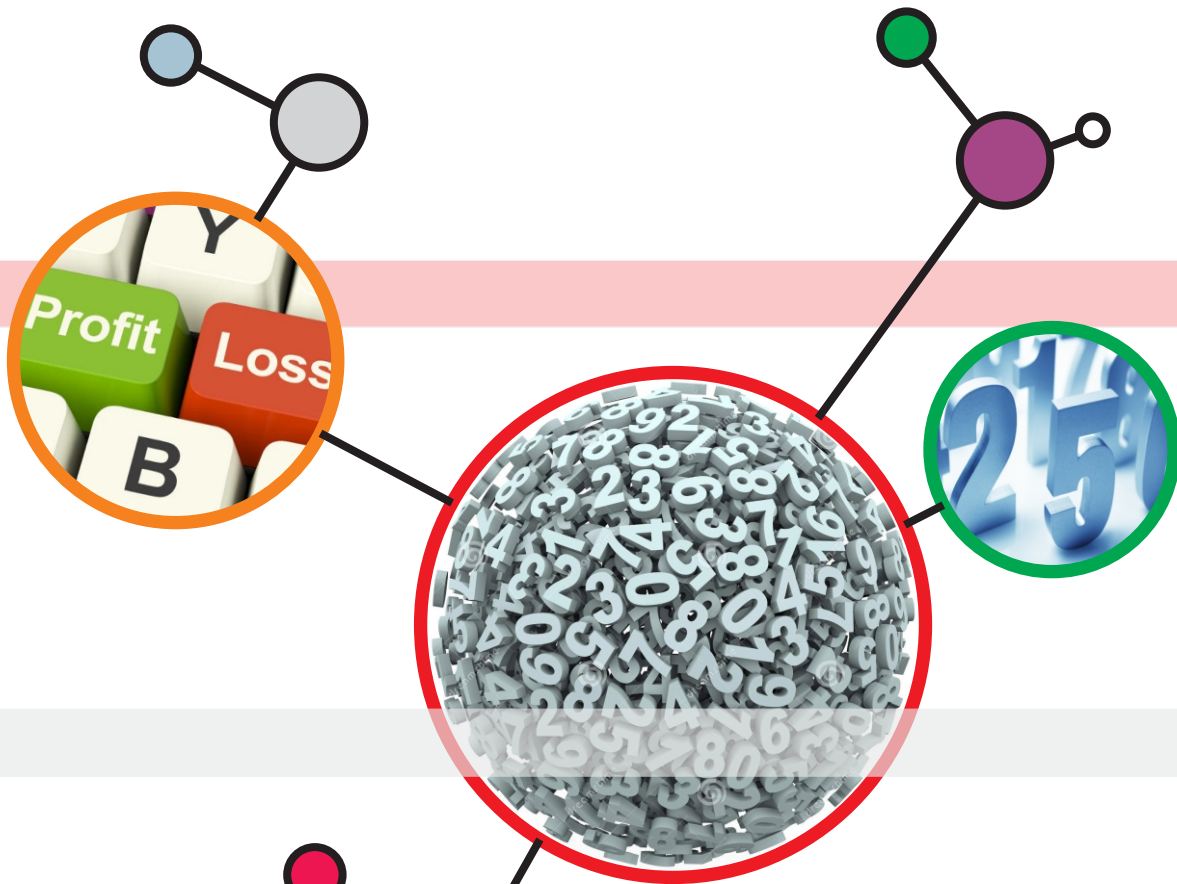




**ZTBL**



# Unconsolidated 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 unconsolidated statement of financial position of Zarai Taraqiati Bank Limited ("the Bank") as at 31 December 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred and thirty one branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Emphasis of matter

We draw attention to Note 16.5 to the 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**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2014**

	Note	2014	2013
<b>ASSETS</b>		..... Rupees in '000 .....	
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	5,982,441	9,113,832
Lendings to financial institutions	9	820,190	3,646,716
Investments - net	10	29,337,315	23,609,958
Advances - net	11	108,553,958	95,311,716
Operating fixed assets	12	1,581,077	1,347,307
Deferred tax assets - net	13	1,528,810	-
Other assets - net	14	11,656,953	11,790,826
		163,562,877	148,448,277
<b>LIABILITIES</b>			
Bills payable	15	561,964	706,265
Borrowings	16	969,349	55,174,903
Deposits and other accounts	17	26,701,911	14,906,582
Sub-ordinated loan	18	-	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	-	130,022
Other liabilities	19	10,698,014	41,842,923
		38,931,238	115,965,018
<b>NET ASSETS</b>		124,631,639	32,483,259
<b>REPRESENTED BY</b>			
Share capital	20	12,522,441	12,522,441
Reserves	21	4,590,135	3,506,658
Unappropriated profit		14,553,175	13,597,945
		31,665,751	29,627,044
Share deposit money	16.5	89,490,985	-
Surplus on revaluation of assets - net of tax	22	3,474,903	2,856,215
		124,631,639	32,483,259
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

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

\_\_\_\_\_  
 PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2014**

	Note	2014	2013
..... Rupees in '000 .....			
Mark-up / return / interest earned	24	15,495,473	12,943,416
Mark-up / return / interest expensed	25	2,399,949	3,892,880
Net mark-up / interest income		13,095,524	9,050,536
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		11,600,537	7,999,577
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		28,410	13,512
Dividend income		66,737	51,667
Income from trading in government securities		-	-
Income from dealing in foreign currencies		-	-
Gain on sale of securities		118,136	30,399
Unrealized gain on revaluation of investments classified as held for trading		-	-
Other income	26	4,299,889	4,816,973
Total non-mark-up / interest income		4,513,172	4,912,551
		16,113,709	12,912,128
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	27	7,786,170	7,708,726
(Reversal) / provision against other assets - net	14.6	(10,666)	36,394
Other charges	28	11,099	464
Total non mark-up / interest expenses		7,786,603	7,745,584
		8,327,106	5,166,544
<b>EXTRA ORDINARY / UNUSUAL ITEMS</b>			
		-	-
<b>PROFIT BEFORE TAXATION</b>			
		8,327,106	5,166,544
Taxation - Current year		2,973,440	1,799,026
- Prior years		4,245	62
- Deferred		(67,963)	(9,103)
	29	2,909,722	1,789,985
<b>PROFIT AFTER TAXATION</b>			
		5,417,384	3,376,559
Unappropriated profit brought forward		13,597,945	12,263,088
<b>Profit available for appropriation</b>		19,015,329	15,639,647
<b>Basic earnings per share (Rupees)</b>	30	<b>4.326</b>	<b>2.696</b>
<b>Diluted earnings per share (Rupees)</b>	31	<b>4.326</b>	<b>2.696</b>

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

\_\_\_\_\_  
 PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2014**

	2014	2013
	..... Rupees in '000 .....	
<b>PROFIT AFTER TAXATION FOR THE YEAR</b>	5,417,384	3,376,559
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
<b>Items that will not be reclassified to profit and loss account</b>		
Remeasurement of defined benefit plans	(5,197,964)	(2,102,139)
Deferred tax	1,819,287	735,749
	(3,378,677)	(1,366,390)
<b>Items that may be reclassified to profit and loss account</b>	-	-
<b>COMPREHENSIVE INCOME TRANSFERRED TO EQUITY</b>	2,038,707	2,010,169
<b>COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY</b>		
Net change in fair value of available for sale securities	847,107	1,174,811
Deferred tax	(228,419)	(117,480)
	618,688	1,057,331
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	2,657,395	3,067,500

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

\_\_\_\_\_  
 PRESIDENT / CHIEF EXECUTIVE

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 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014**

	Note	2014	2013
..... Rupees in '000 .....			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		8,327,106	5,166,544
Dividend income		(66,737)	(51,667)
		8,260,369	5,114,877
Adjustments for non-cash charges:			
Depreciation	12.2	212,411	138,363
Amortization	12.3	111	117
Amortization of deferred income	19.3	(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	(944,948)	(299,975)
Gain on sale of securities		(118,136)	(30,399)
Gain on sale of operating fixed assets	26	(55,283)	(14,873)
		1,203,067	1,344,692
(Increase) / decrease in operating assets:		9,463,436	6,459,569
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		(2,175,374)	(522,487)
		(14,086,077)	(11,430,017)
Increase / (decrease) in operating liabilities:			
Bills payable		(144,301)	412,241
Borrowings		(2,948,341)	3,882,746
Deposits and other accounts		11,795,329	3,809,626
Other liabilities		1,327,414	4,116,447
		10,030,101	12,221,060
Employees' benefits paid		(412,800)	(249,383)
Income tax paid		(2,564,283)	(983,513)
		2,430,377	6,017,716
Net cash generated from operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(14,550,984)	(1,849,223)
Net investments in held to maturity securities		9,788,870	(3,712,490)
Dividend income		66,737	51,667
Investments in operating fixed assets		(462,944)	(311,021)
Sale proceeds of property and equipment disposed off		70,764	20,038
		(5,087,557)	(5,801,029)
Net cash used in investing activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (decrease) / increase in cash and cash equivalents		(2,657,180)	216,687
Cash and cash equivalents at beginning of the year		12,741,754	12,525,067
Cash and cash equivalents at end of the year	32	10,084,574	12,741,754

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

 \_\_\_\_\_  
 PRESIDENT / CHIEF EXECUTIVE

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 DIRECTOR

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 DIRECTOR

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 DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2014**

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
					Rupees in '000 .....
<b>Balance as at 31 December 2012 - restated</b>	12,522,441	2,771,346	60,000	12,263,088	27,616,875
Profit after taxation for the year ended 31 December 2013	-	-	-	3,376,559	3,376,559
Other comprehensive loss for the year ended 31 December 2013	-	-	-	(1,366,390)	(1,366,390)
Total comprehensive income for the year ended 31 December 2013	-	-	-	2,010,169	2,010,169
Transferred to statutory reserve	-	675,312	-	(675,312)	-
<b>Balance as at 31 December 2013</b>	12,522,441	3,446,658	60,000	13,597,945	29,627,044
Profit after taxation for the year ended 31 December 2014	-	-	-	5,417,384	5,417,384
Other comprehensive loss for the year ended 31 December 2014	-	-	-	(3,378,677)	(3,378,677)
Total comprehensive income for the year ended 31 December 2014	-	-	-	2,038,707	2,038,707
Transferred to statutory reserve	-	1,083,477	-	(1,083,477)	-
<b>Balance as at 31 December 2014</b>	12,522,441	4,530,135	60,000	14,553,175	31,665,751

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

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2014

#### 1. STATUS AND NATURE OF BUSINESS

##### 1.1 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.

##### 1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqiati Bank Limited ("the Bank") 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 Taraqiati 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.

##### 1.3 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.

#### 2. BASIS OF PRESENTATION

These financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary are being issued separately.

#### 3. STATEMENT OF COMPLIANCE

3.1 These 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 these 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 Bank's 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 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 Bank's operations and therefore are not detailed in the 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:

	<b>Effective date (accounting periods beginning on or after)</b>
-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 Bank's 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 Bank's operations and are therefore not detailed in these financial statements.

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

#### 4 BASIS OF MEASUREMENT

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

#### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of 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 Bank'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 Bank'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 6.4, 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 the 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 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 '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 Bank evaluates among other factors, the normal volatility in share price.

### Impairment of investments in subsidiary and associates

The Bank considers that a decline in the recoverable value of investment in subsidiary and 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 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 profit and loss account.

## 5.6 Taxation

In making the estimates for income tax currently payable by the Bank, 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 Bank's future taxable profits are taken into account.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 6.1 Staff retirement benefits

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'.

### 6.2 Cash and cash equivalents

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

### 6.3 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.

### 6.4 Investments

The Bank 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 Bank has the positive intent and ability to hold till maturity.

#### Available-for-sale

These are investments, other than those in subsidiary and associates, 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 Bank 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', 'investment in subsidiary' and 'investments in associates' 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 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.

### 6.5 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 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

#### 6.6 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 Bank. The useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

#### 6.7 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 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.

#### 6.8 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.

#### 6.9 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 rebates 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 Bank 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.

#### 6.10 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.

#### 6.11 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.

#### 6.12 Revenue recognition

- 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 Bank'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.

#### 6.13 Provisions

Provisions are recognized when the Bank 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.

#### 6.14 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.

#### 6.15 Financial assets and financial liabilities

Financial instruments carried in the statement of financial position include cash and balances with treasury banks, balances with other banks, investments (excluding investment in associates and subsidiary), 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 Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Bank 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.

#### 6.16 Offsetting

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

#### 6.17 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.

#### 6.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no convertible dilutive potential ordinary shares in issue as at 31 December 2014.

#### 6.19 Segment reporting

The Bank is engaged in providing agri-financing and operates only in Pakistan.

	Note	2014	2013
Rupees in '000			
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>Local currency</b>			
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.

	Note	2014	2013
Rupees in '000			
<b>8 BALANCES WITH OTHER BANKS</b>			
In Pakistan - local currency:			
In current accounts		35,036	21,373
In deposit accounts	8.1	5,947,405	9,092,459
		5,982,441	9,113,832

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 .....							
<b>Available-for-sale securities</b>							
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
		19,332,450	969,349	20,301,799	1,834,325	3,916,490	5,750,815
<b>Held-to-maturity securities</b>							
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
<b>Subsidiary company (unlisted)</b>							
Kissan Support Services (Private) Limited	10.10	100,000	-	100,000	100,000	-	100,000
<b>Investments at cost</b>		24,358,545	969,349	25,327,894	16,531,154	3,916,490	20,447,644
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
<b>Investments (net of provisions)</b>		24,347,287	969,349	25,316,636	16,519,896	3,916,490	20,436,386
Surplus on revaluation of available-for-sale securities - net	22	4,019,978	701	4,020,679	3,154,720	18,852	3,173,572
<b>Investments at revalued amounts (net of provisions)</b>		28,367,265	970,050	29,337,315	19,674,616	3,935,342	23,609,958



10.2	Investments by segments	Note	2014	2013
			Rupees in '000	
	<b>Federal Government Securities:</b>			
	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
	<b>Fully paid-up ordinary shares:</b>			
	Listed companies	10.4	90,031	90,031
	Un-listed companies	10.5	10,523	10,523
			100,554	100,554
	<b>Other investments</b>			
	Term Finance Certificates	10.9	39,976	19,996
	<b>Investment in related party</b>			
	Subsidiary company (unlisted)	10.10	100,000	100,000
	<b>Total investments at cost</b>		25,327,894	20,447,644
	Provision for diminution in value of investments	10.3	(11,258)	(11,258)
	<b>Investments (net of provisions)</b>		25,316,636	20,436,386
	Surplus on revaluation of available-for-sale securities	22	4,020,679	3,173,572
	<b>Total investments at carrying value</b>		29,337,315	23,609,958
10.3	<b>Particulars of provision for diminution in value of investments</b>			
	Opening balance		11,258	11,258
	Charge for the year		-	-
	Closing balance		11,258	11,258
10.3.1	<b>Particulars of provision in respect of type and segment</b>			
	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			2014	2013
	Number of ordinary shares	Paid up value/share	Name		
	2014	2013	Rupees	Rupees in '000	
	430,551	430,551	10	Nestle Pakistan Limited	89,296
	450,000	450,000	10	Uqab Breeding Farm Limited (Note 10.4.1)	585
	150,000	150,000	10	Mubarik Dairies Limited (Note 10.4.2)	150
	300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 10.4.3)	-
					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 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 on final settlement. This investment has been fully provided for in these 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 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 Rupees	Based on audited financial statements for the year ended	Name of chief executive/ managing director	
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 (Note 10.5.2 & 10.5.4)	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 financial statements.
- 10.5.2** Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment 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 sale	Unrated	July 2016 to July 2017	On maturity	10.13 to 12.52	at maturity
Pakistan Investment Bonds - held to maturity	Unrated	July 2015 to Aug 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 investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA-	February 2021	On maturity	11.41 to 11.43	at maturity

**10.10 Particulars of investment in subsidiary company (un-listed)**

Name of investee	Note	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Chief executive
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Kissan Support Services (Private) Limited (KSSL) (Ordinary shares)	10.10.1	100%	10,000,000	Rupees 28.776	31 December 2014	Brig. (R) Khalid Rafique
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- 10.10.1** KSSL is a wholly owned subsidiary of the Bank and was incorporated in Pakistan as a private limited company on 19 September 2005. KSSL provides multiple services to the Bank including security and janitorial services.

**10.11 Quality of Available-for-Sale securities**

	2014		2013	
	Market value	Credit rating	Market value	Credit rating
	Rupees in '000		Rupees in '000	
<b>Shares in listed companies</b>				
Nestle Pakistan Limited	3,918,014	Unrated	3,250,660	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	3,918,014		3,250,660	
<b>Pakistan Investment Bonds</b>	4,362,582	Unrated	-	
<b>Market Treasury Bills</b>	16,165,413	Unrated	5,629,883	Unrated
<b>Sukuk Bonds</b>	20,106	Unrated	20,106	Unrated
<b>Term Finance Certificates</b>	39,692	AA-	20,431	AA/A1+
	<u>24,505,807</u>		<u>8,921,080</u>	

11	ADVANCES - NET	Note	2014	2013
			Rupees in '000	
	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)
			(6,941,808)	(6,912,813)
	Advances - net of provision		108,553,958	95,311,716
<b>11.1</b>	<b>Particulars of advances (gross)</b>			
11.1.1	In local currency		115,495,766	102,224,529
11.1.2	Short term		66,699,624	58,935,133
	Long term		48,796,142	43,289,396
			115,495,766	102,224,529

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	-	-	-	-	-	-
Amounts charged off	(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			
<b>11.4 Particulars of write offs</b>			
<b>11.4.1</b> Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
<b>11.5 Particulars of charged offs</b>			
<b>11.5.1</b> Against provisions		1,352,329	1,312,252
<b>11.5.2</b> 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
<b>12 OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	213,711	399,850
Property and equipment	12.2	1,367,263	947,246
Intangible assets	12.3	103	211
		1,581,077	1,347,307
<b>12.1 Capital work-in-progress</b>			
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	COST				ACCUMULATED 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	Book value at 31 December 2014	Annual rate of Depreciation
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	118,059	3,442	-	121,501	239,058	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	5,299	796	-	6,095	15,129	5%
Furniture and fixtures	138,697	48,339	(5,506)	181,530	54,084	13,752	(4,841)	62,995	118,535	10%/20%
Computer, office and other equipment	282,839	222,499	(5,124)	500,214	203,710	67,066	(5,021)	265,755	234,459	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	917,478	188,923	(95,568)	1,010,833	705,768	122,107	(80,855)	747,020	263,813	20%
<b>2014</b>	<b>2,260,480</b>	<b>647,909</b>	<b>(106,198)</b>	<b>2,802,191</b>	<b>1,313,234</b>	<b>212,411</b>	<b>(90,717)</b>	<b>1,434,928</b>	<b>1,367,263</b>	

Description	COST				ACCUMULATED 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	Book value at 31 December 2013	Annual rate of Depreciation
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	-	118,059	237,518	5%
Buildings on leasehold land - ADB	21,224	-	-	21,224	4,461	838	-	5,299	15,925	5%
Furniture and fixtures	110,598	30,912	(2,813)	138,697	47,381	9,399	(2,696)	54,084	84,613	10%/20%
Computer, office and other equipment	257,512	30,350	(5,023)	282,839	182,775	25,934	(4,999)	203,710	79,129	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	839,849	112,037	(34,408)	917,478	642,825	92,327	(29,384)	705,768	211,710	20%
<b>2013</b>	<b>2,119,178</b>	<b>183,546</b>	<b>(42,244)</b>	<b>2,260,480</b>	<b>1,211,949</b>	<b>138,363</b>	<b>(37,079)</b>	<b>1,313,234</b>	<b>947,246</b>	

**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 .....							
<b>Vehicles</b>							
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	96,070	85,928	10,142	65,422			
	106,198	90,717	15,481	70,764			

2014                      2013  
Rupees in '000

12.2.2 Carrying amount of temporarily idle property 74,971      74,996

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	COST			ACCUMULATED AMORTIZATION			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%
<b>2014</b>	<b>81,656</b>	<b>3</b>	<b>81,659</b>	<b>81,445</b>	<b>111</b>	<b>81,556</b>	<b>103</b>	

Description	COST			ACCUMULATED AMORTIZATION			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%
<b>2013</b>	<b>81,656</b>	<b>-</b>	<b>81,656</b>	<b>81,328</b>	<b>117</b>	<b>81,445</b>	<b>211</b>	

	Note	2014	2013
<b>13 DEFERRED TAX ASSETS / (LIABILITIES) - NET</b>			
Rupees in '000			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
<b>Taxable temporary differences on:</b>			
Accelerated tax depreciation		(49,786)	(38,521)
Defined benefit plans		-	(351,793)
Surplus on revaluation of assets	22	(545,776)	(317,358)
		<u>(595,562)</u>	<u>(707,672)</u>
<b>Deductible temporary differences on:</b>			
Defined benefit plans		1,467,494	-
Provision against non-performing loans and advances		656,878	577,650
		<u>1,528,810</u>	<u>(130,022)</u>
<b>14 OTHER ASSETS - NET</b>			
Income / mark-up accrued on deposits in local currency		4,367	41,538
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		24,009	16,389
Security deposits		2,776	2,472
Advances and other prepayments		604,124	307,425
Others		445,139	84,245
		<u>12,402,542</u>	<u>12,547,081</u>
Provision held against other assets	14.6	(745,589)	(756,255)
Other assets - net of provisions		<u>11,656,953</u>	<u>11,790,826</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 satisfacton of claims is Rupees 638.346 million (2013: Rupees 667.784 million).

	Note	2014	2013
<b>14.5 Receivable from defined benefit plans</b>			
Rupees in '000			

Pension scheme

Gratuity scheme - Staff Regulations 1975	35.1.5	822,242	3,310,851
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Gratuity scheme - SR - 2005	35.4.1.5	1,939,307	1,741,282
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	35.4.2.5	-	41,048
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	14.5.1	<u>2,761,549</u>	<u>5,093,181</u>
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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
<b>14.6 Provision held against other assets</b>		<b>Rupees in '000</b>	
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		745,589	756,255
	Note	2014	2013
		<b>Rupees in '000</b>	
<b>15 BILLS PAYABLE</b>			
- In Pakistan		561,964	706,265
<b>16 BORROWINGS</b>			
- In Pakistan	16.1	969,349	55,174,903
<b>16.1 Particulars of borrowings with respect to currencies</b>			
- In local currency	16.2	969,349	55,174,903
<b>16.2 Details of borrowings from financial institutions - secured</b>			
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
		969,349	55,174,903
<b>16.3</b>	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).		
<b>16.4</b>	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.		
<b>16.5</b>	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 Presedential 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.		
<b>16.6</b>	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	
<b>17</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers - local currency</b>		
	Fixed deposits	496,081	378,583
	Saving deposits	17.1	13,768,046
	Current accounts - remunerative	80,182	83,188
	Current accounts - non-remunerative	17.2	12,330,319
	Unclaimed deposits	27,283	28,080
		<u>26,701,911</u>	<u>14,906,582</u>

17.1 This includes Rupees 6.199 million (2013: Rupees 8.144 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 62.993 million (2013: Rupees 66.533 million) as deposit of employees' benefit funds.

17.2 This includes Rupees 1.384 million (2013: Rupees 0.544 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and 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	
<b>19</b>	<b>OTHER LIABILITIES</b>		
	Mark-up / return / interest payable in local currency	777	33,411,693
	Accrued expenses	909,105	963,455
	Taxation (provisions less payments)	3,464,237	3,039,116
	Branch adjustment account	341,025	473,257
	Payable to Ministry of Food Agriculture and Livestock	19.1	176,100
	Profit payable on deposits and other accounts	150,291	66,045
	Net liabilities relating to Bangladesh	19.2	189
	Provision for Gratuity scheme - SR - 2005	35.4.2.5	53,215
	Provision for employees' post retirement medical benefits	35.5.4	4,220,464
	Provision for employees' compensated absences	35.6.2	866,380
	Payable to subsidiary company	39	8,130
	Security deposits	25,685	23,721
	Deferred income	19.3	15,131
	Others	19.4	467,285
		<u>10,698,014</u>	<u>41,842,923</u>

- 19.1 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			
<b>19.2 Net liabilities relating to Bangladesh</b>			
Liabilities		1,607,516	1,578,146
Assets		(1,607,327)	(1,577,957)
	19.2.1	<u>189</u>	<u>189</u>

- 19.2.1 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			
<b>19.3 Deferred Income</b>			
Opening balance		15,927	16,765
Amortization during the year	26	(796)	(838)
Closing balance		<u>15,131</u>	<u>15,927</u>

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

- 19.4 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
	<u>1,252,244,067</u>	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

### 20.3

Shareholder	No of ordinary shares	Paid-up value per share	2014	2013
Rupees in '000				
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,256	1,256
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

**21 RESERVES**

	Revenue reserve		2014	2013
	Statutory reserves	Contingencies reserve		
..... Rupees in '000 .....				
Opening balance	3,446,658	60,000	3,506,658	2,831,346
Transferred from unappropriated profit	1,083,477	-	1,083,477	675,312
Closing balance	4,530,135	60,000	4,590,135	3,506,658

21.1 Statutory reserves represent reserve maintained as per requirement of section 21 of the Banking Companies Ordinance, 1962.

21.2 The Bank has set aside contingencies reserve for insurance of cash, building and vehicles.

	2014	2013
	Rupees in '000	
<b>22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus / (deficit) arising on revaluation of available-for-sale securities:		
Quoted investments	3,828,718	3,161,364
Other securities	191,961	12,208
	4,020,679	3,173,572
Related deferred tax liability	(545,776)	(317,357)
	3,474,903	2,856,215

**23 CONTINGENCIES AND COMMITMENTS**
**23.1 Contingent assets**

23.1.1 The Government of Pakistan reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect was worked out at Rupees 33,062 million for the period from 01 July 2004 to 30 June 2014 (31 December 2013: Rupees 32,377 million). This amount was not accounted for in these financial statements as the formal approval from Ministry of Finance was not received by the Bank. However, as more fully explained in Note 16.5, the Board of Directors has resolved to waive off this claim along with claims against Presidential Relief Packages (Note 23.1.2)

23.1.2 There was a contingent asset of an amount of Rupees 1.708 billion (2013: Rupees 1.708 billion) receivable from the Federal Government on account of following Presidential Relief Packages:

	2014	2013
	Rupees in '000	
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	1,707,726	1,707,726

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

**23.2 Contingent liabilities**

23.2.1 Contingent liabilities in respect of 521 cases (2013: 596 cases) filed against the Bank by various borrowers.

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.

	4,580,091	8,762,497
	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 the 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 the 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 the 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.

	Note	2014	2013
		Rupees in '000	
<b>23.3</b>	<b>Commitments against capital expenditure</b>	4,496	93,638
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	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	271,245	453,119
	On securities purchased under resale agreement	130,154	37,698
	On call money lendings	60,593	73,973
		15,495,473	12,943,416
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On deposits	561,718	278,842
	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	26,078	11,438
		2,399,949	3,892,880
<b>26</b>	<b>OTHER INCOME</b>		
	Rent on property - KSSL - subsidiary company	8,906	9,694
	Rent on property - others	23,753	18,847
		32,659	28,541
	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	19.3	796
	Others	26.1	457,135
		4,299,889	4,816,973

	Note	2014	2013
Rupees in '000			
<b>26.1 OTHERS</b>			
Sale proceeds of loan application forms		53,474	49,632
Postal charges received from loanees		208,956	195,423
Accounting and other services rendered to KSSL - subsidiary company		21,475	21,953
Miscellaneous income	26.1.1	220,586	190,127
		504,491	457,135
<b>26.1.1</b>	This includes sale of scrap, renewal fee of Sada Bahar Scheme and charges of loose cheques.		
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	27.1	6,511,512	6,057,730
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	35.1.7	(1,171,745)	(404,004)
- Benevolent scheme - officers / executives	35.2.7	32,021	(45,585)
- Benevolent scheme - clerical / non-clerical	35.3.7	(3,576)	(33,518)
- Gratuity under old staff regulations	35.4.1.7	(220,475)	(182,435)
- Gratuity scheme - staff regulation 2005	35.4.2.7	233,551	130,312
- Employees' compensated absences	35.6.2	185,276	235,255
		(944,948)	(299,975)
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.		253,686	205,299
Legal and professional charges		182,593	84,220
Communications		75,601	66,797
Repairs and maintenance		50,671	54,841
Motor vehicle expenses		444,248	407,856
Traveling expenses		153,965	152,088
Stationery and printing		91,954	96,281
Advertisement and publicity		14,210	11,388
Auditors' remuneration	27.2	5,264	5,104
Depreciation - tangible	12.2	212,411	138,363
Amortization - intangible	12.3	111	117
Services rendered by KSSL - subsidiary company		556,990	595,579
Commutation to employees	27.3	14,073	3,320
Others		80,950	103,303
		7,786,170	7,708,726

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

**27.2 Auditors' remuneration**

	2014		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
..... Rupees in '000 .....			
Audit fee	880	880	1,760
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	2,632	2,632	5,264

	2013		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
	..... Rupees in '000 .....		
Audit fee	800	800	1,600
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	<u>2,552</u>	<u>2,552</u>	<u>5,104</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 (VGHS - 2011) subject to completion of 10-20 years of service. VGHS - 2011 comprises commutation of pension, compensation, leave encashment, general provident fund, benevolent fund grant and medical facilities.

	Note	2014 Rupees in '000	2013
<b>28 OTHER CHARGES</b>			
Penalties imposed by SBP		9,928	128
Fixed assets - written off		1,171	336
		<u>11,099</u>	<u>464</u>
<b>29 TAXATION</b>			
For the year:			
Current		2,973,440	1,799,026
Deferred		(67,963)	(9,103)
For prior years:			
Current		4,245	62
	29.1	<u>2,909,722</u>	<u>1,789,985</u>
<b>29.1 Relationship between income tax expense and accounting profit</b>			
Accounting profit for the year		<u>8,327,106</u>	<u>5,166,544</u>
Tax rate		<u>35%</u>	<u>35%</u>
Tax on accounting income		2,914,487	1,808,290
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)
Tax effect of permanent differences		(19,387)	(20,517)
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		4,245	62
Others		9,188	2,105
		<u>2,909,722</u>	<u>1,789,985</u>



	2014	2013
<b>30 BASIC EARNINGS PER SHARE</b>		
Profit after tax for the year - Rupees in '000	5,417,384	3,376,559
Weighted average number of ordinary shares outstanding during the year	1,252,244,067	1,252,244,067
Basic earnings per share in Rupees	4.326	2.696

**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			
<b>32 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	4,102,133	3,627,922
Balances with other banks	8	5,982,441	9,113,832
		10,084,574	12,741,754

	Number
<b>33 STAFF STRENGTH</b>	
Permanent	5,777
Contractual	10
Total staff strength	5,787

**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 Bank 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 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

**35.1.3 Changes in the present value of obligation**

	2014	2013
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	<u>9,867,605</u>	<u>2,748,554</u>

Rupees in '000

**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	<u>10,689,847</u>	<u>6,059,405</u>

**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	<u>(822,242)</u>	<u>(3,310,851)</u>

14.5

	Note	2014 Rupees in '000	2013
<b>35.1.6 Movement in net asset recognized</b>			
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>
<b>35.1.7 Expense / (income) recognized in the profit and loss account</b>			
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>
<b>35.1.8 Actual return on plan assets</b>			
Actual return on plan assets		<u>813,768</u>	<u>569,361</u>

	2014		2013	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
<b>35.1.9 Composition of fair value of plan assets</b>				
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 .....				
<b>35.1.10 Other relevant details</b>					
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
	<b>Note</b>	<b>2014</b>		<b>2013</b>
		<b>Rupees in '000</b>		
<b>35.2.3 Changes in the present value of obligation</b>				
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>
<b>35.2.4 Changes in the fair value of plan assets</b>				
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>
<b>35.2.5 Amounts recognized in the statement of financial position</b>				
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>
<b>35.2.6 Movement in net asset recognized</b>				
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>
<b>35.2.7 Expense / (income) recognized in profit and loss account</b>				
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>
<b>35.2.8 Actual return on plan assets</b>		<u>121,696</u>		<u>59,476</u>
		<u>121,696</u>		<u>59,476</u>
		<b>2014</b>		<b>2013</b>
		<b>Fair value</b>	<b>%</b>	<b>Fair value</b>
<b>35.2.9 Composition of fair value of plan assets</b>		<b>Rupees in '000</b>		
Government securities		829,008	97.08	61,358
Term deposit receipts		21,034	2.46	664,610
Deposits in the Bank		3,897	0.46	2,938
Debtors and creditors		-	-	(8)
Fair value of total plan assets		<u>853,939</u>	<u>100.00</u>	<u>728,898</u>
		<u>853,939</u>	<u>100.00</u>	<u>728,898</u>

	2014	2013	2012	2011	2010
<b>35.2.10 Other relevant details</b>					
			Rupees in '000		
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)
<b>35.3 Benevolent scheme - clerical / non-clerical</b>					
<b>35.3.1 General description</b>					
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.					
<b>35.3.2 Principal actuarial assumption</b>					
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
			2014		2013
			Rupees in '000		
<b>35.3.3 Changes in the present value of obligation</b>					
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
<b>35.3.4 Changes in the fair value of plan assets</b>					
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
<b>35.3.5 Amounts recognized in the statement of financial position</b>					
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			
<b>35.3.6 Movement in net asset recognized</b>			
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		-	-
<b>35.3.7 Income recognized in profit and loss account</b>			
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)
<b>35.3.8 Actual return on plan assets</b>			
Actual return on plan assets		52,129	29,915

	2014		2013	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
<b>35.3.9 Composition of fair value of plan assets</b>				
Government securities	381,139	96.71	20,092	5.90
Term deposit receipts	10,584	2.69	317,209	93.30
Deposits in the Bank	2,361	0.60	2,710	0.80
Debtors and creditors	-	-	(8)	(0.00)
Fair value of total plan assets	394,084	100.00	340,003	100.00

	2014	2013	2012	2011	2010
	..... Rupees in '000 .....				
<b>35.3.10 Other relevant details</b>					
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)	(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)	-	419	(15,181)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	8,654	(5,540)	-	419	(15,181)

#### 35.4 Gratuity scheme

##### 35.4.1 Gratuity under old Staff Regulations

###### 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				
<b>35.4.1.3 Changes in the present value of obligation</b>				
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		-	-	
<b>35.4.1.4 Changes in the fair value of plan assets</b>				
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		1,939,307	1,741,282	
<b>35.4.1.5 Amounts recognized in the statement of financial position</b>				
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	(1,939,307)	(1,741,282)	
<b>35.4.1.6 Movement in net asset recognized</b>				
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	(1,939,307)	(1,741,282)	
<b>35.4.1.7 Income recognized in profit and loss account</b>				
Expected return on plan assets		(220,475)	(182,435)	
<b>35.4.1.8 Actual return on plan assets</b>				
Actual return on plan assets		222,156	163,364	
<b>35.4.1.9 Composition of fair value of plan assets</b>				
		<b>2014</b>	<b>2013</b>	
		Fair value	Fair value	
		%	%	
		Rupees in '000	Rupees in '000	
Government securities		979,491	57,438	
Term deposit receipts		954,228	1,671,471	
Deposits in the Bank		5,588	9,048	
Debtors and creditors		-	3,861	
Due from / (to) the Bank		-	(536)	
Fair value of total plan assets		1,939,307	1,741,282	
		100.00	100.00	
		<b>2014</b>	<b>2013</b>	
		<b>2012</b>	<b>2011</b>	
		<b>2010</b>		
		..... Rupees in '000 .....		
<b>35.4.1.10 Other relevant details</b>				
Present value of defined benefit obligation		-	-	-
Fair value of plan assets		(1,939,307)	(1,741,282)	(1,594,870)
Surplus in gratuity scheme under old staff regulations		(1,939,307)	(1,741,282)	(1,594,870)
Experience adjustment		-	-	397,152
Assumptions gain / (loss)		-	-	-

	2014	2013	2012	2011	2010
	Rupees in '000				
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)
<b>35.4.1.11</b>	No contribution is expected in 2015 to the Gratuity Fund scheme under old regulations.				
<b>35.4.2</b>	<b>Gratuity under Staff Regulations - 2005 (SR-2005)</b>				
<b>35.4.2.1</b>	<b>General description</b>				
	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.				
<b>35.4.2.2</b>	<b>Principal actuarial assumption</b>				
	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
			<b>Note</b>	<b>2014</b>	<b>2013</b>
				Rupees in '000	
<b>35.4.2.3</b>	<b>Changes in the present value of obligation</b>				
				1,634,839	992,636
Present value of obligation as on 01 January				262,655	185,120
Current service cost				203,749	111,627
Interest cost				-	(5,794)
Remeasurment due to change in demographic assumptions				253,178	395,189
Remeasurment due to experience				(1,411,508)	-
Transferred to SSR 1961				(73,610)	(43,939)
Benefits paid				869,303	1,634,839
Present value of obligation as at 31 December					
<b>35.4.2.4</b>	<b>Changes in the fair value of plan assets</b>				
				1,675,887	1,360,616
Total assets as on 01 January				232,853	166,435
Expected return on plan assets				18,034	(24,461)
Remeasurement due to return on investment				(1,411,508)	-
Funds payable to SSR 1961				374,432	217,236
Contributions				(73,610)	(43,939)
Benefits paid				816,088	1,675,887
Total assets as at 31 December					
<b>35.4.2.5</b>	<b>Amounts recognized in the statement of financial position</b>				
				869,303	1,634,839
Present value of defined benefit obligation				(816,088)	(1,675,887)
Fair value of plan assets				53,215	(41,048)
Asset recognized in the statement of financial position			14.5		
<b>35.4.2.6</b>	<b>Movement in net asset recognized</b>				
				(41,048)	(367,980)
Opening net assets				233,551	130,312
Charge for the year			35.4.2.7	235,144	413,856
Comprehensive income				(374,432)	(217,236)
Contribution to fund during the year				53,215	(41,048)
Closing net assets					
<b>35.4.2.7</b>	<b>Expense recognized in profit and loss account</b>				
				262,655	185,120
Current service cost				(29,104)	(54,808)
Interest cost				233,551	130,312





	Note	2014	2013		
Rupees in '000					
<b>35.5.5 Movement in net liability recognized</b>					
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>		
<b>35.5.6 Expense recognized in profit and loss account</b>					
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>		
<b>35.5.7 Post retirement medical benefits - sensitivity analysis</b>					
	Discount rate		Salary increase rate		
	+1%	-1%	+1%	-1%	
Obligation (Rupees in million)	3,783,224	4,679,650	4,637,023	3,812,767	
%age change	-10.36%	10.88%	9.87%	-9.66%	
	Withdrawal rate		Mortality age		
	+1%	-1%	1 year back	1 year forward	
Obligation (Rupees in million)	4,241,566	4,201,894	4,262,668	4,179,947	
%age change	50.00%	-0.44%	1.00%	-0.96%	
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	
	..... Rupees in '000 .....				
<b>35.5.8 Other relevant details</b>					
Present value of defined benefit obligation	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Deficit in post retirement medical benefits	4,220,464	2,325,802	1,257,078	1,093,841	921,360
Experience adjustment	(1,294,026)	(626,788)	107,383	89,849	1,988,525
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(1,294,026)	(626,788)	107,383	89,849	1,988,525
<b>35.6 Employees compensated absences - unfunded</b>					
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.					
<b>35.6.1 Principal actuarial assumption</b>					
The latest actuarial valuation is carried out as at 31 December 2014. Actuarial valuation was made using the following significant assumptions:					
	<b>2014</b>	..... % .....		<b>2013</b>	
Valuation discount rate	11.25			12.75	
Expected rate of increase in salary	9.25			10.50	

	2014	2013
	Rupees in '000	
<b>35.6.2 Movement in liability recognized for compensated absences</b>		
Opening liability	681,457	446,202
Charge for the year	185,276	235,255
Benefits paid during the year	(353)	-
Closing liability	866,380	681,457

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 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	-	-	-	-
	<u>16,323</u>	<u>14,866</u>	<u>3,233</u>	<u>6,249</u>	<u>4,430,881</u>	<u>2,234,112</u>
<b>Number of persons</b>	<u>1</u>	<u>1</u>	<u>8</u>	<u>11</u>	<u>4,023</u>	<u>1,828</u>

**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 Bank 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 Bank's accounting policy as stated in Note 5.2 to these 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 .....									
<b>2014</b>									
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%
<b>2013</b>									
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 Bank has related party relationship with its subsidiary company, employee benefit plans and key management personnel.

The transactions between the Bank and its subsidiary, Kissan Support Services (Private) Limited, are carried out on "cost plus" method. Details of loans and advances to directors, executives and officers of the Bank, are given in Note 11.8 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment. Compensation to president, directors and executives and disposal of vehicles to employees are disclosed in Note 36 and Note 12.2.1 to these financial statements respectively. Details of transactions with related parties and balances with them other than those disclosed in these financial statements are as under:

	Subsidiary company		Key management personnel	
	2014	2013	2014	2013
..... Rupees in '000' .....				
<b>Advances</b>				
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	-	-	11,559	7,183
<b>Deposits</b>				
Deposits at the beginning of the year	8,688	31,103	3,054	8,250
Deposits received during the year	48,918	55,440	80,399	74,889
Deposits repaid during the year	(50,023)	(77,855)	(79,592)	(80,085)
Deposits at the end of the year	7,583	8,688	3,861	3,054
Investments at the end of the year	100,000	100,000	-	-
Payable at the end of the year	8,130	10,095	-	-
..... Rupees in '000' .....				
<b>Other transactions</b>				
Mark-up / interest earned	-	-	466	308
Mark-up / interest expensed	1,682	1,677	-	-
Compensation	-	-	56,762	72,477
Post retirement benefit	-	-	5,252	4,976
Contribution to defined benefit plans	-	-	530	319
Services rendered by subsidiary company	556,990	595,579	-	-
Rent, accounting and communication charges	30,394	31,697	-	-

#### 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	<b>Total Capital</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
5	<b>* CCB</b>	-	-	0.25%	0.65%	1.28%	1.90%	2.50%
6	<b>Total Capital plus CCB</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.28%</b>	<b>11.90%</b>	<b>12.50%</b>

- \*(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
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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 <b>CET 1 before Regulatory Adjustments</b>	<b>31,665,751</b>	<b>29,627,044</b>
10 Total regulatory adjustments applied to CET1 (Note 40.3.1)	<b>(204,551)</b>	<b>(50,211)</b>
11 <b>Common Equity Tier 1 Additional Tier 1 (AT 1) Capital</b>	<b>31,461,200</b>	<b>29,576,833</b>
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 <b>AT1 before regulatory adjustments</b>	<b>-</b>	<b>-</b>
18 Total regulatory adjustments applied to AT1 capital (Note 40.3.2)	-	-
19 Additional Tier 1 capital	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>31,461,200</b>	<b>29,576,833</b>
<b>Tier 2 Capital</b>		
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 <b>T2 before regulatory adjustments</b>	<b>3,269,804</b>	<b>5,740,503</b>
33 Total regulatory adjustments applied to T2 capital (Note 40.3.3)	<b>(40,000)</b>	<b>(50,000)</b>
34 <b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>3,229,804</b>	<b>5,690,503</b>
35 <b>Tier 2 capital recognized for capital adequacy</b>	<b>3,229,804</b>	<b>5,690,503</b>
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-



	2014 Amount	2013 Amount
37 Total Tier 2 capital admissible for capital adequacy	3,229,804	5,690,503
38 <b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>34,691,004</b>	<b>35,267,336</b>
39 <b>Total Risk Weighted Assets {for details refer Note 40.6}</b>	<b>135,471,027</b>	<b>119,020,881</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 <b>CET1 to total RWA</b>	23.22%	24.85%
41 <b>Tier-1 capital to total RWA</b>	23.22%	24.85%
42 <b>Total capital to RWA</b>	25.61%	29.63%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
<b>National minimum capital requirements prescribed by SBP</b>		
48 <b>CET1 minimum ratio</b>	5.50%	5.00%
49 <b>Tier 1 minimum ratio</b>	7.00%	6.50%
50 <b>Total capital minimum ratio</b>	10.00%	10.00%

**Regulatory Adjustments and Additional Information**
**40.3.1 Common Equity Tier 1 capital: Regulatory adjustments**

	2014 Amount	Amounts subject to Pre - Basel III treatment	2013 Amount
..... Rupees in '000 .....			
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 <b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>(204,551)</b>		<b>(50,211)</b>

	2014		2013
	Amount	Amounts subject to Pre - Basel III treatment	Amount
..... Rupees in '000 .....			
<b>40.3.2 Additional Tier 1 Capital: regulatory adjustments</b>			
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
<b>30 Total of Regulatory Adjustment applied to AT1 capital (sum of 23 to 29)</b>	-		-
<b>40.3.3 Tier 2 Capital: regulatory adjustments</b>			
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	-		-
<b>36 Total Regulatory Adjustment applied to T2 capital (sum of 31 to 35)</b>	(40,000)		(50,000)
<b>40.3.4 Additional Information</b>			
		2014	2013
		Amount	Amount
		..... Rupees in '000 .....	
<b>Risk weighted assets subject to Pre-Basel III Treatment</b>			
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		-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)		-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
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	
<b>Assets</b>		
Cash and balances with treasury banks	4,102,133	4,102,133
Balances 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
<b>Total assets</b>	<b>163,562,877</b>	<b>164,900,663</b>
<b>Liabilities &amp; Equity</b>		
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
<b>Total liabilities</b>	<b>38,931,238</b>	<b>37,204,805</b>
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
<b>Total liabilities</b>	<b>124,631,639</b>	<b>127,695,858</b>
<b>Total liabilities &amp; equity</b>	<b>163,562,877</b>	<b>164,900,663</b>

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

Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
	Rupees in '000	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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/unremitting 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)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>34,586,262</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
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)	
<b>30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)</b>	<b>(50,103)</b>	
<b>Common Equity Tier 1</b>	<b>34,536,159</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
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	-	
<b>36 AT1 before regulatory adjustments</b>	<b>-</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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	-	

	Component of regulatory capital reported by bank	Source based on reference number from Note 40.4.2
	Rupees in '000	
46 Additional Tier 1 capital recognized for capital adequacy	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		
<b>Tier 2 Capital</b>		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(z)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(g)
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	
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	portion of (aa)
54 of which: portion pertaining to AFS securities	1,279,350	
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 <b>T2 before regulatory adjustments</b>	<b>2,755,905</b>	
<b>Tier 2 Capital: regulatory adjustments</b>		
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	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>37,242,064</b>	

**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 Taraqiati 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 .....			
<b>Credit risk</b>				
Portfolios subject to standardized approach (simple or comprehensive)				
<b>On-Balance Sheet</b>				
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
<b>Off-Balance Sheet</b>				
Non-market related	14	377	140	3,770
	10,590,863	10,007,068	105,908,640	100,070,672
<b>Market risk</b>				
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	-
<b>Operational risk</b>				
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
<b>Total</b>	12,955,854	11,523,085	135,471,027	119,020,881
<b>Capital adequacy ratio</b>				
	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 its use of financial instruments:

- 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 includes legal risk.
- 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 department is 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	Deduction CRM	Net amount
..... Rupees '000 .....							
Cash and cash equivalents	-	1,649,439	1,649,439	-	982,838	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	24,592,603	-
Claims on banks	-	-	-	-	2,384,996	1,892,000	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	7,324,298	1,831,074
Claims categorized as retail portfolio	-	95,368,482	23,842,121	71,526,362	82,802,929	20,700,732	62,102,197
Claims fully secured by residential property	-	1,441,753	937,139	504,614	1,633,435	1,061,733	571,702
Past due loans	-	14,743,723	(5,639,635)	20,383,358	13,875,353	(5,273,039)	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
		<u>160,975,974</u>	<u>55,067,475</u>	<u>105,908,499</u>	<u>151,348,067</u>	<u>51,281,165</u>	<u>100,066,902</u>

**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
	..... Rupees in '000 .....			
Pakistan	8,327,106	163,562,877	124,631,639	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.

2014												
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 .....												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
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
<b>Liabilities</b>												
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
<b>On-balance sheet gap</b>		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)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		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)
<b>Cumulative yield / interest risk sensitivity gap</b>		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
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:</b>												
		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

Effective Yield / Interest rate	Total	2013										Not exposed to Yield / Interest risk
		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	Yield / Interest risk	
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury b	-	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
<b>Liabilities</b>												
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	12 month T-bill	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
<b>On-balance sheet gap</b>		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)
<b>Off-balance sheet gap</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		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)
<b>Cumulative yield / interest risk sensitivity gap</b>		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 assets as per statement of financial position	148,448,277	Total liability as per statement of financial position	115,965,018

#### 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 .....										
<b>Assets</b>										
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
<b>Liabilities</b>										
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
<b>Net assets</b>	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									
	<u>124,631,639</u>									

**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 .....										
<b>Assets</b>										
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
<b>Liabilities</b>										
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
	115,965,018	19,863,820	428,608	1,418,140	89,202,996	317,940	277,544	722,325	1,037,125	2,696,520
<b>Net assets</b>	<b>32,483,259</b>	<b>28,636,413</b>	<b>19,260,719</b>	<b>1,684,655</b>	<b>(61,645,422)</b>	<b>17,853,380</b>	<b>8,717,167</b>	<b>9,394,169</b>	<b>4,609,899</b>	<b>3,972,279</b>
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 issues, 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 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 financial statements for the purposes of better presentation. However, no significant reclassification has been made in these financial statements.
- 43.2 The figures in the financial statements are rounded off to the nearest thousand rupees.

PRESIDENT / CHIEF EXECUTIVE  
PRESIDENT / CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR

DIRECTOR  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

**ZARAI TARAQIATI BANK LIMITED**  
**STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES**  
**OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2014**

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 .....												
1	SHER MUHAMMAD 384/WB BASTI MALOOK, MULTAN	SHER MUHAMMAD	326 20 240467	MUZAFAR KHAN	0.508	0.058	-	0.567	0.508	0.058	-	0.567
2	GHULAM SARWAR VILL. LAL PUR, TEHSIL MUZAFARGARH	GHULAM SARWAR	315 40 414469	MUHAMMAD BUX	-	0.522	-	0.522	-	0.522	-	0.522
3	PIR WALI MUHAMMAD JAN DEH VESERKI, TANDO M. K. HYDERABAD	PIR WALI MUHAMMAD JAN	45695-7905229-7	PIR GHULAM NABI JAN	0.525	-	-	0.525	0.525	-	-	0.525
4	HIDAYATULLAH DEH.SAWRI, DAULAT PUR, NAWABSHAH	HIDAYATULLAH	43494-8918516-9	HAJI KHAN	0.254	0.256	-	0.509	0.254	0.256	-	0.509
5	HIDAYATULLAH CHAK NO 234 TAL ROHRI, SUKKUR	HIDAYATULLAH	416-18-131218	SOOMAR KHAN	0.749	0.302	-	1.051	0.749	0.301	-	1.050
6	HASHAMAT HUSSAIN R.O MUHALLA ALI MURAD TAL.KHP	HASHAMAT HUSSAIN	00439-4900791-8	SHABBIR HUSSAIN	0.100	0.968	-	1.068	0.100	0.836	-	0.936
7	ABDUL QADIR DEH JAMAL, KHAIRPUR, SUKKUR	ABDUL QADIR	403-22-147785	ABDUL HAKIM	0.098	0.728	-	0.826	0.098	0.728	-	0.826
8	NIZAMUDDIN MORIO DAKHAN PO TAL G YASEEN	NIZAMUDDIN	00412-1707039-3	MORIO KHAN	0.094	0.488	-	0.583	0.094	0.488	-	0.583
9	MOHAMMAD ASIF SALEEM MUZA JHANDA TEH DIST JHANG	MOHAMMAD ASIF SALEEM	33202-9483483-9	AMIR ABDULLAH	0.133	1.123	-	1.256	0.133	1.070	-	1.203
10	M S RAPID REAPER MUJHAT STREET, BOSAN RD. MOHALLAH NASHEMAN COLONY, MULTAN	TAHIR MUJTABA KHAN MUHAMMAD USMAN TAHIR IRSHAD ULLAH TARAR(LATE)	35202-2702407-6 35202-2702407-6 34301-1741211-3	GHULAM MUJTABA KHAN IRSHAD ULLAH TARAR KHUSHI MUHAMMAD TARAR	4.650	3.409	-	8.059	1.908	-	-	1.908
11	SHAHZAD AHMAD KHAN VILL FADDA, MAILSI, VEHARI	MST. SURRYA BEGUM(LATE) SHAHZAD AHMAD KHAN	36301-10432500-1 325 78 313728	GHULAM MUJTABA KHAN MUHAMMAD MUMTAZ KHAN	0.583	0.004	-	0.587	0.583	0.004	-	0.587

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..... Rupees in million .....												
12	SHAZIA RIAZ VILL. SANDHAL, MAILSI, VEHARI	SHAZIA RIAZ	32508-8044390-5	MUHAMMAD SHOAB	0.537	-	-	0.537	0.537	-	-	0.537
	MUHAMMAD SHOAB VILL. SANDHAL, MAILSI, VEHARI	MUHAMMAD SHOAB	325 61 410222	IQBAL HUSSAIN							-	
13	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	ALTAF 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

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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 R/O BHADUR BHAND TALKA MIROKHA	NAZIMUDDIN	00427-4905462-6	SHAHABUDDIN	0.084	0.816	-	0.899	0.084	0.632	-	0.715
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 ZOUQALI SHAH	217-49-223755	SYED FEROUZ SHAH	1.875	4.044	-	5.919	1.875	1.107	-	2.982
34	MST. RABIA VILL DHOODA, MAILSI VEHARI	SYED FEROUZ 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 MUHAMMAD JAMIL	PARVEEN MAI MUHAMMAD JAMIL	36325-64533948 325-90-234698	MUHAMMAD NAWAZ KHAN FATEH MUHAMMAD	0.865	0.812	-	1.677	0.627	-	-	0.627
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,	MUHAMMAD AKMAL KHAN	325-89-440640	MUHAMMAD ZAFAR KHAN	0.950	0.567	-	1.517	0.588	0.063	-	0.651

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39	KARAMPUR, VEHARI MUHAMMAD HAYAT KOHISTAN 7/1, VILL BOTA MAKAN THATTA	MUHAMMAD HAYAT	451-38-018449	MIAN DAD	0.100	0.907	-	1.007	0.100	0.884	-	0.984
40	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
					<b>26.351</b>	<b>43.018</b>	<b>-</b>	<b>69.369</b>	<b>22.248</b>	<b>25.322</b>	<b>-</b>	<b>47.571</b>