



Sona Rakhwaiye...

...Cash Ley Jaiye



NBP Cash & Gold

Sona bhi mehfooz - Zaroratain bhi poori

Ready Cash Against Gold*

- ✔ No early payment penalty
- ✔ No minimum income requirement
- ✔ No Processing Fee
- ✔ For education, marriage, consumer & other domestic needs
- ✔ One Year Rollover Tenure



* Terms & conditions apply



NBP

National Bank of Pakistan

*The Nation's
Bank*

CONSOLIDATED

FINANCIAL STATEMENTS OF NBP AND ITS SUBSIDIARY COMPANIES 2012



Directors' Report on Consolidated Financial Statement

It gives me great pleasure to present on behalf of the Board of Directors, the Consolidated Annual Report of the National Bank of Pakistan and its subsidiary companies for the year ended December 31, 2012.

The operating results and appropriations, as recommended by the Board of Directors are given below:

	2012 (Rupees In Million)	2011
Profit before taxation for year	24,063	26,131
Taxation		
-Current year	7,556	9,229
-Prior year(s)	-	260
-Deferred	(380)	(1,083)
	<u>7,176</u>	<u>8,407</u>
After Tax Profit	16,887	17,724
Non Controlling Interest	(93)	(18)
Profit Brought Forward	69,641	67,037
Transfer from surplus on revaluation of fixed assets	106	112
Profit available for appropriation	<u>86,541</u>	<u>84,856</u>
Transfer to Statutory Reserve (10% of after tax profit)	1,616	1,760
Bonus shares issued	1,682	3,364
Cash dividend paid	12,614	10,091
	<u>15,912</u>	<u>15,215</u>
Profit carried forward	<u>70,629</u>	<u>69,641</u>
Earning per share	<u>9.13</u>	<u>9.58</u>

Pattern of Share holding

The pattern of share holding as at December 31, 2012 is given in Annual Report.

On behalf of Board of Directors



Dr. Asif A. Brohi

President / Chairman

Date: February 25, 2013

Auditors' Report on Consolidated Financial Statements

Anjum Asim Shahid Rahman

Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

KPMG Taseer Hadi & Co.

Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530, Pakistan

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of National Bank of Pakistan and its subsidiary companies (the Group) as at December 31, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 80 branches, which have been audited by us and 14 branches audited by the other auditors abroad. We have also expressed separate opinions on the financial statements of National Bank of Pakistan and its subsidiary companies namely Taurus Securities Limited, NBP Exchange Limited, NBP Fullerton Asset Management Limited, and NBP Leasing Limited and a review conclusion on NBP Modaraba Management Company Limited. The subsidiary companies CJSC Subsidiary Bank of NBP in Kazakhstan and First National Bank Modaraba which are being audited by other firms of auditors have been consolidated based on un-audited returns of these subsidiaries. The subsidiary company CJSC Subsidiary Bank of NBP in Tajikistan which was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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



Anjum Asim Shahid Rahman
Chartered Accountants

Engagement Partner:
Muhammad Shaukat Naseeb

Karachi
Date: February 25, 2013



KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Syed Iftikhar Anjum

Consolidated Statement of Financial Position

As at December 31, 2012

2011 (US Dollars in '000)	2012 (US Dollars in '000)		Note	2012 (Rupees in '000)	2011 (Rupees in '000)
ASSETS					
1,357,115	1,634,144	Cash and balances with treasury banks	6	158,756,638	131,843,344
288,939	318,016	Balances with other banks	7	30,895,173	28,070,350
452,637	85,240	Lendings to financial institutions	8	8,280,997	43,973,531
3,287,230	3,530,270	Investments	9	342,964,635	319,353,392
5,436,163	6,807,482	Advances	10	661,344,807	528,121,596
299,173	305,860	Operating fixed assets	11	29,714,221	29,064,564
82,065	35,682	Deferred tax assets	12	3,466,503	7,972,636
685,200	831,062	Other assets	13	80,737,483	66,567,009
11,888,522	13,547,756			1,316,160,457	1,154,966,422
LIABILITIES					
93,718	147,892	Bills payable	14	14,367,639	9,104,710
284,836	526,118	Borrowings	15	51,112,248	27,671,746
9,546,201	10,685,519	Deposits and other accounts	16	1,038,094,985	927,410,553
-	-	Sub-ordinated loans		-	-
955	395	Liabilities against assets subject to finance lease	17	38,353	92,739
-	-	Deferred tax liabilities	12	-	-
563,383	580,230	Other liabilities	18	56,369,170	54,732,458
10,489,093	11,940,154			1,159,982,395	1,019,012,206
<u>1,399,429</u>	<u>1,607,602</u>	NET ASSETS		<u>156,178,062</u>	<u>135,954,216</u>
REPRESENTED BY					
173,117	190,429	Share capital	19	18,500,114	16,818,285
269,816	311,943	Reserves		30,305,210	26,212,505
716,840	727,017	Unappropriated profit		70,629,475	69,640,893
1,159,773	1,229,389			119,434,799	112,671,683
7,417	8,141	Non-controlling interest		790,878	720,518
1,167,190	1,237,530			120,225,677	113,392,201
232,239	370,072	Surplus on revaluation of assets - net	20	35,952,385	22,562,015
<u>1,399,429</u>	<u>1,607,602</u>			<u>156,178,062</u>	<u>135,954,216</u>
CONTINGENCIES AND COMMITMENTS					
			21		

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



President /Chairman



Director



Director




Director

Consolidated Profit and Loss Account

For the year ended December 31, 2012

2011 (US Dollars in '000)	2012 (US Dollars in '000)	Note	2012 (Rupees in '000)	2011 (Rupees in '000)	
987,716	1,040,928	Mark-up / return / interest earned	23	101,125,889	95,956,361
499,918	582,117	Mark-up / return / interest expensed	24	56,552,485	48,566,973
<u>487,798</u>	<u>458,811</u>	Net mark-up / interest income		<u>44,573,404</u>	<u>47,389,388</u>
64,022	73,647	Provision against non-performing advances-net	10.4	7,154,800	6,219,671
32,306	8,897	Provision for diminution			
-	-	in the value of investments-net	9.10	864,296	3,138,494
96,328	82,544	Provision against off balance sheet obligations	18.1	-	-
<u>391,470</u>	<u>376,267</u>	Net mark-up / interest income after provisions		<u>36,554,308</u>	<u>38,031,223</u>
NON MARK-UP / INTEREST INCOME					
102,404	114,726	Fee, commission and brokerage income		11,145,569	9,948,547
16,343	21,408	Dividend income		2,079,795	1,587,692
32,904	39,068	Income from dealing in foreign currencies	25	3,795,448	3,196,630
24,603	33,149	Gain on sale and redemption of securities - net	26	3,220,442	2,390,211
(361)	11	Unrealized gain / (loss) on revaluation of			
331	977	investments classified as held-for-trading	9.11	976	(35,039)
764	19,102	Share of gain from joint ventures		94,771	32,181
26,185	26,886	Share of profits from associates - net of tax		1,855,623	74,210
203,173	255,327	Other income	27	2,611,937	2,543,893
<u>594,643</u>	<u>631,594</u>	Total non mark-up / interest income		<u>24,804,561</u>	<u>19,738,325</u>
NON MARK-UP / INTEREST EXPENSES					
318,531	378,114	Administrative expenses	28	36,733,708	30,945,203
5,711	4,132	Other provisions / write offs		401,413	554,810
1,419	1,650	Other charges	29	160,324	137,852
<u>325,661</u>	<u>383,896</u>	Total non mark-up / interest expenses		<u>37,295,445</u>	<u>31,637,865</u>
268,982	247,698	Extra ordinary / unusual items		24,063,424	26,131,683
-	-			-	-
<u>268,982</u>	<u>247,698</u>	PROFIT BEFORE TAXATION		<u>24,063,424</u>	<u>26,131,683</u>
95,002	77,778	Taxation - Current		7,556,102	9,229,434
2,676	-	- Prior year(s)		-	260,000
(11,144)	(3,909)	- Deferred		(379,735)	(1,082,597)
86,534	73,869		30	7,176,367	8,406,837
<u>182,448</u>	<u>173,829</u>	PROFIT AFTER TAXATION		<u>16,887,057</u>	<u>17,724,846</u>
Attributable to:					
182,262	172,872	Shareholders of the bank		16,794,132	17,706,747
186	957	Non-controlling interest		92,925	18,099
<u>182,448</u>	<u>173,829</u>			<u>16,887,057</u>	<u>17,724,846</u>
----- US Dollars -----				----- Rupees -----	
<u>0.10</u>	<u>0.09</u>	Basic and diluted earnings per share	31	<u>9.13</u>	<u>9.58</u>

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



President /Chairman


Director


Director


Director


Consolidated Statement of Comprehensive Income

For the year ended December 31, 2012

2011 (US Dollars in '000)	2012 (US Dollars in '000)	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
182,448	173,829		16,887,057	17,724,846
		Profit after taxation for the year		
		Other comprehensive income:		
		Exchange adjustments on translation of net assets of foreign branches, subsidiaries and joint venture	2,476,441	(683,390)
(7,034)	25,491			
		Income tax relating to component of other comprehensive income	-	-
-	-			
(7,034)	25,491		2,476,441	(683,390)
<u>175,414</u>	<u>199,320</u>	Comprehensive income transferred to equity	<u>19,363,498</u>	<u>17,041,456</u>
		Components of comprehensive income not reflected in equity		
		Surplus / (deficit) on revaluation of investments	16,907,108	(2,613,527)
(26,902)	174,031			
		Deferred tax on revaluation of investments	(3,334,531)	(64,189)
(661)	(34,324)			
(27,563)	139,707		13,572,577	(2,677,716)
<u>147,851</u>	<u>339,027</u>	Total comprehensive income	<u>32,936,075</u>	<u>14,363,740</u>
		Attributable to:		
		Shareholders of the bank	32,843,150	14,345,641
147,665	338,070			
186	957	Non-controlling interest	92,925	18,099
<u>147,851</u>	<u>339,027</u>		<u>32,936,075</u>	<u>14,363,740</u>

Surplus arising on revaluation of investments has been reported in accordance with the requirements of the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.




President /Chairman



Director



Director



Director

Consolidated Cash Flow Statement

For the year ended December 31, 2012

2011 (US Dollars in '000)	2012 (US Dollars in '000)	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES				
268,982	247,698		24,063,424	26,131,683
(16,343)	(21,408)		(2,079,795)	(1,587,692)
252,639	226,290		21,983,629	24,543,991
Adjustments:				
15,430	18,585	11.2	1,805,537	1,499,062
359	327	11.3	31,791	34,854
64,022	73,647	10.3	7,154,800	6,219,671
32,306	8,897	9.10	864,296	3,138,494
361	(10)	9.11	(976)	35,039
(6,599)	-	26	-	(641,081)
(190)	(1,043)	11.6	(101,341)	(18,464)
312	224		21,853	30,335
5,710	4,132		401,413	554,810
111,711	104,759		10,177,373	10,852,720
364,350	331,049		32,161,002	35,396,711
(Increase) / decrease in operating assets				
(220,230)	367,397		35,692,534	(21,395,240)
(71,681)	127,981		12,433,322	(6,963,792)
(553,173)	(1,444,966)		(140,378,011)	(53,740,558)
(50,803)	51,030		4,957,529	(4,935,428)
(895,887)	(898,558)		(87,294,626)	(87,035,018)
Increase in operating liabilities				
11,303	54,173		5,262,929	1,098,079
66,194	239,987		23,314,656	6,430,764
980,647	1,139,318		110,684,432	95,269,550
50,464	21,874		2,125,040	4,902,559
1,108,608	1,455,352		141,387,057	107,700,952
Income tax paid				
(146,327)	(261,142)		(25,369,841)	(14,215,505)
(312)	(225)		(21,853)	(30,335)
(146,639)	(261,367)		(25,391,694)	(14,245,840)
430,432	626,476		60,861,739	41,816,805
CASH FLOWS FROM INVESTING ACTIVITIES				
51,056	48,715		4,732,632	4,960,038
(149,598)	(27,851)		(2,705,713)	(14,533,415)
16,121	37,328		3,626,356	1,566,153
(20,970)	(25,947)		(2,520,787)	(2,037,195)
(7,034)	25,491		2,476,441	(683,390)
(70,230)	(250,500)		(24,336,012)	(6,822,781)
1,077	1,318	11.6	128,043	104,803
(179,578)	(191,446)		(18,599,040)	(17,445,787)
CASH FLOWS FROM FINANCING ACTIVITIES				
(509)	(560)		(54,386)	(49,450)
(103,729)	(129,656)		(12,596,042)	(10,077,218)
(104,238)	(130,216)		(12,650,428)	(10,126,668)
146,616	304,814		29,612,271	14,244,350
1,495,578	1,642,194		159,539,300	145,294,950
1,642,194	1,947,008	32	189,151,571	159,539,300

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



President /Chairman



Director



Director



Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2012

	Share capital	Reserves			Revenue General	Unappropriated Profit	Sub total	Non Controlling Interest	Total
		Capital							
		Exchange Translation	Bonus Shares Issue	Statutory					
----- (Rupees in '000) -----									
Balance as at January 1, 2011	13,454,628	7,507,201	-	17,106,884	521,338	67,037,397	105,627,448	719,919	106,347,367
Total comprehensive income for the year									
Profit after tax for the year ended December 31, 2011	-	-	-	-	-	17,706,747	17,706,747	18,099	17,724,846
Other comprehensive income - Exchange adjustment on translation of foreign branches, subsidiaries and joint venture	-	(683,390)	-	-	-	-	(683,390)	-	(683,390)
	-	(683,390)	-	-	-	17,706,747	17,023,357	18,099	17,041,456
Transferred from surplus on revaluation of operating fixed assets									
Transfer to statutory reserve	-	-	-	1,760,472	-	(1,760,472)	-	-	-
Transactions with owners, recorded directly in equity									
Transfer for issue of bonus shares (25%)	-	-	3,363,657	-	-	(3,363,657)	-	-	-
Bonus shares issued	3,363,657	-	(3,363,657)	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2010 (Rs. 7.5 per share)	-	-	-	-	-	(10,090,972)	(10,090,972)	-	(10,090,972)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(17,500)	(17,500)
	3,363,657	-	-	-	-	(13,454,629)	(10,090,972)	(17,500)	(10,108,472)
Balance as at December 31, 2011	16,818,285	6,823,811	-	18,867,356	521,338	69,640,893	112,671,683	720,518	113,392,201
Total comprehensive income for the year									
Profit after tax for the year ended December 31, 2012	-	-	-	-	-	16,794,132	16,794,132	92,925	16,887,057
Other comprehensive income - Exchange adjustment on translation of foreign branches, subsidiaries and joint venture	-	2,476,441	-	-	-	-	2,476,441	-	2,476,441
	-	2,476,441	-	-	-	16,794,132	19,270,573	92,925	19,363,498
Transferred from surplus on revaluation of operating fixed assets	-	-	-	-	-	106,257	106,257	-	106,257
Transfer to statutory reserve	-	-	-	1,616,264	-	(1,616,264)	-	-	-
Transactions with owners, recorded directly in equity									
Transfer for issue of bonus shares (10%)	-	-	1,681,829	-	-	(1,681,829)	-	-	-
Bonus shares issued	1,681,829	-	(1,681,829)	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2011 (Rs. 7.5 per share)	-	-	-	-	-	(12,613,714)	(12,613,714)	-	(12,613,714)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	(22,565)	(22,565)
	1,681,829	-	-	-	-	(14,295,543)	(12,613,714)	(22,565)	(12,636,279)
Balance as at December 31, 2012	18,500,114	9,300,252	-	20,483,620	521,338	70,629,475	119,434,799	790,878	120,225,677

The annexed notes 1 to 45 and Annexure I to IV form an integral part of these consolidated financial statements.



President /Chairman



Director



Director



Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

	Percentage Holding	
	2012	2011
	%	%
- NBP Leasing Limited, Pakistan	100	100
- C.JSC Subsidiary Bank of NBP in Kazakhstan	100	100
- C.JSC Subsidiary Bank of NBP in Tajikistan	100	-
- First National Bank Modaraba, Pakistan	30	30
- NBP Exchange Company Limited, Pakistan	100	100
- NBP Modaraba Management Company Limited, Pakistan	100	100
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fullerton Asset Management Limited, Pakistan	54	54
- Cast-N-Link Products Limited (Note 9.9)	76.51	76.51

The subsidiary company of the Bank, NBP Modaraba Management Company Limited exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Bank has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory services. Brief profile of the holding company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,294 (2011: 1,277) branches in Pakistan and 23 (2011: 23) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

NBP Leasing Limited, Pakistan

NBP Leasing Limited (NBPLL) was incorporated in Pakistan on November 7, 1995 as a public limited unquoted company under the Companies Ordinance, 1984. The registered office of NBPLL is situated at 4th Floor, P.R.C. Towers, M.T. Khan Road, Karachi. NBPLL is principally engaged in the business of leasing as licensed under the Non-Banking Finance Companies Rules, 2003 (the NBFC Rules).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. JSCK conducts its business under license number 25 dated October 29, 2005 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ainy Street, Dushanbe, Republic of Tajikistan.

First National Bank Modaraba, Pakistan

First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharakah and murabaha arrangements.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the Companies Ordinance, 1984. NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiyani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 13 branches (2011: 13 branches).

Taurus Securities Limited, Pakistan

Taurus Securities Limited (the Company) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the Companies Ordinance, 1984. The registered office of the Company is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. The Company is a subsidiary of National Bank of Pakistan, which holds 58.32% (2011: 58.32%) of the shareholding of the Company. The Company is engaged in the business of stock brokerage, investment counselling and fund placements. The Company holds a Trading Rights Entitlement (TRE) Certificate from Karachi Stock Exchange Limited (KSEL).

NBP Fullerton Asset Management Limited, Pakistan

NBP Fullerton Asset Management Limited (the Company), was incorporated in Pakistan as a public limited Company on August 24, 2005 under the Companies Ordinance, 1984 and obtained certificate for commencement of business on December 19, 2005. The main sponsors of Company are National Bank of Pakistan and Alexandra Fund Management Pte. Ltd. (a member of Fullerton Fund Management Group, Singapore). The Company is mainly involved in the business of asset management and investment advisory services. The Company has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry on business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The registered office of the Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi where as the principal office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Pakistan Credit Rating Agency Limited has assigned management quality rating AM2 to NBP Fullerton Asset Management Limited.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

As at December 31, 2012 the company is managing the following funds and discretionary portfolio:

	Type of Fund
- NAFA Income Opportunity Fund	Open end Fund
- NAFA Income Fund	Open end Fund
- NAFA Islamic Aggressive Income Fund	Open end Fund
- NAFA Islamic Multi Asset Fund	Open end Fund
- NAFA Multi Asset Fund	Open end Fund
- NAFA Stock Fund	Open end Fund
- NAFA Government Securities Liquid Fund	Open end Fund
- NAFA Savings Plus Fund	Open end Fund
- NAFA Riba Free Savings Fund	Open end Fund
- NAFA Asset Allocation Fund	Open end Fund
- NAFA Financial Sector Fund	Open end Fund
- NAFA Money Market Fund	Open end Fund
- Discretionary portfolios	

1.2 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank (holding company) and its subsidiary companies together - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

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

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note 42 of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

- 2.2** The US Dollar amounts shown on the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 97.1497 to 1 US Dollar has been used for 2011 and 2012 as it was the prevalent rate as on December 31, 2012.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by SBP or SECP differ with the requirements of IFRSs or IFASs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

- 3.2** SBP 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 Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the Group has recognised actuarial loss of Rs. 283.765 million in the consolidated profit and loss account and its net unrecognised actuarial loss at December 31, 2012 amounted to Rs. 13,325.678 million. Following the change, all actuarial gains and losses will be recorded immediately in other comprehensive income. Further, the amended IAS 19 also includes another amendment relating to elimination of the concept of vested and non vested for the recognition of past service cost. As per the amendment the past service cost should be recognised on the occurrence of the amendment in the benefit plan. Previously, the non vested portion was recognised when it becomes vested. Currently the non vested portion not recognised by the Group amounts to Rs. 3,414 million which will be recognised immediately in consolidated profit and loss account in the year 2013.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments would result in increased disclosures in Group's financial statements.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendment are not likely to have an impact on Group's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on Group's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on Group's financial statements.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on Group's financial statements.
 - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
 - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on Group's financial statements.
 - IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings which are stated at revalued amount and certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments that are carried at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Bank's net assets in the event of liquidation are measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Bank obtains control) and the resulting gain or loss, if any, is recognised in profit or loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts less overdrawn nostro accounts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

5.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the period.

Provision for diminution in value of investments for unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or MUFAP or the Stock Exchanges, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

The carrying values of investments are reviewed for impairment when indications exist that the carrying values may exceed the estimated recoverable amounts.

5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.6 Derivative financial instruments

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

5.7 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

5.8 Advances

Advances are stated net off specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Bank to maintain general provision / allowance against consumer advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.9 Net investment in lease finance

Leases where the Group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any. The provision against lease finance is made in accordance with the requirements of the NBFC Regulations and the internal criteria as approved by the Board of Directors of NBPLL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

5.10 Operating fixed assets and depreciation

Property and equipment

Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of operating fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the diminishing balance method except vehicles, computers and peripheral equipment and furnishing provided to executives, which are depreciated on straight-line method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

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

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

Land and buildings' valuation are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Assets account" shown below equity. The Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Intangible assets

Intangible assets other than goodwill, are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for 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 assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.12 Taxation

Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

Deferred

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized in surplus on revaluation of assets is charged / credited to such account

5.13 Employee benefits

5.13.1 Defined benefit plans

Pension scheme

The Bank operates an approved funded pension scheme for its eligible employees. The Group's costs are determined based on actuarial valuation carried out using Projected Unit Credit Method. Actuarial gains / losses exceeding, the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense in the profit and loss account over the estimated working lives of the employees. Where the fair value of plan assets, exceeds the present value of defined benefit obligation together with unrecognized actuarial gains or losses and unrecognized past service cost, the Bank reduces the resulting asset to an amount equal to the total of present value of any economic benefit in the form of reduction in future contributions to the plan and unrecognized actuarial losses and past service costs.

Gratuity scheme

The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. Provision is made in the consolidated financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are accounted for in a manner similar to pension scheme.

Post retirement medical benefits

The Bank operates an un-funded post retirement medical benefits scheme for all of its employees. Provision is made in the consolidated financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses are recognised in the profit and loss account over the estimated working lives of employees.

Benevolent scheme

The Bank operates un-funded benevolent scheme for all of its eligible employees. Provision is made in the financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses are accounted for in a manner similar to pension scheme.

5.13.2 Defined contribution plan

The Bank operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Bank and employees to the fund in accordance with the fund rules.

5.13.3 Retirement and other benefit obligations -

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.13.4 Other employee benefits

Employees' compensated absences

The Group also makes provision in the consolidated financial statements for its liabilities towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

5.14 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

The Group follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the effective yield method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.

Processing, front end and commitment fees and commission are recognized as income when received.

Rental income from operating leases / Ijarah is recognized on a straight-line basis over the term of the relevant lease.

Profit on trading and revaluation of financial instruments is recognised on trade date basis and is taken to profit and loss account.

5.15 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account currently.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gain / losses arising on translation of net assets of foreign branches, which is credited to exchange translation reserve reflected under reserves.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Items included in the financial statements of the Group's foreign branches are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange ruling on the financial position date.

5.16 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.17 Off setting

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

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

5.19 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriation which are required by the law, are recognised as liability in the Group's financial statements in the year in which these are approved.

5.20 Earnings per share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2012.

5.21 Related party transactions

Transactions between the Group and its related parties are carried out on an arm's length basis other than pension fund and other staff loans.

5.22 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

a) Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except for loans and advances where relaxation has been allowed by SBP. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations and SBP / SECP directives.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. In view of the conditions placed on sale of certain investments, the Group has been allowed exemption from impairment on investments in shares of PSO and SNGPL referred to in note 9.13 by SBP.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 35. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Notes to the Consolidated Financial Statements

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	Note	2012 (Rupees in '000)	2011
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		15,567,150	12,158,730
Foreign currency		<u>3,522,495</u>	<u>2,784,549</u>
		19,089,645	14,943,279
With State Bank of Pakistan in			
Local currency current accounts	6.1	<u>108,541,260</u>	<u>69,638,374</u>
Local currency deposit account		<u>29</u>	<u>29</u>
		108,541,289	69,638,403
Foreign currency current account	6.2	<u>2,797,911</u>	<u>2,451,020</u>
Foreign currency deposit account	6.2	<u>8,393,734</u>	<u>7,353,061</u>
Foreign currency collection account		<u>380,462</u>	<u>164,451</u>
		11,572,107	9,968,532
With other central banks in			
Foreign currency current accounts	6.3	<u>17,773,261</u>	<u>29,665,327</u>
Foreign currency deposit accounts	6.4	<u>1,780,336</u>	<u>7,627,803</u>
		<u>19,553,597</u>	<u>37,293,803</u>
	32	<u>158,756,638</u>	<u>131,843,344</u>

6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

6.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

6.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements of respective countries.

6.4 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry interest at the rate of 0.25% per annum (2011: 0.25% per annum).

	Note	2012 (Rupees in '000)	2011
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		318,811	89,337
On deposit account	7.1	<u>977,440</u>	<u>94,796</u>
		1,296,251	184,133
Outside Pakistan			
On current accounts		<u>12,061,558</u>	<u>10,008,831</u>
On deposit accounts	7.2	<u>17,537,364</u>	<u>17,877,386</u>
		<u>29,598,922</u>	<u>27,886,217</u>
	32	<u>30,895,173</u>	<u>28,070,350</u>

7.1 These includes fund placements of Islamic Banking and carry profit rates ranging from 6% to 8.50% per annum (2011: Nil).

7.2 These include various deposits with correspondent banks and carry interest rates ranging from 0.04% to 8.0% per annum (2011: 0.04% to 8.0% per annum).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

8. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2012 (Rupees in '000)	2011
Call money lendings	8.3	591,800	335,204
Repurchase agreement lendings (Reverse Repo)	8.4 & 8.4.1	7,689,197	43,638,327
Letters of placement	8.5	173,500	173,500
	8.1	<u>8,454,497</u>	<u>44,147,031</u>
Less: Provision held against lendings	8.2	(173,500)	(173,500)
		<u>8,280,997</u>	<u>43,973,531</u>
8.1 Particulars of lendings - gross			
In local currency		8,454,497	44,147,031
In foreign currencies		-	-
		<u>8,454,497</u>	<u>44,147,031</u>
8.2 Movement in provision held against lendings is as follows:			
Opening balance		173,500	133,500
Charge for the year		-	40,000
Closing balance		<u>173,500</u>	<u>173,500</u>

8.3 These carry mark-up [excluding zero rate lending to a financial institution amounting to Rs. 91.800 million (2011: Rs. 122.400 million) which is guaranteed by the SBP] at 9.4 % per annum (2011: rates ranging from 12% to 13.15% per annum) having maturity on January 7, 2013.

8.4 These carry mark-up at rates ranging from 9% to 9.9% per annum (2011: 11% to 12% per annum) having maturities ranging from January 2, 2013 to February 27, 2013.

8.4.1 Securities held as collateral against lendings to financial institutions

	2012			2011		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Market Treasury Bills	2,480,845	-	2,480,845	35,301,587	-	35,301,587
Pakistan Investment Bonds	5,200,000	-	5,200,000	8,356,409	-	8,356,409
	<u>7,680,845</u>	-	<u>7,680,845</u>	<u>43,657,996</u>	-	<u>43,657,996</u>

8.4.2 Market value of the securities under repurchase agreement lendings amounts to Rs. 7,706 million (2011 Rs. 43,503 million).

8.5 These carry mark-up at rates ranging from 11.20% to 18.5% per annum (2011: 11.20% to 18.5% per annum). Full provision has been made against these placements at year-end.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

9. INVESTMENTS

Note	2012			2011			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----			
9.1 Investments by type:							
Held-for-trading securities	9.11						
Market Treasury Bills		535,438	-	535,438	13,042,925	-	13,042,925
Pakistan Investment Bonds		154,514	-	154,514	97,727	-	97,727
Ordinary shares of listed companies		553,764	-	553,764	20,000	-	20,000
Investment in mutual funds		151,994	-	151,994	54,923	-	54,923
Ijarah Sukuk Bonds		-	-	-	613,457	-	613,457
Total held-for-trading securities		1,395,710	-	1,395,710	13,829,032	-	13,829,032
Available-for-sale securities							
Ordinary shares of listed companies	9.12 / 9.13	30,851,276	-	30,851,276	27,827,808	-	27,827,808
Ordinary shares of unlisted companies	9.14	1,087,173	-	1,087,173	1,065,173	-	1,065,173
		31,938,449	-	31,938,449	28,892,981	-	28,892,981
Ordinary shares of company outside Pakistan	9.5	463,295	-	463,295	463,295	-	463,295
Preference shares		909,424	-	909,424	307,760	-	307,760
Market Treasury Bills		108,536,255	37,088,149	145,624,404	159,199,048	10,971,238	170,170,286
Pakistan Investment Bonds		47,396,814	-	47,396,814	38,302,933	-	38,302,933
GoP Foreign Currency Bonds		5,692,943	-	5,692,943	3,484,334	-	3,484,334
Foreign Currency Debt Securities		4,378,206	-	4,378,206	5,362,824	-	5,362,824
Term Finance Certificates / Musharika and Sukuk Bonds		24,918,467	-	24,918,467	19,569,935	-	19,569,935
Investments in mutual funds		3,964,012	-	3,964,012	3,464,298	-	3,464,298
Total available- for- sale securities		228,197,865	37,088,149	265,286,014	259,047,408	10,971,238	270,018,646
Held-to-maturity securities							
Pakistan Investment Bonds	9.4	23,491,729	-	23,491,729	24,105,281	-	24,105,281
Market Treasury Bills		528,930	-	528,930	215,137	-	215,137
GoP Foreign Currency Bonds		871,555	-	871,555	534,046	-	534,046
Foreign Government Securities		4,701,451	-	4,701,451	793,296	-	793,296
Foreign Currency Debt Securities		376	-	376	937,790	-	937,790
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		1,896,812	-	1,896,812	2,200,567	-	2,200,567
Total held-to-maturity securities	9.3	31,490,853	-	31,490,853	28,786,117	-	28,786,117
Investments in associates	9.6	31,595,058	-	31,595,058	7,124,099	-	7,124,099
Investments in joint ventures	9.7	3,470,563	-	3,470,563	2,856,556	-	2,856,556
Investments in subsidiary	9.9	1,245	-	1,245	1,245	-	1,245
		296,151,294	37,088,149	333,239,443	311,644,457	10,971,238	322,615,695
Less: Provision for diminution in value of investments	9.10	(13,742,270)	-	(13,742,270)	(10,081,084)	-	(10,081,084)
Investments (net of provisions)		282,409,024	37,088,149	319,497,173	301,563,373	10,971,238	312,534,611
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	9.11	976	-	976	(35,039)	-	(35,039)
Surplus on revaluation of available-for-sale securities	20.1	23,459,267	7,219	23,466,486	6,797,616	56,204	6,853,820
Total investments		305,869,267	37,095,368	342,964,635	308,325,950	11,027,442	319,353,392

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9.2 Investments by segments	Note	2012 (Rupees in '000)	2011
Federal Government Securities			
- Market Treasury Bills		146,688,772	183,428,348
- Pakistan Investment Bonds	9.4	71,043,057	62,505,941
- GoP Foreign Currency Bonds		6,564,498	4,018,380
- Ijarah Sukuk Bonds		6,668,500	2,750,000
		230,964,827	252,702,669
Foreign Government Securities			
		4,701,451	793,296
Fully Paid up Ordinary Shares			
	9.12 / 9.13 / 9.14		
- Listed Companies		31,405,040	27,847,808
- Unlisted Companies		1,087,173	1,065,173
		32,492,213	28,912,981
- Ordinary shares of company outside Pakistan	9.5	463,295	463,295
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates, Musharika and Sukuk Bonds			
- Listed		2,871,954	2,180,288
- Unlisted		17,274,825	17,453,671
		20,146,779	19,633,959
Foreign Currency Debt Securities			
		4,378,582	6,300,614
Other Investments			
- Investments in mutual funds		4,116,006	3,519,221
- Preference Shares		909,424	307,760
Investments in associates			
	9.6	31,595,058	7,124,099
Investments in joint ventures			
	9.7	3,470,563	2,856,556
Investments in subsidiary			
	9.9	1,245	1,245
Total investments at cost		333,239,443	322,615,695
Provision for diminution in value of investments	9.10	(13,742,270)	(10,081,084)
Investments (Net of provisions)		319,497,173	312,534,611
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	9.11	976	(35,039)
Surplus on revaluation of available-for-sale securities	20.1	23,466,486	6,853,820
Total investments		342,964,635	319,353,392

9.3 Market value of held-to-maturity investments is Rs. 31,566 million (2011: Rs. 27,908 million).

9.4 These include Pakistan Investment Bonds amounting to Rs. 75 million (2011: Rs. 75 million) held by the SBP as pledge against demand loans and TT / DD discounting facilities.

9.5 Investment in shares of company incorporated outside Pakistan - Bank Al-Jazira

The Group holds 17,500,000 (2011: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2011: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. Rating of BAJ is BBB+ by Capital Intelligence.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

			Note	2012 (Rupees in '000)	2011
9.6 Investments in associates					
Unlisted					
	Number of shares	Percentage of holding			
Pakistan Emerging Venture Limited	12,500,000	33.33		51,415	51,415
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Venture Capital Fund Management	33,333	33.33		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
National Assets Insurance Company Limited	4,481,500	8.96		44,815	44,815
Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Khushhali Bank Limited	-	-		-	400,000
Dadabhoy Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Pakistan Mercantile Exchange Limited	9,000,000	30.00		90,000	90,000
Prudential Fund Management	150,000	20.00		-	-
				226,554	626,554
Listed					
First Credit and Investment Bank Limited	20,000,000	30.77		197,237	217,317
National Fibres Limited	17,119,476	20.19		-	-
Taha Spinning Mills Limited	833,300	20.59		2,501	2,501
Land Mark Spinning Mills Limited	3,970,859	32.79		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
Agritech Limited	111,925,432	28.52	9.6.1/9.6.2	3,860,613	-
AKD Opportunity Fund	3,280,254	24.55		155,222	97,521
NAFA Income Opportunity Fund	3,601,691	1.66		36,004	30,116
NAFA Multi Asset Fund	4,410,752	7.28		51,443	28,690
NAFA Financial Sector Income Fund	49,917,635	48.56		1,524,334	503,892
NAFA Stock Fund	7,500,000	5.44		68,046	40,333
NAFA Islamic Aggressive Income Fund	7,500,000	35.27		65,591	53,277
NAFA Islamic Multi Asset Fund	7,500,000	27.93		87,934	60,409
NAFA Government Securities Liquid Fund	502,722,026	32.75		3,959,301	5,125,943
NAFA Money Market Fund	2,095,291,113	89.52		21,022,890	-
NAFA Savings Plus Fund	3,000,000	5.03		30,083	30,241
			9.6.3	31,368,504	6,497,545
				31,595,058	7,124,099
Less: Provision for diminution				(1,029,952)	(620,640)
				30,565,106	6,503,459

Notes to the Consolidated Financial Statements

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- 9.6.1** The 100,436,432 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2012 amounted to Rs. 11.67 per share resulting in an impairment of Rs. 2,343 million. The Bank has recorded an impairment of Rs. 234 million as mentioned in Note 9.10.4 to these financial statements.
- 9.6.2** The State Bank through its letter No. BPRD/BRD/-(Policy)/2013-1857 dated: February 15, 2013 has allowed specific relaxation to the Bank for carrying investment in Agritech Limited at cost in its consolidated accounts. Had this relaxation not been there, the share of profits from associates and profit before taxation would have been lower by Rs. 412.623 million.
- 9.6.3** The Bank is holding 31.5% of the shares (including preference shares) in Agritech Limited which is in excess of limit of 30% set out in Regulation R-6(2) of Prudential Regulations and section 23(2) of Banking Companies Ordinance 1962. SBP has allowed the Bank exemption from R-6(2) of Prudential Regulations. The Bank is currently carrying out a legal review to seek waiver from the requirements of Section 23(2) from Federal Government.
- 9.6.4** Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs. 28,875 million (2011: Rs. 6,448 million).
- 9.6.5** Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.
- 9.6.6** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value (Rupees in '000)
Pakistan Emerging Venture Limited	June 30, 2011	1,694
Information System Associates Limited	June 30, 2012	13,081
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2012	(3,794)

	Note	2012	2011
		(Rupees in '000)	
9.7 Investments in joint ventures			
United National Bank Limited (UNBL)	9.7.1	3,470,563	2,856,556
		3,470,563	2,856,556

- 9.7.1** Under a joint venture agreement, the Bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

Notes to the Consolidated Financial Statements

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9.8 Summary of financial information of associates and joint venture

		2012				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		(Rupees in '000)				
United National Bank Limited	December 31, 2012	27,858,388	24,410,392	3,447,996	415,030	94,771
First Credit and Investment Bank Limited	December 31, 2012	1,221,078	583,742	637,336	139,198	(71,196)
AKD Opportunity Fund	September 30, 2012	342,666	7,082	335,584	99,974	86,241
Agritech Limited	December 31, 2012	43,561,430	32,233,560	11,327,870	1,538,726	(1,447,800)
NAFA Income Opportunity Fund	December 31, 2012	2,154,389	479,812	1,674,577	184,464	11,274
NAFA Multi Asset Fund	December 31, 2012	701,078	10,583	690,495	87,315	75,608
NAFA Financial Sector Income Fund	December 31, 2012	3,769,981	29,280	3,740,701	193,428	156,837
NAFA Stock Fund	December 31, 2012	1,184,624	21,432	1,163,192	300,803	273,741
NAFA Islamic Aggressive Income Fund	December 31, 2012	183,568	2,575	180,993	10,257	1,553
NAFA Islamic Multi Asset Fund	December 31, 2012	328,877	5,948	322,929	52,573	36,597
NAFA Government Securities Liquid Fund	December 31, 2012	14,000,768	127,956	13,872,812	789,882	657,685
NAFA Money Market Fund	December 31, 2012	23,701,462	217,447	23,484,015	1,272,112	1,091,793
NAFA Savings Plus Fund	December 31, 2012	1,311,856	9,573	1,302,283	75,804	58,350

		2011				
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		(Rupees in '000)				
United National Bank Limited	December 31, 2011	28,973,329	22,740,193	6,233,136	960,479	10,377
First Credit and Investment Bank Limited	December 31, 2011	1,351,120	664,233	686,887	69,235	(24,508)
AKD Opportunity Fund	September 30, 2011	393,546	5,420	388,126	(23,279)	(26,294)
NAFA Income Opportunity Fund	December 31, 2011	2,563,096	480,557	2,082,539	152,626	(197,591)
NAFA Multi Asset Fund	December 31, 2011	582,093	20,087	562,006	29,510	(30,799)
NAFA Financial Sector Income Fund	December 31, 2011	1,054,127	3,931	1,050,196	23,145	19,059
NAFA Stock Fund	December 31, 2011	848,289	11,631	836,658	40,114	(80,929)
NAFA Islamic Aggressive Income Fund	December 31, 2011	165,447	2,504	162,943	11,721	(8,224)
NAFA Islamic Multi Asset Fund	December 31, 2011	250,280	8,309	241,971	15,017	(23,456)
NAFA Government Securities Liquid Fund	December 31, 2011	15,707,685	71,751	15,635,934	820,780	692,298
NAFA Savings Plus Fund	December 31, 2011	608,857	4,584	604,273	41,012	33,552

9.9 Investments in subsidiaries

	Percentage of holding	2012 (Rupees in '000)	2011 (Rupees in '000)
Cast-N-Link Products Limited (CNL)	76.51	1,245	1,245
		1,245	1,245
Less: Provision for diminution		(1,245)	(1,245)
		-	-

The financial statements of the subsidiary are not available since the year 1997. Accordingly, the management of the Bank applied to the SECP for the exemption from the requirements of section 237 of the Companies Ordinance, 1984 from consolidating financial statements of CNL. The SECP, vide its letter EMD/233/627/2002-747 dated November 30, 2012 under Section 237(8) of the Companies Ordinance, 1984, based on the fact that investments of the Bank in CNL is not material and comprise of 0.00011% of the total assets of the Bank and the investment have been fully provided for, granted the exemption from consolidation of CNL in its financial statements for the year ended December 31, 2012.

Notes to the Consolidated Financial Statements

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9.9.1 Movement Schedule for Investment in Associates and Joint Ventures

	2012								
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year	Exchange Translation Reserve - net of tax	Surplus (Deficit) on Revaluation Properties	Surplus (Deficit) on Revaluation Securities	Closing Balance
----- (Rupees in '000) -----									
Joint Venture									
United National Bank Limited	2,856,556	-	-	-	94,771	344,190	(75,950)	250,996	3,470,563
	<u>2,856,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,771</u>	<u>344,190</u>	<u>(75,950)</u>	<u>250,996</u>	<u>3,470,563</u>
Associates									
Listed									
First Credit and Investment Bank Limited	217,317	-	-	-	(20,080)	-	-	-	197,237
Taha Spinning Mills Limited	2,501	-	-	-	-	-	-	-	2,501
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	3,860,613	-	-	-	-	-	-	3,860,613
AKD Opportunity Fund	97,521	-	-	-	57,701	-	-	-	155,222
NAFA Income Opportunity Fund	30,116	-	-	-	4,256	-	-	1,632	36,004
NAFA Multi Asset Fund	28,690	-	-	(1,432)	19,741	-	-	4,444	51,443
NAFA Financial Sector Income Fund	503,892	980,580	-	(106,773)	140,776	-	-	5,859	1,524,334
NAFA Stock Fund	40,333	-	-	(4,883)	16,392	-	-	16,204	68,046
NAFA Islamic Aggressive Income Fund	53,277	-	-	-	7,019	-	-	5,295	65,591
NAFA Islamic Multi Asset Fund	60,409	-	-	-	14,134	-	-	13,391	87,934
NAFA Government Securities Liquid Fund	5,125,943	-	(1,328,637)	(217,191)	378,863	-	-	323	3,959,301
NAFA Money Market Fund	-	20,991,307	-	(1,198,736)	1,234,019	-	-	(3,700)	21,022,890
NAFA Savings Plus Fund	30,241	-	-	(2,958)	2,802	-	-	(2)	30,083
	<u>7,124,099</u>	<u>25,832,500</u>	<u>(1,728,637)</u>	<u>(1,531,973)</u>	<u>1,855,623</u>	<u>-</u>	<u>-</u>	<u>43,446</u>	<u>31,595,058</u>
----- (Rupees in '000) -----									
Joint Venture									
United National Bank Limited	2,574,163	-	-	-	32,181	131,121	148,541	(29,450)	2,856,556
	<u>2,574,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,181</u>	<u>131,121</u>	<u>148,541</u>	<u>(29,450)</u>	<u>2,856,556</u>
Associates									
Listed									
First Credit and Investment Bank Limited	243,039	-	-	-	(20,619)	-	-	(5,103)	217,317
Taha Spinning Mills Limited	2,501	-	-	-	-	-	-	-	2,501
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,535	-	-	-	-	-	-	-	218,535
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
AKD Opportunity Fund	-	100,000	-	-	(2,479)	-	-	-	97,521
NAFA Income Opportunity Fund	36,691	-	-	(2,488)	(4,087)	-	-	-	30,116
NAFA Multi Asset Fund	46,755	-	-	(8,732)	(2,361)	-	-	(6,972)	28,690
NAFA Financial Sector Income Fund	-	500,000	-	-	3,085	-	-	807	503,892
NAFA Stock Fund	57,022	-	-	(10,524)	(3,305)	-	-	(2,860)	40,333
NAFA Islamic Aggressive Income Fund	59,671	-	-	(9,154)	(26)	-	-	2,786	53,277
NAFA Islamic Multi Asset Fund	78,350	-	-	(16,757)	(662)	-	-	(522)	60,409
NAFA Government Securities Liquid Fund	30,934	5,100,000	-	(104,139)	101,535	-	-	(2,387)	5,125,943
NAFA Savings Plus Fund	30,849	-	-	(3,731)	3,129	-	-	(6)	30,241
	<u>1,475,551</u>	<u>5,744,815</u>	<u>(695)</u>	<u>(155,525)</u>	<u>74,210</u>	<u>-</u>	<u>-</u>	<u>(14,258)</u>	<u>7,124,099</u>
Unlisted									
Pakistan Emerging Venture Limited	51,415	-	-	-	-	-	-	-	51,415
Information System Associates Limited	1,719	-	-	-	-	-	-	-	1,719
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
Pakistan Insulation Limited	695	-	(695)	-	-	-	-	-	-
National Assets Insurance Company Limited	-	44,815	-	-	-	-	-	-	44,815
Khushhali Bank Limited	400,000	-	-	-	-	-	-	-	400,000
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	90,000	-	-	-	-	-	-	-	90,000

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	Note	2012 (Rupees in '000)	2011
9.10 Particulars of provision for diminution in value of investments			
Opening balance		10,081,084	6,720,091
Charge for the year		2,910,981	3,945,612
Reversals		(2,046,685)	(807,118)
		864,296	3,138,494
Transfer		2,184,382	223,081
Amount written off	9.10.5	(977)	(582)
Other movement (transferred from interest suspense)		613,485	-
Closing balance	9.10.1	<u>13,742,270</u>	<u>10,081,084</u>
9.10.1 Particulars of provision in respect of type			
Available-for-sale securities			
Ordinary shares of listed companies and mutual funds		4,961,618	5,710,306
Ordinary shares of unlisted companies		228,347	217,675
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		5,986,861	2,689,018
Preference shares		836,924	113,000
Held-to-maturity securities			
Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates		697,323	729,200
Investments in associates	9.6	1,029,952	620,640
Investments in subsidiaries	9.9	1,245	1,245
		<u>13,742,270</u>	<u>10,081,084</u>
9.10.2 Particulars of provision in respect of segments			
Fully Paid up Ordinary Shares		5,022,424	5,724,689
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9.10.3 / 9.10.4	6,684,184	3,418,218
Other investments		1,004,465	316,292
Investments in associates	9.10.4	1,029,952	620,640
Investments in subsidiaries		1,245	1,245
		<u>13,742,270</u>	<u>10,081,084</u>
9.10.3	In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing investments. During the year, total FSV benefit availed by the Bank resulted in increase in after tax profit of Rs. 150 million. Accordingly, as of December 31, 2012, the accumulated increase in profit after tax of Rs. 1,070 million (2011: Rs. 920 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.		
9.10.4	The State Bank through its letter No. BPRD/BRD/-(Policy)/2013-1857 dated February 15, 2013 has allowed specific relaxation to the Bank regarding the impairment arising on shares of Agritech Limited and provision against overdue exposures of Term Finance Certificates. As per the letter, 10% of the required impairment / provision is to be recorded as on December 31, 2012 and the remaining amount is to be recorded in a phased manner up to December 31, 2013. Had this relaxation not been availed, the provision against diminution in value of investments would have been higher by Rs. 2,364 million and the profit before taxation would have been lower by the same amount.		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

9.10.5 Write off / waiver of TFCs

	Write off (Rupees in '000)	Waiver
Scan Recycling Limited	-	582
Frontier Ceramics Limited	977	-
	<u>977</u>	<u>582</u>

9.11 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading

	2012 (Rupees in '000)	2011
Investment in mutual funds	2,238	-
Ordinary shares of listed companies	(1,253)	(39,000)
Federal Government securities	(9)	3,961
	<u>976</u>	<u>(35,039)</u>

9.12 The investment in shares includes shares of Pakistan International Airlines Corporation, Pakistan National Shipping Corporation, Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company Limited, with carrying value of Rs. 4,148 million that have been frozen by the Government of Pakistan (GoP) for sale in the equity market due to their proposed privatization.

9.13 The investment also includes shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (15,665,446 shares) and shares of Sui Northern Gas Pipeline Limited (17,095,744 shares). The cost of these shares amounts to Rs. 4,163 million and market value as at December 31, 2012 amounts to Rs. 4,035 million. SBP vide letter dated June 26, 2011 has granted exemption till December 31, 2012 for recognising impairment against these shares. These shares can not be sold without concurrence of privatisation commission.

9.14 The investment in shares includes shares of Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of KSEL is equally distributed among 200 members (termed as "initial shareholders" of the exchange after corporatization) of KSEL by issuance of 4,007,383 shares to each initial shareholder in the following manner:

- 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
- 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy, the above investment has been recorded at the carrying value of Stock Exchange Membership Card in Company's books. Furthermore, as the value of these shares is less than the face value, no value has been allocated to TRE Certificate (Note 11.8).

- 9.15** Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Participant Term Certificate, Sukuks etc. including quality of available-for-sale securities is given in Annexure-I to the consolidated financial statements

	Note	2012 (Rupees in '000)	2011
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		637,886,013	519,588,932
Outside Pakistan		<u>60,841,964</u>	<u>48,123,170</u>
		698,727,977	567,712,102
Net investment in finance lease			
In Pakistan	10.2	<u>1,111,274</u>	<u>947,325</u>
Outside Pakistan		-	-
		1,111,274	947,325
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		<u>15,032,338</u>	<u>11,733,608</u>
Payable outside Pakistan		<u>19,477,785</u>	<u>15,237,920</u>
		34,510,123	26,971,528
Advances - gross	10.1	<u>734,349,374</u>	<u>595,630,955</u>
Less: Provision against non-performing advances		<u>73,004,567</u>	<u>67,509,359</u>
Advances - net of provision		<u>661,344,807</u>	<u>528,121,596</u>
10.1 Particulars of advances - gross			
10.1.1 In local currency		654,029,625	532,269,865
In foreign currencies		<u>80,319,749</u>	<u>63,361,090</u>
		<u>734,349,374</u>	<u>595,630,955</u>
10.1.2 Short-term (for upto one year)		468,756,033	404,746,394
Long-term (for over one year)		<u>265,593,341</u>	<u>190,884,561</u>
		<u>734,349,374</u>	<u>595,630,955</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

10.2 Net investment in finance lease

	2012			2011			Total
	Not later than one year	Later than one and less than five years	Over five years	Not later than one year	Later than one and less than five years	Over five years	
	----- (Rupees in '000) -----						
Lease rentals receivable	504,190	631,058	-	411,023	680,512	-	1,091,535
Residual value	70,079	154,582	-	49,921	96,941	-	146,862
Minimum lease payments	574,269	785,640	-	460,944	777,453	-	1,238,397
Financial charges for future periods	130,236	118,399	-	165,040	126,032	-	291,072
	<u>444,033</u>	<u>667,241</u>	<u>-</u>	<u>295,904</u>	<u>651,421</u>	<u>-</u>	<u>947,325</u>

The leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintained financial ratios, as required under the SECP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 13.12% to 18.5% (2011: 14.15% to 20.65%) per annum.

10.3 Advances include Rs. 89,159 million (2011: Rs. 88,391 million) which have been placed under non-performing status as detailed below:

	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Category of Classification									
Other Assets Especially									
Mentioned	779,608	-	779,608	-	-	-	-	-	-
Substandard	4,196,981	1,025,647	5,222,628	933,948	166,263	1,100,211	933,948	166,263	1,100,211
Doubtful	7,176,908	386,455	7,563,363	3,303,201	102,051	3,405,252	3,303,201	102,051	3,405,252
Loss	72,799,502	2,794,312	75,593,814	63,681,767	1,508,759	65,190,526	63,681,767	1,508,759	65,190,526
	<u>84,952,999</u>	<u>4,206,414</u>	<u>89,159,413</u>	<u>67,918,916</u>	<u>1,777,073</u>	<u>69,695,989</u>	<u>67,918,916</u>	<u>1,777,073</u>	<u>69,695,989</u>

	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Category of Classification									
Other Assets Especially									
Mentioned	622,297	-	622,297	-	-	-	-	-	-
Substandard	5,606,741	365,295	5,972,036	1,038,961	91,324	1,130,285	1,038,961	91,324	1,130,285
Doubtful	12,284,620	908,853	13,193,473	3,865,281	454,426	4,319,707	3,865,281	454,426	4,319,707
Loss	66,144,410	2,459,424	68,603,834	56,470,768	1,739,857	58,210,625	56,470,768	1,739,857	58,210,625
	<u>84,658,068</u>	<u>3,733,572</u>	<u>88,391,640</u>	<u>61,375,010</u>	<u>2,285,607</u>	<u>63,660,617</u>	<u>61,375,010</u>	<u>2,285,607</u>	<u>63,660,617</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

10.4 Particulars of provision against non-performing advances

Note	2012			2011		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,660,617	3,848,742	67,509,359	57,478,192	3,765,432	61,243,624
Foreign exchange adjustments	99,183	41,641	140,824	(33,992)	(1,570)	(35,562)
Charge for the year	10,871,276	22,527	10,893,803	9,809,034	258,277	10,067,311
Reversal during the year	(2,703,783)	(1,035,220)	(3,739,003)	(3,669,324)	(178,316)	(3,847,640)
	8,167,493	(1,012,693)	7,154,800	6,139,710	79,961	6,219,671
Transfer in / (out)	(2,184,382)	-	(2,184,382)	478,202	-	478,202
Amounts written off	(828)	-	(828)	(256,574)	-	(256,574)
Amount charged off	(281,094)	-	(281,094)	-	-	-
Other adjustments	235,000	430,888	665,888	(144,921)	4,919	(140,002)
Closing balance	69,695,989	3,308,578	73,004,567	63,660,617	3,848,742	67,509,359

10.5 Particulars of provisions against non-performing advances

Note	2012			2011		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	67,572,652	2,791,821	70,364,473	61,375,010	3,344,477	64,719,487
In foreign currencies	2,123,337	516,757	2,640,094	2,285,607	504,265	2,789,872
	69,695,989	3,308,578	73,004,567	63,660,617	3,848,742	67,509,359

10.5.1 In accordance with BSD Circular No. 11 dated October 21, 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) against non-performing advances. During the year, total FSV benefit erosion resulted in decrease in profit after tax of Rs. 1,056 million. Accordingly, as of December 31, 2012, the accumulated profit after tax of Rs. 4,353 million (2011: Rs. 5,039 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directive.

10.5.2 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, management in the previous year reviewed recoverability of loans in certain sectors with particular reference to history of default and current economic conditions. Based on this review, in addition to specific provision made in accordance with the prudential regulations, a general provision has been made for possible risk of losses in respect of such sectors aggregating Rs. 736 million (2011: Rs. 1,538 million).

10.5.3 The State Bank of Pakistan has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans.

10.5.4 The State Bank through its letter No. BPRD/BRD/-(Policy)/2013-1857 dated: February 15, 2013 has allowed specific relaxation to the Bank regarding the provisioning requirement against Azgard Nine Limited and Agritech Limited exposures. As per SBP letter, 10% of the provision required is to be maintained as at December 31, 2012. Remaining provision is to be recorded upto December 31, 2013 in a phased manner. Had this relaxation not been there, the specific provision against non-performing loans would have been higher by Rs. 498 million and profit before taxation would have been lower by the same amount.

10.5.5 Further, the State Bank of Pakistan through its letter No. BPRD/BRD/HBL/2012/8653 dated: July 16, 2012 has also allowed deferral for classification and provisioning of outstanding liabilities of Byco Petroleum (Pvt.) Limited (BPPL) up to December 31, 2012 subject to completion of restructuring of the same on or before December 31, 2012. In this respect, the Consortium have reached a restructuring arrangement with BPPL and a term sheet has been signed by the borrower and Consortium banks. The Restructuring Agreements are currently in process of legal vetting by the respective banks' legal counsel and the restructuring would be effective from January 01, 2013.

Notes to the Consolidated Financial Statements

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	Note	2012 (Rupees in '000)	2011
10.6 Particulars of write offs			
10.6.1 Against provisions	10.4	828	256,574
		<u>828</u>	<u>256,574</u>
10.6.2 Write offs of Rs. 500,000 and above	10.7	-	11,742
Write offs of below Rs. 500,000		828	244,832
		<u>828</u>	<u>256,574</u>

10.7 Details of loans write offs of Rs. 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2012 is given in Annexure II.

	Note	2012 (Rupees in '000)	2011
10.8 Particulars of loans and advances to directors, associated companies, etc.			
Debts due by directors, executives, officers and staff of the Group or any of them either severally or jointly with any other person:			
Balance at beginning of the year		19,605,883	19,379,753
Loans granted / additions during the year		9,657,393	3,386,182
Repayments		<u>(2,770,206)</u>	<u>(3,160,052)</u>
Balance at end of the year		<u>26,493,070</u>	<u>19,605,883</u>

Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members:

Balance at beginning of the year	10,007,468	17,479,250
Adjustment due to retirement / appointment of directors	6,523,340	(7,914,702)
Loans granted / additions during the year	7,632,972	1,635,668
Repayments / other adjustments	<u>(13,672,849)</u>	<u>(1,192,748)</u>
Balance at end of the year	<u>10,490,931</u>	<u>10,007,468</u>

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties:

Balance at beginning of the year	1,281,029	1,294,419
Adjustment due to acquisition	2,902,069	-
Repayments	<u>(61,045)</u>	<u>(13,390)</u>
Balance at end of the year	<u>4,122,053</u>	<u>1,281,029</u>

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	2,470,431	2,590,080
Property and equipment	11.2	26,642,109	25,832,881
Intangible assets	11.3	601,681	641,603
		<u>29,714,221</u>	<u>29,064,564</u>
11.1 Capital work-in-progress			
Civil works		1,197,076	1,460,038
Equipment		6,587	3,144
Advances to suppliers and contractors		115,137	125,905
License and implementation fee for core banking software		<u>1,151,631</u>	<u>1,000,993</u>
		<u>2,470,431</u>	<u>2,590,080</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

11.2 Property and equipment

	Cost / revalued amount			Accumulated depreciation			Book		Rate of depreciation
	At January 1, 2012	Revaluation / * transfers * (adjustments)	Additions / (deletions)	At December 31, 2012	At January 1, 2012	Charge for the year / (deletions) * (adjustments)	At December 31, 2012	Value at December 31, 2012	
----- (Rupees in '000) -----									
Owned									
Land									
- freehold	9,583,775	-	-	9,581,016	-	-	-	9,581,016	Nil
			(2,759)						
- leasehold	7,371,865	-	-	7,371,865	-	-	-	7,371,865	Nil
Buildings on land:									
- freehold	2,617,042	-	131,802	2,748,844	363,054	118,322	-	481,376	2,267,468 5% on book value
- leasehold	2,470,887	-	503,002	2,973,889	327,273	126,389	-	453,662	2,520,227 5% on book value
Furniture and fixtures	2,560,298	-	406,804 (14,830)	2,952,272	1,423,580	224,113 (10,903)	-	1,636,790	1,315,482 10% to 30% on book value, 20% on straight-line on new furnishing limit to executives and refurbishment of branches
Computer and peripheral equipment	2,421,576	-	733,024 (247)	3,154,353	2,004,861	485,352 (230)	-	2,489,983	664,370 33.33% on cost
Electrical and office equipment	2,828,758	-	92,734 (114)	2,921,378	1,830,077	187,948 (112)	-	2,017,913	903,465 20% on book value
Vehicles	1,218,119	-	780,992 (151,313)	1,847,798	644,979	136,024 (135,490)	-	645,513 -	1,202,285 20% on cost
	31,072,320	-	2,648,358 (166,504) (2,759)	33,551,415	6,593,824	1,278,148 (146,735)	-	7,725,237	25,826,178
Assets held under finance lease									
Vehicles	317,815	-	-	294,646	174,987	38,076 (16,667)	-	196,396	98,250 20% on cost
Office equipment	13,304	-	(23,169)	13,304	11,216	305	-	11,521	1,783 20% on book value
Assets given under Ijarah									
Machinery	1,330,069	-	209 (44,991)	1,285,287	460,713	313,114 (40,466)	-	733,361	551,926 25-33% on cost
Vehicles	559,020	-	-	556,548	218,907	175,894 (2,225)	-	392,576	163,972 25-33% on cost
	559,020	-	(2,472)	556,548	218,907	175,894 (2,225)	-	392,576	163,972 25-33% on cost
2012	33,292,528	-	2,648,567 (237,136) (2,759)	33,701,200	7,459,647	1,805,537 (206,093)	-	9,059,091	26,642,109

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

11.2.1 Property and equipment

	Cost / revalued amount			Accumulated depreciation				Book		
	At January 1, 2011	Revaluation / * transfers	Additions / (deletions) * (adjustments)	At December 31, 2011	At January 1, 2011	Charge for the year / (deletions) * (adjustments)	Revaluation / December 31, 2011	At December 31, 2011	Value at December 31, 2011	Rate of depreciation
----- (Rupees in '000) -----										
Owned										
Land										
- freehold	9,516,046	-	67,729	9,583,775	-	-	-	-	9,583,775	Nil
- leasehold	7,361,872	-	44,223 (34,230)	7,371,865	-	-	-	-	7,371,865	Nil
Buildings on land:										
- freehold	2,620,851	-	101,191 (36,000) * (69,000)	2,617,042	244,687	118,367	-	363,054	2,253,988	5% on book value
- leasehold	2,422,701	-	55,105 (4,111) * (2,808)	2,470,887	210,760	116,538 (25)	-	327,273	2,143,614	5% on book value
Furniture and fixtures	2,306,621	-	323,903 (70,226)	2,560,298	1,213,121	225,804 (15,345)	-	1,423,580	1,316,718	10% to 30% on book value, 20% on straight-line on new furnishing limit to executives and refurbishment of branches
Computer and peripheral equipment	2,150,706	-	276,406 (5,536)	2,421,576	1,717,622	292,581 (5,342)	-	2,004,861	416,715	33.33% on cost
Electrical and office equipment	2,590,362	-	247,512 (9,116)	2,828,758	1,611,074	223,102 (4,099)	-	1,830,077	998,681	20% on book value
Vehicles	994,356	-	260,964 (37,201)	1,218,119	526,804	159,939 (41,764)	-	644,979	573,140	20% on cost
	29,963,515	-	1,377,033 (196,420) * (71,808)	31,072,320	5,524,068	1,136,331 (66,575)	-	6,593,824	24,478,496	
Assets held under finance lease										
Vehicles	308,827	-	31,330 (22,342)	317,815	116,297	63,175 (4,485)	-	174,987	142,828	20% on cost
Office equipment	17,928	-	- (4,624)	13,304	11,111	425 (320)	-	11,216	2,088	20% on book value
Assets given under Ijarah										
	1,807,906	-	94,513 (13,330)	1,889,089	391,602	299,556 (11,538)	-	679,620	1,209,469	25-33% on cost
2011	32,098,176	-	1,502,876 (232,092) * (71,808)	33,292,528	6,043,078	1,499,062 (82,598)	-	7,459,647	25,832,881	

* These represents transfer of non-banking assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

11.3 Intangible assets

	2012							Rate of amortization
	Cost as at January 1, 2012	Additions / (Conversion) Note 11.8	Cost as at December 31, 2012	Accumulated amortization / impairment as at January 1, 2012	Amortization for the year	Accumulated amortization and impairment as December 31, 2012	Book value as at December 31, 2012	
----- (Rupees in '000) -----								
Computer software	139,508	2,869	142,377	72,969	31,791	104,760	37,617	33.33 % on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33 % on cost
Room and Membership Card / Trading Rights Entitlement (TRE) Certificate	12,591	(11,000)	1,591	80	-	80	1,511	
Goodwill on acquisition of NAFA	655,146	-	655,146	92,593	-	92,593	562,553	
Others	2,601	-	2,601	2,601	-	2,601	-	20 % on cost
	<u>810,887</u>	<u>(8,131)</u>	<u>802,756</u>	<u>169,284</u>	<u>31,791</u>	<u>201,075</u>	<u>601,681</u>	

11.3.1 Intangible assets

	2011							Rate of amortization
	Cost as at January 1, 2011	Additions	Cost as at December 31, 2011	Accumulated amortization / impairment as at January 1, 2011	Amortization for the year	Accumulated amortization and impairment as December 31, 2011	Book value as at December 31, 2011	
----- (Rupees in '000) -----								
Computer software	44,371	95,137	139,508	38,195	34,774	72,969	66,539	33.33 % on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33 % on cost
Room and Membership Card / Trading Rights Entitlement (TRE) Certificate	12,591	-	12,591	-	80	80	12,511	
Goodwill on acquisition of NAFA	655,146	-	655,146	92,593	-	92,593	562,553	
Others	2,601	-	2,601	2,601	-	2,601	-	20 % on cost
	<u>715,750</u>	<u>95,137</u>	<u>810,887</u>	<u>134,430</u>	<u>34,854</u>	<u>169,284</u>	<u>641,603</u>	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

- 11.4** The Bank's domestic properties were revalued by independent professional valuers in the year 2007 followed by desktop valuation in 2008. These properties were revalued by M/S Younus Mirza & Co., M/S Dimen Associates (Private) Limited and M/S Arch-e-Decon (Private) Limited on the basis of market value. The revaluation had resulted in increase in surplus on revaluation of operating fixed assets by Rs. 13,114 million. The Bank's property of Bishkek and Baku branches were revalued in 2009 and 2010 respectively by LLC The Agency of Services "Burana Asia" and External Auditors (as allowed under local laws) respectively resulting in a surplus of Rs. 97.283 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	(Rupees in '000)
Land	
freehold	1,132,637
leasehold	871,228
Building	
freehold	549,321
leasehold	522,421

The Bank is currently in the process of analysing the valuations conducted for its domestic properties during the last quarter of 2012. These valuations will be recorded on completion of analysis.

- 11.5** The Islamic Banking Branches of the Bank have not entered into any new Ijarah transactions with customers during the year. The rate of profit is 6 months KIBOR + 2.75% (2011: 6 months KIBOR + 2.75% and 3 months KIBOR + 1.3%).

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

	2012	2011
	(Rupees in '000)	
Not later than one year	138,640	161,773
Later than one year but not later than five years	155,075	261,082
	<u>293,715</u>	<u>422,855</u>

11.6 Details of disposals of property and equipment

Details of disposals of property and equipment made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Group or any related party, irrespective of the value, or where original cost or the book value exceeds Rupees one million or two hundred fifty thousand rupees respectively, whichever is lower are given in Annexure III.

- 11.7** The recoverable amount of goodwill on acquisition of NAFA was tested for impairment based on value in use, in accordance with IAS-36. The value in use calculations are based on cash flow projection based on the budget and forecast approved by management from 2013 - 2017. The terminal value is determined based on a growth rate of 8%. The cash flows are discounted using a pre-tax discount rate of 16%.

- 11.8** The TRE Certificate acquired on surrender of Stock Exchange Membership Card is stated at Nil value (Note 9.14).

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

12. DEFERRED TAX ASSETS - net	Note	2012 (Rupees in '000)	2011
Deductible temporary difference on:			
Provision for diminution in the value of investments		2,994,526	2,684,890
Provision against advances		4,057,645	6,461,669
Other provision		955,115	521,225
Charge against defined benefits plans		1,883,725	1,468,297
Unrealised loss on derivatives		198,408	-
Provision against off-balance sheet obligation		116,622	116,622
		10,206,041	11,252,703
Taxable temporary differences on:			
Excess of accounting book value of leased assets over lease liabilities		(15,525)	(12,502)
Difference between accounting book value of operating fixed assets and tax base		(478,455)	(299,322)
Revaluation of securities	20.1	(5,149,446)	(1,814,915)
Revaluation of operating fixed assets	20.2	(1,096,112)	(1,153,328)
		(6,739,538)	(3,280,067)
Net deferred tax assets		3,466,503	7,972,636

12.1 Movement in temporary differences during the year

	January 1, 2011	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2011	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2012
----- (Rupees in '000) -----							
Deferred tax assets arising in respect of:							
Provision for diminution in the value of investments	1,586,671	1,098,219	-	2,684,890	309,636	-	2,994,526
Provision against advances	6,189,551	272,118	-	6,461,669	(2,404,024)	-	4,057,645
Other provision	334,051	187,174	-	521,225	433,890	-	955,115
Charge against defined benefits plans	1,156,724	311,573	-	1,468,297	415,428	-	1,883,725
Unrealised loss / (gain) on derivatives	942,204	(942,204)	-	-	198,408	-	198,408
Provision against off-balance sheet obligations	116,622	-	-	116,622	-	-	116,622
	10,325,823	926,880	-	11,252,703	(1,046,662)	-	10,206,041
Less: Deferred tax (liabilities) arising in respect of:							
Excess of accounting book value of leased assets over lease liabilities	(16,149)	3,647	-	(12,502)	(3,023)	-	(15,525)
Difference between accounting book value of operating fixed assets and tax base	(391,165)	91,843	-	(299,322)	(179,133)	-	(478,455)
Revaluation of securities	(1,750,726)	-	(64,189)	(1,814,915)	-	(3,334,531)	(5,149,446)
Revaluation of operating fixed assets	(1,213,555)	60,227	-	(1,153,328)	57,216	-	(1,096,112)
	(3,371,595)	155,717	(64,189)	(3,280,067)	(124,940)	(3,334,531)	(6,739,538)
Net deferred tax assets	6,954,228	1,082,597	(64,189)	7,972,636	(1,171,602)	(3,334,531)	3,466,503

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

13. OTHER ASSETS	Note	2012 (Rupees in '000)	2011
Income / mark-up accrued in local currencies		19,978,633	19,822,926
Income / mark-up accrued in foreign currencies		1,013,621	760,809
Advances, deposits, advance rent and other prepayments	13.1	2,932,971	2,882,985
Advance taxation (payments less provisions)		21,257,815	6,070,402
Income tax refunds receivable		20,678,943	16,501,280
Compensation for delayed refund receivable	13.6	736,059	1,935,092
Federal Excise Duty Receivable from SBP		1,579,363	-
Receivable from GoP		-	5,648
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		340,883	372,854
Branch adjustment account - net		1,039,396	3,355,696
Unrealized gain on forward foreign exchange contracts		664,096	2,944,752
Receivable on account of Cross Currency swaps		-	2,725,638
Commission receivable		3,849,921	3,344,383
Stationery and stamps on hand		316,922	246,583
Non-banking assets acquired in satisfaction of claims	13.2	1,423,833	1,183,587
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Receivable from Government under VHS scheme	13.4	418,834	418,599
Receivable from pension fund	34.1.2	3,203,142	4,050,405
Prize bonds in hand		323,691	296,133
Receivable for sale of shares		205,109	34,546
Others		4,579,683	3,002,130
		85,061,486	70,473,019
Less: Provision held against other assets			
Income / mark-up accrued in local currency / foreign currencies		296,729	327,081
Advances, deposits, advance rent and other prepayments		800,000	800,000
Stationery and stamps on hand		96,542	96,542
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Receivable from Government under VHS scheme	13.4	418,834	418,599
Non-banking assets acquired in satisfaction of claims		40,256	-
Others		2,153,071	1,745,217
	13.5	4,324,003	3,906,010
Other assets (net of provision)		80,737,483	66,567,009

13.1 This includes Rs. 800 million (2011: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

13.2 The market value of non-banking assets acquired in satisfaction of claims is Rs. 1,427 million.

13.3 This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP.

13.4 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in '000)	
13.5 Provision against other assets			
Opening balance		3,906,010	3,769,121
Charge for the year		371,514	339,884
Transfer		46,479	(46,477)
Reversals		-	(154,658)
Write offs		-	(1,860)
Closing balance		<u>4,324,003</u>	<u>3,906,010</u>
13.6 Movement in Compensation for delayed refund			
Opening balance		1,935,092	1,856,256
Accrued during the year		2,223,995	2,280,430
Realized during the year		(3,423,028)	(2,201,594)
Closing balance		<u>736,059</u>	<u>1,935,092</u>
14. BILLS PAYABLE			
In Pakistan		13,938,468	9,001,765
Outside Pakistan		429,171	102,945
		<u>14,367,639</u>	<u>9,104,710</u>
15. BORROWINGS			
In Pakistan		50,612,008	26,996,404
Outside Pakistan		500,240	675,342
	15.1 & 15.2	<u>51,112,248</u>	<u>27,671,746</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		50,612,008	26,996,404
In foreign currencies		500,240	675,342
	15.2	<u>51,112,248</u>	<u>27,671,746</u>
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		8,341,318	5,058,654
Under Export Refinance Scheme (New Scheme)		-	3,234,278
Under Long-Term Financing under Export Oriented Project (LTF-EOP)		251,047	568,868
Refinance Facility for Modernization of SMEs		15,760	19,700
Financing Facility for Revival of SMEs & Agricultural Activities in Flood affected areas		27,000	-
Financing Facility for storage of Agriculture Produce (FFSAP)		387,103	434,440
Under Long-Term Financing Facility (LTF)		2,549,657	2,045,232
		<u>11,571,885</u>	<u>11,361,172</u>
Repurchase agreement borrowings		37,070,331	11,011,456
		<u>48,642,216</u>	<u>22,372,628</u>
Unsecured			
Call borrowings		1,898,992	4,853,924
Overdrawn nostro accounts	32	500,240	374,394
Others		70,800	70,800
		<u>2,470,032</u>	<u>5,299,118</u>
		<u>51,112,248</u>	<u>27,671,746</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

15.2.1 Mark-up / interest rates and other terms are as follows:

- The Bank has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up ranging from 8.2% to 9.5% (2011: 5% to 10%).
- Call borrowings carry interest ranging from 7% to 11.9% per annum (2011: 11.25% to 13.10% per annum).
- Repurchase agreement borrowings carry mark-up at the rates ranging from 6.5% to 12% per annum (2011: 11.62% to 11.64% per annum) having maturity ranging from January 2, 2013 to January 4, 2013.
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2011: 10% per annum).

15.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

16. DEPOSITS AND OTHER ACCOUNTS	Note	2012	2011
		(Rupees in '000)	
Customers			
Fixed deposits		235,732,712	257,518,704
Savings deposits		313,013,489	232,868,411
Current accounts - remunerative		96,548,988	80,905,162
Current accounts - non-remunerative		229,279,625	214,069,549
		874,574,814	785,361,826
Financial Institutions			
Remunerative deposits		75,631,737	65,153,307
Non - remunerative deposits		87,888,434	76,895,420
		163,520,171	142,048,727
	16.1	1,038,094,985	927,410,553
16.1 Particulars of deposits			
In local currency		856,862,756	761,971,934
In foreign currencies [including deposits of foreign branches of Rs. 132,251 million (2011: Rs. 119,925 million)]		181,232,229	165,438,619
		1,038,094,985	927,410,553

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012			2011		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	38,124	2,896	35,228	68,181	11,978	56,203
Later than one year and but not later than five years	3,202	77	3,125	39,535	2,999	36,536
	41,326	2,973	38,353	107,716	14,977	92,739

The Bank has entered into lease agreements with Orix Leasing Pakistan Limited for lease of vehicles. Lease rentals are payable in quarterly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 3.25% to KIBOR + 3.50% per annum (2011: KIBOR + 0.9% to KIBOR + 5.00% per annum). At the end of lease term, the Bank has option to acquire the assets, subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	Note	2012 (Rupees in '000)	2011
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		16,737,698	14,691,678
Mark-up / return / interest payable in foreign currencies		276,960	267,552
Unearned commission and income on bills discounted		137,579	347,791
Accrued expenses		4,132,603	2,136,322
Advance payments		318,351	177,443
Unclaimed dividends		77,186	59,514
Derivatives:			
Unrealized loss on forward foreign exchange contracts		2,304,082	1,002,094
Unrealized loss on cross currency swaps		-	1,609,555
Provision against off balance sheet obligations	18.1	454,026	454,026
Employee benefits:			
Post retirement medical benefits	34.1.3	4,972,358	4,223,434
Compensated absences	34.2.1	3,795,006	3,148,005
Benevolent fund	34.1.4	1,418,262	1,156,499
Gratuity scheme	34.1.5	389,792	234,340
Staff welfare fund		371,257	371,257
Liabilities relating to:			
Payable on account of cross currency swaps		-	4,014,936
Barter trade agreements		13,160,470	12,392,801
Special separation package		78,422	78,422
Payable to GoP for acquisition of assets from CIRC		-	232,460
Payable to brokers		29,840	-
Others [(including provision of Rs. 812 million (2011: Rs. 756 million) for contingencies)]		7,715,278	8,134,329
		<u>56,369,170</u>	<u>54,732,458</u>
18.1 Provision against off balance sheet obligations			
Opening balance		454,026	454,026
Charge for the year		-	-
Closing balance	18.1.1	<u>454,026</u>	<u>454,026</u>
18.1.1		This represents provision against non-funded exposure of borrowers where the group considers that the borrower will not be able to meet its contractual obligations at the time of amount becoming due.	

19. SHARE CAPITAL

19.1 Authorized

2011	2012		2012	2011
Number of shares			(Rupees in '000)	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>25,000,000</u>

19.2 Issued, subscribed and paid-up

140,388,000	140,388,000	Ordinary shares of Rs.10 each		
1,541,440,500	1,709,623,327	Fully paid in cash	1,403,880	1,403,880
<u>1,681,828,500</u>	<u>1,850,011,327</u>	Issued as fully paid bonus shares	17,096,234	15,414,405
			<u>18,500,114</u>	<u>16,818,285</u>

The Federal Government and the SBP held about 75.60% (2011: 75.60%) shares of the Group as at the year ended December 31, 2012.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

		2012	2011
		Number of shares	
19.3 Shares of the Bank held by its associates			
Following shares were held by the associates of the Bank as of year end:			
NAFA Multi Asset Fund		289,562	309,522
NAFA Stock Fund		1,082,921	303,274
NAFA Savings Plus Fund		790,500	-
		<u>2,162,983</u>	<u>612,796</u>
	Note	2012	2011
		(Rupees in '000)	
20. SURPLUS ON REVALUATION OF ASSETS - net			
Available-for-sale securities	20.1	18,540,151	4,967,574
Fixed assets	20.2	17,412,234	17,594,441
		<u>35,952,385</u>	<u>22,562,015</u>
20.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government securities		3,096,608	481,362
Term Finance Certificates and Sukuks		33,546	(71,285)
Shares and mutual funds		8,266,856	33,738
GoP Foreign Currency Bonds		525,995	(119,692)
Foreign Government Securities		175,672	(121,529)
Investment outside Pakistan		11,367,809	6,651,226
		23,466,486	6,853,820
Deferred tax liability recognized	12	(5,149,446)	(1,814,915)
Share of revaluation gain / (loss) on securities of associates		223,111	(71,331)
		<u>18,540,151</u>	<u>4,967,574</u>
20.2 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation on January 1,		18,221,229	18,393,306
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(106,257)	(111,850)
Related deferred tax liability		(57,216)	(60,227)
		<u>(163,473)</u>	<u>(172,077)</u>
		18,057,756	18,221,229
Less: Related deferred tax liability on:			
Revaluation as at January 1,		1,153,328	1,213,555
Incremental depreciation charged during the year transferred to profit and loss account		-	-
		(57,216)	(60,227)
	12	1,096,112	1,153,328
Share of surplus on revaluation of fixed assets of joint venture		450,590	526,540
Surplus on revaluation on December 31,		<u>17,412,234</u>	<u>17,594,441</u>

Notes to the Consolidated Financial Statements

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21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

Include general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued on behalf of:

	2012	2011
	(Rupees in '000)	
- Government	1,103,476	3,677,940
- Financial institutions	2,942,475	5,361,703
- Others	23,757,593	21,588,873
	<u>27,803,544</u>	<u>30,628,516</u>

21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued on behalf of:

	2012	2011
	(Rupees in '000)	
- Government	16,025,989	14,457,548
- Financial institutions	12,152,062	9,825,641
- Others	23,035,919	13,282,900
	<u>51,213,970</u>	<u>37,566,089</u>

21.3 Trade-related contingent liabilities

Letters of credit issued on behalf of:

- Government	127,279,552	132,102,571
- Financial institutions	591	591
- Others	39,165,883	37,349,557
	<u>166,446,026</u>	<u>169,452,719</u>

21.4 Other contingencies

21.4.1 Claims against the Bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 186 million (2011: Rs. 183 million), claims relating to former Mehran Bank Limited amounting to Rs. 965 million (2011: Rs. 965 million) and claims relating to employees, the amount involved can not be ascertained reasonably].

<u>9,791,338</u>	<u>8,704,944</u>
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21.4.2 Taxation

The tax returns of the Bank have been filed and amended by the tax authorities up to Tax Year 2012. For Azad Kashmir Branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2012.

During the year, tax authorities have further amended the assessment orders under section 122(5A)/122(9) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009, 2010, 2011 and 2012. The main issue raised relates to reversal of provision of bad debts which in the view of bank has already been offered for tax and the additions have resulted in double taxation of the same amount.

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The other matters under contingencies include interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs. 11,211 million (December 31 2011: Rs. 5,453 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

In respect of monitoring of withholding taxes under section 149, 150 and 151 for the tax years 2009, 2010 and 2011, the tax department has passed orders in June 2011 creating an aggregate demand of Rs. 3.2 Billion in respect of all three years. Subsequently, the tax department has rectified the above orders and the demand has been reduced to Rs. 1 billion for all three years which is subject to further rectification. An appeal is also pending before the Appellate Tribunal Inland Revenue on legal grounds.

The tax department have also passed orders under provisions of the FED Act in respect of the Federal Excise Duty payable on the services rendered by the bank for the tax years 2007, 2008, 2009, 2010 and 2011 raising total demand of Rs. 3.251 billion for those periods. These demands were raised primarily on the issues of chargeability of FED on the commission income derived from the treasury services provided to the State Bank of Pakistan/ Federal Government of Pakistan. Appeals have been filed before various appellate forums including reference and constitutional petitions before High Court of Sindh; wherein apart from other legal grounds, the principal ground is levy of duty on service which are not specified in the First Schedule to the Customs Act, 1969 and specially for Tax year 2011 levy of duty by FBR on services provided in province of Sindh after promulgation of Sindh Sales Tax on Services Act, 2011.

The Bank is also contesting levy of Sindh Sales Tax amounting to Rs. 171.45 million for the period from July, 2011 to March, 2012 on the services provided to Federal Government through State Bank of Pakistan in the province of Sindh, principally on the ground that the Federal Government/State Bank of Pakistan cannot be subject to provincial levy under the provisions of the Constitution of the Islamic Republic of Pakistan.

21.4.3 Barter Trade Agreements

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the Bank to handle the related transactions on behalf of GoP. Accordingly, the Bank executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to the Bank by the GoP could not be utilized due to non-finalization of Letter of Exchange for its utilization after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with the Bank. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the Bank has strongly refused such claims.

21.4.4 Golden Handshake (GHS)

In 1997 Golden Handshake Scheme (GHS) was introduced with the cut-off date of October 31, 1997. However, despite the lapse of due date, many GHS optees continued their services till 1998 and 1999. In February 1998, a circular was issued for enhancement in salaries, which was not applicable to GHS optees. In calculating dues of GHS optees, their pensionary benefits were calculated till the cut-off date. Such employees filed cases against the Bank in various courts including Federal Services Tribunal and the Honourable High Court for enhancement/recalculation of their dues in the light of circular of February 1998.

In some cases, the Honourable High Court decided against the Bank, despite the disclaimer signed by such optees not to claim any more benefits than what the Bank had already paid to them. This disclaimer came up for interpretation before the Supreme Court, which upheld the Bank's view that such disclaimer bars / prohibits the optees to claim any amount in excess of what they had received.

Honourable Lahore and Sindh High Courts, in some cases, decided against the Bank, and directed it, to pay additional benefits by calculating upto the actual date on which the optees released from the service. The Bank filed appeals against the aforesaid orders of Honourable Lahore and Sindh High Courts. The said appeals have been accepted by the Honourable Supreme Court and the judgment of Honourable Lahore and Sindh High Courts have been set-aside.

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The writ petitions filed by some retired employees for additional benefits under GHS were pending in Honourable Islamabad High Court and were argued by the Bank's lawyer in December 2011 and have been dismissed by following the dictum laid down by the Honourable Supreme Court.

Similar writ petitions are still pending in Honourable Lahore High Court, Lahore & Multan Bench of Honourable Lahore High Court which have not yet been fixed for final hearing. However, the Bank based on the legal opinion is of the view that as per law, the Bank is not likely to be burdened in any further financial liability for payment of any additional benefits.

In view of the judgment of Supreme Court disallowing any further claim by the optees or Golden Handshake in excess of what had been paid to them and in view of their undertaking that the amount had been correctly worked out they shall not claim any financial or other benefits, the pending cases are likely to be dismissed by the High Courts by following the verdict of the apex Court.

	2012	2011
	(Rupees in '000)	
21.5 Commitments in respect of forward exchange contracts		
Purchase	176,517,384	160,587,401
Sale	96,414,777	106,748,426
21.6 Commitments in respect of trading in government securities		
Purchase (reverse repo)	-	2,000,000
21.7 Commitments for the acquisition of operating fixed assets	1,626,783	1,643,221
21.8 Other commitments		
Cross currency swap	-	3,410,259
Professional services to be received	78,237	147,669

22. DERIVATIVE INSTRUMENTS

The Group has been involved in derivative transactions including interest rate swaps, cross currency swaps and equity futures. The Group also enter into forward foreign exchange contracts. The un-realized gain and loss on such contracts are disclosed in note 13 and 18.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Group has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

At December 31, 2012 there were no outstanding derivative transactions other than forward foreign exchange contracts as disclosed in note 21.5.

Notes to the Consolidated Financial Statements

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	2012	2011
	(Rupees in '000)	
23. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	71,556,530	62,576,858
Financial institutions	1,378,429	1,593,970
	<u>72,934,959</u>	<u>64,170,828</u>
On investments in:		
Held-for-trading securities	1,016,607	1,123,831
Available-for-sale securities	22,340,663	26,593,814
Held-to-maturity securities	2,573,389	1,208,998
	<u>25,930,659</u>	<u>28,926,643</u>
On deposits with financial institutions	304,303	609,240
On securities purchased under resale agreements	1,955,968	2,249,650
	<u>101,125,889</u>	<u>95,956,361</u>

24. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	52,351,797	45,694,843
Securities sold under repurchase agreements	2,995,390	1,501,188
Short-term borrowings	1,205,298	1,370,942
	<u>56,552,485</u>	<u>48,566,973</u>

25. INCOME FROM DEALING IN FOREIGN CURRENCIES

This includes Rs. 8,345 million (2011: Rs. 5,558 million) on account of interest on Foreign Exchange Swap transactions charged by Foreign Exchange department to Treasury Department.

	Note	2012	2011
		(Rupees in '000)	
26. GAIN ON SALE AND REDEMPTION OF SECURITIES - net			
Federal government securities			
Market Treasury Bills		352,543	269,822
Pakistan Investment Bonds		162,085	(78,059)
GoP Ijara Sukuks		33,503	4,500
		<u>548,131</u>	<u>196,263</u>
Gain on Redemption of NIT Units-LOC Holders' Fund		-	641,081
Gain on NIT - MOF		45,087	44,715
Shares and Mutual Funds		2,049,862	1,508,152
Gain on Sale of Foreign Government / debt securities		163,134	-
Gain on sale of Associate		414,228	-
		<u>3,220,442</u>	<u>2,390,211</u>

27. OTHER INCOME

Rent on property		74,042	33,652
Gain on sale of property and equipment	11.6	101,341	18,464
Compensation for delayed refunds		2,223,995	2,280,430
Miscellaneous earnings		212,559	211,347
		<u>2,611,937</u>	<u>2,543,893</u>

Notes to the Consolidated Financial Statements

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	Note	2012	2011
		(Rupees in '000)	
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		21,918,658	19,280,627
Charge for defined benefit plans		4,142,562	2,274,525
Non-executive directors' fee, allowances and other expenses	35	30,939	27,564
Non-executive directors' fee, allowances - subsidiaries		2,205	1,590
Rent, taxes, insurance, electricity, etc.	28.1	2,095,125	1,855,684
Legal and professional charges		276,948	213,690
Communications		833,075	681,210
Repairs and maintenance		677,687	681,482
Financial charges on leased assets		21,853	30,335
Stationery and printing		766,524	689,696
Advertisement, sponsorship and publicity		619,219	282,689
Donations	28.2	14,651	96,610
Contributions for other Corporate and Social Responsibility	28.2	178,545	83,140
Auditors' remuneration	28.3	104,710	100,872
Depreciation	11.2	1,805,537	1,499,062
Amortization	11.3	31,791	34,854
Conveyance		166,593	151,542
Entertainment		67,992	63,207
Travelling		315,577	264,617
Security services		1,308,893	1,168,334
Outsourcing		517,440	455,123
Miscellaneous expenses		837,184	1,008,750
		36,733,708	30,945,203

28.1 This includes Rs.1,753 million (2011: Rs. 2,254 million) insurance premium against directors' liability insurance.

28.2 Donations and Contributions for Corporate & Social Responsibilities exceeding Rs. 0.1 million have been disclosed in Annexure IV.

Note : None of the directors / executives or their spouses have any interest in the donees, except Mrs. Haniya Shahid Naseem (director) and Mr. Tariq Kirmani (director) who are the member of the Board of Directors of SOS Children's Village, Multan, and the member of the Board of Governors' of Marie Adelaide Leprosy Centre respectively.

28.3 Auditors' remuneration

	KPMG Taseer Hadi & Co.	Anjum Asim Shahid Rahman	2012 Total	2011 Total
	----- (Rupees in '000) -----			
Audit fee	5,660	5,660	11,320	11,320
Review of interim financial statements	1,980	1,980	3,960	3,960
Fee for audit of domestic branches	4,600	4,600	9,200	9,200
Fee for taxation, special certifications and sundry advisory services	2,002	8,681	10,683	3,520
Fee for audit of overseas branches including advisory services and out-of-pocket expenses			61,344	62,838
Fee for audit of subsidiaries			3,870	5,103
Out-of-pocket expenses	1,994	2,339	4,333	4,931
	16,236	23,260	104,710	100,872

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

28.4 Benazir Employees' Stock Option Scheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund created for the purpose by each of such entities. The eligible employees would be allotted units by respective Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from respective Trust Fund in exchange for the surrendered units as would be determined based on market price for listed entities or break-up value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Fund to meet the re-purchase commitment would be met by the GoP.

An employees trust fund to administer the scheme for the Bank's employees was formed on October 26, 2010. However, the shares have not yet been transferred to the Trust Fund.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). Securities and Exchange Commission of Pakistan has granted an exemption from application of IFRS 2 to the Scheme. Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 1,012 million (December 31, 2011: Rs. 1,125 million), profit before taxation would have been lower by Rs. 1,012 million (December 31, 2011: Rs. 1,125 million), unappropriated profit would have been lower by Rs. 3,689 million (December 31, 2011: Rs. 2,677 million) and reserves would have been higher by Rs. 3,689 million (December 31, 2011: Rs. 2,677 million), hence, there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.55 per share (December 31, 2011: Rs. 0.61).

	Note	2012	2011
		(Rupees in '000)	
29. OTHER CHARGES			
Penalties imposed by the SBP		160,324	137,852
		<u>160,324</u>	<u>137,852</u>
30. TAXATION			
For the year			
Current	30.1	7,556,102	9,229,434
Deferred		(379,735)	(1,082,597)
		<u>7,176,367</u>	<u>8,146,837</u>
For prior year			
Current		(1,551,337)	260,000
Deferred		1,551,337	-
		<u>-</u>	<u>260,000</u>
	30.2	<u>7,176,367</u>	<u>8,406,837</u>

30.1 Current taxation includes Rs. 191 million (2011: Rs. 605 million) of overseas branches.

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	2012	2011
	(Rupees in '000)	
30.2 Relationship between tax expense and accounting profit		
Accounting profit before tax	24,063,424	26,131,683
Income tax at statutory rate @ 35% (2010: 35%)	8,422,198	9,146,089
Increase / (decrease) in taxes resulting from:		
Inadmissible differences	56,113	48,248
Income taxed at reduced rate	(1,386,912)	(1,128,994)
Overseas taxation	84,968	81,494
Prior year tax effects	-	260,000
Tax charge for current and prior years	7,176,367	8,406,837

		2012	2011
31. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after tax for the year	Rupees in '000	16,887,057	17,724,846
Weighted average number of ordinary shares	Numbers in '000	1,850,011	1,850,011
Basic earnings per share	Rupees	9.13	9.58
Basic and diluted earnings per share are same.			

31.1 Earnings per share for the year 2011 has been restated for the effect of bonus shares issued.

	Note	2012	2011
		(Rupees in '000)	
32. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	158,756,638	131,843,344
Balances with other banks	7	30,895,173	28,070,350
Overdrawn nostros	15.2	(500,240)	(374,394)
		189,151,571	159,539,300

	2012	2011
	Numbers	
33. STAFF STRENGTH		
Permanent	14,403	14,677
Temporary / on contractual basis	2,521	2,645
Total Staff Strength	16,924	17,322

33.1 In addition to the above, the Bank is utilizing the services of other companies for outsourcing purposes including security staff and the number of persons deployed by such companies as at year end are 8,157 (2011: 7,961).

Notes to the Consolidated Financial Statements

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34. EMPLOYEE BENEFITS

34.1 Defined benefit plans

34.1.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.10 to the financial statements.

Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2012 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2012	2011
Salary increase rate	12% per annum	13% per annum
Discount rate	12% per annum	13% per annum
Expected rate of return on plan assets	12% per annum	13% per annum
Pension indexation rate	10% per annum	10% per annum
Rate of inflation in the cost of medical benefits	10% per annum	10% per annum
Exposure inflation rate	3% per annum	3% per annum
Number of employees covered under retirement benefit plan	13,975	14,481

34.1.2 Reconciliation of recoverable from pension fund

	Note	2012 (Rupees in '000)	2011
Present value of defined benefit obligations		38,579,485	28,538,893
Fair value of plan assets		(28,269,780)	(25,026,571)
Net actuarial losses not recognized		(10,602,841)	(4,237,006)
Past service cost - non vested		(2,910,006)	(3,325,721)
	13	<u>(3,203,142)</u>	<u>(4,050,405)</u>

The recognized amount has been restricted to present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

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	2012	2011
	(Rupees in '000)	
Movement in recoverable from pension fund		
Opening net asset	(4,050,405)	(3,522,884)
Charge for the year	1,730,017	470,360
Contribution to the fund made during the year	(882,754)	(997,881)
	<u>(3,203,142)</u>	<u>(4,050,405)</u>
Charge for pension fund		
Current service cost	717,491	548,862
Interest cost	3,659,947	2,948,199
Expected return on plan assets	(3,260,724)	(3,104,980)
Actuarial gains recognized	197,588	-
Past service cost-vested	415,716	78,279
	<u>1,730,017</u>	<u>470,360</u>
Movement of present value of defined benefit obligation		
Opening present value of defined benefit obligation	28,538,893	21,761,425
Current service cost	717,491	548,862
Interest cost	3,659,947	2,948,199
Benefit paid	(770,915)	(1,405,716)
Past service cost-non vested	-	2,699,492
Actuarial (loss) / gain on obligation	6,434,069	1,986,631
Closing present value of defined benefit obligation	<u>38,579,485</u>	<u>28,538,893</u>
Movement in fair value of plan assets		
Opening fair value of plan assets	25,026,571	22,382,345
Expected return on plan assets	3,260,724	3,104,980
Contributions	882,754	997,881
Benefits paid	(770,915)	(1,405,716)
Actuarial (loss) / gain on assets	(129,354)	(52,919)
Closing fair value of plan assets	<u>28,269,780</u>	<u>25,026,571</u>
Actual return on plan assets	<u>3,131,370</u>	<u>3,052,061</u>

34.1.2.1 Components of fair value of plan assets as a percentage of total fair value of plan assets

	2012	2011
	%	%
Bonds	31.34	78.10
Equities	34.41	20.35
Cash and net current assets	44.25	1.55

Reconciliation of recoverable from pension fund for the five years is as follows:

	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of defined benefit obligations	38,579,485	28,538,893	21,761,425	19,523,049	15,011,555
Fair value of plan assets	(28,269,780)	(25,026,571)	(22,382,345)	(19,781,585)	(17,738,992)
Net actuarial (losses) / gains not recognized	(10,602,841)	(4,237,006)	(2,197,457)	(2,625,022)	(1,587,558)
Past service cost - Non vested	(2,910,006)	(3,325,721)	(704,507)	(782,786)	(181,948)
	<u>(3,203,142)</u>	<u>(4,050,405)</u>	<u>(3,522,884)</u>	<u>(3,666,344)</u>	<u>(4,496,943)</u>

Notes to the Consolidated Financial Statements

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	Note	2012 (Rupees in '000)	2011
34.1.3 Reconciliation of payable to medical benefit plan			
Present value of defined benefit obligations		7,882,426	5,362,361
Net actuarial losses not recognized		(2,910,068)	(1,138,927)
	18	4,972,358	4,223,434
Movement in net liability recognized			
Opening net liability		4,223,434	3,732,073
Charge for the year		1,030,662	688,585
Benefits paid		(281,738)	(197,224)
		4,972,358	4,223,434
Charge for medical benefit plan			
Current service cost		265,769	139,611
Interest cost		678,794	548,974
Actuarial (Gains) / Losses recognized		86,099	-
		1,030,662	688,585
Movement of present value of defined benefit obligation			
Opening present value of defined benefit obligation		5,362,361	4,019,855
Current service cost		265,769	139,611
Interest cost		678,794	548,974
Benefit paid		(281,738)	(197,225)
Actuarial loss on obligation		1,857,240	851,146
Closing present value of defined benefit obligation		7,882,426	5,362,361

Reconciliation of payable to medical benefit plan for the five years is as follows:

	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Present value of defined benefit obligations	7,882,426	5,362,361	4,019,855	3,432,771	2,909,308
Net actuarial (losses) / gains not recognized	(2,910,068)	(1,138,927)	(287,782)	(25,546)	37,246
	4,972,358	4,223,434	3,732,073	3,407,225	2,946,554

Effect of 1% movement in assumed medical cost trend rate

	2012		2011	
	Increase	Decrease	Increase	Decrease
	----- (Rupees in '000) -----			
Impact on obligations	986,800	(832,650)	626,598	(532,708)
Impact on cost	157,537	(132,770)	106,659	(90,564)

Notes to the Consolidated Financial Statements

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	Note	2012 (Rupees in '000)	2011
34.1.4 Reconciliation of payable to benevolent fund			
Present value of defined benefit obligations		1,633,055	1,486,439
Actuarial gain on obligation not recognised		197,082	140,775
Past service cost - non vested		(411,876)	(470,715)
		1,418,261	1,156,499
Movement in net liability recognized for benevolent fund			
Opening net liability		1,156,499	895,661
Charge for the year		286,544	278,646
Benefits paid		(24,781)	(17,808)
	18	1,418,262	1,156,499
Charge for benevolent fund			
Current service cost		36,078	17,444
Interest cost		191,626	124,146
Past service cost - vested		58,839	137,056
		286,544	278,646
Movement of present value of defined benefit obligation			
Opening present value of defined benefit obligation		1,486,439	895,661
Current service cost		36,078	17,444
Interest cost		191,626	124,146
Benefit paid		(24,781)	(17,808)
Past service cost - vested		-	137,056
Past service cost - non vested		-	470,715
Actuarial (gain) on obligation		(56,307)	(140,775)
Closing present value of defined benefit obligation		1,633,055	1,486,439

Reconciliation of net liability recognized for benevolent fund for the five years is as follows:

	2012	2011	2010	2009	2008
	----- (Rupees in '000) -----				
Opening net liability	1,156,499	895,661	838,123	765,748	759,957
Net charge for the year	286,544	278,646	79,725	114,022	53,256
Benefits paid	(24,781)	(17,808)	(22,187)	(41,647)	(47,465)
	1,418,262	1,156,499	895,661	838,123	765,748

Notes to the Consolidated Financial Statements

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	Note	2012	2011
(Rupees in '000)			
34.1.5 Reconciliation of payable to gratuity benefit plan			
Present value of defined benefit obligations		492,063	367,576
Net actuarial losses not recognized		(9,676)	(27,413)
Past service cost - non vested		(92,595)	(105,823)
	18	389,792	234,340
Movement in net liability recognized			
Opening liability		234,340	173,732
Charge for the year		157,167	78,504
Benefits paid		(1,715)	(17,896)
		389,792	234,340
Charge for gratuity benefit plan			
Current service cost		96,266	53,453
Interest cost		47,673	25,051
Past service cost vested		13,228	-
		157,167	78,504
Movement of present value of defined benefit obligation			
Opening present value of defined benefit obligation		367,576	187,884
Current service cost		96,266	53,453
Interest cost		47,673	25,051
Benefit paid		(1,715)	(17,896)
Past service cost - non vested		-	105,823
Actuarial (gain)/loss on obligation		(17,737)	13,261
Closing present value of defined benefit obligation		492,063	367,576

Reconciliation of net liability recognized for defined gratuity obligation for the five years is as follows:

	2012	2011	2010	2009	2008
----- (Rupees in '000) -----					
Present value of defined benefit obligations	492,063	367,576	187,884	136,211	116,216
Net actuarial gains not recognized	(9,676)	(27,413)	(14,152)	(12,422)	(9,946)
Past service cost - Non vested	(92,595)	(105,823)	-	-	-
	389,792	234,340	173,732	123,789	106,270

	Note	2012	2011
(Rupees in '000)			
34.2 Other employee benefits			
34.2.1 Movement in net liability recognized for compensated absences			
Opening net liability		3,148,005	2,572,878
Charge for the year		917,731	740,270
Benefits paid during the year		(270,730)	(165,143)
	18	3,795,006	3,148,005

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

	2012	2011	2010	2009	2008
----- (Rupees in '000) -----					
Opening net liability	3,148,005	2,572,878	2,397,308	2,246,752	1,662,930
Net charge for the year	647,001	575,127	175,570	150,556	583,822
	3,795,006	3,148,005	2,572,878	2,397,308	2,246,752

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34.3 Expected contributions to be paid to the funds in the next financial year

	2013			
	Pension Funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
	----- (Rupees in '000) -----			
Contributions to be paid	5,323,581	658,524	1,243,896	233,916

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Fees / expenses	-	-	30,939	27,564	-	-
Managerial remuneration	20,250	14,708	-	-	1,587,792	1,250,826
Charge for defined benefit plan	2,155	1,745	-	-	205,465	176,025
Rent and house maintenance	9,408	6,589	-	-	861,459	542,628
Utilities	272	1,851	-	-	253,403	158,259
Medical	200	71	-	-	298,986	156,847
Conveyance	1,068	608	-	-	462,822	386,561
Leave fare assistance	-	443	-	-	-	-
Bonus and others	16,480	51,512	-	-	716,501	645,822
	<u>49,833</u>	<u>77,527</u>	<u>30,939</u>	<u>27,564</u>	<u>4,386,428</u>	<u>3,316,968</u>
	----- Numbers -----					
Number of persons	<u>1</u>	<u>2</u>	<u>6</u>	<u>4</u>	<u>1,509</u>	<u>1,232</u>

The President and certain executives are also provided with free use of the Bank's cars, household equipment, mobile phones and free membership of clubs.

Executives mean executives, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

This note does not include particulars of directors, chief executives and executives of subsidiaries.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.6.

The maturity and re-pricing profile and effective rates are stated in notes 42.4.1 and 42.3.3 respectively.

In the opinion of 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 repriced.

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37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Rupees in '000									
2012									
Total income	828,185	1,192,870	6,633,913	52,610,686	1,799,543	5,432,183	782,600	97,985	69,377,965
Intersegment revenue	-	(575,090)	14,241,358	(13,666,268)	-	-	-	-	-
Total expenses	20,081	62,634	18,139,135	20,840,079	1,536,477	4,063,536	587,688	64,911	45,314,541
Net income	808,104	555,146	2,736,136	18,104,339	263,066	1,368,647	194,912	33,074	24,063,424
Segment assets	-	1,157,441	212,223,191	1,076,780,202	-	22,939,257	2,646,411	413,955	1,316,160,457
Segment non-performing loans	-	-	7,492,643	81,666,770	-	-	-	-	89,159,413
Segment provision required	-	-	6,544,446	66,460,121	-	-	-	-	73,004,567
Segment liabilities	-	-	284,694,165	873,363,421	-	-	1,797,645	127,164	1,159,982,395
Segment return on net assets (ROA) (%)	0.00%	5.99%	1.46%	1.85%	0.00%	8.83%	8.20%	8.87%	2.09%
Segment cost of funds (%)	0.00%	0.00%	5.63%	6.49%	0.00%	0.00%	10.64%	0.00%	5.98%
2011									
Total income	554,927	1,826,039	6,030,707	51,917,854	1,802,687	4,429,589	499,807	66,103	67,127,713
Inter segment revenue	-	(764,606)	13,134,219	(12,369,613)	-	-	-	-	-
Total expenses	17,318	152,815	15,234,998	20,145,995	1,352,241	3,503,647	531,171	57,845	40,996,030
Net income	537,609	908,618	3,929,928	19,402,246	450,446	925,942	(31,364)	8,258	26,131,683
Segment assets	-	13,672,883	169,320,927	952,364,003	-	17,201,680	2,075,086	331,843	1,154,966,422
Segment non-performing loans	-	-	4,798,458	83,593,182	-	-	-	-	88,391,640
Segment provision required	-	-	5,083,567	62,425,792	-	-	-	-	67,509,359
Segment liabilities	-	-	251,304,294	753,347,178	-	12,791,575	1,514,649	54,510	1,019,012,206
Segment return on net assets (ROA) (%)	0.00%	6.65%	2.46%	2.41%	0.00%	5.38%	-2.09%	2.39%	2.54%
Segment cost of funds (%)	0.00%	0.00%	4.98%	6.38%	0.00%	0.00%	5.93%	0.00%	5.98%

37.1 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

37.1.1 Business segments

Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial and private labels and retail.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, lending, guarantees, bills of exchange and deposits.

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency services

It includes escrow, depository receipts, securities lending (customers), corporate actions, issuer and paying agents.

Notes to the Consolidated Financial Statements

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Assets management

It includes asset and modaraba management and investment advisory services.

Retail brokerage

It includes business of stock brokerage, investment counseling and fund placements.

38. TRUST ACTIVITIES

38.1 National Investment Trust (NIT)

Under a trust deed, the Bank provides services, as a trustee to NIT and is performing functions of sale / purchase of NIT units, safe custody and maintaining unit holders accounts. The Bank is keeping approximately 1,229 million (2011: 1,129 million) shares with market value of Rs. 36,858 million (2011: Rs. 31,908 million) in safe custody / Central Depository Company of Pakistan on behalf of NIT.

38.2 Long-Term Credit Fund (LTCF)

Consequent upon the NDFC's amalgamation, the Bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the Bank and amounted to Rs. 58,918 million on December 31, 2012 (2011: Rs. 57,724 million).

38.3 Endowment Fund

Students Loan Scheme was launched by the GoP in collaboration with major commercial bank's with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

Students Loan Scheme is being administered by a high powered committee headed by the Deputy Governor, the SBP and the Presidents of the Bank, Habib Bank Limited, United Bank Limited, MCB Bank Limited, Allied Bank Limited and the Deputy Secretary, Ministry of Finance as member and Senior Director of BP&RD as a Secretary of the Committee. The SBP has assigned National Bank of Pakistan to operate the scheme being the public sector bank.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna Fund, Rs. 50 million contributed by the Government of Pakistan and Rs. 54 million were contributed by participating banks (NBP, HBL and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the endowment fund in investments stands at Rs. 595 million as at December 31, 2012 (2011: Rs. 649 million).

39. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 9.

Transactions between the Bank and its related parties are carried out under normal course of business, except employees staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

Detail of loans and advances to the companies or firms, in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.7. There are no transactions with key management personnel other than under advance salary. Contributions in respect of staff retirement and other benefit plans are disclosed in note 34. Remuneration to the executives and disposal of assets are disclosed in notes 35 and 11.6.

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	2012				2011			
	At January 01,	Given during the year	Received during the year	At December 31,	At January 01,	Given during the year	Received during the year	At December 31
----- (Rupees in '000) -----								
Advances								
Associates	1,281,029	-	(61,045)	1,219,984	1,294,419	-	(13,390)	1,281,029
Conversion of Agritech Limited loan				2,902,069				
	1,281,029	-	(61,045)	4,122,053	1,294,419	-	(13,390)	1,281,029
Key management executives	82,110	8,000	(41,735)	48,375	126,519	10,700	(16,768)	120,451
*Adjustment	-				(38,341)			(38,341)
	82,110	8,000	(41,735)	48,375	88,178	10,700	(16,768)	82,110
	<u>1,363,139</u>	<u>8,000</u>	<u>(102,780)</u>	<u>1,268,359</u>	<u>1,382,597</u>	<u>10,700</u>	<u>(30,158)</u>	<u>1,363,139</u>

	2012				2011			
	At January 01,	Given during the year	Withdrawals during the year	At December 31,	At January 01,	Given during the year	Withdrawals during the year	At December 31
----- (Rupees in '000) -----								
Deposits								
Key management executives	14,750	309,084	(308,418)	15,416	58,136	217,213	(260,763)	14,586
*Adjustment					164			164
	14,750	309,084	(308,418)	15,416	58,300	217,213	(260,763)	14,750
Pension Fund (Current)	5,856	40,389,368	(40,390,548)	4,676	5,037	30,056	(29,237)	5,856
Pension Fund (Fixed Deposit)	16,100,000	16,000,000	(18,500,000)	13,600,000	8,400,000	10,200,000	(2,500,000)	16,100,000
Pension Fund (N.I.D.A A/c)	381,500	11,393,756	(11,725,956)	49,300	-	381,500	-	381,500
Provident Fund	10,224,455	3,595,145	(1,371,201)	12,448,399	8,909,272	2,281,333	(966,150)	10,224,455
	<u>26,726,561</u>	<u>71,687,353</u>	<u>(72,296,123)</u>	<u>26,117,791</u>	<u>17,372,609</u>	<u>13,110,102</u>	<u>(3,756,150)</u>	<u>26,726,561</u>

*Adjustments due to retirement / changes in key management executives.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
Placements with:		
Joint venture	290,859	614,100
Associates	-	23,332
Reverse Repo lending to:		
Pension Fund	2,000,000	9,999,998
Repo borrowing from:		
Joint venture	324,420	78,063
Deposits of other Related Parties	5,000,000	-
Off Balance Sheet items		
Forward exchange contracts with Joint Venture		
	294,271	-
- Bought	-	974,344
- Sold	-	962,351
Income for the year		
On advances / placements with:		
Joint venture	4,106	2,874
Key management executives	2,022	3,077
Companies in which directors of the Bank are interested as director	1,122,738	1,376,979
Mark-up on lending (Reverse Repo):		
Associates	13,635	2,257
Pension Fund	-	19,545
Expenses for the year		
Remuneration to key management executives	306,480	396,086
Charge for defined benefit plan	78,775	99,022
Mark-up on deposits of:		
Provident fund	1,878,104	1,743,585
Pension fund	398,779	940,492
Key management executives	874	2,597
Mark-up on Borrowing (Repo / Call):		
Joint venture	840	1,661
Associates	-	130

39.1 Although the Federal Government and the SBP held about 75.60% (2011: 75.60%) shares of the Bank, the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure. The amount of advances, investments and deposits are disclosed in respective notes.

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40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II

40.1 Statutory minimum capital requirement and management of capital

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

According to the BSD Circular No. 7 dated 15th April, 2009, minimum paid up capital requirement have been revised as follows:

Minimum Paid up Capital (Net of losses) - Rs. in '000'	Deadline by which to increased
8,000,000	31-12-2011
9,000,000	31-12-2012
10,000,000	31-12-2013

The paid-up capital of the Group for the year ended December 31, 2012 stood at Rs. 18.500 billion (2011 : Rs. 16.818 billion) and is in compliance with the SBP requirement for the said year. In addition the Group has maintained minimum Capital Adequacy Ratio (CAR) of 16.98% (2011: 16.80%).

The SBP's regulatory capital as managed by the Group is analyzed into following tiers:

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and unappropriated profits (net of accumulated losses, if any).
- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.
- Tier III capital, which includes short term sub-ordinated debt. This capital is solely for the purpose of meeting a proportion of the capital requirement for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible up to 45 percent for treatment as Tier II capital. There is also restriction on the amount of general reserve for loan losses up to 1.25 percent of total risk weighted assets. Subordinated debt cannot exceed 50 percent of Tier I capital. Further Tier III capital cannot exceed 250 percent of Tier I capital.

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital required to be maintained by Banks and DFIs.

There have been no material changes in the Group's management of capital during the year.

Notes to the Consolidated Financial Statements

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40.2 Tier I Capital	2012	2011
	(Rupees in '000)	
Fully paid-up capital	18,500,114	16,818,286
General reserves	21,004,958	19,382,696
Unappropriated profits	70,629,475	69,706,141
Non Controlling Interest	790,878	495,488
	110,925,425	106,402,611
Deductions:		
Book value of goodwill and intangibles	1,753,312	1,642,596
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	-	3,716,917
Reciprocal cross holdings by the Bank	67,787	25,155
50% of the investments in equity and other regulatory capital of majority owned subsidiaries or other financial subsidiaries not consolidated in the statement of financial position	1,784,376	923,539
Total eligible Tier I capital	107,319,951	100,094,404
Supplementary Capital		
Tier II Capital		
General provisions subject to 1.25% of total Risk Weighted Assets	3,308,578	1,465,953
Revaluation reserve (upto 45%)	18,685,909	11,286,459
Foreign exchange translation reserve	9,300,252	6,823,811
	31,294,739	19,576,223
Deductions:		
50% of the investments in equity and other regulatory capital of majority owned subsidiaries or other financial subsidiaries not consolidated in the statement of financial position	1,784,376	923,539
Total eligible Tier II capital	29,510,363	18,652,684
Tier III Capital	-	-
Eligible Tier III Capital	-	-
Total eligible Capital	136,830,314	118,747,088

40.3 Capital Adequacy Ratio	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
Credit Risk	Note ----- (Rupees in '000) -----			
Claim on				
Public sector entities	2,205,788	1,450,734	22,057,879	14,507,339
Claims on other sovereigns	2,636,536	2,734,894	26,365,356	27,348,939
Banks	844,772	1,131,404	8,447,722	11,314,035
Corporates	24,951,495	21,086,491	249,514,954	210,864,909
Retail portfolio	9,016,843	7,377,958	90,168,431	73,779,579
Loans secured by residential property	719,262	570,195	7,192,623	5,701,948
Past due loans	2,764,005	3,023,388	27,640,049	30,233,882
Investment in operating fixed assets	2,796,091	2,611,175	27,960,909	26,111,752
Other assets	4,007,641	4,002,076	40,076,413	40,020,759
Off balance sheet - non-market related exposure	7,629,363	7,062,420	76,293,628	70,624,200
Off balance sheet - market related exposure	47,757	208,008	477,566	2,080,075
Equity exposure risk held in the banking book	8,335,027	1,444,950	83,350,272	14,449,497
	65,954,580	52,703,693	659,545,802	527,036,914
Market Risk				
Interest rate risk	255,366	372,879	2,553,659	3,728,790
Equity position risk	110,948	4,497,639	1,109,480	44,976,392
Foreign exchange risk	2,372,322	2,088,297	23,723,220	20,882,970
	2,738,636	6,958,815	27,386,359	69,588,152
Operational Risk	11,883,246	11,010,366	118,832,460	110,103,658
Total	80,576,462	70,672,874	805,764,621	706,728,724
Capital Adequacy Ratio				
Total eligible regulatory capital held (a)	40.2	136,830,314	118,747,088	
Total Risk Weighted Assets (b)	40.3	805,764,621	706,728,724	
Capital Adequacy Ratio (a) / (b)		16.98%	16.80%	

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40.4 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' for all its credit risk exposures.

The Bank uses reputable and the SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numerical scale of each agency used with risk bucket is as per the SBP Basel II guidelines as is given below:

Exposures	2012	
	JCR - VIS	PACRA
Corporate	✓	✓
Banks	✓	✓
Sovereigns	X	X
SME's	X	X
Securitisation	N/A	N/A
Others	N/A	N/A

40.5 Credit Exposures subject to Standardised Approach

Exposures	Rating Category No.	2012			2011		
		Amount Outstanding	Deduction CRM	Net Amount (Rupees in '000)	Amount Outstanding	Deduction CRM	Net Amount
Cash and cash equivalents	-	19,089,645	-	19,089,645	14,943,225	-	14,943,225
Claims on Government of Pakistan	-	388,394,968	-	388,394,968	360,164,922	-	360,164,922
Foreign currency claims on the SBP	-	11,572,078	-	11,572,078	9,804,081	-	9,804,081
Claims on other sovereigns and on the GoP	1	13,018,296	-	13,018,296	28,803,065	-	28,803,065
Claims on other sovereigns and on the GoP	2,3,4,5	25,637,998	-	25,637,998	25,495,159	-	25,495,159
Claims on other sovereigns and on the GoP	Unrated	4,081,898	-	4,081,898	3,586,471	-	3,586,471
Public Sector Enterprises	1	-	-	-	1,834,550	-	1,834,550
Public Sector Enterprises	Unrated	192,286,459	148,170,702	44,115,757	89,389,469	61,108,611	28,280,858
Banks	1,2,3,4,5	32,526,335	1,750,370	30,775,965	67,665,232	21,799,559	45,865,673
Banks	Unrated	6,649,835	-	6,649,835	4,765,392	-	4,765,392
Corporates	1	408,566	-	408,566	43,672,934	-	43,672,934
Corporates	2,3,4	16,074,869	-	16,074,869	13,825,961	-	13,825,961
Corporates	Unrated	247,308,711	10,383,022	236,925,689	202,535,370	8,885,000	193,650,370
Retail portfolio	Unrated	160,935,558	40,710,983	120,224,575	126,482,326	28,109,554	98,372,772
Secured by residential property	-	20,550,351	-	20,550,351	16,291,281	-	16,291,281
Past due loans	-	23,404,277	-	23,404,277	24,632,736	-	24,632,736
Listed equity investments - banks	-	82,078,533	-	82,078,533	13,178,250	-	13,178,250
Unlisted equity investments	-	847,826	-	847,826	847,498	-	847,498
Investments in fixed assets	-	27,960,909	-	27,960,909	26,111,752	-	26,111,752
Other assets	-	40,076,413	-	40,076,413	40,020,759	-	40,020,759
		<u>1,312,903,525</u>	<u>201,015,077</u>	<u>1,111,888,448</u>	<u>1,114,050,433</u>	<u>119,902,724</u>	<u>994,147,709</u>

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41. RISK MANAGEMENT

Risk Management has been a subject of focus in the wake of recent global economic circumstances. Although Risk Management always existed as a global concept, it started gaining popularity in 2004 with the release of the Basel II accord. In the Pakistani banking industry, Risk Management gained its importance when SBP released its circular for Basel II framework to be implemented locally. Since then, SBP has been very active in releasing various guidelines enforcing banks to strengthen their internal risk management environments.

Taking the lead from the regulatory requirements and best practices, NBP has been constantly striving to achieve excellence in Risk Management standards. NBP realizes its leading role in the banking industry and as an important component to the economic environment of Pakistan. Considering the recent global crisis and the needs of the local macro-economic and banking landscape, the bank intends to further strengthen its Risk Management design and inculcate a culture of prudent risk management across complete range of its activities

Significant improvements and changes have occurred in the overall Risk Management environment of NBP since 2010 due to implementation of a bank-wide Basel II programme. In its overall strive to adopt best practices, NBP procured the consultancy services of the market leader in Basel II implementation.

Additionally, it is important to mention that the bank has also recently procured the services of a top consultant to undertake a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment.

41.1 Overall Structure and broad initiatives

Risk Management now exists as an independent group i.e. Risk Management Group (RMG) functionally reporting to the Board Risk Committee (BRC) and administratively to the President. A new and improved organizational structure for the group has been implemented with clear segregation of responsibilities and focused wings constituted with relevant heads and staff to discharge respective responsibilities.

An Executive Risk Management Committee (ERMC) also exists within the bank comprising of relevant Group Chiefs/ Divisional Heads. Both BRC and the ERMC are provided periodic updates via MIS and periodic progress reports by RMG to ensure that the board and senior management remain aware of the various risk management initiatives and provide oversight and guidance.

Development of a Risk Charter and an updated Risk Management Policy has led to the clear identification of roles and responsibilities for RMG and support standards for other functions within the bank to eliminate any ambiguity and conflict of interest between responsibilities.

The structure of RMG with dedicated wings/functions for specific responsibilities has been implemented as follows:

41.1.1 Credit Risk Architecture

This Wing looks after the following aspects:

- Credit Risk Policy, Strategy and ICAAP
- Credit Modelling and Analytics
- Credit Portfolio Management
- Country Risk Management

This Wing ensures that there is a framework in place for effective assessment/ measurement, mitigation and reporting of credit risks both on counterparty as well as portfolio level. Key responsibilities include formulation/ proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio management including limit setting, MIS and monitoring. This Wing is also responsible for building the process for development of credit risk models for compliance with the Basel II FIRB approach, going forward, as targeted by the bank for implementation and necessary data collection/ cleansing/ validation efforts to be employed in this regard and the relevant rating processes.

For the sake of clarification, this Wing covers credit risk aspects pertaining to portfolios, other than the consumer finance and programme based SME lending which is managed by another dedicated function i.e. Consumer Risk Management.

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41.1.2 Credit Risk Review

RMG has constituted a dedicated Risk Review Wing for undertaking review of loans and advances on post facto basis. The Wing is responsible to independently review the approved credit cases pertaining to new proposals, renewals, restructuring, rescheduling, write-offs and cases involving other credit decisions, on a reasonable sample basis. The results are reported to the Chief Risk Officer (CRO) for onward communication to ERM, BRC and other relevant authorities.

Credit risk review policy has been approved by the Board in September 2011. The function of reviewing cases on sample basis has also been initiated in the year. Initially, the scope of the Wing is to review corporate, commercial and SME portfolios, which will be gradually extended to Agriculture, Financial Institutions, Islamic Banking and overseas portfolios as the capacity and expertise develops.

41.1.3 Basel II Implementation/ Risk Automation/ Consumer Risk Management

This Wing is responsible for managing the Basel II project in close coordination with the Basel II consultants and with the active support and involvement of other functions within the bank. The Wing is also responsible to perform project management and support services in relation to evaluation, selection and implementation of suitable risk management applications, as required by the bank.

The Wing is also mandated with development of an overall consumer risk policy framework and oversight of its implementation. The primary responsibilities include formulation/ proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio management including limit setting, MIS and monitoring with respect to consumer/ programme based SME lending.

41.1.4 E-CIB and Data Management

E-CIB & Data Management Wing represents a dedicated team of personnel responsible for reviewing the quality and integrity of credit and advances related data. Such data is input at various input sources in various groups, divisions and field functionalities.

The Wing is responsible for performing periodic post facto review of advances data, highlighting inconsistencies and errors and issuing instructions to the relevant data entry points for rectification.

41.1.5 Operational Risk Management

The wing caters the following aspects:

- Framework Maintenance, RCSA and KRI
- Loss Data Management, Data Analysis and Reporting

The operational risk is managed with the support and involvement of respective business and other groups/ divisions/ functions. The Wing ensures/ coordinates development and implementation of the operational risk policies, procedures, tools and MIS.

Maintaining / updating the operational risk management framework and coordinating with the business and support groups for operational risk profiling is also part of its mandate. In addition this Wing maintains and analyses operational risk data and generating management reports.

41.1.6 Market & Liquidity Risk Management

The following are the primary responsibilities of this Wing:

- Market Risk Policy, Modelling & Analytics
- Middle Office
- Asset Liability Management

The Wing ensures that the market and liquidity risks are identified, measured, mitigated and controlled with the support and involvement of respective business and operations groups/ divisions/ functions, and in accordance with the regulatory requirements and internal policies. Broadly, it is responsible for formulation/ proposition of market and liquidity risk management framework, portfolio management, assessment/ development of limit framework and associated limits, working on Basel II projects, coordinating with the core banking team in provision of required features and provision of necessary support in market risk capital calculation and other market and liquidity risk functionalities.

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41.1.7 Basel II and Advanced Risk Management

As part of the Basel II implementation programme, a comprehensive diagnostic exercise was conducted on a bank-wide basis and the relevant areas for improvement identified. This exercise encompassed all possible aspects that impacted the bank's Risk Management environment including the assessment of its existing risk management structure, policies and procedures, overall system architecture from a risk perspective and data availability and quality required for comprehensive risk management.

To align the overall environment with respect to Basel II and strengthen the areas identified during the diagnostic exercise, detailed remediation plans have been developed proposing various structured initiatives that the bank needs to undertake.

Under the Basel II ambit and otherwise as part of regulatory requirements and generally accepted best practices for prudent risk management, the initiatives and improvements detailed in the following sections have been undertaken/ are planned to be undertaken.

41.1.8 Enterprise Wide

A comprehensive and updated Risk Management Policy has been developed which details the entire framework for risk management (including Risk Appetite and Strategy) within the bank and clearly identifies the role of RMG as well as various support standards for other groups/ divisions. It also describes the overall responsibilities of the Board and senior management to ensure that the risk management standards set by the bank are consistently implemented.

A Business Planning Working (BPW) group has been set up that has representation from all the relevant groups/ divisions. The idea is to develop a very comprehensive bank-wide strategy backed by economic logic and data analysis. Under the guidance of the Strategic Policy Committee (SPC), this group functions by meeting monthly and developing/ improving mechanisms within the bank to deliberate upon and aid in better risk and strategy planning. Some of the key work performed under same has been the updation of an industry rating model, advanced portfolio management parameters etc. A formal strategy monitoring process is also in the process of being developed to monitor the implementation of the developed strategy. Data from various relevant groups is also being collated to develop a sound strategy based on historical analyses.

A capital calculation handbook has been developed, setting out the steps right from data inception to the policies and procedures and final calculation of capital under Basel II. RMG is also coordinating with Financial Control Division (FCD) for improving the overall quality of data for MCR/CAR reporting and provides regular feedback to FCD on MCR calculation which has resulted in considerable improvements in the calculation process.

The ToRs of BRC have been enhanced to include more detailed role with respect to best practice risk management. The BRC and ERMC are regularly updated on overall status of risk management within the bank and across the industry through periodic MIS reports. RMG has been conducting Peer Banks Analysis, Sectoral Analysis, Credit Portfolio Analysis, Agriculture Analysis and Consumer Analysis (Advance Salary, Saibaan, Karobar) etc. and reporting the same to BRC and ERMC.

Various trainings/ orientations have already been conducted at the senior levels within the bank to create overall risk awareness and provide guidance on best practice risk management. Such sessions include various Basel II orientations, stress testing workshops, RCSA training etc.

41.1.9 Data Enrichment and Risk Automation

A Core Banking Application (CBA) implementation project is underway that includes an entire suite of systems. CBA has been assessed in detail from the Basel II perspective and identified enhancements are being catered to. The Treasury system is under assessment and will be enhanced accordingly.

Existing data platforms within the bank have also been assessed and are already under enhancement and automation to cater to the Basel needs in the interim period. These enhanced platforms should also serve as quality data input to the CBA, once ready. Special and focused trainings aided by data entry manuals have already been conducted at branch and region level to collect cleansed data for various purposes such as credit model development. Further trainings are also being planned with respect to the enhanced existing platforms to assist in ongoing improvement in data collection and quality. Data cleansing is being performed at the Head Office level on an ongoing basis to improve overall data quality and aid in improved MIS generation.

RMG is also spearheading the process of procurement of various risk systems to further ensure adequate data quality and enhance MIS reporting through automation. RFPs for some solutions have been developed with robust evaluation criteria. An independent evaluation committee has been formed to ensure procurement of the best possible systems.

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41.1.10 Credit Risk

To improve on the Senior Management level oversight within the bank and aid the management in more informed decisions, ToRs of key approval committees such as the Credit Committee (CC) have been enhanced.

The CPM of the bank is also being updated from various perspectives identified under the Basel II remediation plans to strengthen elements such as watchlisting, lending to related parties etc.

Internal Audit's scope has been increased with respect to Credit Risk Review responsibilities to cover all exposures of the bank, conduct special review of various loan portfolios, develop an improved mechanism for risk rating of branches/ business units and audit selection, report rating grade concentrations and enhance the credit risk review framework accordingly. Internal Audit has already started performing some of its enhanced responsibilities to identify weaknesses in the credit policies and processes.

Credit Risk Review within RMG is also performing the credit risk reviews on sampling basis. The Credit Risk Review findings / reports are shared with CMG, Business Groups and Internal Audit. Further, Internal Audit shares its diagnostic review findings with RMG to ensure integration of findings throughout.

Advanced portfolio management parameters have been developed and MIS reporting of the same has been initiated based on current data set while the data is being collected for remaining parameters. Similarly, proprietary credit risk stress testing scenarios (in addition to the regulatory scenarios) have been developed and testing is being performed on available data for some scenarios whilst data is being collected for the rest.

The bank has different models for estimating credit risks in various portfolios such as corporate, commercial and SMEs. The process for development of statistical rating templates under the FIRB approach for Basel II is underway.

Application scorecards for home loans and personal loans have been developed and rolled out with all their respective policies and procedures and testing on the same has also been performed. Additionally, a scorecard for agriculture loans is under development. Various consumer product programmes are also under enhancement/ development to cater to specific consumer risk requirements. Data collection on further parameters for use in improvement of application scoring and establishment of behavioural scoring tools is also underway.

A credit risk tolerance and concentration framework has also been developed which will be updated from time to time. The main purpose of this is to ensure that the bank keeps within the overall credit risk tolerance set /acceptable by the bank.

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41.1.11 SEGMENTAL INFORMATION
41.1.11.1 Segment by class of business

	2012					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,816,672	0.66	2,518,101	0.24	13,623,855	5.55
Agriculture	34,129,299	4.65	25,722,458	2.48	1,005,407	0.41
Textile	72,035,945	9.81	3,467,365	0.33	6,649,218	2.71
Cement	9,683,275	1.32	448,333	0.04	2,132,031	0.87
Sugar	16,770,204	2.28	434,852	0.04	990,560	0.40
Flour	3,787,340	0.52	2,125,206	0.20	-	0.00
Rice processing	11,998,549	1.63	1,208,709	0.12	-	0.00
Shoes and leather garments	1,414,223	0.19	1,354,011	0.13	82,103	0.03
Automobile and transportation equipment	4,013,834	0.55	1,133,126	0.11	1,377,904	0.56
Financial	16,167,688	2.20	159,971,655	15.41	6,266,568	2.55
Insurance	24,765	0.00	7,914,813	0.76	3,151	0.00
Transportation	60,226,686	8.20	20,421,839	1.97	1,938,406	0.79
Real estate construction	9,634,176	1.31	14,958,044	1.44	5,264,760	2.14
Electronics and electrical appliances	8,376,306	1.14	670,746	0.06	2,245,267	0.91
Production and transmission of energy	98,762,302	13.45	14,998,987	1.44	99,208,223	40.42
Food and tobacco	1,918,508	0.26	884,158	0.09	858,193	0.35
Fertilizer	15,190,789	2.07	2,946,918	0.28	2,205,914	0.90
Metal products	43,676,124	5.95	8,215,536	0.79	3,515,844	1.43
Telecommunication	6,808,627	0.93	58,259,424	5.61	9,005,748	3.67
Hotel and services	15,954,631	2.17	105,343,811	10.15	4,773,679	1.94
Public sector commodity operations	59,482,989	8.10	5,789,477	0.56	10,179,186	4.15
Individuals	131,085,655	17.85	390,893,368	37.67	8,907,515	3.63
General traders	16,275,590	2.22	42,575,718	4.10	3,348,266	1.36
Others	92,115,197	12.54	165,838,330	15.98	61,881,742	25.23
	734,349,374	100.00	1,038,094,985	100.00	245,463,540	100.00

	2011					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	3,508,803	0.59	2,154,436	0.23	2,170,256	0.91
Agriculture	29,924,062	5.02	22,778,305	2.46	602,169	0.25
Textile	66,457,313	11.16	2,855,870	0.31	8,286,747	3.49
Cement	10,472,359	1.76	230,214	0.02	2,586,112	1.09
Sugar	15,261,948	2.56	218,833	0.02	2,317,072	0.98
Flour	2,806,650	0.47	2,460,809	0.27	-	0.00
Rice processing	9,934,453	1.67	935,535	0.10	-	0.00
Shoes and leather garments	1,203,755	0.20	268,768	0.03	155,492	0.07
Automobile and transportation equipment	3,307,550	0.56	1,008,777	0.11	1,639,679	0.69
Financial	20,922,676	3.51	139,227,188	15.01	5,295,744	2.23
Insurance	-	0.00	6,224,703	0.67	3,151	0.00
Transportation	32,946,584	5.53	16,100,908	1.74	4,606,049	1.94
Real estate construction	10,015,840	1.68	10,862,712	1.17	4,381,728	1.84
Electronics and electrical appliances	9,046,856	1.52	726,442	0.08	2,549,876	1.07
Production and transmission of energy	54,135,848	9.09	19,444,693	2.10	105,493,477	44.39
Food and tobacco	1,638,057	0.28	779,280	0.08	737,868	0.31
Fertilizer	19,006,645	3.19	5,696,512	0.61	4,163,001	1.75
Metal products	26,443,680	4.44	3,582,195	0.39	3,160,006	1.33
Telecommunication	5,608,880	0.94	12,131,343	1.31	4,843,222	2.04
Hotel and services	13,960,505	2.34	50,427,658	5.44	3,407,171	1.43
Public sector commodity operations	64,620,621	10.85	11,346,682	1.22	17,714,533	7.45
Individuals	86,439,511	14.51	391,652,916	42.23	-	0.00
General traders	16,950,643	2.85	26,339,994	2.84	12,570,429	5.29
Others	91,017,716	15.28	199,955,780	21.56	50,963,542	21.45
	595,630,955	100.00	927,410,553	100.00	237,647,324	100.00

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41.1.11.2 Segment by sector

	2012					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	233,573,381	31.81	414,589,362	39.94	131,380,428	53.52
Private	500,775,993	68.19	623,505,623	60.06	114,083,112	46.48
	<u>734,349,374</u>	<u>100.00</u>	<u>1,038,094,985</u>	<u>100.00</u>	<u>245,463,540</u>	<u>100.00</u>

	2011					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	117,084,000	19.66	346,266,926	37.34	148,696,983	62.57
Private	478,546,955	80.34	581,143,627	62.66	88,950,341	37.43
	<u>595,630,955</u>	<u>100.00</u>	<u>927,410,553</u>	<u>100.00</u>	<u>237,647,324</u>	<u>100.00</u>

41.1.11.3 Details of non-performing advances and specific provision by class of business segment

	2012		2011	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	3,357,803	3,104,499	2,337,319	2,229,003
Agriculture	2,754,061	1,271,010	2,110,428	1,078,854
Textile	28,647,541	25,868,391	28,761,145	22,462,274
Cement	3,869,737	3,303,719	5,091,254	3,981,947
Sugar	4,150,471	3,534,839	4,137,093	3,706,226
Flour	347,332	282,945	303,328	288,198
Rice processing	2,533,698	2,385,866	2,545,678	1,723,942
Shoes and leather garments	183,591	183,591	259,679	240,897
Automobile and transportation equipment	1,023,836	1,004,346	1,311,135	1,215,260
Financial	723,251	680,330	904,931	621,681
Transportation / Karobar	1,625,328	1,555,964	1,699,435	1,524,004
Real estate construction	2,359,360	1,407,758	2,475,978	1,408,101
Electronics and electrical appliances	6,758,180	2,873,019	5,421,061	1,360,165
Production and transmission of energy	5,141,880	4,051,015	3,572,236	2,020,461
Food and tobacco	949,155	895,505	1,023,113	1,003,650
Fertilizer	3,156,365	201,330	3,258,527	101,086
Metal products	541,506	526,567	572,471	448,215
Hotel and services	1,298,239	732,803	845,724	589,300
Individuals	5,384,128	3,216,094	4,998,219	3,096,283
General traders	5,373,388	4,630,729	4,679,531	4,066,700
Others	8,980,563	7,985,669	12,083,355	10,494,370
	<u>89,159,413</u>	<u>69,695,989</u>	<u>88,391,640</u>	<u>63,660,617</u>

41.1.11.4 Details of non-performing advances and specific provision by sector

Public / Government	406,818	406,818	673,818	406,818
Private	88,752,595	69,289,171	87,717,822	63,253,799
	<u>89,159,413</u>	<u>69,695,989</u>	<u>88,391,640</u>	<u>63,660,617</u>

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41.1.11.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	23,447,870	1,176,812,461	132,601,426	209,332,010
Asia Pacific (including South Asia)	(511,715)	64,405,197	13,973,235	12,038,507
Europe	(89,985)	11,054,307	3,181,194	5,076,532
United States of America	304,745	24,187,745	2,788,950	4,318,998
Middle East	912,509	39,700,747	3,633,257	14,697,493
	<u>24,063,424</u>	<u>1,316,160,457</u>	<u>156,178,062</u>	<u>245,463,540</u>
	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	24,283,764	1,014,161,807	111,790,309	207,664,521
Asia Pacific (including South Asia)	716,218	72,121,879	12,049,826	12,865,515
Europe	(138,855)	10,319,264	3,036,679	4,760,299
United States of America	260,998	18,968,235	2,363,318	6,494,184
Middle East	889,048	34,006,551	3,411,316	5,862,805
	<u>26,011,173</u>	<u>1,149,577,736</u>	<u>132,651,448</u>	<u>237,647,324</u>

41.2 Operational Risk

A comprehensive Operational Risk Management Framework has been developed to help align the bank with the sound practices for operational risk set by Basel, provide guidance for setting the operational risk strategy of the bank, selection and adoption of risk and loss measurement tools, reporting, communication and establishment of operational risk management processes.

A Historical Loss Data Collection exercise was carried out and three years data has been collected for a number of areas despite challenges of manual processes. This data is being used in the finalization of RCSAs to the extent applicable. Detailed trainings have been provided to all relevant personnel within the bank on operational risk to aid in RCSA finalization and on-going loss data collection. Currently, RCSA process is being finalized across the bank through multiple and detailed discussion and validation sessions. An on-going loss data collection mechanism has also been rolled out that will be used in RCSA re-validation going forward.

NBP is an active participant of the PBA's sub-committee on Basel II and Compliance and has been promptly complying with SBP instructions relating to various studies on advance risk management such as Basel III impact study, SBP stress testing guidelines and ICAAP up gradation.

With all the above initiatives in place and some planned for the future, NBP aims to implement an overall Risk Management Structure within the bank that is constantly evolving to strengthen the risk environment. It is a key aim of the bank to truly develop an integrated risk management culture where each individual is well aware and accounts for the risks involved in respective activities being performed.

41.3 Market and Liquidity Risk

An updated Investment Policy for the bank has been developed for improved profitability and monitoring of investments. RMG in conjunction with the other groups is also working on devising improved criteria for various market based limits.

Data fields have been identified so that these are incorporated in the bank's systems to support VAR, duration and other market risk measurement models and tools. Test models have been developed for certain portfolios while model back-testing, calibration and subsequent updation and finalization are in process for others.

Proprietary market risk stress testing scenarios have been developed (in addition to the regulatory ones) and testing is being performed on the same to assess subsequent impact on CAR.

Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have been developed in conjunction with TMG. These triggers are used for proposing / recommending actions for decision making by ALCO.

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41.3.1 Foreign Exchange Risk

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	1,175,259,334	965,270,612	(73,163,677)	136,825,045
United States Dollar	74,673,201	93,301,676	16,407,792	(2,220,683)
Great Britain Pound	8,000,295	8,425,455	2,202,558	1,777,398
Japanese Yen	15,546,315	68,775,963	51,218,744	(2,010,904)
Euro	11,477,809	4,924,036	3,334,583	9,888,356
Other currencies	31,203,503	19,284,653	-	11,918,850
	140,901,123	194,711,783	73,163,677	19,353,017
	<u>1,316,160,457</u>	<u>1,159,982,395</u>	<u>-</u>	<u>156,178,062</u>
	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	1,006,403,944	838,193,003	(51,888,051)	116,322,890
United States Dollar	68,464,452	91,545,972	23,852,815	771,295
Great Britain Pound	7,884,108	7,800,493	2,657,351	2,740,966
Japanese Yen	30,905,940	56,751,032	21,525,309	(4,319,783)
Euro	10,566,686	8,393,812	3,843,499	6,016,373
Other currencies	30,741,292	16,327,894	9,077	14,422,475
	148,562,478	180,819,203	51,888,051	19,631,326
	<u>1,154,966,422</u>	<u>1,019,012,206</u>	<u>-</u>	<u>135,954,216</u>

Currency Risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market.

The Bank's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. The net open position is managed with the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

41.3.2 Equity Position Risk

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risks from various factors include, but are not limited to:

- changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and / or economy in general;
- mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made;
- fluctuation in the shares' prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market;
- possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system on discharging their fiduciary responsibilities; and
- any government or court order restraining payment of dividend by a company to its shareholders.

The Bank mitigates the aforesaid risks as follows:

- through diversification and capping maximum exposure in a single sector / company. Additionally, continuous follow up of these sectors and companies through self monitoring and fundamentals research from reputable brokerage houses;
- compliance with the SECP Corporate Governance Rules by the investee company prudent investing practices (focus on dividend payout history);
- the Bank will refrain from speculative trading and the investment will be made as per the guidelines on liquidity and growth as per investment policy manual or set by the Board of Directors of the Board; and
- the Bank follows a delivery versus payment settlement system thereby minimizing risk in relation to settlement risk.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market mark-up / interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching / re-pricing of assets and liabilities. The Bank is generally not excessively exposed to interest / mark-up rate risk as more of its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) / Executive Risk Management Committee (ERMC) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Management of interest rate risk is one of the critical components of market risk management in banks. The Bank's net interest income or net interest margin is also dependent on the movement of interest rates and mismatches in the cash flows or re-pricing dates. Interest rate risk management includes establishing and monitoring various risk curbing limits such as duration limits, duration gap limits and interest rate sensitivity limits.

As part of the risk reporting, an interest rate sensitivity statement is prepared on a quarterly basis. This statement classifies the interest rate-sensitive assets and liabilities into various maturity groups enabling the management to monitor the impact of interest rate movements on the Statement of Financial Position.

2012

Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
	158,756,638	28,556,040	135,105	1,687,321	-	-	-	-	-	-	-	130,065,493
Cash and balances with treasury banks	30,895,173	7,843,088	8,728,754	1,687,321	1,309,894	-	-	-	-	-	-	11,325,533
Balances with other banks	8,280,997	8,172,645	100,000	8,352	-	-	-	-	583	-	-	-
Lending to financial institutions - net	342,964,635	19,175,499	53,183,399	46,667,370	61,064,658	11,200,599	7,530,469	40,386,069	17,704,592	174,079	-	85,877,901
Investments - net	661,344,807	133,603,039	220,786,181	134,452,584	95,444,552	18,397,295	15,662,461	28,085,558	7,148,043	6,693,641	-	1,129,453
Advances - net	29,479,358	-	-	-	-	-	-	-	-	-	-	29,479,358
Other assets	1,231,721,608	197,350,311	282,933,439	182,815,627	157,819,104	29,597,894	23,192,930	86,471,627	24,853,218	6,809,720	-	257,877,738
Liabilities												
Bills payable	14,367,639	-	-	-	-	-	-	-	-	-	-	14,367,639
Borrowings	51,112,248	39,755,580	5,546,117	1,534,543	896,309	208,332	514,427	3,351,367	-	-	-	(733,482)
Deposits and other accounts	1,038,094,985	583,043,540	46,652,704	36,187,272	46,548,013	1,308,236	2,266,150	5,308,258	16,287	39,055	-	316,756,331
Sub-ordinated loans	-	-	-	3,907	19,667	9,245	2,996	-	-	-	-	-
Liabilities against assets subject to finance lease	36,353	727	1,811	-	-	-	-	-	-	-	-	-
Other liabilities	47,791,776	-	-	-	-	-	-	-	-	-	-	47,791,776
	1,151,405,001	622,799,847	52,200,632	37,725,722	47,463,989	1,525,813	2,783,573	8,659,625	16,287	47,249	-	378,182,264
On-balance sheet gap	80,316,607	(425,449,536)	230,732,807	145,089,905	110,355,115	28,072,081	20,409,357	59,812,002	24,836,931	6,762,471	-	(120,304,526)
Off-balance sheet financial instruments												
Cross currency swaps												
Forward purchase of foreign exchange	176,517,384	84,303,957	58,325,962	32,831,446	1,056,019	-	-	-	-	-	-	-
Forward sale of foreign exchange	96,414,777	74,408,843	19,293,605	2,712,329	-	-	-	-	-	-	-	-
Off-balance sheet gap	272,932,161	158,712,800	77,619,567	35,543,775	1,056,019	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	353,248,768	(266,736,736)	308,352,374	180,633,680	111,411,134	28,072,081	20,409,357	59,812,002	24,836,931	6,762,471	-	(120,304,526)
Cumulative Yield / Interest Risk Sensitivity Gap	(266,736,736)	41,615,638	222,249,318	333,660,452	382,141,890	441,953,892	466,790,823	473,553,294	353,248,768			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities - (continued)

Effective Yield / Interest rate	2011										Non-interest bearing financial instruments	
	Total	Up to 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		
Exposed to Yield / Interest risk ----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
0.10%	131,843,344	44,918,434	-	29	-	-	-	-	-	-	-	86,924,881
1.80%	28,070,350	5,287,466	9,047,137	2,456,629	910,215	74,012	247,196	-	-	-	-	10,047,695
10.90%	43,973,531	43,751,131	222,400	-	-	-	-	-	-	-	-	-
11.30%	319,353,392	11,925,296	58,339,612	66,213,962	73,451,002	5,028,577	20,638,672	8,692,153	22,181,690	856,426	-	52,026,002
13.60%	528,121,596	158,193,712	150,066,643	83,726,059	72,455,614	14,874,544	14,574,159	25,376,273	4,598,575	4,254,959	-	1,058
0.00%	31,398,173	-	-	-	-	-	-	-	-	-	-	31,398,173
	1,082,760,386	264,076,039	217,675,792	152,396,679	146,816,831	19,977,133	35,460,027	34,068,426	26,780,265	5,111,385	-	180,397,809
Liabilities												
0.00%	9,104,710	-	-	-	-	-	-	-	-	-	-	9,104,710
8.70%	27,671,746	16,414,194	6,442,364	1,683,072	177,800	-	-	2,954,316	-	-	-	-
5.70%	927,410,553	531,012,004	25,525,458	42,353,802	32,896,986	2,175,856	1,514,541	563,011	99,970	-	-	291,268,925
18.00%	92,739	5,274	6,229	11,979	38,660	22,496	8,081	-	-	-	-	-
0.00%	41,583,618	-	-	-	-	-	-	-	-	-	-	41,583,618
	1,005,863,366	547,431,472	31,974,051	44,048,853	33,113,466	2,198,352	1,522,622	3,517,327	99,970	-	-	341,957,253
	76,897,020	(283,355,433)	185,701,741	108,347,826	113,703,365	17,778,781	33,937,405	30,551,099	26,680,295	5,111,385	-	(161,559,444)
	On-balance sheet gap											
Off-balance sheet financial instruments												
	3,140,259	-	3,140,259	-	-	-	-	-	-	-	-	-
	160,597,401	59,541,648	78,146,001	17,447,702	5,452,050	-	-	-	-	-	-	-
	106,748,426	69,905,801	20,102,435	14,867,890	1,872,500	-	-	-	-	-	-	-
	270,476,086	129,447,449	101,388,695	32,315,592	7,324,350	-	-	-	-	-	-	-
	Total Yield / Interest Risk Sensitivity Gap	(153,907,994)	287,090,436	140,663,418	121,027,715	17,778,781	33,937,405	30,551,099	26,680,295	5,111,385	-	(161,559,444)
	Cumulative Yield / Interest Risk Sensitivity Gap	(153,907,994)	133,182,452	273,845,870	394,873,585	412,652,366	446,589,771	477,140,870	503,821,165	508,932,550	-	347,373,106

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.4 Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central banks inside and outside Pakistan.

The purpose of liquidity management is to ensure sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's business franchises, as well as to capitalize on opportunities for business expansion. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

The ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Stress testing is performed on the Bank's liquidity processes in line with the SBP requirements.

41.4.1 Maturities of Assets and Liabilities (based on contractual maturity)

2012

	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) -----									
Assets									
Cash and balances with treasury banks	158,756,638	135,105	-	-	-	-	-	-	-
Balances with other banks	30,895,173	8,727,011	1,687,321	1,309,894	-	-	-	584	-
Lending to financial institutions - net	8,280,997	100,000	-	-	-	-	-	-	-
Investments - net	342,964,635	53,183,399	46,718,389	120,328,807	17,688,854	19,361,573	44,880,585	17,704,594	5,763,746
Advances - net	661,344,807	90,552,723	121,661,524	133,061,293	47,092,184	29,753,396	105,950,097	75,105,184	7,692,480
Operating fixed assets	29,714,221	-	-	2,819,170	1,693,065	437,827	1,505,656	226,965	23,031,538
Deferred tax assets - net	3,466,503	-	-	-	-	-	3,318,388	148,115	-
Other assets	80,737,483	12,853,766	8,928,198	3,936,121	20,713,031	21,167,387	596,059	1,285,819	1,650,242
	1,316,160,457	303,467,164	178,995,432	261,455,285	87,187,134	70,720,183	156,250,785	94,471,261	38,138,006
Liabilities									
Bills payable	14,367,639	-	-	-	-	-	-	-	-
Borrowings	51,112,248	5,493,523	1,534,543	935,364	260,926	113,853	3,351,367	-	-
Deposits and other accounts	1,038,094,985	79,397,043	35,817,319	73,280,672	12,067,588	5,473,380	9,570,008	213,584	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	38,353	1,811	3,907	19,667	9,245	2,996	-	-	-
Other liabilities	56,369,170	1,873,888	5,881,245	854,467	16,762,133	1,640,118	3,145,734	1,527,844	1,603,400
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
	1,159,982,395	89,146,790	43,237,014	75,090,170	29,099,892	7,230,327	16,067,109	1,741,428	1,603,400
Net assets	156,178,062	595,679,626	38,708,942	135,758,418	186,365,115	58,087,242	63,489,856	140,183,676	36,534,606
Share capital	18,500,114								
Reserves	30,305,210								
Unappropriated profit	70,629,475								
Non-controlling interest	790,878								
Surplus on revaluation of assets - net	35,952,385								
	156,178,062								

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.4.1 Maturities of Assets and Liabilities (based on contractual maturity) - (continued)

		2011									
		(Rupees in '000)									
		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) -----											
Assets											
Cash and balances with treasury banks	131,843,344	131,843,344	-	-	-	-	-	-	-	-	
Balances with other banks	28,070,350	15,335,161	9,047,137	910,215	74,012	247,196	-	-	-	-	
Lending to financial institutions - net	43,973,531	43,751,131	222,400	-	-	-	-	-	-	-	
Investments - net	319,353,392	4,672,217	28,895,175	156,351,910	14,209,611	28,058,362	5,599,672	28,169,928	5,577,621		
Advances - net	528,121,596	102,079,233	49,345,338	101,750,348	38,902,655	33,261,810	46,151,827	61,017,037	11,551,232		
Operating fixed assets	29,064,564	-	-	1,972,423	2,988,504	981,840	431,461	248,435	22,441,901		
Deferred tax assets - net	7,972,636	-	-	-	-	-	1,826,069	6,146,567	-		
Other assets	66,567,009	14,119,223	15,092,868	2,202,862	17,507,195	6,226,540	264,943	175,089	3,261,119		
	1,154,966,422	311,800,309	102,602,918	263,187,758	73,681,977	68,775,748	54,273,972	95,757,056	42,831,873		
Liabilities											
Bills payable	9,104,710	9,104,710	-	-	-	-	-	-	-	-	
Borrowings	27,671,746	16,683,610	6,442,364	177,800	-	-	2,684,900	-	-	-	
Deposits and other accounts	927,410,553	636,552,889	101,519,461	93,120,332	6,689,343	2,808,224	5,985,785	2,119,288	222,895		
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	92,739	5,274	6,229	38,680	30,235	342	-	-	-		
Other liabilities	54,732,458	23,580,337	215,957	779,729	16,636,236	1,269,299	2,624,693	1,269,299	1,274,003		
	1,019,012,206	665,926,820	108,184,011	94,116,541	23,355,814	4,077,865	11,295,378	3,388,587	1,496,898		
Net assets	135,954,216	(374,126,511)	(6,581,093)	169,071,217	50,326,163	64,697,883	42,978,594	92,368,469	41,334,975		
Share capital	16,818,285										
Reserves	26,212,505										
Unappropriated profit	69,640,893										
Non-controlling interest	720,518										
Surplus on revaluation of assets - net	22,562,015										
	135,954,216										

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.4.2 Maturities of Assets and Liabilities (based on behavioural study)

Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 488.562 billion (2011: 410.759 billion) of deposits representing Current and Saving Deposits considered by the Bank as stable source of funding of its operations.

The behavioural maturities of Demand deposits are determined on the basis of statistical study conducted by the Bank, based on the past five years of data. The attrition rate of deposits is determined based on historically observed weekly data of all Current and Saving Deposit accounts using VaR based approach. The approach considers the tendency of variation among the respective time bands for selected deposit types and drives the portion of volatility of such time bands based on 99% confidence interval on the variation data so calculated. The remaining portion of the deposit which marked as core is accordingly shifted to higher time bands.

2012

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	158,756,638	158,621,533	135,105	-	-	-	-	-	-	-
Balances with other banks	30,895,173	19,170,363	8,727,011	1,687,321	1,309,894	-	-	-	584	-
Lending to financial institutions - net	8,280,997	8,180,997	100,000	-	-	-	-	-	-	-
Investments - net	342,964,635	17,334,688	53,183,399	46,718,389	120,328,807	17,688,854	19,361,573	44,880,585	17,704,594	5,763,746
Advances - net	661,344,807	90,552,723	50,475,926	121,661,524	133,061,293	47,092,184	29,753,396	105,950,097	75,105,184	7,682,480
Operating fixed assets	29,714,221	-	-	-	2,819,170	1,693,065	437,827	1,505,656	226,965	23,031,538
Deferred tax assets - net	3,466,503	-	-	-	-	-	-	-	148,115	-
Other assets	80,737,483	9,606,860	12,853,766	8,928,198	3,936,121	20,681,661	21,198,757	596,059	1,285,819	1,650,242
	1,316,160,457	303,467,164	125,475,207	178,995,432	261,455,285	87,155,764	70,751,553	156,250,785	94,471,261	38,138,006
Liabilities										
Bills payable	14,367,639	14,367,639	-	-	-	-	-	-	-	-
Borrowings	51,112,248	39,422,692	5,493,523	1,534,543	935,364	260,926	113,833	3,351,367	-	-
Deposits and other accounts	1,038,094,985	318,369,426	92,887,578	128,258,862	172,771,852	111,756,263	104,772,412	109,065,009	213,583	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	38,353	727	1,811	3,907	19,667	9,245	2,996	-	-	-
Other liabilities	56,369,170	23,080,341	1,873,888	5,881,245	854,467	16,762,133	1,640,118	3,145,734	1,527,844	1,603,400
	1,159,982,395	395,240,825	100,256,800	135,678,557	174,581,350	128,788,567	106,529,359	115,562,110	1,741,427	1,603,400
Net assets	156,178,062	(91,773,661)	25,218,407	43,316,875	86,873,935	(41,632,803)	(35,777,806)	40,688,675	92,729,834	36,534,606
Share capital	18,500,114									
Reserves	30,305,210									
Unappropriated profit	70,629,475									
Non-controlling interest	790,878									
Surplus on revaluation of assets - net	35,952,385									
	156,178,062									

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

41.4.2 Maturities of Assets and Liabilities (based on behavioural study) - (continued)

2011

	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) -----									
Assets									
Cash and balances with treasury banks	131,843,344	-	-	-	-	-	-	-	-
Balances with other banks	28,070,350	9,047,137	2,456,629	910,215	74,012	247,196	-	-	-
Lending to financial institutions - net	43,973,531	222,400	-	-	-	-	-	-	-
Investments - net	319,353,392	28,895,175	47,818,896	156,351,910	14,209,611	28,058,362	5,599,672	28,169,928	5,577,621
Advances - net	528,121,596	4,672,217	84,062,116	101,750,348	38,902,655	33,261,810	46,151,827	61,017,037	11,551,232
Operating fixed assets	29,064,564	-	-	1,972,423	2,988,504	981,840	431,461	248,435	22,441,901
Deferred tax assets - net	7,972,636	-	-	-	-	6,226,540	1,826,069	6,146,567	-
Other assets	66,567,009	14,119,223	7,717,170	2,202,862	17,507,195	6,226,540	264,943	175,089	3,261,119
	1,154,966,422	311,800,309	142,054,811	263,187,758	73,681,977	68,775,748	54,273,972	95,757,056	42,831,873
Liabilities									
Bills payable	9,104,710	-	-	-	-	-	-	-	-
Borrowings	27,671,746	6,442,364	1,685,072	177,800	-	-	2,684,900	-	-
Deposits and other accounts	927,410,553	1,13,089,689	157,162,369	177,190,440	90,417,232	86,417,380	90,331,357	212,053	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	92,739	5,274	11,979	38,680	30,235	342	-	-	-
Other liabilities	54,732,458	23,580,337	7,082,905	779,729	16,636,236	1,269,299	2,624,693	1,269,299	1,274,003
	1,019,012,206	261,963,964	119,754,239	178,186,649	107,083,703	87,687,021	95,640,950	1,481,352	1,274,003
Net assets	135,954,216	49,836,345	(23,885,514)	85,001,109	(33,401,726)	(18,911,273)	(41,366,976)	94,275,704	41,557,870
Share capital	16,818,285	-	-	-	-	-	-	-	-
Reserves	26,212,505	-	-	-	-	-	-	-	-
Unappropriated profit	69,640,893	-	-	-	-	-	-	-	-
Non-controlling interest	720,518	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	22,562,015	-	-	-	-	-	-	-	-
	135,954,216	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

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42. ISLAMIC BANKING BUSINESS

The Bank is operating 8 Islamic banking branches as at December 31, 2012 (December 31, 2011: 8 branches).

42.1 Profit Distribution Policy for Islamic Banking Division

The profit distribution mechanism during the year complies with the rules and principles of Islamic Shariah and is in the light of guidelines approved by the Shariah Advisor of the Bank's Islamic Banking Division and the SBP guidelines related to Shariah Compliance.

The non-compliant income identified during the year is transferred to the charity account.

42.2 Statement of Financial Position As at December 31, 2012	Note	2012	2011
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		173,725	141,873
Balances with other banks		753,957	-
Investments	42.2.1	1,220,635	1,397,858
Islamic financing and related assets	42.2.2	1,322,280	1,720,698
Operating fixed assets		12,541	11,613
Due from Head Office		-	-
Other assets		69,488	111,182
		3,552,626	3,383,224
LIABILITIES			
Bills payable		2,439	9,385
Deposits and other accounts			
-Current accounts		1,476,882	429,089
-Saving accounts		369,579	347,562
-Term deposits		669,092	743,075
-Deposit from financial		407,327	118
Due to Head Office		352,927	1,433,810
Other liabilities		51,975	48,650
		3,330,221	3,011,689
NET ASSETS		222,405	371,535
REPRESENTED BY			
Islamic Banking Fund		300,000	300,000
(Accumulated loss) / Unappropriated profit		(77,595)	71,535
		222,405	371,535
Surplus on revaluation of assets - net		-	-
		222,405	371,535
Remuneration to Shariah Advisor		1,521	1,273
CHARITY FUND			
Opening balance		-	-
Additions during the period		0.10	426
Payment / utilisation during the period		-	(426)
Closing balance		0.10	-
42.2.1 Investments			
Sukuk		1,357,536	1,557,399
Provision for diminution in the value of investments		(136,901)	(159,541)
		1,220,635	1,397,858
42.2.2 Islamic financing and related assets			
Murabaha		688,400	658,310
Diminishing Musharaka		624,109	723,313
Ijarah assets		231,504	372,408
		1,544,013	1,754,031
Provision against non-performing financings		(221,733)	(33,333)
		1,322,280	1,720,698

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

42.3 PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
Profit / return earned on financings, investments and placements	458,731	529,589
Profit / return expensed on deposit	(220,086)	(280,346)
Net spread earned	238,645	249,243
Depreciation on assets given on Ijarah	(136,133)	(138,619)
	<u>102,512</u>	<u>110,624</u>
Provision against advances and investments	(103,426)	(46,875)
Provision reversed against advances and investments	37,666	107,234
	<u>(65,760)</u>	<u>60,359</u>
Profit after provision	36,752	170,983
Other income		
Fee, commission and brokerage income	3,591	4,105
Income from dealing in foreign currencies	(5)	132
Other income	-	274
Total other income	<u>3,586</u>	<u>4,511</u>
	<u>40,338</u>	<u>175,494</u>
Other expenses		
Administrative expenses	(117,933)	(103,959)
(Loss) / Profit for the year	<u>(77,595)</u>	<u>71,535</u>

42.4 Unconsolidated Cash Flow Statement

For the year ended December 31, 2012

Cash Flow from Operating Activities

(Loss) / Profit for the year	(77,595)	71,535
Adjustments :		
Depreciation - Own assets	1,279	2,056
Depreciation - Ijarah assets	136,133	138,619
Provision against non performing financings	65,760	46,875
	<u>203,172</u>	<u>187,550</u>
	<u>125,577</u>	<u>259,085</u>
(Increase) / Decrease in operating assets		
Due from Financial Institutions	(753,957)	200,000
Financings	273,748	(1,616,684)
Other assets	41,694	(63,189)
	<u>(438,515)</u>	<u>(1,479,873)</u>
(Increase) / Decrease in operating liabilities		
Bills payable	(6,946)	3,964
Deposits and other accounts	1,403,036	(673,569)
Borrowings from Head Office	(1,054,023)	1,861,179
Other liabilities	3,325	13,871
	<u>345,392</u>	<u>1,205,445</u>
Net cash (used in) / generated from operating activities	<u>32,454</u>	<u>(15,343)</u>
Cash Flow from Investing Activities		
Investment in operating fixed assets	(602)	(510)
Net cash used in investing activities	<u>(602)</u>	<u>(510)</u>
Cash Flow from Financing Activities		
Net Cash Flow from Financing Activities	-	-
Increase / (Decrease) in cash and cash equivalents	<u>31,852</u>	<u>(15,853)</u>
Cash and cash equivalents at beginning of the year	141,873	157,726
Cash and cash equivalents at end of the year	<u>173,725</u>	<u>141,873</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

42.5 Allocation of Income and Expenses to Remunerative Depositors' Pool

	2012 (Rupees in '000)	2011 (Rupees in '000)
Income from financing activities	309,439	339,457
Income from investments	138,076	188,141
Income from placements with Financial Institutions	11,216	1,991
Total Income	458,731	529,589
Less: Administrative expenses directly attributable to the Pool	(136,133)	(138,619)
Less: Profit Distributed to other Special Pools	(4,140)	(81,092)
Gross Distributable Income	318,458	309,878
Mudarib (Bank) share of profit before Hiba	(75,271)	(79,748)
Add: Reversal of income on classified investment recognized by bank	14,343	-
Less: Hiba from bank's share to depositors	57,572	32,800
Net Mudarib (Bank) share of profit	(3,356)	(46,948)
Rab-ul-Maal Share of Profit	<u>315,102</u>	<u>262,930</u>
Rab-ul-Maal Share of Profit is distributed as follows:		
Remunerative depositors' share in Mudarabah pool	217,063	216,252
Bank's equity in Mudarabah pool	98,039	46,678
	<u>315,102</u>	<u>262,930</u>

Note: Administrative and operating expenses are paid by the Bank and not charged to the depositors' pool as per guidelines of Mudarabah.

42.6 Pools maintained by NBP-IBD

NBP-IBD has managed a General Pool and Three special pools during the year 2012. The General pool was maintained throughout the year and the special pools were maintained for specific periods the key features of the special pools maintained are as follows:

Pool description	Pool start date	Pool end date	Profit sharing Ratio	
			Rab-ul-Mall	Mudarib
Special pool 1	18-Mar-11	17-Mar-12	85%	15%
Special pool 2	14-Oct-11	13-Oct-11	85%	15%
Special pool 3	15-Dec-11	15-Jan-12	85%	15%

42.7 Sectors of economy where Mudaraba based deposits have been deployed

Sector	Percentage
Chemicals & pharmaceuticals	8.70%
Pharmaceutical	0.01%
Textile spinning	3.05%
Textile composite	6.89%
Cement	6.35%
Sugar	2.54%
Oil Gas	18.04%
Fuel & energy	17.95%
Leasing/Modarbas	4.31%
Services	6.29%
Federal Government	25.87%
Total	100%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

42.8 Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using pre-agreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

Direct expenses charged to the pool comprise the depreciation on Ijarah assets.

42.9 Mudarib Share

Gross distributable income (Rs. In '000)	318,458
Mudarib (Bank) share of profit before Hiba (Rs. In '000)	75,271
Mudarib Share in %age	24%

42.10 Hiba from Mudarib share

Mudarib (Bank) share of profit before Hiba (Rs. In '000)	75,271
Hiba from bank's share to depositors (Rs. In '000)	57,572
Hiba from bank's share to depositors in %age	76%

42.11 During the year the average profit rate earned by the Islamic Banking Division is 11.20% and the profit rate distributed to the depositors is 10.32%.

43. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 7 per share (2011: Rs. 7.5 per share) amounting to Rs. 12,950 million (2011: Rs. 12,614 million) and bonus shares in the proportion of 15 ordinary shares (2011: 10) per 100 ordinary shares held amounting to Rs. 2,775 million (2011: Rs. 1,682 million) at its meeting held on February 25, 2013 for approval of the members at the annual general meeting to be held on March 28, 2013. These financial statements do not reflect this appropriation as explained in note 5.16.

44. GENERAL

Figures have been rounded off to the nearest thousand rupees.

45. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 25, 2013 by the Board of Directors of the holding company.



President / Chairman



Director



Director



Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

 Annexure I as referred to in
 Note 9.15 to the consolidated financial statements

1.1 Particulars of investments held in listed companies and modarabas

1.1.1 Ordinary shares

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
------(Rupees in '000)-----						
Held-for-trading						
Attock Refinery Limited	Unrated	AA/A1+	188,600	250,000	31,606	26,913
D G Khan Cement	Unrated	Unrated	3,508,875	-	191,514	-
Lafarge Pakistan Cement	Unrated	Unrated	193	-	1	-
Lucky Cement Limited	Unrated	Unrated	400,000	36,985	60,616	2,775
MCB Bank Limited	Unrated	AAA/A1+	-	175,267	-	23,591
Nishat Mills Limited	Unrated	AA-/A1+	1,075,500	1,497,407	68,671	60,570
National Refinery Limited	Unrated	AAA/A1+	-	75,000	-	18,202
Pakistan Oilfields	Unrated	Unrated	-	105,141	-	36,426
Pakistan State Oil company Limited	Unrated	AA+/A1+	-	737,861	-	167,649
P.T.C.L	Unrated	Unrated	6,250,000	106,000	108,438	1,101
TPL Trakker Limited	Unrated	A-/A2	462,500	-	4,181	-
Fauji Fertilizer Company Limited			662,500	-	24,541	-
Angro Corporattion Limited			209,500	-	60,977	-
			12,757,668	2,983,661	550,546	337,227
Available-For-Sale						
Abbott Laboratories Limited	Unrated	Unrated	462	1,267,462	106	126,480
Accord Textile Mills Limited	Unrated	Unrated	233,400	233,400	-	93
Adamjee Floorings Limited	Unrated	Unrated	30,080	30,080	-	-
Adamjee Insurance Company Limited	Unrated	AA	3,321,865	769,442	226,352	35,787
Adamjee Papers & Board Mills Limited	Unrated	Unrated	137,597	137,597	-	-
Adil Polypropylene Limited	Unrated	Unrated	69,093	69,093	-	-
Adil Textile Mills Limited	Unrated	Unrated	47,696	47,696	-	-
Afsar Textile Mills Limited	Unrated	Unrated	32,778	32,778	-	-
Agriauto Industries Limited	Unrated	Unrated	567,047	567,047	45,449	32,605
Agritech Ltd	Unrated	Unrated	242,055	11,499,000	8,472	176,625
Aisha Steel Mills Limited	A-/A-2	Unrated	10,000,000	-	106,500	-
AKZO Nobel Pakistan Limited	Unrated	Unrated	13,316	-	1,152	-
Al Abbas Sugar Mills Limited	Unrated	A/A1	727,285	727,285	75,274	65,303
Al Abid Silk Mills Limited	Unrated	Unrated	583,570	583,570	10,218	14,297
Al Qaim Textile Mills	Unrated	Unrated	183,265	183,265	240	73
Al-Ghazi Tractors Limited	Unrated	Unrated	1,705	1,705	406	329
Al-Hussany Industries Limited	Unrated	Unrated	31,514	31,514	-	-
Alif Textile Mills Limited	Unrated	Unrated	163,464	163,464	-	-
Allawasaya Textile & Finishing Mills Limited	Unrated	Unrated	-	-	-	-
Allied Bank Limited	Unrated	AA/A1+	8,024,861	3,990,783	589,747	214,983
Amazai Textile Limited	Unrated	Unrated	10,111	10,111	-	5
American Life Insurance	Unrated		2,500,000	-	83,750	-
Amtex Limited	Unrated	Unrated	23,172,472	23,172,472	57,931	27,807
AMZ Venture Limited Class A	Unrated	Unrated	200,000	-	122	-
Apex Fabrics Limited	Unrated	Unrated	144,506	144,506	-	-
Arag Industries Limited	Unrated	Unrated	96,478	96,478	-	-
Arif Habib Limited	Unrated	Unrated	143,615	129,255	4,432	1,833
Arif Habib Corp Limited (Arif Habib Securities Limited)	AA/A-1	Unrated	2,185,692	3,733,816	52,719	96,743
Aruj Garment Accessories Limited	Unrated	Unrated	34,541	34,541	276	155
Asim Textile Mills Limited	Unrated	Unrated	582,237	582,237	5,409	757
Askari Bank Limited	Unrated	AA/A1+	19,576,391	13,070,676	337,105	131,099
Aslo Electronics Limited	Unrated	Unrated	20,054	20,054	-	-
Aswan Tantage Limited	Unrated	Unrated	86,030	86,030	-	-
Atlas Battery Limited	Unrated		120	-	28	-
Atlas Insuracne	Unrated		57,420	-	2,614	-
Attock Petroleum Limited	Unrated	Unrated	842,626	1,584,126	431,416	653,452
Attock Refinery Limited	Unrated	AA/A1+	735,385	2,300,457	123,236	247,644
Awan Textile Mills Limited	Unrated	Unrated	108,696	108,696	-	-
Ayaz Textile Mills Limited	Unrated	Unrated	107,432	107,432	-	-
Balance carried forward			75,014,859	65,516,068	2,162,954	1,826,070

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
----- (Rupees in '000) -----						
Investee						
Balance brought forward			75,014,859	65,516,068	2,162,954	1,826,070
Azgard Nine	Unrated	D	22,169,691	22,169,691	179,353	63,184
Babri Cotton Mills Limited	Unrated	Unrated	-	41,026	-	343
Bahawalpur Textile Limited	Unrated	Unrated	33,283	33,283	-	-
Balochistan Particle Board Limited	Unrated	Unrated	398,550	398,550	1,395	279
Baluchistan Foundry (Tower)	Unrated	Unrated	37,664	37,664	-	-
Baluchistan Wheels Limited	Unrated	Unrated	811,357	811,357	28,397	21,193
Bank Al Habib Limited	Unrated	AA+/A1+	18,101,924	28,114,699	574,374	802,112
Bank Alfalah Limited	Unrated	AA/A1+	37,820,567	57,943,846	636,142	651,868
Bank Of Punjab	Unrated	AA-/A1+	1,322,479	1,322,479	14,151	7,155
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	1,736,947	251,022	-	-
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	-	1,485,925	-	-
Bankislami Pakistan Limited	Unrated	A/A1	2,210,107	898,394	20,355	2,785
Bannu Woollen Mills Limited	Unrated	Unrated	-	75,697	-	1,061
Bata Pakistan Limited	Unrated	Unrated	40	578,040	54	473,068
Bawany Textile Mills Limited	Unrated	Unrated	42,972	42,972	-	-
Bela Engineers Limited	Unrated	Unrated	135,658	135,658	-	-
Berger Paints Limited	Unrated	Unrated	203,429	314,929	4,713	4,157
Blessed Textiles Limited	Unrated	Unrated	3,742	551,942	441	35,247
Boc Pakistan Limited (Linde Pakistan)	Unrated	Unrated	515,585	515,585	79,137	52,074
Bolan Casting Limited	Unrated	Unrated	1,367,863	1,367,863	49,257	38,984
Brother Textile Mills Limited	Unrated	Unrated	214,100	429,055	771	184
Burshane LPG Pakistan (Former Shell LPG)			1,816,238	-	65,457	-
Buxlay Paints Limited	Unrated	Unrated	89,291	89,291	1,161	501
Callmate Telips Telecom Limited	Unrated	Unrated	44	44	-	-
Casspak Industries Limited	Unrated	Unrated	27,384	27,384	-	-
Central Cotton Mills	Unrated	Unrated	17,864	17,864	-	-
Century Insurance Company Limited	A/A-2	Unrated	1,147,500	-	15,090	-
Century Paper & Board Mills Limited	A+	Unrated	-	1,735,329	-	22,559
Charsada Sugar Mills Limited	Unrated	Unrated	4,634	4,634	32	32
Chashma Sugar Mills Limited	Unrated	Unrated	23	73,223	-	585
Cherat Cement Limited	Unrated	Unrated	2,828,500	6,500,269	137,889	46,867
Chilya Corrugated Board Limited	Unrated	Unrated	22,076	22,076	-	-
Clariant Pakistan Limited	Unrated	Unrated	703,570	703,570	181,662	104,832
Colony Mills	Unrated	Unrated	595,397	775,397	3,031	775
Colony Sarhad Textile	Unrated	Unrated	167,677	167,677	84	126
Colony Sugar Mills Limited	Unrated	Unrated	181,491	181,491	1,111	272
Crescent Knitwear	Unrated	Unrated	42,130	42,130	-	-
Crescent Spinning Mills	Unrated	Unrated	370,744	370,744	-	-
Crescent Steel & Allied Product	Unrated	Unrated	3,571,714	3,571,714	125,546	64,827
Crescent Textile Mills Limited	Unrated	Unrated	1,049,799	1,049,799	16,282	8,640
Crown Textile	Unrated	Unrated	161,948	161,948	-	-
Cynamid (Wyeth Pakistan)	Unrated	Unrated	57,788	56,858	55,188	46,621
D.S. Industries Limited	Unrated	Unrated	540,339	540,339	1,778	416
Dadabhoy Construction	Unrated	Unrated	40,024	40,024	3	20
Dadabhoy Cement Industries	Unrated	Unrated	5,004,500	5,004,500	12,611	7,056
Dadabhoy Leasing Co.	Unrated	Unrated	188,742	188,742	-	-
Dadabhoy Sack Limited	Unrated	Unrated	25,102	25,102	-	-
Dandot Cement	Unrated	Unrated	160,000	160,000	1,027	186
Data Agro Limited	Unrated	Unrated	50,135	50,135	363	-
Dawood Capital Management	Unrated	AM3+	338,285	338,285	1,001	220
Dawood Hercules Corporation Limited	Unrated	Unrated	7,189,992	7,205,328	233,962	305,434
Dawood Lawrencepur Limited	Unrated	Unrated	135,387	135,412	6,194	4,260
Dewan Cement (Pakland Cement)	Unrated	D	4,587,003	4,587,003	23,210	5,734
Dewan Khalid Textile	Unrated	Unrated	142,425	142,425	912	142
Dewan Mushtaq Textile	Unrated	Unrated	14,442	14,442	122	33
Dewan Salman Fibres	Unrated	Unrated	2,740,202	2,740,202	6,576	3,316
Dewan Sugar Mills	Unrated	Unrated	696,135	696,135	2,276	1,392
DG Khan Cement	Unrated	Unrated	8,897,028	6,929,158	485,600	131,862
Dost Steel Limited	Unrated	Unrated	55,076	55,076	346	63
Dynea Pakistan	Unrated	Unrated	23,358	23,358	423	199
EFU General Insurance	AA	Unrated	214,481	214,481	18,338	8,182
Balance carried forward			206,039,285	227,677,334	5,148,769	4,744,916

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	----- (Rupees in '000) -----	
Balance brought forward			206,039,285	227,677,334	5,148,769	4,744,916
Ellcot Spinning Mills Limited	Unrated	Unrated	91	356,591	5	6,597
Emco Industries Limited	Unrated	Unrated	384,708	384,708	1,750	742
English Leasing Limited	Unrated	Unrated	360,416	360,416	-	234
Engro Corporation Limited	Unrated	A/A1	7,386,722	4,540,456	679,874	420,900
Engro Foods Limited	Unrated	AA/A1+	31,199,409	26,104,614	3,061,910	589,964
Engro Polymer & Chemicals Limited	Unrated	Unrated	1,770,833	1,770,833	17,921	12,874
Escort Investment Bank	BB	BBB/A3	1,221,067	1,184,092	5,006	1,776
Faran Sugar Mills Limited	Unrated	Unrated	1,331,545	1,360,098	34,633	25,502
Fateh Industries	Unrated	Unrated	11,712	11,712	64	64
Fateh Sportswear Limited	Unrated	Unrated	23,003	23,003	218	219
Fateh Textile Mills	Unrated	Unrated	11,847	11,847	1,185	1,192
Fatima Enterprises	Unrated	Unrated	109	109	2	2
Fatima Fertilizer Company Limited	Unrated	A+/A1	6,240,614	461,576	164,752	10,579
Fauji Cement Company Limited	Unrated	Unrated	68,500	-	448	-
Fauji Fertilizer Company Limited	Unrated	Unrated	179,306	1,050,004	21,004	157,018
Faysal Bank Limited	AA	AA/A1+	2,742,592	4,637,860	29,209	37,706
Fazal Textile Mills	Unrated	Unrated	34,527	34,527	8,465	8,514
Fazal Vegetable Ghee	Unrated	Unrated	21,486	21,486	97	97
Fecto Cement Limited	Unrated	Unrated	880,337	880,337	30,486	3,433
Ferozsons Laboratories Limited	Unrated	Unrated	1,500,780	1,429,315	120,227	117,190
FFC Bin Qasim Limited	Unrated	Unrated	10,899	10,899	421	462
First Capital Securities Corp.	Unrated	Unrated	2,048,345	2,048,345	7,497	3,810
First Dawood Investment Bank	Unrated	CCC	1,394,028	1,394,028	3,053	1,059
First Equity Modarba	Unrated	Unrated	2,034,435	907,135	6,510	680
First Fidelity Leasing Mod.	Unrated	Unrated	-	189,062	-	287
First National Equities Limited	Unrated	Unrated	191,637	121,137	770	329
Flying Cement Limited	Unrated	Unrated	12,011,000	-	45,522	-
General Tyre & Rubber Co.	Unrated	Unrated	1,600,000	1,600,000	42,464	33,456
Ghafoor Textile Mills	Unrated	Unrated	23,424	23,424	-	-
Ghandhara Nissan Limited	Unrated	Unrated	35,131	35,131	208	85
Ghani Gases Limited	Unrated	Unrated	2,485,000	-	43,314	-
Ghani Glass Limited	Unrated	Unrated	287,178	2,746,071	17,647	28,156
Gharibwal Cement	D	Unrated	1,339,000	1,339,000	11,957	7,472
Ghulam M. Dadabhoy (Dadabhoy Padube)	Unrated	Unrated	25,278	25,278	-	-
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	4,086,454	3,714,959	299,660	249,199
Globe Textile Mills	Unrated	Unrated	33,704	33,704	293	320
Grays Of Cambridge	Unrated	Unrated	160,985	160,985	9,843	3,703
Greaves Aircondition	Unrated	Unrated	30,080	30,080	-	-
Gulistan Spinning Mills	Unrated	Unrated	148,828	148,830	854	610
Gulistan Textile Mills	Unrated	Unrated	374,355	374,355	5,615	9,340
Gulshan Spinning Mills	Unrated	Unrated	313,190	613,190	2,061	4,078
Gypsum Corporation	Unrated	Unrated	84,176	84,176	-	-
H. Shaikh Muhammed Hussain	Unrated	Unrated	57,634	57,634	-	-
Habib Bank Limited	AA+	Unrated	5,420,551	5,770,198	638,595	612,103
Habib Bank Modaraba 1st	Unrated	AA+/A1+	400,465	1,000,000	3,804	7,090
Habib Metropolitan Bank	Unrated	AA+/A1+	35,776,785	35,765,841	674,392	604,085
Habib Modaraba (Ist)	AA-	AA+/A1+	635	26,635	6	193
Habib Sugar	Unrated	Unrated	6,546,806	6,546,806	161,706	143,441
Hafiz Textile Mills	Unrated	Unrated	3,792	3,792	97	69
Haji Mohammad Ismail Mills Limited	Unrated	Unrated	1,594,650	1,594,650	4,864	1,196
Hakkim Textile Mills	Unrated	Unrated	131,445	131,445	-	-
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	-	-
Harum Textile	Unrated	Unrated	29,683	29,683	-	-
Hashimi Can Company	Unrated	Unrated	82,154	82,154	657	674
Highnoon Laboratories	Unrated	Unrated	-	235,065	-	6,664
Hinopak Motors Limited	Unrated	Unrated	259,462	259,462	22,765	18,175
Honda Atlas Car	Unrated	Unrated	2,482,754	2,482,754	48,314	21,451
Hub Power Company Limited	Unrated	AA+/A1+	164,185	15,355,718	7,428	525,166
Hub Power Company Limited	Unrated	AA+/A1+	57,740,000	57,740,000	2,612,158	1,974,708
Huffaz Seamless Pipe Ind.	Unrated	Unrated	269	694,269	6	5,617
Hyderabad Electronic	Unrated	Unrated	50,135	50,135	-	-
I.B.L. Modaraba (Ist)	Unrated	Unrated	727,077	727,077	1,636	1,454
Balance carried forward			403,233,998	418,093,525	14,000,142	10,404,652

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
					----- (Rupees in '000) -----	
Balance brought forward			403,233,998	418,093,525	14,000,142	10,404,652
I.C.C. Textiles Limited	Unrated	Unrated	-	84,016	-	38
Ibrahim Fibers	Unrated	AA-/A1+	2,411,562	945,213	116,117	25,559
ICI Pakistan	Unrated	Unrated	39,799	-	6,921	-
I.D.B.P	Unrated	Unrated	1,011	1,011	-	-
Indus Bank Limited.	Unrated	Unrated	76	76	-	-
Indus Dyeing & Manuf.	A/A-2	Unrated	267,362	267,362	167,101	101,683
IGI Insurance Limited	Unrated	AA	4,328,941	-	416,790	-
Indus Polyester Co.	Unrated	Unrated	3	3	-	-
Indus Motor	Unrated	Unrated	50,000	-	13,500	-
Innovative Invest. Bank Limited (Housing Finance)	Unrated	Unrated	17,952	17,952	-	-
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	-	-
International Industries Limited	Unrated	Unrated	6,312,636	6,265,792	207,749	238,163
International Knit Wear	Unrated	Unrated	60,716	60,716	392	247
International Steel Limited	Unrated	Unrated	2,915,478	2,915,478	35,277	33,849
Invest Capital Investment Bank Limited	Unrated	Unrated	3,705,680	3,705,680	6,300	741
Investec Securities Limited	Unrated	Unrated	50,205	50,205	-	-
Islamic Investment Bank	Unrated	Unrated	71,339	71,339	-	-
Itti Textile Mills	Unrated	Unrated	83,418	83,418	-	-
Jahangir Siddiqui Investment Company	Unrated	A+/A1	44,805	31,405	471	83
Javed Omer Vohra & Co	Unrated	Unrated	859,960	859,960	1,634	980
Jehangir Siddiqui & Company Limited	Unrated	AA/A1+	28,503	3,228,503	460	13,011
Johnson & Phillips (Pak.) Limited	Unrated	Unrated	292,675	292,675	3,922	2,049
JS Bank Limited	Unrated	A+/A1	15,496,904	-	90,967	-
JS Bank Limited Lor	Unrated	Unrated	-	10,436,696	-	17,221
Junaid Cotton Mills Limited	Unrated	Unrated	51,759	51,759	-	-
Kaisar Arts & Krafts	Unrated	Unrated	868,959	868,959	-	-
Karachi Electric Supply Corporation	Unrated	A-/A2	369,225	1,869,225	2,127	2,991
Karachi Pipes	Unrated	Unrated	79,710	79,710	-	-
Karam Ceramics Limited	Unrated	Unrated	182,554	182,554	1,444	931
Karim Cotton Mills	Unrated	Unrated	56,285	56,285	-	-
Karim Silk Mills Limited	Unrated	Unrated	9,690	9,690	-	-
KASB Bank	Unrated	A-/A2	-	760	-	1
KASB Bank (Platinum Bank)	Unrated	BBB/A3	918,280	917,520	2,231	1,009
Kaytex Mills (Saleem Denim Ind.)	Unrated	Unrated	82,575	82,575	78	78
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	38,507	38,507
Khursheed Spinning Mills	Unrated	Unrated	53,900	53,900	-	54
Kohat Cement Limited	Unrated	Unrated	532,000	479,941	37,575	3,988
Kohat Textile Mills Limited	Unrated	Unrated	2,926,554	2,926,554	46,825	4,156
Kohinoor (Cotton) Textile	Unrated	Unrated	31,935	31,935	-	-
Kohinoor Energy Limited	Unrated	Unrated	10,135,351	135,351	228,147	2,134
Kohinoor Industries	Unrated	Unrated	-	4,370	-	4
Kohinoor Looms Limited	Unrated	Unrated	86,366	86,366	-	-
Kohinoor Mills Limited	Unrated	Unrated	895,683	1,240,022	9,960	1,996
Kohinoor Power Co.	Unrated	Unrated	147,865	147,865	519	223
Kohinoor Sugar Mills	Unrated	Unrated	366,887	366,887	2,018	1,317
Kohinoor Textile Mills Limited	Unrated	Unrated	2,054,323	2,054,323	30,527	6,944
Kot Addu Power Company Limited	AA+/A-1+	Unrated	15,249,644	16,748,004	753,180	692,028
KSB Pumps Co. Limited	Unrated	Unrated	1,087,818	1,004,638	70,708	24,423
Lafarge Pakistan Cement	Unrated	Unrated	8,563,719	2,594,936	43,418	4,878
Lafayette Industries Synth.	Unrated	Unrated	46,765	46,765	-	-
Leiner Pak. Gelatine	Unrated	Unrated	13,900	13,900	286	306
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	-	188
Lotte Pakistan PTA Limited	Unrated	Unrated	4,300,000	5,800,000	31,605	53,766
Lucky Cement Limited	Unrated	Unrated	2,432,601	1,520,953	368,636	114,132
Maple Leaf Cement Limited	Unrated	D	319	194,819	5	360
Maqbool Textile Mills	Unrated	Unrated	382	833,382	7	6,359
Mari Petroleum Company Limited	Unrated	Unrated	3,415,417	2,915,417	335,906	236,149
Marr Fabrics Limited	Unrated	Unrated	60,246	60,246	-	-
Masood Textile Mills Limited	Unrated	Unrated	4,593,662	4,593,662	120,124	71,661
MCB Bank Limited	Unrated	AA+/A1+	1,580,842	2,394,526	331,597	322,303
Balance carried forward			504,856,239	501,166,824	17,523,174	12,429,163

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
					------(Rupees in '000)-----	
Balance brought forward			504,856,239	501,166,824	17,523,174	12,429,163
Medi Glass Limited	Unrated	Unrated	150,404	150,404	-	-
Mehar Dastgir Textile	Unrated	Unrated	24,856	24,856	-	50
Mehran Bank Limited	Unrated	Unrated	376,390	376,390	-	-
Mehran Jute Limited	Unrated	Unrated	61,931	61,931	-	-
Metropolitan Steel Corp (Restricted)	Unrated	Unrated	50,204	50,204	801	801
Mian Mohammad Sugar	Unrated	Unrated	87,630	87,630	-	-
Millat Tractors Limited	Unrated	Unrated	469,290	521,290	264,942	190,380
Mirpurkhas Sugar Mills	Unrated	Unrated	634,272	551,541	26,100	22,409
Mitchell'S Fruit Farms	Unrated	Unrated	-	286,496	-	23,487
Mohib Textile Limited	Unrated	Unrated	507,080	507,080	-	-
Moonlite Pak (Blanket)	Unrated	Unrated	58,846	58,846	421	274
Morafoo Limited	Unrated	Unrated	29,069	29,069	-	298
Mubarik Dairies	Unrated	Unrated	28,227	28,227	-	15
Muslim Ghee	Unrated	Unrated	-	181,013	-	-
Mustehkam Cement Limited	Unrated	Unrated	345,923	345,923	9,686	3,804
Myfip Videos	Unrated	Unrated	-	537,300	-	-
Nagina Cotton Mills Limited	Unrated	Unrated	498	89,498	27	1,351
National Asset Leasing Corporation	Unrated	Unrated	135,050	135,050	-	-
National Match Ind.	Unrated	Unrated	13,398	13,398	-	-
National Over.	Unrated	Unrated	12,471	12,471	-	-
National Foods Limited	A+/A-1	Unrated	2,974,900	-	859,568	-
National Refinery Limited	Unrated	AAA/A1+	555,554	513,418	117,611	124,601
Natover Lease & Refinance	Unrated	Unrated	371,674	371,674	-	-
Naveed Textile Mills	Unrated	Unrated	35,979	35,979	-	-
Nestle Pakistan Limited	Unrated	Unrated	4,980	-	23,572	-
NIB (Ndlc-Ibic Bank) NIB Bank Limited	Unrated	AA-/A1+	12,862,190	12,862,190	33,828	22,252
Nishat (Chunian) Limited	A-/A-2	AA-/A1+	2,932,840	4,515,797	102,767	80,652
Nishat Chunian Power Limited	A/A-2	AA-/A1+	436	17,801,350	9	226,967
Nishat Mills Limited	Unrated	AA-/A1+	6,566,618	11,330,410	419,279	458,315
Nishat Power Limited	Unrated	A+/A1	893	5,835,515	17	75,570
Norrie Textile Mills	Unrated	Unrated	69,557	69,557	-	-
Nowshera Engg. Works Limited	Unrated	Unrated	13,229	13,229	-	-
Nusrat Textile Mills	Unrated	Unrated	156,134	156,134	-	-
Oil And Gas Company Limited	AAA/A-1+	Unrated	2,474,781	400,481	476,668	60,721
Olympia Spinning & Weaving	Unrated	Unrated	-	21,838	-	38
Orix Leasing Pakistan Limited	Unrated	AA/A1+	1,689,793	1,689,793	25,347	10,730
Otsuka Pakistan	Unrated	Unrated	53,619	53,619	2,024	1,759
Pace Pakistan Limited	Unrated	D	37,314,967	22,364,967	111,572	29,074
Package Limited	Unrated	AA/A1+	3,269,663	2,388,163	494,242	197,549
Pak Datacom Limited	Unrated	Unrated	750,791	600,633	42,990	20,722
Pak Electron Limited	Unrated	A-/A2	4,599,015	4,599,015	49,485	16,051
Pakgen Power Limited	Unrated	Unrated	4,550,000	-	95,732	-
Pak Ghee Limited	Unrated	Unrated	29,491	29,491	-	15
Pak Paper Corporation	Unrated	Unrated	52,831	52,831	-	-
Pak Suzuki Motors Limited	Unrated	Unrated	2,490,727	2,315,727	218,287	136,697
Pakistan Engineering Company Limited	Unrated	Unrated	135,242	135,242	7,438	4,867
Pakistan Gum & Chemicals	Unrated	Unrated	-	49,460	-	2,016
Pakistan International Airlines Corporation "A-Class"	Unrated	Unrated	20,851,011	20,851,011	84,030	41,077
Pakistan National Shipping Corporation	Unrated	AA-/A1+	1,253,462	608,707	43,646	7,737
Pakistan Oil Fields Limited	Unrated	Unrated	1,750,000	727,933	765,695	252,192
Pakistan Paper Products Limited	Unrated	Unrated	189,772	158,144	7,591	4,865
Pakistan Petroleum Limited	Unrated	Unrated	225,805	180,644	39,920	30,406
Pakistan Refinery Limited	Unrated	Unrated	3,361,306	3,361,306	232,939	227,594
Pakistan Reinsurance Company Limited	Unrated	Unrated	14,882,779	6,459,182	363,884	100,117
Pakistan Services Limited	Unrated	Unrated	418,460	418,460	67,791	58,019
Pakistan State Oil	Unrated	AA+/A1+	19,202,593	12,921,257	4,459,034	2,935,839
Pakistan Telecommunication Company Limited	Unrated	Unrated	16,020,854	18,627,814	277,962	193,543
Pakistan Telephone Cables	Unrated	Unrated	45,969	45,969	230	100
Pakistan Tobacco	Unrated	Unrated	145,531	145,531	9,832	8,077
Pan Islamic Steamship	Unrated	Unrated	421	421	-	-
Pangrio Sugar	Unrated	Unrated	393	397,393	1	1,101
Paramount Spinning Mills	Unrated	Unrated	994,301	994,301	9,098	9,297
Pearl Fabrics Limited	Unrated	Unrated	117,121	117,121	-	-
Balance carried forward			671,257,460	659,437,148	27,267,238	18,010,594

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
------(Rupees in '000)-----						
Balance brought forward			671,257,460	659,437,148	27,267,238	18,010,594
Pervez Ahmed Securities Limited	Unrated	Unrated	301,925	301,925	894	229
Premier Insurance Co. of Pakistan Limited	Unrated	Unrated	56,074	-	2,711	-
Pioneer Cement Limited	Unrated	Unrated	27,405,714	27,405,714	494,399	90,439
Polyron Limited	Unrated	Unrated	76	76	-	-
Premium Textile Mills	Unrated	Unrated	184,889	184,889	16,132	4,208
Prosperity Weaving Mills Limited	Unrated	A-/A2	-	5,674	-	51
Prudential Investment Bank	Unrated	Unrated	166,278	166,278	-	-
Punjab Building Limited	Unrated	Unrated	226,070	226,070	-	-
Punjab Cotton	Unrated	Unrated	28,648	28,648	-	-
Punjab Lamps	Unrated	Unrated	55,274	55,274	-	-
Punjab Modaraba (Ist)	Unrated	BBB/A3	595,224	595,224	1,821	476
Qayyum Spinning	Unrated	Unrated	36,653	36,653	-	-
Quality Steel Works	Unrated	Unrated	1,685	1,685	-	-
Quetta Textile Mills	D	Unrated	9,686	9,686	271	355
RCD Ball	Unrated	Unrated	10,027	10,027	-	-
Redco Textile Mills Limited	Unrated	Unrated	402,378	402,378	2,314	121
Regal Ceramics Limited	Unrated	Unrated	45,501	45,501	-	-
Resham Textile Mills Limited	Unrated	Unrated	-	2,775	-	17
Rex Baren Battery	Unrated	Unrated	28,564	28,564	-	-
RMCPPL	Unrated	Unrated	13	13	-	-
Ruby Textile Mills	Unrated	Unrated	311,132	311,132	1,201	2,020
Rupali Polyester Limited	Unrated	Unrated	816,483	816,483	21,310	26,536
S.G.Power	Unrated	Unrated	164,692	164,692	606	77
Sadoon Textile Mills	Unrated	Unrated	421	421	-	-
Sahrish Textile Mills	Unrated	Unrated	10,043	10,043	-	-
Safe Mix Concrete Products	Unrated	Unrated	1,097,569	1,600,069	10,098	9,376
Saif Textile Mills Limited	Unrated	Unrated	363	1,075,363	8	5,366
Saitex Spinning Mills	Unrated	Unrated	182,423	182,423	-	-
Salman Noman Enterprises	Unrated	Unrated	167,606	167,606	838	256
Samba Bank Limited	A+	Unrated	6,154,267	6,154,267	18,401	8,924
Samin Textile Mills	Unrated	Unrated	1,604,838	1,604,838	10,752	6,500
Sana Industries Limited	Unrated	Unrated	448	172,448	22	6,043
Sanghar Sugar Mills	Unrated	Unrated	115	370,115	3	3,886
Sanofi - Aventis Pakistan Limited	Unrated	Unrated	-	-	-	-
Sapphire Textile Mills	A/A-2	Unrated	226	103,227	50	11,216
Sardar Chemical Ind.Limited	Unrated	Unrated	75,413	75,413	648	90
Saudi Pak.Leasing Co.	D	Unrated	1,582,673	1,582,673	5,144	760
Schon Textiles Mills	Unrated	Unrated	131,446	131,446	-	-
Searle Pakistan Limited	BBB+	Unrated	1,190,000	-	51,170	-
Security Investment Bank	A	Unrated	1,160,703	1,160,703	4,353	1,451
Security Papers Limited	AAA/A-1+	Unrated	935,011	935,011	47,985	33,099
Service Fabrics Limited	Unrated	Unrated	687,561	687,561	-	165
Service Industries Limited	Unrated	Unrated	842,126	842,126	140,635	164,206
Service Textile Mills	Unrated	Unrated	82,575	82,575	-	41
Shabbir Tiles & Ceramics	Unrated	Unrated	1,801,895	1,801,895	15,586	14,505
Shahmurad Sugar Mills Limited	BBB+/A-2	Unrated	3,895	593,895	60	5,826
Shahpur Textile Mills	Unrated	Unrated	200,527	200,527	-	32
Shahtaj Sugar Mills	Unrated	Unrated	408,539	408,539	32,728	36,434
Shahyar (Oe) Textile Mills	Unrated	Unrated	40,023	40,023	-	-
Shahyar Textile Mills	Unrated	Unrated	113,161	113,161	-	-
Shakarganj Mills	Unrated	D	666,302	3,666,302	8,062	17,672
Shell Gas Lpg (Burshane LPG Pakistan)	Unrated	Unrated	-	781,738	-	17,605
Shell Pakistan Limited	Unrated	Unrated	175,000	-	23,833	-
Shezan International	Unrated	Unrated	37	97,634	16	10,747
Siemens (Pakistan) Engineering Company Limited	Unrated	Unrated	698,212	681,738	540,891	720,427
Siftaq (International) Textile Mills	Unrated	Unrated	54,769	54,769	-	-
Silk Bank Limited	A-	Unrated	1,810,788	1,810,788	4,129	3,205
Sindh Alkalis Limited	Unrated	Unrated	359,369	360,212	-	-
Sindh Fine Textile Mills	Unrated	Unrated	39,603	39,603	-	277
Sitara Chemicals Industries Limited	A+/A-1	Unrated	570,814	445,814	102,176	32,188
Balance carried forward			724,953,207	718,271,475	28,826,484	19,245,419

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2012	2011	2012	2011
----- (Rupees in '000) -----						
Balance brought forward			724,953,207	718,271,475	28,826,484	19,245,419
Sitara Energy Limited	Unrated	Unrated	1,130,517	1,130,517	32,220	19,162
SME Leasing Limited	BBB	Unrated	1,230,477	1,230,477	9,229	4,307
Soneri Bank Limited	Unrated	AA-/A1+	59,369,214	40,051,953	420,928	156,203
Southern Networks Limited	Unrated	Unrated	153,522	153,522	461	-
Standard Chartered Leasing Limited	Unrated	AA/A1+	193	85,693	1	257
Standard Chartered Modaraba	Unrated	AA+/A1+	1,975,021	1,975,021	22,811	20,441
Sui Northern Gas Pipeline Company Limited	Unrated	AA/A1+	47,301,230	42,313,118	1,099,754	664,739
Sui Southern Gas Pipeline Limited	Unrated	AA-/A1+	36,488,174	36,090,174	748,372	696,179
Summit Bank Limited (Formuly Arif Habib Bank)	A	Unrated	48,908,297	36,908,297	145,258	63,482
Sunrise Textile Mills	Unrated	Unrated	7,668	7,668	-	-
Sunshine Cloth Mills	Unrated	Unrated	374,721	374,721	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	498,220	498,220	-	-
Suraj Ghee Limited	Unrated	Unrated	27,384	27,384	-	274
Syed Match Ind.	Unrated	Unrated	162	7,162	2	100
Taga Pakistan Limited	Unrated	Unrated	48,450	48,450	-	-
Taj Textile Mills Limited	Unrated	Unrated	763,513	763,513	-	191
Tandlianwala Sugar Limited	Unrated	Unrated	17,948	17,948	1,526	951
Tariq Cotton Mills	Unrated	Unrated	21,907	21,907	-	-
Tata Textile Mills	Unrated	Unrated	34	1,056,534	1	21,870
Tawakkal Limited	Unrated	Unrated	57,297	57,297	-	-
Tawakkal Modaraba (Ist)	Unrated	Unrated	241,827	241,827	-	-
Tele Card Limited	Unrated	Unrated	5,005,876	5,005,876	12,915	4,005
Thall Limited	Unrated	Unrated	6,297,498	4,522,771	673,014	369,963
Thatta Cement Co. Limited	Unrated	Unrated	9,859,862	9,859,862	246,497	234,172
TPL Direct Insurance Limited	Unrated	Unrated	4,141,360	-	41,331	-
TPL Trakker Limited	Unrated	A-/A2	7,478,597	-	67,607	-
Treet Corporation	AA-/A-1	Unrated	2,454,045	46,395	161,059	1,807
TRG Pakistan	Unrated	Unrated	30,332,500	-	169,559	-
Tri Star Modaraba (Ist)	Unrated	Unrated	151,492	151,492	265	167
Turbo Tec Limited (Tubes)	Unrated	Unrated	86,788	86,788	-	-
Twakkal Garments Industries Limited	Unrated	Unrated	172,325	172,325	-	-
Unicap Modaraba.	Unrated	Unrated	178,631	178,631	268	54
Union Insurance Co.Of Pakistan	Unrated	Unrated	156	156	-	-
United Bank Limited	AA+	Unrated	3,743,733	5,654,884	313,238	296,259
United Brands Limited (Udl Industries)	Unrated	Unrated	4,085	4,085	106	96
United Distributors Pak.	Unrated	Unrated	525	230,525	5	2,317
Unity Modaraba	Unrated	Unrated	1,000,000	1,000,000	-	-
Uqab Breeding Farms	Unrated	Unrated	70,778	70,778	-	-
Wah Noble Chemicals Limited	Unrated	Unrated	324,421	324,421	14,057	11,355
Worldcall Telecom	Unrated	D	17,247,414	19,247,414	43,636	19,247
Yousuf Weaving Mills	Unrated	Unrated	627,427	627,427	2,855	627
Zafar Textiles Mills Limited	Unrated	Unrated	34,041	34,041	-	-
Zahur Cotton Mills	Unrated	Unrated	225	225	-	-
Zahur Textile Mills	Unrated	Unrated	210,229	210,229	-	-
Zeal Pak Cement Limited	Unrated	Unrated	247,789	247,789	-	-
Zil Limited (Zulfqar Ind.Limited)	Unrated	Unrated	19,200	173,700	2,003	5,730
			1,013,257,980	929,182,692	33,055,458	21,839,374

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.1.2 Particulars of Investments held in un-listed companies

1.1.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2012	2011			
------(Rupees in '000)-----									
Atlas Power Limited	Unrated	Unrated	10%	37,500,000	375,000	375,000	639,807	30-Jun-12	Maqsood A. Basra
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	30-Sep-99	Mr. Naveed Ahmad Javeri
Fauji Akbar Portia	Unrated	Unrated	11.0%	29,188,739	321,076	321,076	256,736	30-Jun-12	Mr. Ahmed Kamal Rana
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International I.D.B.P.	Unrated	Unrated	18.6%	275,000	-	-	.....	Not Available.....	Mr. Hassan Zaidi
Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each)	Unrated	Unrated	Not Available	1,011	-	-	.....	Not Available.....	..... Not Available.....
Precision Engineering	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	31-Mar-03	Maj. General Fahim Akhter Khan
Resources and Engineering Management Corporation	Unrated	Unrated	16.8%	15,100	-	-	.....	Not Available.....	Mr. Zaheer Hussain
Safa Rice Mills Limited	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Sigma Knitting Mills	Unrated	Unrated	15.8%	450,000	-	-	.....	Not Available.....	Mr. Pervaiz Alam
	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	
					710,304	710,304			

1.1.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2012	2011			
------(Rupees in '000)-----								
Al Ameen Textile	Unrated	Unrated	30,000	328	328	.....	.....	Not Available.....
Al Zamin Modarba Management/Professional Management Modaraba	Unrated	Unrated	140,000	1,000	1,000	2,134	June 30, 2006	Mr. Bashir A. Chaudhry
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	200	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	.....	.....	Not Available.....
Babri Cotton Mills Limited	Unrated	Unrated	321,778	3,218	3,218	23,365	June 30, 2011	Raza Kuli Khan Khattak
F.T.C. Management	Unrated	Unrated	50,000	250	250	34,657	June 30, 2012	Engr. Mir Fateh Sultan
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	27,192	June 30, 2012	Lt. Gen @ M. Mustafa Khan
First Women Bank Limited	Unrated	BBB+/A2	7,698,441	21,100	21,100	117,285	Dec. 31. 2011	Ms.Shafqat Sultana
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	8,334	June 30, 2012	Mr. Qasim Lakhani
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sept. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	.....	.....	Not Available.....
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
JDM Textile Mills Limited	Unrated	Unrated	478,500	4,784	4,784	11,639	June 30, 2012	Mr.LT. Gen @ Ali Kuli Khan
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778	.....	.....	Not Available.....
Karachi Stock Exchange Limited	Unrated	Unrated	4,007,383	11,000	-	.....	Not Available.....	Mr. Nadeem Naqvi
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-	.....	.....	Not Available.....
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	-	-	.....	.....	Not Available.....
Myfip Video Industries	Unrated	Unrated	537,300	-	-	.....	.....	Not Available.....
National Construction Limited	Unrated	Unrated	149,999	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	1	-	-	.....	.....	Not Available.....
National Institution of Facilitation Technology Pvt. Ltd	Unrated	Unrated	1,255,737	1,526	1,526	28,030	June 30, 2012	Mr. M. M. Khan
National Investment Trust (Face value: Rs.100 each)	AM-DS	Unrated	79,200	100	100	1,796	June 30, 2010	Mr. Tariq Iqbal Khan
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183	.....	.....	Not Available.....
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz khan
Nowshera Engineering Works Limited	Unrated	Unrated	4,950	41	41	.....	.....	Not Available.....
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373	.....	.....	Not Available.....
Pakistan Textile City	Unrated	Unrated	10,000,000	100,000	100,000	76,026	June 30, 2011	Mr. Zaheer Hussain
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	1,152	Dec 31, 2009	Not available
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276	.....	.....	Not Available.....
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500	.....	.....	Not Available.....
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589	.....	.....	Not Available.....
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	736	June 30,2012	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750	.....	.....	Not Available.....
Rehman Cotton Mills Limited	Unrated	Unrated	1,695,700	16,958	16,958	107,895	June 30, 2011	Mr. LT. Gen @ Ali Kuli Khan
South Asia Regional Fund	Unrated	Unrated	5,000	287	287	.....	.....	Not Available.....
Shoab Capital	Unrated	Unrated	100,000	271	271	544	June 30,2000	Not available
SME Bank Limited	BBB	Unrated	6,121,095	26,950	26,950	50,986	31-12-2010	Mr. R. A Chughtai
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267	.....	.....	Not Available.....
Engine System	Unrated	Unrated	788,500	-	-	.....	.....	Not Available.....
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-	.....	.....	Not Available.....
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Limited	Unrated	Unrated	247,100	256	256	.....	.....	Not Available.....
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330	.....	.....	Not Available.....
				365,868	354,868			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.2 Particulars of Investments held in units of mutual funds

	Rating		No. of units held		Market Value	
	JCRVIS	PACRA	2012	2011	2012	2011
----- (Rupees in '000) -----						
ABL Cash Fund	AA(f)	Unrated	14,616,749	14,616,749	146,356	146,314
AH Dow Jones Safe Pak Titans 15 Index Fund	Unrated	Unrated	-	600,000	-	29,706
AKD Cash Fund	AA+(f)	Unrated	420,852	2,000,000	21,181	20,000
Al Falah GHP Cash Fund	Unrated	AA(f)	100,000	99,237	50,069	49,672
Atlas Money Market Fund	Unrated	AA(f)	344,805	246,220	174,144	123,991
Asian Stock Fund	Unrated	Unrated	173,705	173,705	1,129	434
Askari Sovereign Cash Fund	Unrated	AAA(f)	1,470,268	1,470,268	147,805	147,747
BMA Empress Cash Fund	AA+(f)	Unrated	9,819,759	-	99,592	-
Dominion Stock Fund	Unrated	Unrated	80,326	80,326	-	-
Faysal Money Market Fund	AA+(f)	Unrated	973,141	-	100,156	-
Faysal Savings Growth Fund	AA-(f)	Unrated	33,732	32,161	3,481	3,331
First Dawood Mutual Fund	Unrated	2-Star/2-Star	5,262,059	5,262,059	33,677	8,946
First Habib Cash Fund	AA(f)	Unrated	983,752	983,752	98,533	101,327
HBL Money Market Fund	AA(f)	Unrated	487,398	487,509	49,329	50,301
IGI Money Market Fund	Unrated	Unrated	1,470,392	484,841	148,078	48,814
Invest ec Mutual Fund	Unrated	Unrated	87,858	87,858	-	-
J.S Large Capital Fund	Unrated	Unrated	416,857	416,857	29,639	19,492
J.S. Value Fund	Unrated	Unrated	1,832,764	1,832,764	16,495	7,881
Lakson Money Market Fund	Unrated	AA(f)	994,080	497,297	99,557	49,735
MCB Cash Optimizer Fund	Unrated	AA(f)	1,940,028	1,940,028	194,527	199,590
Meezan Balanced Fund	Unrated	Unrated	2,870,000	5,000,000	33,177	45,500
NAMCO Balanced Fund	Unrated	Unrated	2,205,360	2,160,000	10,475	10,908
NIT Government Bond Fund	Unrated	AA(f)	10,000,000	10,000,000	105,161	106,800
NIT Income Fund	Unrated	A+(f)	29,376,653	29,376,653	319,154	316,680
Pak Oman Government Securities Fund	Unrated	AA(f)	4,840,833	-	49,861	-
Pakistan Strategic Allocation Fund	Unrated	3-Star/4-Star	-	3,131,319	-	24,518
PICIC Cash Fund	AA+(f)	Unrated	996,772	996,722	100,102	101,058
PICIC Energy Fund	Unrated	Unrated	2,133,585	2,133,585	19,202	15,191
PICIC Growth Fund	Unrated	Unrated	-	152,491	-	1,900
PICIC Investment Fund	Unrated	Unrated	-	6,216,321	-	33,879
UBL Liquidity Plus Fund	AA+(f)	Unrated	1,469,319	974,371	147,340	100,068
NAFA Government Securities Liquid Fund - NGSLF	Unrated	AAA(f)	22,106,549	-	331,060	-
NAFA Riba Free Savings Fund	Unrated	AA-(f)	4,494,148	-	45,310	-
Unit Trust of Pakistan	Unrated	Unrated	-	505,260	-	48,737
			122,001,744	91,958,353	2,574,591	1,812,520

1.3 Particulars of Investments held in Preference shares

Listed:	Rating	Cumulative/ Non-cumulative	Rate	No. of shares held		Market Value	
	JCRVIS			2012	2011	2012	2011
----- (Rupees in '000) -----							
Agritech Limited (Preference)		Cumulative	9.25%	61,748,756	-	617,488	-
Chenab Textile Mills Limited	Unrated	Cumulative	9.25%	10,000,000	10,000,000	10,500	17,000
Nishat Chunian Limited	Unrated	Cumulative	15.00%	-	737,699	-	18,811
Saleem Sugar Mills	Unrated	Cumulative	6.00%	105	105	-	6
Masood Textile Mills	Unrated	Floating	12.65%	5,000,000	5,000,000	50,000	50,000
Maple Leaf Cement Factory	SD	Cumulative	9.75%	-	112,996	-	542
Pak Elektron Limited	A/A1	Cumulative	9.50%	12,893,642	12,893,642	128,936	146,998
				89,642,503	28,744,442	806,924	233,357
Unlisted:							
Pakistan Mercantile Exchange Limited	Unrated	-	-	1,300,000	13,000,000	13,000	13,000

* Cost of the above investment amounted to Rs. 886.92 million (2011: Rs. 285.26 million)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4 Debentures, Bonds, Participation Term Certificates and Term finance certificates

1.4.1 Term finance certificates

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of shares held		Market Value	
					2012	2011	2012	2011
Listed								
Allied Bank Ltd.	11.16% 6 months Kibor + 1.9%	Half yearly	December 6, 2014	AA-	9	9 46	46	45
Askari Bank Limited	11.07% 6 months Kibor + 1.5%	Half yearly	October 31, 2013	AA-	3,200	17,648	17,648	14,899
Azgard Nine Limited	15.80% 6 month Kibor + 2.4%	Half yearly	August 17, 2012	D	7,809	32,538	32,538	74,898
Azgard Nine Limited 27-07-2012	zero coupon	-	March 31, 2017	D	122,697	613,485	613,485	-
Azgard Nine Limited	6 month Kibor	-	September 20, 2017	D	1,301,535	6,507	6,507	-
Bank Al-Falah Ltd.	15% (Fixed)	Half yearly	December 2, 2017	AA-	16,600	90,154	90,154	180,170
Bank Al-Falah Ltd.	14.46% 6 months Kibor + 2.5%	Half yearly	December 2, 2017	AA-	-	-	-	231,739
Bank Al-Habib Limited	10.00% 6 month Kibor + 1.5%	Half yearly	June 28, 2012	AA+	-	-	-	120,725
Engro Fertilizer Ltd	14.43% 6 months Kibor + 2.4%	Half yearly	December 17, 2016	A-	2,000	8,367	8,367	30,441
Engro Fertilizer Ltd PRP 1	12.14% 6 months Kibor + 2.4%	Half yearly	December 17, 2016	AA	29,126	130,582	130,582	-
Escorts Invest. Bank Ltd.	15.90% 6 months Kibor + 2.5%	Half yearly	September 15, 2014	BBB-/A3	1,826	4,487	4,487	6,730
Faysal Bank Ltd.	14.53% 6 months Kibor + 2.25%	Half yearly	October 11, 2017	AA-	13,500	69,069	69,069	195,384
Faysal Bank Ltd.	10.75% 6 months Kibor + 2.25%	Half yearly	December 27, 2017	AA-	10,000	50,672	50,672	-
Financial Receivable Securitization Company Limited	13.92% 6 month Kibor + 2%	Half yearly	December 27, 2013	A+	5,000	6,293	6,293	10,359
NIB Bank Ltd.	11.36% 6 month Kibor + 1.15%	Half yearly	March 5, 2016	A+	8,092	40,489	40,489	56,765
Orix Leasing Pak. Ltd.	13.51% 6 months Kibor + 1.5%	Half yearly	May 25, 2012	AA+	-	-	-	1,129
Saudi Pak Leasing Co.	3% (Fixed)	Half yearly	March 13, 2013	D	10,000	13,000	13,000	22,791
Soneri Bank Limited	13.61% 6 month Kibor + 1.6%	Half yearly	March 31, 2011	A+	-	-	-	100,361
Sumit Bank Ltd	12.57% 6 months Kibor + 3.25%	Half yearly	November 11, 2018	A	44,898	214,242	214,242	215,806
Balance carried forward							1,297,580	1,262,242

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4 Debentures, Bonds, Participation Term Certificates and Term finance certificates

1.4.1 Term finance certificates

	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market Value / Cost	
					2012	2011	2012	2011
Balance brought forward							1,297,580	1,262,242
UBL 1st Issue	8.45% (Fixed)	Half yearly	June 26, 2012	AA	-	26,909		84,775
UBL 2nd Issue	9.49% (Fixed)	Half yearly	March 15, 2013	AA	6,500	6,500	32,371	30,883
UBL 3rd Issue	13.66% 6 months Kibor + 1.7%	Half yearly	September 8, 2014	AA	100	4,000	338	501
UBL 4th Issue	12.78% 6 Months Kibor +0.85%	Half yearly	February 14, 2018	AA	58,300	180,000	297,385	776,581
Standard Chartered Bank Limited	12.76% Six Month Kibor +0.75%	Half yearly			78,000	-	390,165	-
Afroze Textile Industries	6 month Kibor + 8.50%	Quarterly	December 29, 2019	Unrated	12	12	284,000	284,000
Agritech Limited	6 month Kibor + 1.75%	Half yearly	January 14, 2019	D	68,416	57,000	341,798	285,000
AKD Securites Ltd	6 month Kibor + 2.5%	Half yearly	December 31, 2015	D	4		992,000	
Agro Dairies Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	-
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	3,549
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Babri Cotton Mills	Zero Markup	Annually	December 30, 2016	Unrated	5	5	44,714	44,714
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	47,002	62,669
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	3,093	3,093
Bunny's Limited	6 months Kibor + 2.5%	Overdue	December 6, 2012	Unrated	6,000	6,000	22,500	22,500
Colony Thal Textile Mills Ltd	Fixed 7%	Annually	December 31, 2017	Unrated	6		119,536	-
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Faruki Pulp Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	-
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	924	924
Balance carried forward							3,966,035	2,950,511

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4 Debentures, Bonds, Participation Term Certificates and Term finance certificates

1.4.1 Term finance certificates

	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market Value / Cost	
					2012	2011	2012	2011
								(Rupees in '000)
Balance brought forward							3,966,035	2,950,511
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	10	10	900	900
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	16	16	239	511
Independent News Paper Corp. Ltd	9.28% cost of Fund Rate	Half yearly	March 30, 2018	B	20		1,621,964	-
Jahangir Siddiqui & Company Limited	6 month Kibor + 1.60%	Half yearly	May 17, 2014	AA	40	40	149,582	200,643
Janana De Malucho Textile Mills Ltd	Zero Markup	Anually	January 1, 2017	Unrated	11	11	63,098	76,470
Javedan Corporation Limited	6 month Kibor + 2.50%	Half yearly	December 7, 2016	Unrated	12,250	12,250	1,225,000	1,170,313
JDW Sugar Mills Limited	3 month Kibor + 1.25%	Quarterly	June 23, 2014	Unrated	40,000	40,000	66,824	109,172
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24,00	24,000	-	-
Kiran Sugar Mills Limited	3 month Kibor + 3.00%	Quarterly	July 6, 2016	Unrated		Pending receipt	120,000	120,000
Kunjah Textile Mills Limited	6 month Kibor + 3.00%	Half yearly	April 23, 2014	Unrated	20,000		-	89,879
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	20,000	1,401	1,401
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	11	1,640	1,640
Munalisa Fruit Juices	-	-	-	Unrated		14	-	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	2	1,306	1,306
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	28	-	-
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	20	205	205
National Sugar Industries Ltd	3 month Kibor + 3 %	Quarterly	September 30, 2016	Unrated	20	16	118,750	-
New Allied Electronic industries limited.	3 month Kibor + 1.50 %	Quarterly	December 31, 2020	Unrated		Pending receipt	1,433,724	1,548,500
Oil & Gas Investment Limited.	6 month Kibor + 2%.	Half yearly	May 14, 2015	Unrated	188,160	188,160	940,800	940,800
Pakistan International Airlines Corp. Limited	6 month Kibor + 0.85%.	Half yearly	Overdue	Unrated	594,976	594,796	2,972,500	2,972,500
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	-	-	-	-
Pak Libya Holding Co Pvt Ltd	6 month Kibor + 1.6%.	Half yearly	February 7, 2016	Unrated	50,000	50,000	249,850	249,960
Parthenon private Limited	6 month Kibor + 0.85%.	Quarterly	December 30, 2017	Unrated	6	4	1,606,776	1,280,486
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	-	-	-	-
Faysal Bank (Royal Bank of Scotland)	6 month Kibor + 1.9%	Half yearly	December 29, 2012	Unrated	22,000	22,000	27,478	55,119
Pak Hy-Oil Ltd	6 months Kibor + 2.25%	Overdue	December 6, 2013	Unrated	1	1	150,000	150,000
Pak Arab Fertilizer Ltd	6 months Kibor + 2.50%	Half yearly	May 19, 2015	Unrated	846,570	900,000	2,165,568	3,334,264
Rehman Cotton Mills	Zero Markup	Anually	December 30, 2016	Unrated	7	10	75,109	90,131
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	2	2	-	-
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	-
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	-	-
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	-	-
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	17	17	-	-
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	-	-
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	-	-
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	-
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	-	-
Balance carried forward							16,962,987	15,350,449

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market Value / Cost	
					2012	2011	2012	2011
Balance brought forward							16,962,987	15,350,449
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,035	1,035
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	904	904
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	23,332	23,332
Turbo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	67	67
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,126	1,126
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Al-Zamin Leasing Corporation Limited	6 months Kibor	Half yearly	May 9, 2013	C	1,030	-	5,149	-
Telecard Limited	6 months Kibor	Half yearly	November 20, 2015	D	2,570	-	12,850	-
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
							17,032,215	15,401,678

All term finance certificates have a face value of Rs. 5,000 each unless otherwise mentioned.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4.2 Debentures

Investee	Terms of Redemption		Rate of Interest	Cost	
	Principal	Interest		2012	2011
				------(Rupees in '000)-----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Allied Ghee Industries Limited	Overdue	Overdue	16%	-	-
Allied Ghee Industries Limited	Overdue	-	Interest free	-	-
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	-	Interest free	15	15
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	317	317
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Damaan Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	-	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Mansoor Textile Mills	Outstanding	Outstanding	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	66
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Outstanding	Outstanding	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Outstanding	Outstanding	12.5%	200	200
Spinzer Towel Industries Limited	Outstanding	Outstanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				189,354	189,354

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	Cost	
				2012 ----- (Rupees in '000) -----	2011
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	448
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Calcium Limited	1	17%	300,000	300	300
Crystal Chemicals Limited	15	17%	259,800	-	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	7,303
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,118
Frontier Ceramics Limited	10	17%	226,200	-	2,262
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	4,415	4,415
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Mass Dairies Limited	11	17%	229,364	-	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	3,215
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	4,433	6,472
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
Treat Corporation Limited	7,729,500	-	33	254,434	-
				340,938	97,225

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4.4 Investment in Sukuk

Investee	Rating		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2012	2011
------(Rupees in '000)-----					
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	11.78% 6 month Kibor - 0.25%	1,136,673	1,332,917
WAPDA Sukuk (1st Issue)	Bi-Annual	Bi-Annual	- -	-	20,016
Quetta Textile Mills Limited	Bi-Annual	Bi-Annual	13.53% 6 month Kibor + 1.5%	320,000	330,367
PIA Corporation	Bi-Annual	Bi-Annual	11.51% 6 month Kibor + 1.75%	550,000	550,000
Maple Leaf Cement Limited	Bi-Annual	Bi-Annual	11.21% 6 months Kibor + 1.7%	3,058	4,531
Islamic Banking					
WAPDA Sukuk	Bi-Annual	Bi-Annual	11.70% 6 month Kibor - 0.25%	20,833	23,963
Orix Leasing	Bi-Annual	Bi-Annual	13.27% 6 month Kibor + 1.25%	-	6,680
Sitara Energy	Bi-Annual	Bi-Annual	15.75% 6 month Kibor + 1.95%	-	10,674
Security Leasing Limited	Bi-Annual	Bi-Annual	3% (Fixed)	36,901	30,924
Kohat Cement Limited	Bi-Annual	Bi-Annual	Fixed	34,426	70,744
Arzoo Textile Limited	Quarterly	Quarterly	13.95% 6 month Kibor + 2.00%	100,000	100,000
GoP Ijara Sukuk	Bi-Annual	Bi-Annual	9.264% to 10.278% As per SBP Publications	750,100	750,000
Engro Fertilizer Limited	Bi-Annual	Bi-Annual	11.96% 6 month Kibor + 1.50%	216,738	216,738
Sui Southren Gas Co. Limited	Quarterly	Quarterly	10.40% 3 month Kibor + 0.20%	23,538	125,386
Pakistan International Airline	Bi-Annual	Bi-Annual	11.51% 6 month Kibor + 1.75%	175,000	175,000
				3,367,267	3,747,940

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1.4.5 Others Government Bond Investment

Investee	Rating		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2012	2011
------(Rupees in '000)-----					
Overseas Bonds					
BANK OF AMERICA	On Maturity	Bi-Annual	4.50%	235,457	175,421
BANK OF AMERICA	On Maturity	Bi-Annual	4.50%	-	195,293
BANK OF AMERICA	On Maturity	Bi-Annual	6.00%	-	44,476
BANK OF AMERICA	On Maturity	Bi-Annual	6.00%	-	44,476
BANK OF AMERICA	On Maturity	Bi-Annual	6.00%	-	111,190
BARCLAYS BANK	On Maturity	Bi-Annual	5.20%	316,412	186,306
BARCLAYS BANK	On Maturity	Bi-Annual	5.00%	-	186,306
BNP PARIBAS	On Maturity	Bi-Annual	3.31%	-	226,557
CITIBANK	On Maturity	Bi-Annual	5.13%	205,864	93,393
CITIBANK	On Maturity	Bi-Annual	5.50%	210,778	185,643
CITIBANK	On Maturity	Bi-Annual	6.00%	235,041	187,746
CITIBANK	On Maturity	Bi-Annual	6.50%	205,750	213,040
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	3.63%	104,228	174,756
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	5.35%	109,785	174,756
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	3 months LIBOR+1%	194,737	87,378
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	5.35%	-	92,208
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	5.45%	-	157,711
GOLDMAN SACHS GROUP	On Maturity	Bi-Annual	5.35%	-	189,015
HONG KONG SHANGHAI BANK CO.	On Maturity	Bi-Annual	0.64%	116,370	-
LLOYDS TSB BANK	On Maturity	Bi-Annual	LIBOR+2.35%	196,414	43,294
LLOYDS TSB BANK	On Maturity	Bi-Annual	6.50%	198,168	43,294
LLOYDS TSB BANK	On Maturity	Bi-Annual	4.88%	52,486	175,319
LLOYDS TSB BANK	On Maturity	Bi-Annual	4.38%	52,486	109,729
LLOYDS TSB BANK	On Maturity	Bi-Annual	4.88%	218,501	175,567
MERRILL LYNCH & CO	On Maturity	Bi-Annual	5.30%	-	178,797
MORGAN STANLEY	On Maturity	Bi-Annual	3.45%	-	82,809
MORGAN STANLEY	On Maturity	Bi-Annual	3.45%	101,771	181,331
MORGAN STANLEY	On Maturity	Bi-Annual	6.00%	207,312	165,436
MORGAN STANLEY	On Maturity	Bi-Annual	3.80%	205,245	246,151
MORGAN STANLEY	On Maturity	Bi-Annual	4.50%	293,895	-
ROYAL BANK OF SCOTLAND	On Maturity	Bi-Annual	4.88%	208,216	88,891
ROYAL BANK OF SCOTLAND	On Maturity	Bi-Annual	3 months LIBOR+1.75%	196,974	88,891
ROYAL BANK OF SCOTLAND	On Maturity	Bi-Annual	3 months LIBOR+1.75%	97,912	176,383
ROYAL BANK OF SCOTLAND	On Maturity	Bi-Annual	3.95%	-	168,310
ROYAL BANK OF SCOTLAND	On Maturity	Bi-Annual	3.95%	-	84,155
SOCIETE GENERALE	On Maturity	Bi-Annual	2.20%	196,692	169,091
SOCIETE GENERALE	On Maturity	Bi-Annual	2.20%	196,692	169,091
SOCIETE GENERALE	On Maturity	Bi-Annual	2.20%	196,692	169,091
GOP BONDS	On Maturity	Bi-Annual	6.88%	-	356,031
GOP BONDS	On Maturity	Bi-Annual	6.88%	-	178,016
GOP EURO BOND	On Maturity	Bi-Annual	7.13%	3,378,825	2,685,740
GOP EURO BOND	On Maturity	Bi-Annual	6.88%	2,871,202	678,902
SUKUK	On Maturity	Bi-Annual	6 months SIBOR+2.5%	-	119,925
NATIONAL BANK OF KAZAKHSTAN	On Maturity	Bi-Annual	2.00%	129,544	817,518
NATIONAL BANK OF TAJIKISTAN	On Maturity	Bi-Annual	3.38%	250,353	-
				11,183,802	10,077,428

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF

Annexure II as referred to in

FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE PERIOD 01.01.2012 TO 31.12.2012

Note 10.6 to the financial statements

(Rupees in Millions)

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/Mark-up written off	Other financial relief/Mark-up & Reversal (waiver provided)	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Pervaiz Sultan 42101-9771946-9	Pervaiz Sultan	Allah Rakha	3.750	1.999	0.013	5.762	-	-	1.678	1.678
2	Awan Poultry Farm Mauza Tatlay Cantt, Distt. Lahore	Malik Allah Yar Khan S/o Malik Muhammad Khan 35201-1687096-3	Malik Muhammad Khan	0.800	2.232	0.207	3.239	-	-	0.639	0.639
3	Kashmir Polypropylene Limited Mirpur AK	Sardar M Yaqoob Khan (Managing Director) 37405-6566287-9	Sardar Gul Muhammad Khan	1.991	7.018	-	9.009	-	0.000	7.018	7.018
4	Pirzada Khan	Pirzada Khan 81102-0249604-9	M Asghar Khan	1.039	1.039	0.569	2.647	-	-	1.608	1.608
5	Madina Plastic Industries, Plot No.566/B, Small Industrial Estate, Sargodha Road, Faisalabad.	Tariq javeed, 33100-7957890-9	Abdul Ghafoor	4.492	2.546	0.090	7.128	-	0.000	1.628	1.628
6	Afzal Weaving Factory, Sultan Town, Narwala Road, Faisalabad.	Muhammad Afzal, 33100-2340435-3	Muhammad Siddique	11.995	6.671	0.130	18.796	-	-	4.500	4.500
7	Mubarak Processing Mills (Pvt) Ltd. Samana pull, Sargodha Road , Faisalabad.	1) Muhammad Shahzad (Chief Executive), 33100-1535280-5 2) Shahid Javaid (Director) 33100-8831527-5 3) Dilnawaz Khan (Director) 33100-0898478-1 4) Tahir Nawaz, (Director) 33100-4460387-1 5) Mian Sajid Nawaz 33100-8078175-1 6) Zahid Javed 33100-6589627-1	1) Muhammad Tufail 2) Muhammad Tufail 3) Mian Mubarak Ali 4) Mian Mubarak Ali 5) Mian Mubarak Ali 6) Muhammad Tufail"	49.995	20.161	0.285	70.441	-	-	12.984	12.984
8	Mr. Altaf Hussain	Mr. Altaf Hussain 36302-2832764-1	Hussain Bakhsh	2.776	0.772	0.657	4.205	-	-	0.908	0.908
9	Mr. Qazi Mahboob Rizwan Aslam	Mr. Qazi Mahboob Rizwan Aslam 36302-7266181-5 36302-2832764-1	Qazi Muhammad Aslam	2.684	0.674	0.460	3.818	-	-	0.724	0.724
10	M/S Habib Cotton Industries Multan Road Jahanian	Rao Saadit Ali 36101-0247460-3 (Expired) Naik Muhammad Sohail Sartaj Pounesai Begum Jannat Bibi	Rao Sadaqat Ali Khan	1.018	1.523	0.035	2.576	-	-	1.523	1.523
11	M/S Nawab Flour Mills Old Sabzi Mandi Road Multan	Mr. Abdul Rasheed 36302-3315817-3 Nawab Ali 36302-941345-7 Abdul Shakoore 36302-2978152-9	Ali Jan Ali Jan Ali Jan	1.048	1.375	0.100	2.523	-	-	1.375	1.375

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/Mark-up written off	Other financial relief/Markup & Reversal (waiver provided)	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
12	Ali Asghar Textile Mills Limited 306/308, 3Rd Floor, Uni Tower, I. I. Chundrigar Road, Karachi. Factory: Plot No.2 & 6, Sector No.25, Korangi Industrial Area, Karachi.	Nadeem E. Shaikh (Mr.) 42301 - 09993217 - 3 Naveed E. Shaikh (Mr.) 42000 - 0532641 - 3 Maryam Humayun (Ms.) 42000 - 0485329 - 0 Gulnar Humayun (Mrs.) 42301 - 0899905 - 0 Salman Masood (Mr.) 42301 - 0851960 - 1 Abdul Aziz (Mr.) 42301 - 0866432 - 1 Sultan Mehmood (Mr.) 42201 - 2232626 - 7 Azad Khan 42201 - 0813664 - 3	Humayun E. Shaikh Humayun E. Shaikh Humayun E. Shaikh Humayun E. Shaikh Masood Ul Hassan Habib Mohammad Ayub	-	51.183	-	51.183	-	0.00	34.960	34.960
13	Sargodha Textile Textile Chak No.49 Faisalabad Road Sargodha	Sultan Mahmood 38403-2214042-1 Sajjad Aslam 35202-7747367-9 Mehar Allah Yar 38403-9701620-5	Muhammad Iqbal Mian Muhammad Aslam Mehar Ahmad Yar	36.833	89.292	-	126.125	-	-	86.125	86.125
14	Sadat Paper Mills (Pvt) Ltd Ahmadpur East Road Bahawalpur	Syed Saifudin Bukhari 35202-3617209-9 Syed Ahmad Kamran Gadezi 35202-0293277-7	Syed Mughisuddin Bukhari Syed Din Muhammad Gardezi	20.757	34.843	2.520	58.120	-	-	37.320	37.320
15	Ehsan Elahi Ind. Limited 61-C Industrial Estate Multan	Sh.Muhammad Sharif 363020-438986-9 Sh.Muhammad Nazir 36302-2350128-9	Sh. Abdul Rahim Sh. Abdul Rahim	-	47.120	0.040	47.160	-	-	30.618	30.618
			Total:	139.178	268.448	5.106	412.732	-	0.521	223.087	223.608

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

**Annexure III as referred to in
Note 11.6 to the financial statements**
Details of disposals of property and equipemnt

Particulars of property and equipment	Original Cost	Book Value	Sale Proceeds	Gain / (Loss) on disposal	Mode of Disposal	Particulars of Purchaser
----- Rupees in '000 -----						
Motor Vehicles	1,299	1,053	1,053	-	As Per Service Rules	Mr M.Jamil Tahir Ex SVP
Motor Vehicles	1,384	946	946	-	As Per Service Rules	Mr Ghalib Hameed EVP
Motor Vehicles	1,239	743	743	-	As Per Service Rules	Mrs Nausheen Jamil Ex-SVP
Motor Vehicles	890	193	193	-	As Per Service Rules	Mr Tasleem Haider SVP
Motor Vehicles	1,384	877	877	-	As Per Service Rules	Mr Sardar Alam Khan Ex-EVP
Motor Vehicles	940	313	313	-	As Per Service Rules	Mr Muhammad Usman Khokhar Ex-SVP
Motor Vehicles	1,037	24	104	79	As Per Service Rules	Mr Manzoor Ul Haq EVP
Motor Vehicles	1,299	606	606	-	As Per Service Rules	Mr.Muhammad Rafie Ul Din Ex SVP
Motor Vehicles	1,354	700	700	-	As Per Service Rules	Mr.Moizuddin Khan Ex-EVP
Motor Vehicles	1,269	423	423	-	As Per Service Rules	Mr Mahmud Ul Hasan Ex-SVP
Motor Vehicles	1,050	578	578	-	As Per Service Rules	Mr Hanif Khan,Ex-SVP
Motor Vehicles	1,269	817	817	-	As Per Service Rules	Mr A.Ghaffar, Ex-SVP
Motor Vehicles	879	103	103	-	As Per Service Rules	Mr Sahibzada Rafat,SVP
Motor Vehicles	951	206	206	-	As Per Service Rules	Mr Baqar Bukhari, SVP
Motor Vehicles	950	174	174	-	As Per Service Rules	Mr Aamir Sattar, EVP
Motor Vehicles	910	152	152	-	As Per Service Rules	Mr Amin Qazi, SVP
Motor Vehicles	6,417	3,529	3,529	-	As Per Service Rules	Mr Imam Bux Balouch, SEVP
Motor Vehicles	1,506	477	477	-	As Per Service Rules	Mr Shahid A Khan,SEVP
Motor Vehicles	1,269	698	698	-	As Per Service Rules	Mr Samar Abbas Jafery Ex SVP
Motor Vehicles	930	248	248	-	As Per Service Rules	Mr Usman Aziz Ex SVP
Motor Vehicles	1,313	689	689	-	As Per Service Rules	Mr Mazhar Shah Khan Ex SVP
Motor Vehicles	893	223	223	-	As Per Service Rules	Mr Naz Ahmed Khan SVP
Motor Vehicles	925	170	170	-	As Per Service Rules	Mr Hamid Masood SVP
Motor Vehicles	910	152	152	-	As Per Service Rules	Mr Muhammad Qazi SVP
Motor Vehicles	910	137	137	-	As Per Service Rules	Mr Syed Tariq Hassan SVP
Motor Vehicles	910	501	501	-	As Per Service Rules	Mr Naeem Haider Shah Ex SVP
Motor Vehicles	1,269	656	656	-	As Per Service Rules	Mr Muhammad Iqbal Ex SVP
Motor Vehicles	925	170	170	-	As Per Service Rules	Mr Tariq Taj Ex SVP
Motor Vehicles	1,384	692	692	-	As Per Service Rules	Mr.Khalid Bashir EVP
Motor Vehicles	1,239	434	434	-	As Per Service Rules	Mr.Syed Ziaul Hasan Ex-SVP
Motor Vehicles	1,269	486	486	-	As Per Service Rules	Mr Agha Fidaullah,Ex-EVP
Motor Vehicles	1,050	193	193	-	As Per Service Rules	Mr S.M Zamin,SVP
Motor Vehicles	910	106	106	-	As Per Service Rules	Mr Khurram Saeed Naik,SVP
Motor Vehicles	1,299	476	476	-	As Per Service Rules	Mr Tariq Akhtar Khan Ex SVP
Motor Vehicles	1,199	264	264	-	As Per Service Rules	Mr Shafique Ahmed EVP
Motor Vehicles	1,199	240	240	-	As Per Service Rules	Mr Tariq Latif Ansari EVP
Motor Vehicles	879	-	88	88	As Per Service Rules	Mr.Zubair Mirza,SVP
Motor Vehicles	879	-	88	88	As Per Service Rules	Mr.Waqar Mian,SVP
Motor Vehicles	3,446	846	4,662	3,816	Auction	Mr.Muhammad Yaqoob
Motor Vehicles	2,617	87	2,976	2,889	Auction	Mr.Afzal Ahmed
Motor Vehicles	5,492	458	3,720	3,262	Auction	Mr.Nazee Kehar
Motor Vehicles	1,288	-	1,004	1,004	Auction	Mr.Rajesh Ambwani
Motor Vehicles	1,042	-	929	929	Auction	Mr.Syed Muhammad Ali
Motor Vehicles	1,040	-	450	450	Auction	Mr.Muhammad Ali
Motor Vehicles	1,239	1,156	1,150	(6)	Insurance Claim	M/S.National Insurance Co.Limited
	64,662	21,252	33,851	12,599		
Ijarah assets	4,898	490	490	-	Ijarah maturity	Hira Textile Mills Limited
Ijarah assets	9,734	973	973	-	Ijarah maturity	Hira Textile Mills Limited
Ijarah assets	3,907	391	391	-	Ijarah maturity	Hira Textile Mills Limited
Ijarah assets	4,908	491	491	-	Ijarah maturity	Hira Textile Mills Limited
Ijarah assets	1,432	168	168	-	Ijarah maturity	Hira Textile Mills Limited
Ijarah assets	3,120	312	312	-	Ijarah maturity	Big Bird
Ijarah assets	2,472	247	247	-	Ijarah maturity	Big Bird
Ijarah assets	16,439	1,644	1,644	-	Ijarah maturity	Big Bird
	46,910	4,715	4,715	-		

Other assets (Having book value of less than Rs.250,000/- or cost of less than Rs.1,000,000/-)

	125,564	5,076	93,817	88,742
	237,136	31,043	132,384	101,341

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

**Annexure IV as referred to in
Note 28.2 to the financial statements**

	2012	2011
	(Rupees in '000)	
Donations include following amounts exceeding Rs 0.1 million:		
Prime Minister Flood Relief Fund	14,171	45,000
Fatimid Foundation, Karachi	480	-
	14,651	45,000
Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs 0.1 million:		
Karachi School of Business Leadership	80,000	20,000
Hub Boarding School of Excellence	25,000	-
Institute of Business Administration (IBA)	25,000	25,000
Lifetime Support Single Unit TCF School Nawabshah	10,000	-
Benazir Public School for Girls, Nawabshah	9,000	-
Noor Memorial Charity Hospital Bin Qutab Foundation	2,760	-
SOS Children's Village Multan	2,000	-
Sindh Institute of Urology Transplant (SIUT)	2,000	-
Memon Health and Education Foundation (MHEF)	2,000	1,000
Marie Adelaide Leprosy Centre	2,000	2,000
Sir Ganga Ram Hospital at Lahore	1,390	-
People With Disabilities	1,100	-
Afzaal Memorial Thalassemia Foundation	1,000	1,000
National Institute of Child Health Karachi	974	-
Arafa Karim Foundation (Trust)	850	-
Computer Lab, Lyari	599	409
Poor Patients Aid Society Civil Hospital Karachi	500	-
Patients Welfare Association Mayo Hospital Lahore	500	-
Society for the Promotion of Arabic	500	-
Medical Aid Foundation	500	500
Haji GN Rind Welfare Complex Sakrand	500	-
Child Aid Association	500	-
Medical Equi Siksa Civil Hospital Baltistan	495	-
Subh-e-Nau Disability Reduction Program Punjab	450	-
Wajeaha Thalassaemia Centre Khyber Pakhtoon Khwa	450	-
Sheikh Zayed Islamic Center	449	-
Maternal & Child Health at Gadap	430	-
Safina Welfare Hospital Ibrahim Zai Hangu	380	-
Baitulmal Orphanage Sport Week	300	-
Goth of Gaddani Baluchistan	280	-
Pakistan Foundation High School Lahore	227	-
Ujala Welfare Society Khyber Pakhtoon Khwa	200	-
Jinnah Foundation Providing Education Facilities	200	-
Progressive Education Network (PEN) Lahore	200	-
Mukhatran Rafiq Foundation Lahore	200	-
GARAGE School Karachi	180	-
Society for Special People	178	-
WE Gym Centre Quetta	165	-
Society for Special Persons Multan	160	-
Rajanpur Rod-Kohi Development Org. Punjab	160	-
Poor Patients Aid Society Civil Hospital	150	100
Distt Industrial Home (Sanatzar)	150	-
Government Boys HSS No-02 K Area Korangi	150	-
Manghopir Social Ittehad Centre Karachi	100	-
Chair Nawabshah Disability Forum	100	-
Sundas Foundation	100	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
Dar ul Sukun	100	-
Make-A-Wish Foundation	100	-
Fund Raising Event by Welfare Society for Patients Care	100	-
Al Mustafa Welfare Society	100	-
Surfraz Nawaz International Academy at Islamabad	200	-
Razaullah Khan Cricket Organizer	500	-
Shades for Shaheed Benazir Bhutto University	129	-
Motivational Volunteer Empowerment Program at Sukkur	304	-
Motivational Volunteer Empowerment Program at Hyderabad	304	-
Medical camp at Awaran Village Balochistan	162	-
Free Eye Camp at Tehsil Fort Abbas Bahawal Nagar	208	-
Medical camp at Lundi Saeeda Rajanpur Punjab	155	-
Free Eye Camp at District Umar Kot Sindh	189	-
Free Medical camp at Tehsil Gilgit	172	-
Free Medical camp at Darial District Diamer Gilgit	172	-
Free Eye Camp at Dera Malkana Sharak pur Sheikhpura	248	-
Free Medical Camp at Nathia Gali, District Abbotabad	129	-
Centenary Celebrations of District Shaheed Benazirabad Nawabshah	125	-
Thalasemia Care Centre	-	1,600
Caravan of Life Trust Pakistan Ltd	-	1,000
Children Welfare Society	-	500
Special Sports, Gulistan-e-Manzoor, Mirpurkhas	-	376
Pakistan Association of the Deaf	-	100
Govt Boys Degree College KN Shah District Dadu	-	1,450
National Press Club, Islamabad	-	436
Government School, Dera Gazi Khan	-	1,509
Government School Distt Usta Mohammad, Jafferabad	-	1,359
Government Schools District Nowshera, Khyber Pakhtoon Khaw	-	1,000
Government Boys Degree College KN Shah	-	859
Laton Rehmatulla Benevolent Trust	-	200
Patient's Welfare Society	-	250
Civil Hospital Usta Muhammad', Baluchistan	-	475
Cardiology & Coronary Unit GMC Hospital Sukkur	-	1,844
Friends of Burns Centre, Civil Hospital Karachi	-	880
Wajeeha Thalassaemia Centre, Swat	-	400
Dialysis Centre Civil Hospital Mirpurkhas	-	247
11th Annual Children's Concert (FESF)	-	850
Terminally ILL Children	-	150
APWA Fund for Adult Literacy	-	100
Women welfare, Sheikhpura, Punjab	-	172
Awami Bus Service Benazir Transport Scheme	-	1,000
Anjuman Anwar-e-Mohammadi Lyari	-	128
Flood Relief 2011 /2010 (Affectees)	-	63,305
Construction of rural clean water supply & sewerage system model village Hamid Pur Multan	-	10,000
Medicines / eatable items purchased & distributed to affectees of rain Dist. of Badin & Mirpurkhas	-	5,110
Sun shade and uplifting of pedestrian bridge at Larkana	-	4,725
	<u>177,924</u>	<u>150,034</u>



NBP Premium Saver Account

Make Your Saving Grow

- 🌱 Earn 8.50% p.a.*
- 🌱 Minimum saving balance of Rs. 20,000/- & maximum balance of Rs. 1 million
- 🌱 Free NBP Cash Card (ATM + Debit)
- 🌱 Two debit withdrawals allowed in a month & no limit on number of deposit transactions



* Profit rates are expected



NBP

National Bank of Pakistan

The Nation's
Bank



NBP Kisan Dost

(Agriculture Farming Program)

Agriculture Farming Program

- Competitive mark-up rate
- Quick & easy processing
- Provision of technical guidance to farmers at their doorstep
- Wide range of financing schemes for farmers
- Financing facility is also available for landless farmers
- Financing available against Pass Book, Residential / Commercial property, Gold ornaments and paper security
- Loan facility on revolving basis (Running Finance) for three years for farm as well as non-farm



NBP

National Bank of Pakistan

The Nation's
Bank

Categories of Shareholders

As of December 31, 2012

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Government of Pakistan			
FEDERAL GOVERNMENT OF PAKISTAN	1	5,425,147	0.29
PAKISTAN ATOMIC ENERGY COMMISSION	1	590,804	0.03
PRIVATISATION COMMISSION OF PAK MINISTRY OF PRVT. & INVEST.	1	1,440,686	0.08
State Bank of Pakistan			
STATE BANK OF PAKISTAN	1	1,391,170,199	75.20
Directors, Chief Executive Officers and their Spouses and minor children Spouses and minor children			
TARIQ KIRMANI	1	38,407	0.00
Associated Companies, Undertakings and Related Parties			
TAURUS SECURITIES LIMITED	2	9,979	0.00
CDC - TRUSTEE NAFA STOCK FUND	1	1,082,921	0.06
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	289,562	0.02
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	278,100	0.02
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT		790,500	0.04
NIT and ICP			
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	1,096,839	0.06
NATIONAL INVESTMENT TRUST LIMITED	1	8,582,242	0.46
Public Sector Companies and Corporations	6	52,544,534	2.84
Executives	44	258,371	0.01
Banks, Development Financial Institutions, Non Banking Financial Institutions	21	22,897,038	1.24
Insurance Companies	19	14,709,359	0.80
Modarabas	4	108,779	0.01
Mutual Funds	32	80,081,745	4.33
General Public			
a. Local	16,091	103,362,842	5.59
b. Foreign	132	112,479,667	6.08
Others	245	52,773,606	2.85
Total	16,606	1,850,011,327	100.00

Pattern of Shareholdings

As of December 31, 2012

# of Shareholders	Shareholdings' Slab			Total Shares Held
1620	1	to	100	68,840
3079	101	to	500	927,270
1937	501	to	1000	1,536,446
6396	1001	to	5000	18,211,865
1630	5001	to	10000	11,720,270
639	10001	to	15000	7,751,919
263	15001	to	20000	4,663,498
187	20001	to	25000	4,234,461
109	25001	to	30000	3,036,100
72	30001	to	35000	2,354,442
76	35001	to	40000	2,868,393
51	40001	to	45000	2,162,566
53	45001	to	50000	2,570,163
39	50001	to	55000	2,068,851
28	55001	to	60000	1,605,468
20	60001	to	65000	1,254,927
20	65001	to	70000	1,365,657
18	70001	to	75000	1,305,223
26	75001	to	80000	2,013,271
12	80001	to	85000	997,712
11	85001	to	90000	969,554
15	90001	to	95000	1,387,493
26	95001	to	100000	2,577,786
7	100001	to	105000	713,409
15	105001	to	110000	1,620,221
3	110001	to	115000	339,180
5	115001	to	120000	584,157
5	120001	to	125000	609,684
5	125001	to	130000	638,712
2	130001	to	135000	265,010
3	135001	to	140000	410,264
4	140001	to	145000	565,761
12	145001	to	150000	1,780,245
3	150001	to	155000	457,700
3	155001	to	160000	473,557
3	160001	to	165000	487,380
6	165001	to	170000	1,014,100
4	170001	to	175000	690,195
3	175001	to	180000	535,138
3	180001	to	185000	548,749
4	185001	to	190000	748,428
4	190001	to	195000	772,040

Pattern of Shareholdings

As of December 31, 2012

# of Shareholders	Shareholdings' Slab			Total Shares Held
7	195001	to	200000	1,397,000
5	200001	to	205000	1,009,829
3	205001	to	210000	624,829
1	210001	to	215000	213,125
6	215001	to	220000	1,309,201
2	220001	to	225000	446,843
1	225001	to	230000	225,420
2	230001	to	235000	465,527
1	235001	to	240000	237,875
1	240001	to	245000	240,625
4	245001	to	250000	994,577
1	255001	to	260000	259,100
1	260001	to	265000	260,237
2	265001	to	270000	536,107
3	270001	to	275000	821,014
3	275001	to	280000	832,168
2	280001	to	285000	567,300
3	285001	to	290000	867,199
1	290001	to	295000	293,889
3	295001	to	300000	899,998
5	300001	to	305000	1,514,236
2	305001	to	310000	619,375
1	325001	to	330000	330,000
1	340001	to	345000	343,750
3	345001	to	350000	1,044,212
1	350001	to	355000	351,655
1	360001	to	365000	360,509
4	365001	to	370000	1,471,471
1	370001	to	375000	373,323
2	375001	to	380000	752,021
1	390001	to	395000	393,500
2	405001	to	410000	813,201
3	425001	to	430000	1,285,213
1	430001	to	435000	435,000
2	435001	to	440000	876,076
1	440001	to	445000	445,000
2	445001	to	450000	893,247
1	455001	to	460000	456,508
2	465001	to	470000	932,484
1	485001	to	490000	488,602
2	490001	to	495000	984,434
4	495001	to	500000	2,000,000

Pattern of Shareholdings

As of December 31, 2012

# of Shareholders	Shareholdings' Slab			Total Shares Held
2	505001	to	510000	1,018,000
1	510001	to	515000	513,389
1	515001	to	520000	515,981
1	525001	to	530000	527,951
1	545001	to	550000	550,000
1	550001	to	555000	553,500
1	590001	to	595000	590,804
1	610001	to	615000	611,905
1	615001	to	620000	617,000
1	630001	to	635000	630,363
1	645001	to	650000	649,687
1	675001	to	680000	677,147
1	685001	to	690000	687,500
1	690001	to	695000	692,312
2	695001	to	700000	1,400,000
1	725001	to	730000	727,986
1	765001	to	770000	767,250
1	790001	to	795000	790,500
1	795001	to	800000	795,070
1	805001	to	810000	810,000
1	825001	to	830000	825,990
1	830001	to	835000	831,875
1	835001	to	840000	839,179
1	885001	to	890000	887,041
2	895001	to	900000	1,800,000
1	995001	to	1000000	1,000,000
1	1015001	to	1020000	1,016,605
1	1030001	to	1035000	1,031,871
1	1055001	to	1060000	1,055,508
1	1060001	to	1065000	1,063,586
1	1075001	to	1080000	1,078,239
1	1080001	to	1085000	1,082,921
3	1095001	to	1100000	3,295,741
1	1100001	to	1105000	1,104,500
2	1120001	to	1125000	2,246,483
1	1165001	to	1170000	1,167,655
1	1190001	to	1195000	1,193,132
1	1205001	to	1210000	1,207,158
1	1220001	to	1225000	1,222,160
1	1270001	to	1275000	1,271,971
1	1285001	to	1290000	1,290,000
1	1440001	to	1445000	1,440,686

Pattern of Shareholdings

As of December 31, 2012

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	1475001	to	1480000	1,479,187
1	1480001	to	1485000	1,480,428
1	1505001	to	1510000	1,506,250
1	1600001	to	1605000	1,603,250
1	1605001	to	1610000	1,606,830
1	1650001	to	1655000	1,651,008
1	1675001	to	1680000	1,675,240
1	1695001	to	1700000	1,700,000
1	1755001	to	1760000	1,755,500
1	1775001	to	1780000	1,775,500
1	1785001	to	1790000	1,787,500
1	1995001	to	2000000	2,000,000
1	2105001	to	2110000	2,107,861
1	2165001	to	2170000	2,170,000
1	2480001	to	2485000	2,481,157
1	3025001	to	3030000	3,026,365
1	3035001	to	3040000	3,038,670
1	3085001	to	3090000	3,089,725
1	3190001	to	3195000	3,192,454
1	3405001	to	3410000	3,407,700
1	3485001	to	3490000	3,485,412
1	3555001	to	3560000	3,555,521
1	4275001	to	4280000	4,277,625
1	4395001	to	4400000	4,400,000
1	4635001	to	4640000	4,639,625
1	5425001	to	5430000	5,425,147
1	5875001	to	5880000	5,876,857
1	6055001	to	6060000	6,059,957
1	6350001	to	6355000	6,352,858
1	6430001	to	6435000	6,432,385
1	6540001	to	6545000	6,544,088
1	7570001	to	7575000	7,573,241
1	7845001	to	7850000	7,848,027
1	8580001	to	8585000	8,582,242
1	8995001	to	9000000	9,000,000
1	9090001	to	9095000	9,094,866
1	9260001	to	9265000	9,262,092
1	12645001	to	12650000	12,650,000
1	23110001	to	23115000	23,113,875
1	44315001	to	44320000	44,316,316
1	65165001	to	65170000	65,165,938
1	1391170001	to	1391175000	1,391,170,199
16,606				1,850,011,327

64th Annual General Meeting of National Bank of Pakistan

Form of Proxy

Folio No. ----- or CDC participant identity No. -----
 CDC A/C No. -----
 I/We -----
 Of -----
 being a member (s) of the National Bank of Pakistan holding shares No -----
 HEREBY APPOINT ----- of -----
 also a member of the National Bank of Pakistan (Folio No. -----) or failing him/her ----- of -----
 also a member of National Bank of Pakistan (Folio No. -----)) as my/our Proxy to vote for me/us and on
 my/our behalf at the 64th Annual General Meeting of National Bank of Pakistan, to be held at 9:30 A.M. on
 Thursday March 28, 2013 and at any adjournment thereof.

Signed this ----- day of ----- 2013

Witnesses:

1. Name: -----
 Address -----
 CNIC No. -----

**Affix Revenue Stamp
Of Five Rupees**

2. Name: -----
 Address -----
 CNIC No. -----

Signature

(Signature should agree with the specimen signature registered with the Bank).

Note

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person shall act as a Proxy, who is not a member of the bank except that Government of Pakistan / State Bank of Pakistan / Corporation may appoint a person who is not a member.
2. The instrument appointing a Proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument
3. The instrument appointing a Proxy, together with the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar / Transfer Agents, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B Block "B" SMCHS, Main Shahrah-e-Faisal Karachi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one Proxy, and more than one instrument of Proxy are deposited by a member with the Bank, all such instruments of Proxy shall be rendered invalid.

B. For CDC Account Holder:

1. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
3. The Proxy shall produce his/her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan/State Bank of Pakistan/ Corporate entity, the Board of Directors; resolution/power of attorney with specimen signature shall be submitted along with Proxy form to the bank.