILGIT/BALTISTAN	272.690	240.324	88.1
	TOTAL	85,839.082	78,721.131	91.7

**CUMMULATIVE RECOVERY SINCE INCEPTION
UPTO 31.12.2014**

(RUPEES MILLION)

Sr. No.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2014	RECOVERY RATE (%)
1	PUNJAB	779,309.589	774,334.099	4,975.490	99.4
2	SINDH	142,580.623	140,955.494	1,625.129	98.9
3	KHYBER PAKHTUN KHWA	57,329.859	56,904.901	424.958	99.3
4	BALUCHISTAN	7,564.014	7,506.806	57.208	99.2
5	AZAD KASHMIR	3,605.177	3,602.377	2.800	99.9
6	GILGIT/BALISTAN	3,287.764	3,255.398	32.366	99.0
	TOTAL	993,677.026	986,559.075	7,117.951	99.3

**STAFF POSITION
(REGULAR EMPLOYEES)**

(NUMBERS)

YEAR	OFFICERS	STAFF	TOTAL	M.C.O's.
CY' 2003	3,711	2,027	5,738	1,363
CY' 2004	3,657	1,934	5,591	1,328
CY' 2005	3,609	1,934	5,543	1,311
CY' 2006	3,485	1,841	5,326	1,258
CY' 2007	3,629	1,704	5,333	1,269
CY' 2008	3,651	1,635	5,286	1,243
CY' 2009	3,709	1,565	5,274	1,212
CY' 2010	3,930	1,564	5,494	1,362
CY' 2011	4,145	1,644	5,789	1,277
CY' 2012	4,095	1,629	5,724	1,313
CY' 2013	4,218	1,381	5,599	1,308
CY' 2014	4,581	1,196	5,777	1,271

NETWORK OF FIELD OFFICES AS ON 31.12.2014

(NUMBERS)

Sr. No.	PROVINCES / AREAS	ZONAL	BRANCHES
1	PUNJAB	17	221
2	SINDH	6	89
3	KHYBER PAKHTUN KHWA	4	53
4	BALUCHISTAN	3	33
5	AZAD KASHMIR	1	11
6	GILGIT/BALTISTAN	1	9
	TOTAL	32	416

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