

2013

ANNUAL REPORT



ZTBL

ZARAI TARAQIATI BANK LTD.



ANNUAL REPORT 2013



Zarai
Taraqiat
Bank
Ltd.

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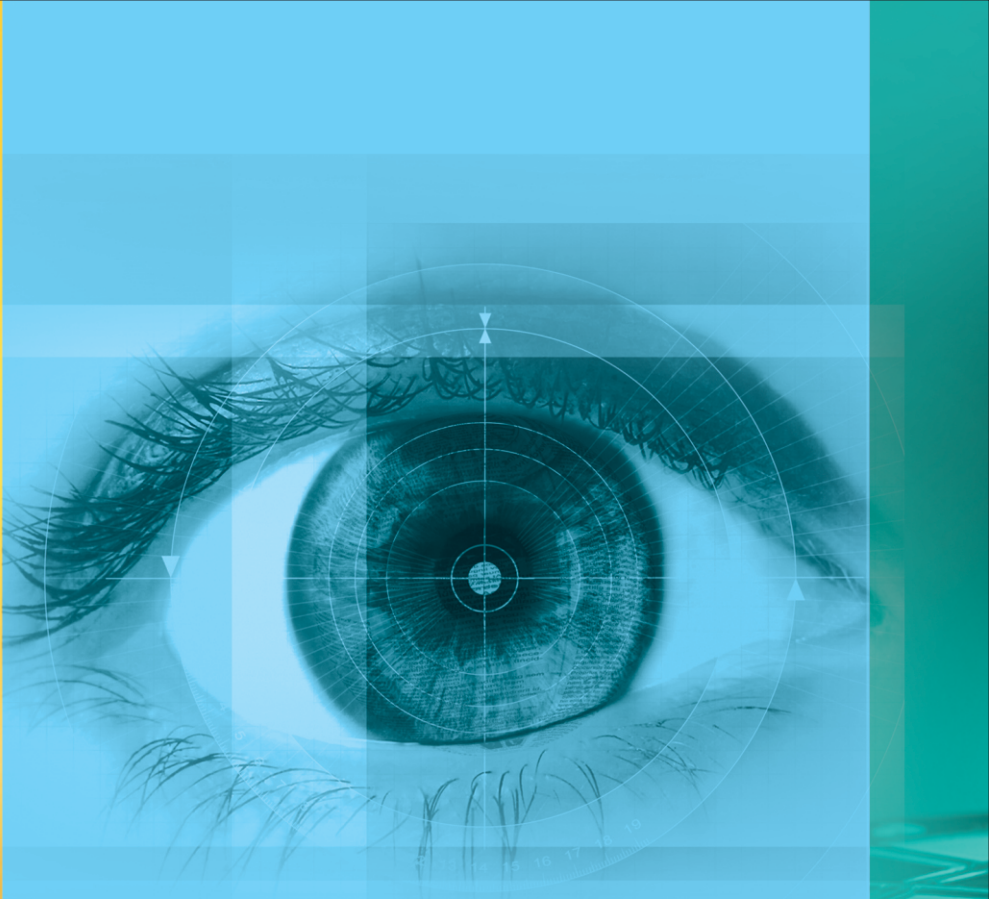
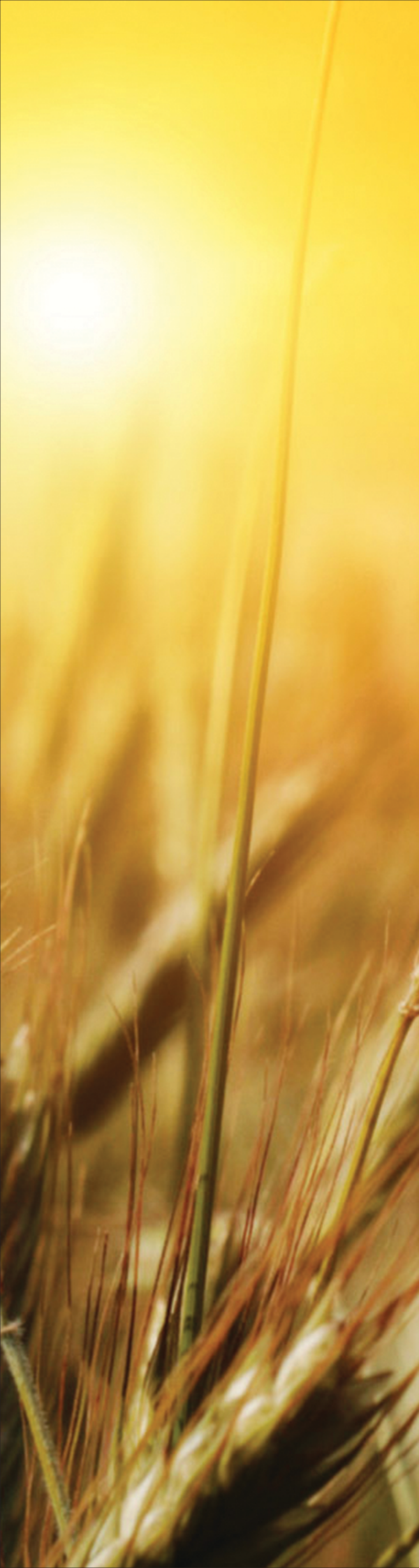


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VISION

Dedicated to serve the needs of the farming community, by delivering financial products and technical services on a competitive and sustainable basis, in a convenient, efficient and professional manner, leading to success of the Bank and the farmers.



MISSION

To play effective role in the promotion of economic growth by enhancing the availability of credit to the agriculture sector, through reliable access to sustainable financing, special lending programmes, technical assistance and other products & services and to promote career development opportunities for increasing professionalism and technical proficiencies of employees.

A photograph of a person's hand gently cupping a small, vibrant green seedling with several leaves. The seedling is growing out of a small mound of dark soil. The background is a bright, slightly hazy sky with soft clouds. The entire image is overlaid with a semi-transparent teal filter.

CORE VALUES

- Loyalty to ZTBL Vision and Mission
- Integrity and Meritocracy
- Quality and Efficiency
- Well-Trained Human Resource
- Credit with Technology

ABOUT COMPANY'S



Syed Yawar Ali
Chairman



Syed Talat Mahmood
President/CEO

TEAM

(The Board of Directors)



Mr. Saeed Ahmad
Director



Mr. Majyd Aziz Balagamwala
Director



Mr. Zia-ul-Mustafa Awan
Director



Mr. Mohsin Aziz
Director



Mr. Abdul Bari Tareen
Director



Mr. Asif Sharif
Director



Mr. Mehboob Hussain
Company Secretary



DIRECTORS' REPORT



Directors' Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Zarai Taraqati Bank Limited (ZTBL) along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2013.

Economy Review

The fiscal year 2012-13 started with inherent problems of power and gas shortages along with other internal and external challenges. The intensified energy crisis ensued in a paradoxical situation within the economy. The circular debt kept on increasing despite injections by the government. Similarly, the deteriorated working of Public Sector Enterprises resulted in further supplementing the economic burden. The adverse impact of these economic difficulties was further compounded by the ongoing war against extremism which caused irreparable loss to the economy. The overall GDP growth rate fell to 3.6 percent in FY13 as compared to 4.4 percent in FY12.

Agriculture Sector Review

Agriculture is playing a vital role in the economy of the country contributing 21.4% to GDP and employing 45% labour force through providing job opportunities in the rural sector of Pakistan. The overall growth in major crops during FY13 has remained lower than last year due to heavy rains and localized flooding. During 2012-13, Agriculture Sector exhibited a growth of 3.3 percent on the back of nominal growth in agriculture related sub sectors. The Crops grew at 3.2 percent, Livestock 3.7 percent, Forestry 0.1 percent and fishing 0.7 percent.

Banking Industry Review

According to SBP reports of 31.12.2013, the assets of the Banking Industry grew at 8.0% year on year basis. Net Loans showed year on year growth of 7.6%. Deposits grew at 13.9%. Net Investment at 7.4% while Industry average of Capital Adequacy Ratio stood at 14.9% and that of Specialized Banks stood at 11.6%. The NPL infection ratio of Advances extended to agriculture sector was 14.0%.



ZTBL Performance Review

Under above mentioned adverse economic conditions in 2013, the Bank has performed fairly well. ZTBL having the largest network of 379 branches and 31 Zonal Offices is the only specialized financial institution in Pakistan, catering to the credit needs of farmers for the production, development and modernization of agriculture through field force of Mobile Credit Officers at doorstep of the farmers. ZTBL contributed 20% in Institutional Agriculture Credit of Pakistan in year 2012-13. Its financial products range from the basic credit facility for seeds, fertilizer, tube well, tractor, harvester and other attachments, to the loans for latest technologies of Solar Tube Well, Biogas Units and Covered Horticulture i.e. Tunnel Cultivation.

The Bank is constantly striving to serve its clientele` with increased efficiency and effectiveness. In this pursuit, several financial products and delivery mechanisms such as Sada Bahar Scheme, Awaami Zarai Scheme and Kissan Dost Scheme under Supervised Agricultural Credit System, have been devised and introduced over the years in the entire country. Recently developed products include Asan Qarza ,Khawateen Rozgar,Shamsi Tawanai& Tawanai Bachat Schemes.

The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the landless poor and small landowners to increase their farm productivity and income. ZTBL alone is serving about 0.416 million farm families annually. The Bank has disbursed Rs.900 billion since inception up to 31.12.2013 which includes financing of 560,106 tractors and 155,028 tube-wells. While meeting the demand for mechanization, attention was also concentrated towards the provision of more credit for livestock, dairy farming, poultry farming, fish farming and small godowns for self storage.

1. CREDIT DISBURSEMENT

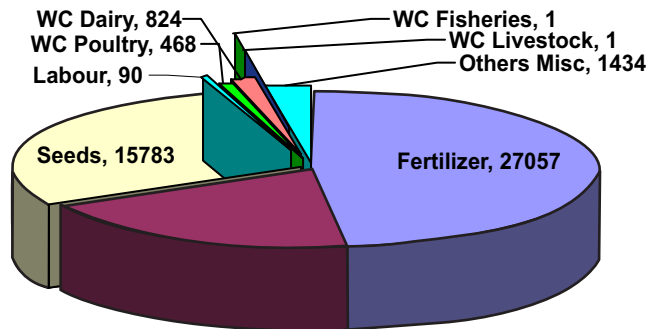
During 2013, the Bank disbursed an amount of Rs.71,107 million as compared to Rs.64,133 million in the year 2012. The Bank served 0.416 million borrowers during the year 2013. The Bank disburses loans for two purposes i.e. Production and Development.

1.1. Production Loans

Bank disbursed a major portion of its funds towards production loans i.e. Rs.56,369 million constituting around 79.3% of total disbursement. Detail at annexure 2.6

Production Loans

(Rs. Million)

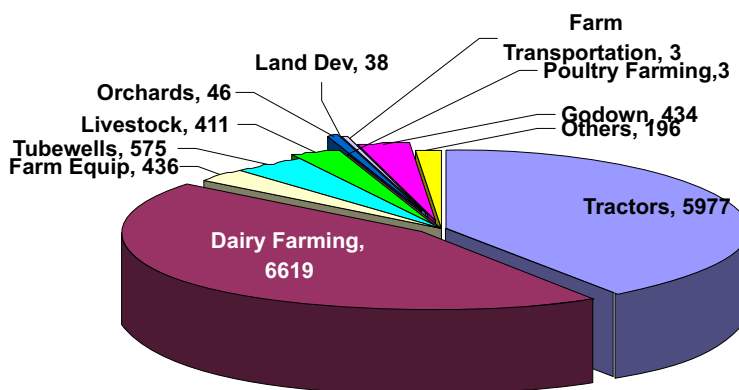


1.2. Development Loans

An amount of Rs.14,738 million constituting 20.7% of the total agricultural credit was disbursed for development purposes.

Development Loans

(Rs. Million)

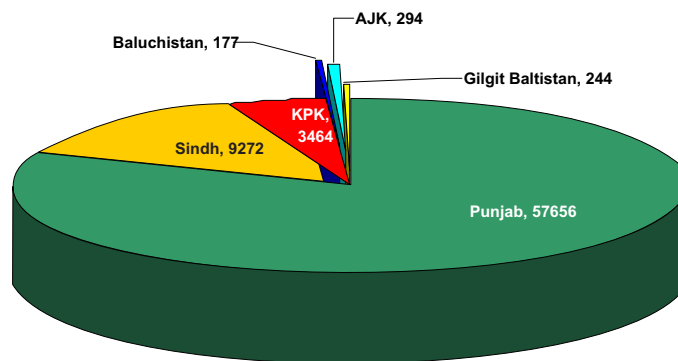


1.3 Province-wise Disbursement of Loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2013 the Bank disbursed Rs. 57,656 million (81.1%) in Punjab, Rs. 9,272 million (13.0%) in Sindh, Rs. 3,464 million (4.9%) in Khyber Pakhtunkhwa, Rs. 177 million (0.3%) in Baluchistan, Rs. 294 million (0.4%) in AJK and Rs. 244 million (0.3%) in Gilgit Baltistan. Detail is given in statistical table No.2.2 annexed.

Province-wise Disbursement of Loans

(Rs. Million)



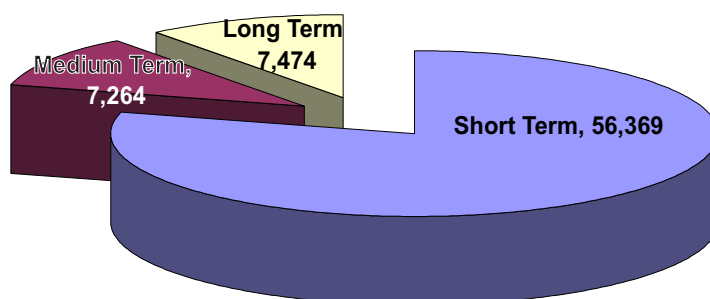
1.4 Term-wise Loan Disbursement

The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period of maximum 18 months. Medium and long term loans are advanced for development purposes which are recoverable within 5 and 8 years, respectively. Details are given in statistical table No.2.3 annexed.

Term-wise loan amounts are given below:

Short term loans	Rs.56,369 Million
Medium term loans	Rs. 7,264 Million
Long term loans	Rs. 7,474 Million

Term-wise Loan Disbursement (Rs. Million)



1.5 Security Wise Disbursement of Loans

Security-wise composition of total loans indicates that loans amounting to Rs.70,497 million, constituting 99.2%, were secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.80 million being 0.1% were disbursed against personal surety while loans amounting to Rs.529 million being 0.7% were advanced against hypothecation and other securities. Details are given in statistical table No.2.4 annexed.

1.6 Holding-wise Disbursement of Loans

Holding wise disbursement of loans during 2013, revealed that land-less farmers received Rs.29 million. Loans advanced to land owners/operators under 12.5 acres amounted to Rs.50,477 million representing 71% share in the overall disbursement. Farmers owning/operating land from 12.5 to under 16 acres received Rs.6,114 million constituting 8.6% share. Farmers operating land from 16 acres to under 25 acres received Rs.7,954 constituting 11.2% share. It was followed by Rs.2,592 million constituting 3.7% disbursed to farmers with land holding from 25 to 32 acres. An amount of Rs.2,236 million was advanced to farmers operating land from 32 to 50 acres representing 3.1% of overall disbursement. An amount of Rs.644 million was advanced to land operators from 50 to 64 acres constituting 0.9%. Remaining credit amounting to Rs.1,060 million was disbursed to land holders of 64 acres and above which constituted 1.5% of total disbursement.

1.7 Scheme-wise Disbursement of Loans

a) Zarkhaiz/Awami Zarai Scheme

Zarkhaiz/ Awami Zarai Scheme (One Window Operation) has played a significant role in meeting the credit requirements under production loans. An amount of Rs.23,302 million was disbursed under the scheme during the year 2013. Credit availability to farmers at their door-steps enables them to purchase the required quality inputs. One Window Operation is facilitating the farmers on every Monday during the sowing seasons with the collaboration of Provincial Governments, Agriculture Department, Board of Revenue and Postal Authorities. It remains operative throughout the country (except Mingora Zone in KPK, Turbat Zone in Baluchistan, FATA, Gilgit-Baltistan and AJ&K being un-settled/Hilly areas).

With the objective to facilitate farming community, the Board of Directors of the Bank has approved that the production finance lended by the Bank for purchase of inputs may not be conditioned and farmers/ borrowers may have the choice to avail production loans in cash under Awami Zurai Scheme (AZS) through their deposit accounts.

b) Sada Bahar Scheme (SBS)

To ensure timely availability of inputs and fulfillment of the financing needs of farming community, Sada Bahar Scheme was launched on 1st July, 2005. SBS caters to the Working Capital requirements for dairy, poultry and fisheries as well. Assessment for inputs' requirement for the whole year is made at the time of first application. The assessed amount is treated as Revolving Finance Limit (provided it is within the security limits). In order to revolve loans, thorough scrutiny is undertaken after every three years along with fresh enquiries determining credit worthiness with all requisite documentation. The Managers are authorized to sanction such loan limits within their loan sanctioning powers and renew the same even if it was previously sanctioned by the higher authority. An amount of Rs.25,644 million was disbursed during the year under Sada Bahar Scheme.

c) Kissan Dost Scheme

Kissan Dost Scheme was launched in January 2012 for provision of credit on concessional rates of mark-up i.e. 13.5% for financing of crop production loans (financing for inputs i.e. seed, fertilizer, pesticides & others etc.) The financing is available for one season crop either Rabi or Kharif. The security once mortgaged and charge created in favour of the Bank will continue to serve the purpose up to available credit limit. In case the amount of fresh financing under this scheme (KDS) and outstanding balance of existing financing exceeds the amount of overall credit limit allocated by the Bank, additional security in favour of the Bank would be arranged as per standing instructions. An amount of Rs.6,690 million was disbursed during the year under review.

2. LOAN RECOVERIES

2.1 Recovery Operations

During the period from January to December 2013, Agricultural Loans amounting to Rs.72,635.924 million have been recovered against the recovery of Rs.67,376.135 million during corresponding period of the last year showing a growth rate of 7.8%. The recoverable amounted to Rs.79,048.260 million. The recovery made against recoverable showed a recovery rate of 91.9%. Province wise detail is as under:-

Province	2013	2012	Absolute increase	%age
Punjab	58861.413	54724.031	4137.382	7.6
Sindh	9380.925	8313.701	1067.224	12.8
KPK	3812.857	3797.004	15.853	0.4
Baluchistan	157.677	133.111	24.566	18.5
AJ&K	257.849	263.062	-5.213	-2.0
Gilgit	165.203	145.226	19.977	13.8
Total	72635.924	67376.135	5259.789	7.8

2.2 SAM Recovery

The target Rs.3,000.00 million was set for SAM loan recovery for the year 2013. The Bank managed to recover Rs.3,418.00 million as on 31.12.2013 which is 114% of the target.

2.3 Future Outlook

The bank is ambitious to achieve the allocated SAM loan recovery targets for the year 2014. Efforts for recovery of SAM loans through SAM loan settlement policy shall be made in forthcoming year. Early warning system will be used to monitor accretion of Loans. Addition of more features of SAM recoveries in DIMIS System with coordination of ISD to enhance & strengthen the monitoring of SAM portfolio, is also in the pipeline.

3. FINANCIAL PERFORMANCE OF THE BANK

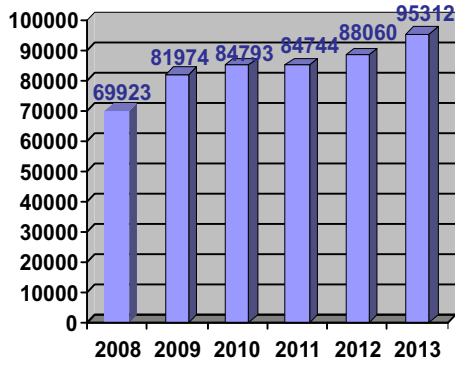
Despite all constraints, there has been a growing trend in the total assets and equity of the Bank due to consistent profitability of the bank in the last 3 years. As a result the Bank's Capital Adequacy Ratio (CAR) on December 31, 2013 was 29.63% as against required ratio of 10% and industry average of 14.9%. The Bank earned pre tax profit of Rs.5,167 million and classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank mobilized its deposits upto Rs.14,907 million as on 31.12.2013.

3.1 Six Years at a Glance

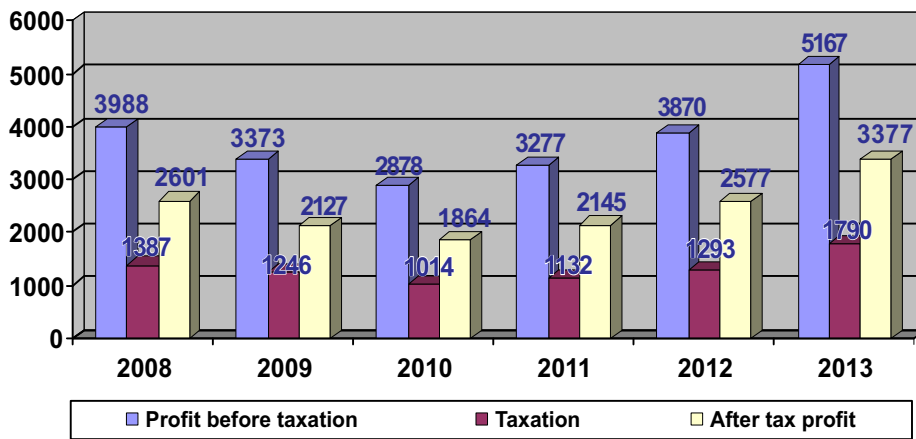
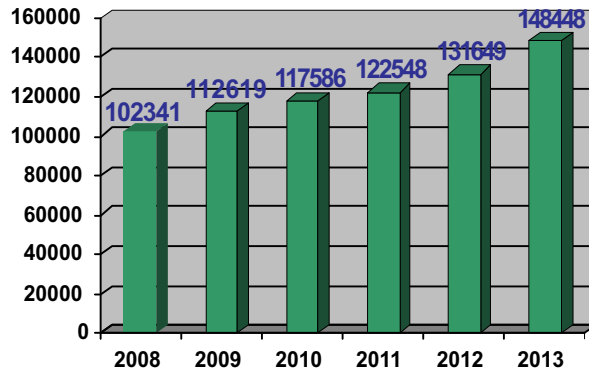
(Rs. million)

Particulars	2008	2009	2010	2011	2012	2013
1. Total Assets	102,341	112,619	117,586	122,548	131,649	148,448
2. Advances – net	69,923	81,974	84,793	84,744	88,060	95,312
3. Cash & Bank Balance	17,614	11,891	13,662	14,233	12,525	12,742
4. Operating Fixed Assets	1,143	1,070	1,132	1,167	1,180	1,347
5. Share Capital	12,522	12,522	12,522	12,522	12,522	12,522
6. Deposits	5,425	8,751	9,603	8,962	11,097	14,907
Appropriations						
Profit/(Loss) before Taxation	3,988	3,373	2,878	3,277	3,870	5,167
Taxation	1,387	1,246	1,014	1,132	1,293	1,790
After Tax Profit/(Loss)	2,601	2,127	1,864	2,145	2,577	3,377
Un-appropriated Profit brought forward	1,835	3,262	4,964	6,456	10,360	12,263
Profit available for Appropriation	4,436	5,389	6,828	8,601	12,937	15,640
Other comprehensive Income	-	-	-	-	(156)	(1,366)
Effect of changes in accounting policy for defined benefit plans	-	-	-	2,188	-	-
Issuance of bonus shares	(653)	-	-	-	-	-
Transferred to Statutory Reserve (20% of after tax profit)	(520)	(425)	(372)	(429)	(518)	(675)
Un-appropriated Profit Carried forward	3,263	4,964	6,456	10,360	12,263	13,598

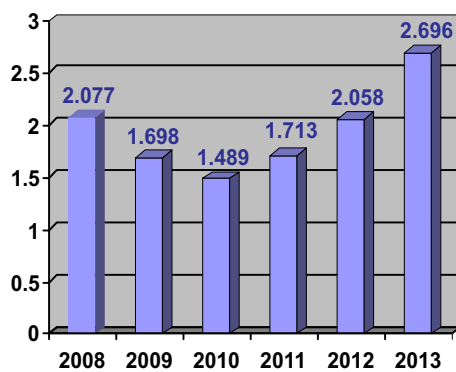
Advances net



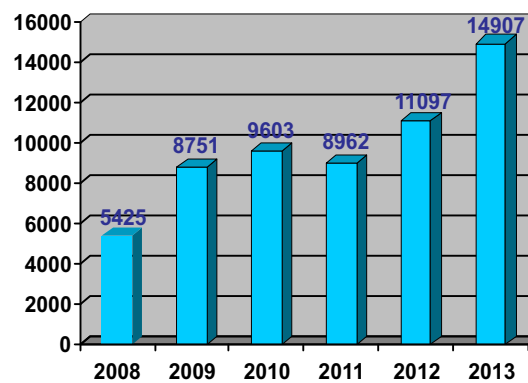
Total Assets



Earnings per share



Deposits



3.2 Capital

The paid up capital as on 31.12.2013 was Rs.12,522 million against authorized capital of Rs.25,000 million. Pattern of share holding as on 31.12.2013 is annexed.

3.3 Obligations & Entity Ratings

The 'AAA/A-1+' (Triple A/A-One Plus) ratings assigned by JCR-VIS to all Government Guaranteed Obligations takes into account Federal Government Guarantee on credit lines obtained from SBP and deposit mobilized by Zarai Taraqati Bank Limited is also guaranteed under the Banks' Nationalization Act 1974. Entity ratings of 'A/A-2' (Single A/Single A-Two) assigned to ZTBL reflect its financial position while capturing the risk profile of the bank without taking into account the sovereign guarantee.

3.4 Earnings per Share

During the year under review the basic earnings per share remained Rs.2.696 as compared to Rs.2.058 in 2012. Its computation has been reported in the financial statements.

3.5 State Bank of Pakistan Debt Pricing

The total outstanding borrowings from State Bank of Pakistan stood at Rs.51,257 million and subordinated debt at Rs.3,204 million as on 31st December, 2013. Efforts were made to restructure this debt in such a way that mark up burden on it could be manageable and debt retirement be made in a reasonable period. In this regard, negotiations with SBP and GoP were underway during the period under review.

The Government of Pakistan reduced the markup rates on Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. July 01, 2004. As per directive of the ZTBL's Board of Directors, the Bank requested Ministry of Finance time and again to compensate the loss of revenue due to this cutback in the rate of markup. The total claim in this respect provisionally worked out, stood at Rs.32,377 million for the period from July 01, 2004 to December 31, 2013. However no formal approval from Ministry of Finance was received during the period.

3.6 Current Outlook on SBP Debt

Subsequent to the reporting period, new developments have taken place, which are worth mentioning. In the meeting held on 11 July 2014, among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert all outstanding SBP principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It has also been decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various remission schemes shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18th July, 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Board of Directors also advised the management of the Bank to convene the extra ordinary general meeting of the Bank to complete the legal and corporate formalities.

3.7 Strengthening of Treasury Operations

During the year, ZTBL's Treasury Department was strengthened on modern technological basis and best industry practices. RTGS and Treasury Softwares were installed. Interbank credit lines were obtained by Treasury to the tune of Rs 16 billion and during the year 2013, the total assets of the Treasury increased by 50.14% on Year-on-Year basis as given below. Treasury department hedged the downfall in income from Treasury operations due to huge decrease in interest rates which fell down from 12.0% to 9.0%. This hedging benefitted ZTBL with an approximate additional income of Rs 411.75 million.

ASSET PERFORMANCE:	
Opening Assets (01/January/2013)	Rs 21.30 Billion
Increase during the period	Rs 10.68 Billion
Ending Assets (31/December/2013)	Rs 31.98 Billion
INCOME GENERATION:	
Income earned during CY13 (approx)	2.30 Billion
Average Return	10.22%
Benchmark 3Months-PKRV(Average CY13)	9.27%
VALUE ADDITION:	
New credit lines/Repo lines opened with various banks in Pakistan	Rs 16.0 Billion

4. HUMAN RESOURCE DEVELOPMENT

Bank has made strenuous efforts for enhancing the capabilities and competencies of the existing human resource by persuading training programs and also motivation through promotions. The Bank has strengthened its manpower with the pace of its operations by promoting 1,179 officers/staff during 2013 having committed/clean service record. Moreover, the Bank did not forget its retiring employees by increasing 20% of their net pension. In view of hard-work put up by the Bank's staff, Performance Bonus was granted to them for the year 2012.

During the period under review, the Bank has successfully played its role in the field of agriculture finance with the strength of 5,631 ZTBL employees and 2,165 employees hired from the KSSL (a subsidiary of the Bank). The improvement of HR Policies and Systems is a continuous process. During the year 2013, the handbook of administrative/financial/ disciplinary powers delegated to various executives was updated and amendments were made in recruitment and selection policy. To enhance the competencies of manpower, about 116 courses were conducted and 2,981 officers/staff were trained in different areas. Eleven hundred Officers were trained in ERP modules and 423 Officers in need based courses.

One new Division, i.e Liability Marketing Division and 02 new IT Support & Training Centers in the field and a new Legal Litigation Unit at Gilgit Baltistan have been created in order to improve efficiency.

4.1 Future Plan/Strategy

Management has declared 2014 as Capacity Building and System Consolidation Year. It is proposed to revise

Pay & allowances Package of the employees. Review of the organizational structure of ZTBL shall also be undertaken next year.

5. OPERATIONS & BUSINESS OUTREACH

Operations Division ensures efficient and sound operations of the Bank. The main objective of Operations Division is to organize field network for effective and smooth running of Bank's operations and to identify weak operational areas, besides advising corrective measures to remove the bottlenecks in the way of achieving operational efficiency.

The very idea behind the conversion of ADBP to ZTBL was to make the Bank viable and commercially self sustainable institution. Bank has been actively engaged in the development of banking services in order to bring overall improvement. Accordingly, during the period under review, Bank raised deposit of 14,932 million which signifies a positive growth.

During the period under review, annual Branch Expansion Plan envisaged opening of 20 new branches in the year 2013. The plan got successfully approved by the SBP and accordingly, was made functional during the year. Moreover, 30 branches were got converted from loss making to profit earning branches. A new department was created under Operations Division namely User & System Profile Management Department, with the aim to bring about overall business & procedural efficiency through well coordinated rollout, effective utilization and monitoring of computerized applications at Head Office and field. As a result over 260 branches were migrated to advanced centralized Deposit Management System (cDMS) out of which 150 branches were configured as online.

Bank has successfully launched its Hajj Operations to cater the needs of Hajj pilgrims. During the period under review, Bank collected more than 6,476 Hajj Applications from the intending pilgrims thereby contributing its share in the service of larger public.

Most positive indicator of operational performance during the period under review was the enormous increase in volume of value added services such as collection of Utility Bills. Therefore, the Bank has collected 1,000,540 number of Utility Bills from the customers during period under review.

5.1 Future Business Plan/Outlook

Some of the Initiatives under active consideration for the year 2014 are; Opening of 37 new ZTBL branches, establishment of one Zonal Office, increase in Deposit base upto Rs.18,000 million and Target of 1.100 million has been set for utility bills collection. It is planned to extend the facility of Western Union in 200 more branches and Collection of over 10,000 number of Hajj Applications shall also be ensured.

6. TECHNOLOGY DISSEMINATION

To enhance farmers' awareness and to provide guide lines to Bank's field functionaries regarding modern agricultural technologies, 50 Model Villages were established in each zone and Rs.10.00 million special funds endowment are kept to introduce and demonstrate latest agriculture technologies like solar energy tubewell, solar fruit and vegetables dryer, Bio-gas for running tube well, tunnel farming , small agricultural machinery for saving time and labour, sprinkler and drip irrigation system, bee keeping, animal fattening, artificial insemination for breed improvement, soil water testing etc. In order to carryout all these agriculture activities, an exclusive agriculture graduate as Agriculture Technology Dissemination Officer (ATDO) is posted in each selected Model Village who is responsible for provision of services to the farming community.

7. IT UP-GRADATION

In order to imbue transparency and efficiency in Bank's operations, the strive for acquisition and implementation of modern Information and Communication Technology (ICT) infrastructure continued during 2013. The centralized version of Deposit Management System (cDMS) has been equipped with Real-Time Inter-Branch settlement of Online banking transactions. The cDMS has also been enhanced to support clearing of inward/outward cheques through RTGS/NIFT. Moreover, computerized Utility Bills collection with online transfer of funds to hub branch has also been introduced. To implement cDMS in branches, target of 256 branches was set for 2013 which was not only achieved but also exceeded by covering 262 branches. Further it has been planned to bring all branches on cDMS network by the end of 2014.

Online CWR Acquisition system has been implemented which replaced the manual retrieval process ICT infrastructure was enhanced to integrate SBP eCIB facility with Bank's loan processing system. Resultantly branches have been connected through reliable and robust communication network to submit and retrieve latest CWR of the customer. Dynamic Integrated Management Information System has been enhanced to allow authorized users to review CWR reports of each farmer. So far 110,969 CWRs have been processed, the digitized copies of which are available on Di-MIS.

Security Documents Management System (SDMS) has been made operational to save digitized copies of loan case files in 140 branches, efforts are underway to implement the same in rest of the branches. Treasury Deal Tickets have also been computerized through implementation of third party software.

More than 22.71 million Rupees have been spent as Capital Expenditure on enhancement of IT equipment whereas, expense of 5.39 million Rupees has been incurred on maintenance of already procured equipment. The Bank also procured IT equipment for branches and head office comprising of 700 PCs, 7 Servers, 763 UPS, 275 Laser Printers and 225 Scanners worth of Rs 85.89 million.

Parameterization, Training, Quality Assurance and phased rollout of ERP-EBS are in progress. Parameterization of GL, Procure to pay cycle, HRMS and Payroll has been delivered in period under review. Some 14,000 profiles of employees have been uploaded into ERP-HRMS module whereas, data cleansing of HR, Fixed Assets and Chart of Accounts is still in progress.

The connectivity between HO Data Center and Failover Site has been enhanced from 1MBPS to 8 MBPS. On training and capacity building front, more than 3,500 employees have been trained in operations of computerized software applications including ERP-EBS modules. To secure the Bank's IT network system and control incoming and outgoing network traffic, a state-of-the-art hardware based firewall has been procured and implemented at HO Data Center.

8. RISK MANAGEMENT FRAMEWORK & POLICY

Effective risk management is fundamental to the business activities of a bank. ZTBL has committed to strengthen its risk management structure at the organizational level through a broader framework of Board/Senior Management. A separate Division, Credit Administration & Risk Management has been created; under which an exclusive Department i.e. Risk Management Department works with three units generally responsible to monitor/analyze Credit, Operational, Market & Liquidity Risks. The Division is independent of business and operations of the Bank and the Head of the Division directly reports to the President. A Board Risk Management Committee and Internal Risk Management Committee have been set up to address all issues relating to risk management process in the Bank. The policies of the Bank have been broadened to align the risk management strategies with portfolio growth, operations and control. A separate unit for Basel-III has been established in the Risk Management Department to address issues relating to the Basel-III compliance in a timely manner.

The risk management policy of the Bank has been formulated as per guidelines of SBP. Credit portfolio, disbursement, recovery, NPL & SAM are critically analyzed on a regular basis and risk gaps are reported to the Internal Risk Management Committee proposing appropriate steps to eliminate/minimize the risk gaps. Similarly in order to analyze issues related to operational risk, an Operational Risk Model has been developed which comprises Key Risk Indicators (KRI) and Control Self Assessment (CSA). This model has been implemented in all large and medium branches of the Bank. The data of Operational Risk Model is collected and analyzed on quarterly basis. The issues generally observed in most of the branches are also made a part of Business Risk Review (BRR) which is deliberated in the meeting of Divisional Heads and risk gaps are communicated to Internal Risk Management Committee for corrective measures. The proceedings of the Internal Risk Management Committee are presented to Board Risk Management Committee. Moreover, the Bank is implementing risk functions in a more systematic and integrated way to care of Credit Risk, Market risk, Liquidity Risk and Operational Risk etc.

9. CORPORATE SOCIAL RESPONSIBILITY

Zarai Taraqati Bank Limited remains committed and dedicated to serve the needs of farming community and aims to contribute for their betterment in every possible way. To mitigate the emerging energy crises, steps are being taken to encourage the use of alternative source of energy like solar, bio gas and wind mills to give relief to farmers. Promotion of Ostrich farming and Quail breeding have led to overcome the meat shortage contributing in up lifting the economic health of poor farmers. Model Villages remain the best source of dissemination and transfer of innovative technologies. Demonstration/exhibitions and training programs conducted in different agro-ecological zones of the country give a good boost in capacity building of farmers resulting in increased per acre yield. Passion of mango and fisheries export has resulted in strengthening the living standard of communities. The Bank believes that the growth of its business depends on the growth of farming community around it.

10. SUBSIDIARY COMPANY

Kissan Support Services (Pvt.) Limited was incorporated as a subsidiary of Zarai Taraqati Bank Limited with an Authorized Capital of Rs.100 million fully subscribed by the Bank. Under its Memorandum and Article of Association KSSL will undertake non- core activities of the Bank so that Bank may focus on core banking business more efficiently. The KSSL has been providing following services to ZTBL in year 2013.

- a. Recruitment/provision of clerical/non clerical staff.
- b. Provision of support services to the farmers.
- c. Security Services.
- d. Medical Services.
- e. Management of Sports Activities.
- f. Mail Management Services.
- g. Photocopying Services.
- h. Janitorial Services.
- i. Repair & Maintenance Services.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The directors are pleased to give the following statements in respect of compliance with the Corporate and Financial Reporting Framework.

- i. The Bank's financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, changes in equity and cash flows.
- ii. Proper books of accounts of the Bank have been maintained.
- iii. Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.

- iv. International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- v. The current system of internal control is under constant review by the internal audit department, as are other systems and procedures. This vigilance will continue and identified weakness in controls will be remedied expeditiously.
- vi. Based on the results of December 31, 2013, the Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited.
- viii. Key operating data and financial data of last six years in summarized form, are included in this Annual Report.
- ix. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2013 except as disclosed in these financial statements.

STATEMENT OF INTERNAL CONTROLS

The Management of ZTBL acknowledges its responsibility for establishing and maintaining a robust system of Internal Controls in order to ensure efficiency and effectiveness of operations, compliance with applicable laws and regulations and reliability of financial reporting.

An audit committee of the Board has been constituted with the objective of having a direct oversight responsibility to ensure independence of the Internal Audit functions and also the independence of external auditors. The audit committee meets at least once every quarter in accordance with code of corporate governance.

ZTBL has mainly adopted the internationally accepted COSO frame work along with best practices in relation to Internal Control over Financial Reporting (ICFR) in compliance with the SBP guidelines on Internal Controls. The Bank has completed all stages of ICFR Road map, the Long Form Report issued by the Statutory Auditors for the Year 2012 has been submitted to SBP on 19th June, 2013.

The bank has established an 'Internal Controls over Financial Reporting' Department which ensures compliance of key controls, reviewing existing controls & procedures while highlighting the gaps. The management proactively pursues the rectification of the observations and weaknesses pointed out. The Board through its committees reviews and ensures effectiveness of internal control systems of the Bank. Evaluation and testing report has been introduced for prompt and timely remedial/preventative measures/actions. Internal Controls deficiencies/ weaknesses in the operational activities of the branches are highlighted and promptly brought to the notice of the management for action/rectification.

It is pertinent to state that development of an internal control system is an ongoing process through which management reviews and strengthens the internal control system to recognize and eliminate inherent risks. As such, it can only provide reasonable, but not absolute, assurance against material misstatement or loss.

BOARD MEETINGS

Five meetings of the Board were held during the year 2013. Attendance of the members remained as under:

S. No.	Name of Member	Designation	No. of meetings attended
1	Mr.Sultan Ali Chaudhry *	Chairman	04
2	Mr.Ihsan-ul-Haq Khan	President & CEO/ Director	05
3	Mr.Abdul Wajid Arain	Director	05
4	Dr.Amir Muhammed *	Director	04
5	Dr.Khalid Ahmad Khokhar	Director	04
6	Mr.Mahmood Nawaz Shah **	Director	02
7	Mr.Muhammad Iftikhar Khan Mohmand *	Director	04
8	Mr.M.Yaqoob Vardag	Director	05
9	Mr.Muhammad Zaka Ashraf	Director	05
10	Mr.Zafar Iqbal *	Director	04

* Four meetings were held during their tenure.

** Leaves of absence were granted by the Board.

Annual General Meeting

10th Annual General Meeting of the Bank was held on June 27, 2013 at Islamabad.

Extra Ordinary General Meeting

1st Extra Ordinary General Meeting of the Bank was held on August 13, 2014.

Pattern of Share Holding

The pattern of share holding as on 31.12.2013 is included in this report.

ACKNOWLEDGMENTS

The Board would like to thank our valued customers especially the farming community for their valuable inputs to introduce enhanced facilities and new products for their benefit, State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continued guidance and support, our shareholders for their patronage, trust and confidence and our employees for working as a committed team.

On behalf of the Board of Directors



(Syed Talat Mahmood)
President & CEO

ZARAI TARAQIATI BANK LIMITED

Corporate Information (As on 31.12.2013)

Name:	Zarai Taraqiati Bank Limited																		
Head Office:	Islamabad																		
Legal Status:	A Public Limited Company (By shares)																		
Location of Assets:	In Head Office and in Zonal and Branch offices located at various positions across the country																		
Authorized Capital:	Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10 each																		
Paid-up capital:	Rs.12,522,440,670/-																		
Board of Directors:	Board of Directors upto 13.06.2013 consisted of the following- <table> <tr> <td>Mr.Sultan Ali Chaudhry</td> <td>Chairman</td> </tr> <tr> <td>Mr.Ihsan-ul-Haq Khan (President & CEO ZTBL)</td> <td>Director</td> </tr> <tr> <td>Mr.Abdul Wajid Arain</td> <td>Director</td> </tr> <tr> <td>Dr.Amir Muhammed</td> <td>Director</td> </tr> <tr> <td>Dr.Khalid Ahmad Khokhar</td> <td>Director</td> </tr> <tr> <td>Mr.Mahmood Nawaz Shah</td> <td>Director</td> </tr> <tr> <td>Mr.M. Yaqoob Vardag</td> <td>Director</td> </tr> <tr> <td>Mr.Muhammad Zaka Ashraf</td> <td>Director</td> </tr> <tr> <td>Mr.Zafar Iqbal</td> <td>Director</td> </tr> </table>	Mr.Sultan Ali Chaudhry	Chairman	Mr.Ihsan-ul-Haq Khan (President & CEO ZTBL)	Director	Mr.Abdul Wajid Arain	Director	Dr.Amir Muhammed	Director	Dr.Khalid Ahmad Khokhar	Director	Mr.Mahmood Nawaz Shah	Director	Mr.M. Yaqoob Vardag	Director	Mr.Muhammad Zaka Ashraf	Director	Mr.Zafar Iqbal	Director
Mr.Sultan Ali Chaudhry	Chairman																		
Mr.Ihsan-ul-Haq Khan (President & CEO ZTBL)	Director																		
Mr.Abdul Wajid Arain	Director																		
Dr.Amir Muhammed	Director																		
Dr.Khalid Ahmad Khokhar	Director																		
Mr.Mahmood Nawaz Shah	Director																		
Mr.M. Yaqoob Vardag	Director																		
Mr.Muhammad Zaka Ashraf	Director																		
Mr.Zafar Iqbal	Director																		
	Federal Government constituted the Board on 10.06.2014 which consists of the following: <table> <tr> <td>Syed Yawar Ali</td> <td>Chairman</td> </tr> <tr> <td>Syed Talat Mahmood (President/CEO, ZTBL)</td> <td>Director</td> </tr> <tr> <td>Mr.Zia-ul-Mustafa Awan</td> <td>Director</td> </tr> <tr> <td>Mr.Majyd Aziz Balagamwala</td> <td>Director</td> </tr> <tr> <td>Mr.Mohsin Aziz</td> <td>Director</td> </tr> <tr> <td>Mr.Abdul Bari Tareen</td> <td>Director</td> </tr> <tr> <td>Mr.Saeed Ahmad</td> <td>Director</td> </tr> <tr> <td>Mr.Asif Sharif</td> <td>Director</td> </tr> </table>	Syed Yawar Ali	Chairman	Syed Talat Mahmood (President/CEO, ZTBL)	Director	Mr.Zia-ul-Mustafa Awan	Director	Mr.Majyd Aziz Balagamwala	Director	Mr.Mohsin Aziz	Director	Mr.Abdul Bari Tareen	Director	Mr.Saeed Ahmad	Director	Mr.Asif Sharif	Director		
Syed Yawar Ali	Chairman																		
Syed Talat Mahmood (President/CEO, ZTBL)	Director																		
Mr.Zia-ul-Mustafa Awan	Director																		
Mr.Majyd Aziz Balagamwala	Director																		
Mr.Mohsin Aziz	Director																		
Mr.Abdul Bari Tareen	Director																		
Mr.Saeed Ahmad	Director																		
Mr.Asif Sharif	Director																		
Chief Financial Officer	Mr. Abdul Ghaffar Bhatti																		
Company Secretary	Mr. Mehboob Hussain																		
Auditors:	M/s Ilyas Saeed & Company, Chartered Accountants M/s Riaz Ahmad & Company, Chartered Accountants																		
Head Office :	1 Faisal Avenue, P.O. Box No.1400,Islamabad Pakistan.																		
Website:	www.ztbl.com.pk																		

ZARAI TARAQIATI BANK LIMITED

SHAREHOLDING OF ZTBL

SR. NO.	NAME OF SHARE HOLDER	NUMBER OF SHARES	Amount (Rs.)
01	Government of Pakistan	1,251,189,067	12,511,890,670
02	Government of Punjab	292,340	2,923,400
03	Government of Sindh	125,545	1,255,450
04	Government of Khyber Pakhtunkhwa	71,740	717,400
05	Government of Balochistan	37,875	378,750
06	Government of Erstwhile East Pakistan *	527,500	5,275,000
	Total:-	1,252,244,067	12,522,440,670

* Certificates of shares of Government of Erstwhile East Pakistan have not yet been issued.

HIGHLIGHTS OF ZTBL OPERATIONS

(as on 31.12.2013)

PARTICULAR	Amount (Rs. Million)
A. DISBURSEMENT	
1. TOTAL DISBURSEMENT	71,107
a. Production Loans	56,369
b. Development Loans	14,738
2. TRACTORS FINANCED	
Number	9212
Amount	5,977
3. TUBEWELLS FINANCED	
Number	1522
Amount	575
4. LOANS TO SUBSISTENCE FARMERS	51,858
5. SHARE OF SMALL FARMERS (UNDER 25 ACRES)	64,575
6. NUMBER OF BORROWERS SERVED	415,835
B. RECOVERY OPERATIONS	
TOTAL AMOUNT RECOVERED	72,636
C. NETWORK OF OPERATIONS	
1. NUMBER OF ZONES	31
2. NUMBER OF BRANCHES	379
3. NUMBER OF MCOs	1,308

ZARAI TARAQIATI BAN K LIMITED

BOARD SUB-COMMITTEES

A. BOARD AUDIT COMMITTEE

1.	Mr. Zia-ul-Mustafa Awan	Chairman
2.	Mr.Majyd Aziz Balagamwala	Member
3.	Mr.Abdul Bari Tareen	Member
4.	Head, Audit Division	Secretary

B. BOARD HUMAN RESOURCE COMMITTEE

1.	Mr.Majyd Aziz Balagamwala	Chairman
2.	Syed Talat Mahmood, President/CEO, ZTBL	Member
3.	Mr.Abdul Bari Tareen	Member
4.	Head, HR Division	Secretary

C. BOARD RISK MANAGEMENT COMMITTEE

1.	Mr.Saeed Ahmad	Chairman
2.	Mr.Zia-ul-Mustafa Awan	Member
3.	Mr.Asif Sharif	Member
4.	Head, Risk Management & CAD	Secretary

D. BOARD BUSINESS STRATEGY COMMITTEE

1.	Syed Yawar Ali	Chairman
2.	Mr.Zia-ul-Mustafa Awan	Member
3.	Mr.Majyd Aziz Balagamwala	Member
4.	Mr.Abdul Bari Tareen	Member
5.	Mr.Asif Sharif	Member
6.	Chief Operating Officer	Secretary

E. BOARD I.T. COMMITTEE

1.	Mr.Asif Sharif	Chairman
2.	Mr.Zia-ul-Mustafa Awan	Member
3.	Mr.Abdul Bari Tareen	Member
4.	Head, IS Division	Secretary

ZARAI TARAQIATI BANK LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND PUBLIC SECTOR COMPANIES CORPORATE GOVERNANCE RULES, 2013 FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (BOD) extends full support and commitment to implement the requirements of the Code of Corporate Governance ("the Code"), as contained in prudential regulations G-1 for Corporate / Commercial Banking issued by the State Bank of Pakistan (SBP). The Code is being complied with for the purpose of establishing a framework of good governance whereby the Bank is managed in compliance with the best practices of corporate governance. Effective from 08 August 2013 new rules for Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") have become applicable to the Bank.

The Bank has applied the principles contained in the Code and the Rules in the following manner:

1. The Directors are nominated by the Government of Pakistan (GoP). At present, the constitution of the Board is as follows:

Category		Names
Executive Director	1	Syed Talat Mahmood
Non-Executive Directors	1	Mr. Saeed Ahmad
Independent Directors	1	Syed Yawar Ali
	2	Mr. Zia-ul-Mustafa Awan
	3	Mr. Majyd Aziz Balagamwala
	4	Mr. Mohsin Aziz
	5	Mr. Abdul Bari Tareen
	6	Mr. Asif Sharif

2. The Directors have given confirmation that none of them is serving in more than five Public Sector Companies and listed companies simultaneously, except their subsidiaries.
3. All the resident Directors of the Bank are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. One of the directors resigned from the position in March 2013 and the same was conveyed to Finance Division, GoP. However, later on, Finance Division, GoP intimated that BOD of ZTBL was non-existent as its three years term expired on 13 June 2013.

5. The Code of Conduct has been prepared and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement. Business Plan / Strategy 2012-2016 is on the agenda of relevant Board sub-committee. All significant policies of the Bank have also been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President and Chief Executive Officer (Executive Director) and non-executive Directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman of the Board and the Board met at least once in every quarter except 3rd and 4th quarters owing to the reason mentioned in Note 4 of the Statement of Compliance with the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the Directors got certification in May-June 2013 under Director's Training Programme.
10. Positions of Chief Financial Officer and Company Secretary duly approved by the Board remained intact during the year. On expiry of contract of Head of Internal Audit, the charge of the position has been given to one of the Executives who at present does not meet criteria for appointment given in the Code.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code except timely publication of the quarterly financial statements for the three months period ended 31 March 2013, half yearly financial statements for the six months period ended 30 June 2013 and quarterly financial statements for the nine months period ended 30 September 2013.

15. The Board has formed an Audit Committee comprising of three Directors all being non-executive Directors. The Audit Committee Charter was revised and approved by the Board for the compliance of the Audit Committee.
16. Six meetings of the Audit Committee were held during 1st half of the year 2013. Meetings of the Committee in 2nd half of the year 2013 could not be held due to non-existence of the Board.
17. The Human Resource Management Committee of the Board comprises of the Chief Executive Officer and two non-executive Directors. The Chairman of the committee is also a non-executive Director.
18. The Board has set up an effective internal audit function.
19. The statutory joint auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of their respective firms, their spouses and minor children do not hold shares of the Bank and that the firms and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory joint auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and both the joint auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Determination of closed periods and dissemination of material / price sensitive information is not required as shares of the Bank are not listed on the stock exchange.
22. We confirm that all other material principles enshrined in the Code and the Rules have been complied with.

For and on behalf of the Board



(SYED TALAT MAHMOOD)
President / CEO

Date: 18-08-2014
Place: Islamabad



UNCONSOLIDATED FINANCIAL STATEMENTS



RIAZ AHMAD & COMPANY

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

ILYAS SAEED & CO.

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Zarai Taraqati Bank Limited ("the Bank") as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred and eighteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 3.4 to the financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2013 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Emphasis of matters

Prudential Regulation 'O-3' for Corporate / Commercial Banking requires clearance of all outstanding entries in inter-branches / offices current accounts within a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches / offices current accounts included in these financial statements on net basis amounting to Rupees 473.257 million credit balance (2012: Rupees 588.111 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to note 15.6 to the financial statements, which more fully explains the events after the reporting period, relating to decisions on conversion of borrowings from State Bank of Pakistan (SBP) (Note 15.5), SBP sub-ordinated loan (Note 17) and related accrued mark-up on borrowings from SBP and SBP sub-ordinated loan into fully paid-up ordinary shares of the Bank. Further, Bank's claim against Government of Pakistan on account of mark-up differential (Note 23.1.1) and various remission schemes (Note 23.1.2) have been waived off by the Board of Directors of the Bank.

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Atif Bin Arshad

Date: 21 August 2014

Islamabad



ILYAS SAEED & CO.
Chartered Accountants

Name of engagement partner:
Imran Ilyas

Date: 21 August 2014

Islamabad

ZARAI TARAQIATI BANK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013	2012 Restated	2011 Restated
..... Rupees in '000				
ASSETS				
Cash and balances with treasury banks	7	3,627,922	3,524,505	3,056,462
Balances with other banks	8	9,113,832	9,000,562	11,176,444
Lendings to financial institutions	9	3,646,716	-	-
Investments - net	10	23,609,958	17,884,472	12,047,958
Advances - net	11	95,311,716	88,060,424	84,743,706
Operating fixed assets	12	1,347,307	1,180,267	1,167,167
Deferred tax assets - net		-	-	-
Other assets - net	13	11,790,826	11,998,959	10,356,134
		148,448,277	131,649,189	122,547,871
LIABILITIES				
Bills payable	14	706,265	294,024	208,117
Borrowings	15	55,174,903	51,292,157	51,257,213
Deposits and other accounts	16	14,906,582	11,096,956	8,962,457
Sub-ordinated loan	17	3,204,323	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities - net	18	130,022	757,393	846,890
Other liabilities	19	41,842,923	35,588,577	31,559,060
		115,965,018	102,233,430	96,038,060
NET ASSETS		32,483,259	29,415,759	26,509,811
REPRESENTED BY				
Share capital	20	12,522,441	12,522,441	12,522,441
Reserves	21	3,506,658	2,831,346	2,313,441
Unappropriated profit		13,597,945	12,263,088	10,360,086
		29,627,044	27,616,875	25,195,968
Surplus on revaluation of assets - net of tax	22	2,856,215	1,798,884	1,313,843
		32,483,259	29,415,759	26,509,811
CONTINGENCIES AND COMMITMENTS	23			

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
Mark-up / return / interest earned	24	12,943,416	11,321,385
Mark-up / return / interest expensed	25	3,892,880	3,737,388
Net mark-up / interest income		9,050,536	7,583,997
Provision for diminution in the value of investments - net	10.3	-	80
Provision against non-performing loans and advances - net		1,043,048	1,049,786
Write offs under Government relief packages		7,911	14,454
Bad debts written off directly		-	-
		<u>1,050,959</u>	<u>1,064,320</u>
Net mark-up / interest income after provisions		7,999,577	6,519,677
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		13,512	13,310
Dividend income		51,667	17,222
Income from dealing in foreign currencies		-	-
Gain on sale of securities		30,399	234,268
Unrealized loss on revaluation of investments classified as held for trading	10.1	-	(30,537)
Other income	26	4,816,973	4,182,125
Total non mark-up / interest income		<u>4,912,551</u>	<u>4,416,388</u>
		12,912,128	10,936,065
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	7,708,726	7,094,919
Provision against other assets - net	13.6	36,394	(30,938)
Other charges	28	464	1,694
Total non mark-up / interest expenses		<u>7,745,584</u>	<u>7,065,675</u>
		5,166,544	3,870,390
EXTRA ORDINARY / UNUSUAL ITEMS			
		-	-
PROFIT BEFORE TAXATION			
		5,166,544	3,870,390
Taxation - Current year		1,799,026	1,352,475
- Prior years		62	-
- Deferred		(9,103)	(59,251)
	29	<u>1,789,985</u>	<u>1,293,224</u>
PROFIT AFTER TAXATION			
		3,376,559	2,577,166
Unappropriated profit brought forward		12,263,088	10,360,086
Profit available for appropriation		<u>15,639,647</u>	<u>12,937,252</u>
Basic earnings per share (Rupees)			
	30	<u>2.696</u>	<u>2.058</u>
Diluted earnings per share (Rupees)			
	31	<u>2.696</u>	<u>2.058</u>

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

ZARAI TARAQIATI BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
		Rupees in '000	
PROFIT AFTER TAXATION FOR THE YEAR		3,376,559	2,577,166
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit plans		(2,102,139)	(240,398)
Deferred tax		735,749	84,139
		(1,366,390)	(156,259)
Items that may be reclassified to profit and loss account		-	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY		2,010,169	2,420,907
COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY			
Net change in fair value of available for sale securities		1,174,811	538,935
Deferred tax		(117,480)	(53,894)
		1,057,331	485,041
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,067,500	2,905,948

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,166,544	3,870,390
Dividend income		(51,667)	(17,222)
		5,114,877	3,853,168
Adjustments for non-cash charges:			
Depreciation	12.2	138,363	167,661
Amortization	12.3	117	19
Amortization of deferred income	19.3	(838)	(882)
Provision against non-performing loans and advances - net		1,043,048	1,049,786
Provision for diminution in the value of investments - net	10.3	-	80
Provision for employees post retirement medical benefits	35.5.6	464,608	292,642
Reversal of provision against other assets - net	13.6	36,394	(30,938)
Fixed assets - written off	28	336	3
Write offs under Government relief packages		7,911	14,454
Reversal for defined benefit plans	27	(299,975)	(469,659)
Unrealized loss on revaluation of investments classified as held for trading	10.1	-	30,537
Gain on sale of securities		(30,399)	(234,268)
Gain on sale of operating fixed assets	26	(14,873)	(17,778)
		1,344,692	801,657
		6,459,569	4,654,825
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(3,646,716)	-
Net investments in held for trading securities		1,041,437	(1,010,900)
Advances - net		(8,302,251)	(4,380,958)
Others assets - net		(522,487)	(1,046,677)
		(11,430,017)	(6,438,535)
Increase / (decrease) in operating liabilities:			
Bills payable		412,241	85,907
Borrowings from financial institutions		3,882,746	34,944
Deposits and other accounts		3,809,626	2,134,499
Other liabilities (excluding current taxation)		4,116,447	3,563,163
		12,221,060	5,818,513
Employees' benefits paid		(249,383)	(241,878)
Income tax paid		(983,513)	(1,271,953)
Net cash generated from operating activities		6,017,716	2,520,972

ZARAI TARAQIATI BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(1,849,223)	(3,801,038)
Net investments in held to maturity securities		(3,712,490)	(281,990)
Dividend income received		51,667	17,222
Investments in operating fixed assets		(311,021)	(202,585)
Sale proceeds from disposal of property and equipment		20,038	39,580
Net cash used in investing activities		(5,801,029)	(4,228,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net increase / (decrease) in cash and cash equivalents		216,687	(1,707,839)
Cash and cash equivalents at beginning of the year		12,525,067	14,232,906
Cash and cash equivalents at end of the year	32	<u>12,741,754</u>	<u>12,525,067</u>

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
..... Rupees in '000					
Balance as at 31 December 2011 - as previously reported	12,522,441	2,253,441	60,000	8,171,742	23,007,624
Effect of change in accounting policy - note 3.4	-	-	-	2,188,344	2,188,344
Balance as at 31 December 2011 - restated	12,522,441	2,253,441	60,000	10,360,086	25,195,968
Profit after taxation for the year ended 31 December 2012	-	-	-	2,577,166	2,577,166
Other comprehensive income for the year ended 31 December 2012	-	-	-	(156,259)	(156,259)
Total comprehensive income for the year ended 31 December 2012	-	-	-	2,420,907	2,420,907
Transferred to statutory reserve	-	517,905	-	(517,905)	-
Balance as at 31 December 2012 - restated	12,522,441	2,771,346	60,000	12,263,088	27,616,875
Profit after taxation for the year ended 31 December 2013	-	-	-	3,376,559	3,376,559
Other comprehensive income for the year ended 31 December 2013	-	-	-	(1,366,390)	(1,366,390)
Total comprehensive income for the year ended 31 December 2013	-	-	-	2,010,169	2,010,169
Transferred to statutory reserve	-	675,312	-	(675,312)	-
Balance as at 31 December 2013	12,522,441	3,446,658	60,000	13,597,945	29,627,044

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

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

1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqati Bank Limited ("the Bank") was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1) / 2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqati Bank Limited on 14 December 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rupees 8.7 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 379 (2012: 359) branches in Pakistan as at close of the year.

1.3 Nature of business

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

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various Circulars.

3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.4 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2013:

- IAS 1 'Presentation of Financial Statements' has been amended effective 1 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The specified changes has been made in the statement of other comprehensive income for the year.
- IAS 19 'Employee Benefits' - (Amendment)
Significant changes have been made in the requirements of IAS 19-Employee Benefits. These changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.

Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment / curtailment occurs or when the entity recognizes related restructuring or termination costs.

The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Bank applied this standard retrospectively in the current year in accordance with the transition provision given in the standard.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these financial statements are as under:

	31 December 2013		31 December 2012		31 December 2011		
	Increase/(decrease) due to change in policy and assumptions	As previously reported	Increase/(decrease) due to change in policy and assumptions	As restated	As previously reported	Increase/(decrease) due to change in policy and assumptions	As restated
	..... Rupees in '000						
Impact on statement of financial position							
Receivable from defined benefit plans	(1,284,314)	5,686,605	119,985	5,806,590	4,951,267	411,360	5,362,627
Provision for employees' post retirement medical benefits	1,995,994	(4,244,360)	2,987,282	(1,257,078)	(4,049,164)	2,955,323	(1,093,841)
Deferred tax liability - net	(249,088)	330,150	(1,087,543)	(757,393)	331,449	(1,178,339)	(846,890)
Unappropriated profit	(462,592)	(10,243,364)	(2,019,724)	(12,263,088)	(8,171,742)	(2,188,344)	(10,360,086)
	Year ended 31 December 2013		Year ended 31 December 2012				
	... Rupees in '000 ...		... Rupees in '000 ...				
Impact on profit and loss account (Administrative expenses)	355,701		19,018				
Impact on other comprehensive income - net of tax	(1,366,390)		(156,259)				
Impact on earning per share - in Rupees	0.185		0.010				

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2013 but are considered not relevant or do not have a significant effect on the Bank's operations and therefore are not detailed in the financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2014:

	Effective date (accounting periods beginning on or after)
- IAS 32 - Financial Instruments: Presentation (Amendment)	1 January 2014
- IFRS 10 - Consolidated Financial Statements	1 January 2014
- IFRS 12 - Disclosure of Interest in Other Entities	1 January 2014
- IFAS 3 - Profit and Loss Sharing on Deposits	1 January 2014

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

4 BASIS OF MEASUREMENT

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5.1 Classification of investments

As described in Note 6.4, investments 'held for trading' are the securities acquired principally for the purpose of generating profits from short term fluctuations in market prices while investments 'held to maturity' are investments where the management has positive intention and ability to hold the same to maturity and 'available for sale' securities are investments that do not fall under the 'held for trading' or 'held to maturity' categories. The classification of these investments involves management judgment at the time of purchase whether these are 'held for trading', 'held to maturity' or 'available for sale' investments.

5.2 Provision against advances

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

5.3 Defined benefit plans

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

5.4 Operating fixed assets

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

5.5 Impairment

Impairment of available for sale equity investments

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

Impairment of investments in subsidiary and associates

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

Impairment of non-financial assets (excluding deferred tax)

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

5.6 Taxation

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Staff retirement benefits

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

Pension scheme

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

Gratuity scheme

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

Provident fund scheme

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

Benevolent scheme

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

Post retirement medical benefits

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

Employees compensated absences

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

6.2 Cash and cash equivalents

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

6.3 Advances

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

6.4 Investments

The Bank classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

These are investments, other than those in subsidiary and associates, that do not fall under the 'held for trading' or 'held-to-maturity' categories.

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

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

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

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

6.5 Operating fixed assets and depreciation / amortization

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

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

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

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

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

6.6 Intangible assets

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

6.7 Impairment

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

6.8 Assets acquired in satisfaction of claims

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

6.9 Taxation

Current

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

Deferred

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

6.10 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

6.11 Sale and repurchase agreements

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

6.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.
- Commission income is recognized on a time proportion basis.
- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.
- Dividend income is recognized when the Bank's right to receive has been established.
- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.
- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

6.13 Provisions

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

6.14 Foreign currencies

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

6.15 Financial assets and financial liabilities

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

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

6.16 Offsetting

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

6.17 Dividend distribution and appropriation

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

6.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no convertible dilutive potential ordinary shares in issue as at 31 December 2013.

6.19 Segment reporting

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

	Note	2013	2012
Rupees in '000			
7 CASH AND BALANCES WITH TREASURY BANKS			
Local currency			
In hand		981,661	1,378,401
Prize bonds		1,177	1,186
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,645,082	2,144,916
National Bank of Pakistan		2	2
		3,627,922	3,524,505

7.1 SBP requires minimum cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity upto one year in Pakistan. These are non-remunerative in nature. Cash reserve is required to be maintained with SBP to comply with the requirements of regulations issued from time to time.

	Note	2013	2012
Rupees in '000			
8 BALANCES WITH OTHER BANKS			
In Pakistan - local currency:			
In current accounts		21,373	26,301
In deposit accounts	8.1	9,092,459	8,974,261
		9,113,832	9,000,562

8.1 These carry mark-up rates ranging from 6.00% to 10.30% per annum (2012: 6.00% to 12.25% per annum).

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9.2	2,365,000	-
Repurchase agreement lendings	9.3	1,281,716	-
		3,646,716	-
9.1 Particulars of lendings			
In local currency		3,646,716	-
In foreign currencies		-	-
		3,646,716	-

9.2 These carry mark-up rates ranging from 10.00% to 10.25% per annum (2012: Nil).

9.3 These carry mark-up rates ranging from 10.00% to 10.40% per annum (2012: Nil).

9.4 Securities held as collateral against lendings to financial institutions

	2013			2012		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	..... Rupees in '000					
Market Treasury Bills	1,281,716	-	1,281,716	-	-	-
	1,281,716	-	1,281,716	-	-	-

10 INVESTMENTS - NET

10.1 Investments by types

Note	2013			2012			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
..... Rupees in '000							
Held for trading securities							
Sukuk Bonds	10.7	-	-	1,041,437	-	1,041,437	
		-	-	1,041,437	-	1,041,437	
Available-for-sale securities							
Market Treasury Bills	10.6	1,693,733	3,916,490	5,610,223	3,280,751	-	3,280,751
Shares in listed companies	10.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	10.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds	10.7	20,042	-	20,042	20,287	-	20,287
Term Finance Certificates	10.9	19,996	-	19,996	500,000	-	500,000
		1,834,325	3,916,490	5,750,815	3,901,592	-	3,901,592
Held-to-maturity securities							
Market Treasury Bills	10.6	12,464,036	-	12,464,036	8,386,033	-	8,386,033
Pakistan Investment Bonds	10.8	1,325,350	-	1,325,350	1,336,447	-	1,336,447
Sukuk Bonds	10.7	807,443	-	807,443	859,292	-	859,292
Certificates of Investment	10.10	-	-	-	302,705	-	302,705
		14,596,829	-	14,596,829	10,884,477	-	10,884,477
Subsidiary company (unlisted)							
Kissan Support Services (Private) Limited	10.11	100,000	-	100,000	100,000	-	100,000
Investments at cost		16,531,154	3,916,490	20,447,644	15,927,506	-	15,927,506
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
Investments (net of provisions)		16,519,896	3,916,490	20,436,386	15,916,248	-	15,916,248
Deficit on revaluation of held for trading securities		-	-	-	(30,537)	-	(30,537)
Surplus on revaluation of available-for-sale securities - net	22	3,154,720	18,852	3,173,572	1,998,761	-	1,998,761
Investments at revalued amounts (net of provisions)		19,674,616	3,935,342	23,609,958	17,884,472	-	17,884,472

	Note	2013	2012			
Rupees in '000						
10.2 Investments by segments						
Federal Government Securities:						
Market Treasury Bills	10.6	18,074,259	11,666,784			
Pakistan Investment Bonds	10.8	1,325,350	1,336,447			
Sukuk Bonds	10.7	827,485	1,921,016			
		20,227,094	14,924,247			
Fully paid-up ordinary shares:						
Listed companies	10.4	90,031	90,031			
Un-listed companies	10.5	10,523	10,523			
		100,554	100,554			
Other investments						
Term Finance Certificates	10.9	19,996	500,000			
Certificates of Investments	10.10	-	302,705			
		19,996	802,705			
Investment in related party						
Subsidiary company (unlisted)	10.11	100,000	100,000			
Total investments at cost		20,447,644	15,927,506			
Provision for diminution in value of investments	10.3	(11,258)	(11,258)			
Investments (net of provisions)		20,436,386	15,916,248			
Deficit on revaluation of held for trading securities		-	(30,537)			
Surplus on revaluation of available-for-sale securities	22	3,173,572	1,998,761			
Total investments at carrying value		23,609,958	17,884,472			
10.3 Particulars of provision for diminution in value of investments						
Opening balance		11,258	11,178			
Charge for the year		-	80			
Closing balance		11,258	11,258			
10.3.1 Particulars of provision in respect of type and segment						
Available-for-sale securities - listed securities		735	735			
Available-for-sale securities - un-listed securities		10,523	10,523			
		11,258	11,258			
10.4 Particulars of investments held in listed companies						
	Number of ordinary shares	Paid up value/share	Name	2013	2012	
	2013	2012	Rupees	Rupees in '000		
	430,551	430,551	10	Nestle Pakistan Limited	89,296	89,296
	450,000	450,000	10	Uqab Breeding Farm Limited (Note 10.4.1)	585	585
	150,000	150,000	10	Mubarik Dairies Limited (Note 10.4.2)	150	150
	300,000	300,000	10	Dadabhoy Agricultural Leasing Limited (Note 10.4.3)	-	-
					90,031	90,031
10.4.1	Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.					
10.4.2	Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.					
10.4.3	Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these financial statements.					
10.4.4	Market value of listed investments is Rupees 3,250.660 million (2012: Rupees 2,037.940 million).					

10.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
			Rupees		
Pakistan Mercantile Exchange Limited (Note 10.5.1)	4.78%	909,091	(8.44)	30 June 2013	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 10.5.4)	8.33%	2,500	(127,104.30)	31 March 2013	Maj. Gen. (R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 10.5.3 & 10.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

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

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

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

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

10.5.5 Cost of unlisted investments is Rupees 10.523 million (2012: Rupees 10.523 million) and face value of investments in unlisted shares is Rupees 21.591 million (2012: Rupees 21.591 million).

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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Jan 2014 to March 2014	On maturity	9.28 to 10.60	at maturity
Market Treasury Bills - held to maturity	Unrated	Jan 2014 to March 2014	On maturity	9.40 to 10.00	at maturity

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

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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - available for sale	Unrated	May 2014	On maturity	9.46	at maturity
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	9.98	at maturity

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

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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds	Unrated	August 2014 to July 2017	On maturity	11.25 to 11.75	at maturity

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

10.9 Particulars of investments in Term Finance Certificates

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA/A1+	February 2021	at maturity	10.67	at maturity

10.10 Particulars of investments in Certificates of Investments

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pak Brunei Investment Company Limited	AA+/A1+	February 2013	at maturity	10.00	at maturity

10.11 Particulars of investment in subsidiary company (un-listed)

Name of Investee	Note	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Chief executive
Rupees						
Kissan Support Services (Private) Limited (KSSL) (Ordinary shares)	10.11.1	100%	10,000,000	23.025	31 December 2013	Brig. (R) Anjum Saeed Akhtar

10.11.1 KSSL is a wholly owned subsidiary of the Bank and was incorporated in Pakistan as a private limited company on 19 September 2005. KSSL provides multiple services to the Bank including security and janitorial services.

10.12 Quality of Available-for-Sale securities

	2013		2012	
	Market value	Credit Rating	Market value	Credit Rating
	Rupees in '000		Rupees in '000	
Shares in listed companies				
Nestle Pakistan Limited	3,250,660	Unrated	2,037,940	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	3,250,660		2,037,940	
Market Treasury Bills	5,629,883	Unrated	3,330,959	Unrated
Sukuk Bonds	20,106	Unrated	20,196	Unrated
Term Finance Certificates	20,431	AA/A1+	500,000	AA-/A1+
	8,921,080		5,889,095	

	Note	2013	2012
		Rupees in '000	
11 ADVANCES - NET			
Loans, etc.			
In Pakistan - gross	11.1	102,224,529	95,242,440
Less:			
- Provision against non-performing advances	11.2	(6,896,440)	(7,162,553)
- Provision against staff advances		(16,373)	(19,463)
		(6,912,813)	(7,182,016)
Advances - net of provision		95,311,716	88,060,424
11.1 Particulars of advances (gross)			
11.1.1 In local currency		102,224,529	95,242,440
11.1.2 Short term		58,935,133	55,351,482
Long term		43,289,396	39,890,958
		102,224,529	95,242,440

- 11.2 Advances include Rupees 17,771.792 million (2012: Rupees 18,907.010 million) which have been placed under non-performing status as detailed below:

Category of classification	2013			2012		
	..... Rupees in '000 .....			..... Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	10,546,077	-	-	11,727,508	-	-
Substandard	2,675,831	535,162	535,162	2,409,510	481,897	481,897
Doubtful	2,377,209	1,188,602	1,188,602	2,178,666	1,089,330	1,089,330
Loss	2,172,675	2,172,676	2,172,676	2,591,326	2,591,326	2,591,326
	17,771,792	3,896,440	3,896,440	18,907,010	4,162,553	4,162,553
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	17,771,792	3,896,440	6,896,440	18,907,010	4,162,553	7,162,553

11.3 Particulars of provision against non-performing advances

Note	2013			2012		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	4,162,553	3,000,000	7,162,553	4,266,212	3,000,000	7,266,212
Charge for the year	5,395,181	-	5,395,181	5,790,080	-	5,790,080
Reversals	(4,349,042)	-	(4,349,042)	(4,737,600)	-	(4,737,600)
	1,046,139	-	1,046,139	1,052,480	-	1,052,480
Amounts written off	11.4	-	-	-	-	-
Amounts charged off	11.5	(1,312,252)	(1,312,252)	(1,156,139)	-	(1,156,139)
Closing balance	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553

11.3.1 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
In local currency	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553

- 11.3.2 Regulations R-17, R-18, R-21 and R-25 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans

- 11.3.3 In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,378.412 million (2012: Rupees 355.769 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2013	2012
Rupees in '000			
11.4 Particulars of write offs			
11.4.1 Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
		-	-
11.5 Particulars of charged offs			
11.5.1 Against provisions		1,312,252	1,156,139
11.5.2 Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000		1,312,252	1,156,139
	11.7	1,312,252	1,156,139

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2013, no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

11.7 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2013 was Rupees 26,966 million (Rupees 29,441 million as at 31 December 2012) with an addition of Rupees 1,312 million (Rupees 1,156 million for the year ended 31 December 2012) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

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

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

	Note	2013	2012
Rupees in '000			
Balance at the beginning of year		1,951,795	2,134,905
Loans granted during the year		111,232	441,729
		2,063,027	2,576,634
Repayments		(364,039)	(624,839)
Balance at the end of year		1,698,988	1,951,795
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	399,850	272,710
Property and equipment	12.2	947,246	907,229
Intangible assets	12.3	211	328
		1,347,307	1,180,267
12.1 Capital work-in-progress			
Civil works		335,703	242,865
Equipment		46,971	13,425
Advances to suppliers and contractors		150	150
Consultancy charges		13,547	12,791
Others		3,479	3,479
		399,850	272,710

12.2 Property and equipment	ACCUMULATED DEPRECIATION										
	COST					DEPRECIATION					Annual rate of Depreciation
Description	At 01 January 2013	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2013	At 01 January 2013	Charge for the year	Depreciation on (deletions) / adjustments of stolen asset	At 31 December 2013	Book value at 31 December 2013	
	..... Rupees in '000										
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	-	15,139	7,981	1,094	-	9,075	6,064	Lease terms for 33 to 99 years
Buildings on freehold land	147,048	3,064	-	-	150,112	55,472	4,248	-	59,720	90,392	5%
Buildings on leasehold land	348,394	7,183	-	-	355,577	113,535	4,523	-	118,059	237,518	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	4,461	838	-	5,299	15,925	5%
Furniture and fixtures	110,598	30,912	(2,813)	-	138,697	47,381	9,399	(2,696)	54,084	84,613	10% / 20%
Computer, office and other equipment	257,512	30,350	(5,023)	-	282,839	182,775	25,934	(4,999)	203,710	79,129	20% / 33.33%
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	157,519	-	-	157,519	-	20% / 33.33%
Vehicles	839,849	112,037	(34,408)	-	917,478	642,825	92,327	(29,384)	705,768	211,710	20%
2013	2,119,178	183,546	(42,244)	-	2,260,480	1,211,949	138,363	(37,079)	1,313,234	947,246	

Description	COST			ACCUMULATED DEPRECIATION					Annual rate of Depreciation		
	At 01 January 2012	Additions	(Deletions)/ adjustments	Cost of stolen asset	At 31 December 2012	At 01 January 2012	Charge for the year	Depreciation on (deletions)/ adjustments of stolen asset		At 31 December 2012	Book value at 31 December 2012
	..... Rupees in '000										
Land - Freehold	221,895	-	-	-	221,895	-	-	-	-	221,895	-
Land - Leasehold	15,139	-	-	-	15,139	5,623	2,358	-	7,981	7,158	Lease terms for 33 to 99 years
Buildings on freehold land	140,364	6,684	-	-	147,048	51,391	4,081	-	55,472	91,576	5%
Buildings on leasehold land	337,403	10,991	-	-	348,394	109,869	3,666	-	113,535	234,859	5%
Buildings on leasehold land - ADB	21,224	-	-	-	21,224	3,579	882	-	4,461	16,763	5%
Furniture and fixtures	109,161	3,038	(1,601)	-	110,598	39,049	9,407	(1,075)	47,381	63,217	10%/20%
Computer, office and other equipment	244,716	13,773	(977)	-	257,512	153,823	29,680	(728)	182,775	74,737	20/33.33%
Computer, office and other equipment - ADB	157,519	-	-	-	157,519	157,519	-	-	157,519	-	20/33.33%
Vehicles	826,025	63,865	(46,829)	(3,212)*	839,849	551,655	117,587	(25,802)	642,825	197,024	20%
2012	2,073,446	98,351	(49,407)	(3,212)	2,119,178	1,072,508	167,661	(27,605)	1,211,949	907,229	

* This represents the cost and depreciation of the stolen vehicles.

12.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			
	At 01 January 2013	At 31 December 2013 Additions	At 01 January 2013	Charge for the year 2013	At 31 December 2013 Book value	Annual rate of amortization
			Rupees in '000			
Computer software	1,156	-	829	117	946	33.33%
Computer software - ADB	80,500	-	80,499	-	80,499	33.33%
2013	<u>81,656</u>	<u>-</u>	<u>81,328</u>	<u>117</u>	<u>81,445</u>	<u>211</u>
			Rupees in '000			
Description	COST		ACCUMULATED AMORTIZATION			
	At 01 January 2012	At 31 December 2012 Additions	At 01 January 2012	Charge for the year 2012	At 31 December 2012 Book value	Annual rate of amortization
			Rupees in '000			
Computer software	826	330	810	19	829	33.33%
Computer software - ADB	80,500	-	80,499	-	80,499	33.33%
2012	<u>81,326</u>	<u>330</u>	<u>81,309</u>	<u>19</u>	<u>81,328</u>	<u>328</u>



	Note	2013	2012 Restated
13 OTHER ASSETS - NET			
		Rupees in '000	
Income / mark-up accrued on deposits in local currency		41,538	26,744
Income / mark-up accrued on securities		21,685	57,416
Accrued interest / mark-up on advances	13.1	5,497,079	5,090,398
Stationery and stamps in hand		68,998	64,985
Amount recoverable from Federal Government	13.2	404,818	310,106
Crop loan insurance claim recoverable from Insurance Company		303,522	304,547
Tax recoverable	13.3	410,934	391,751
Non banking assets acquired in satisfaction of claims	13.4	281,670	297,447
Receivable from defined benefit plans	13.5	5,093,181	5,806,590
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		16,389	12,012
Security deposits		2,472	2,400
Advances and other prepayments		307,425	283,849
Others		84,245	57,450
		12,547,081	12,718,820
Provision held against other assets	13.6	(756,255)	(719,861)
Other assets - net of provisions		11,790,826	11,998,959

13.1 This does not include Rupees 2,838.183 million (2012: Rupees 2,841.700 million) on account of unrealised mark-up on non performing loans and advances kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

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

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

13.4 Market value of non-banking assets acquired in satisfaction of claims is Rupees 667.784 million (2012: Rupees 765.003 million).

	Note	2013	2012 Restated
13.5 Receivable from defined benefit plans			
		Rupees in '000	
Pension scheme	35.1.5	3,310,851	3,843,740
Gratuity scheme - Staff Regulations 1975	35.4.1.5	1,741,282	1,594,870
Gratuity scheme - SR - 2005	35.4.2.5	41,048	367,980
	13.5.1	5,093,181	5,806,590

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

13.6 Provision held against other assets			
Opening balance		719,861	750,799
Charge for the year		55,464	1,330
Reversals		(19,070)	(32,268)
		36,394	(30,938)
Amount written off		-	-
Closing balance		756,255	719,861



	Note	2013	2012
Rupees in '000			
14	BILLS PAYABLE		
	- In Pakistan	706,265	294,024
15	BORROWINGS		
	- In Pakistan	55,174,903	51,292,157
15.1	Particulars of borrowings with respect to currencies		
	- In local currency	55,174,903	51,292,157
15.2	Details of borrowings from financial institutions - secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Agricultural loans	50,174,089	50,174,089
	Agri-project loans	1,083,124	1,083,124
	SMEs and Agricultural loans	1,200	34,944
		51,258,413	51,292,157
	Repurchase agreement borrowings	3,916,490	-
		55,174,903	51,292,157

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

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

15.5 As a part of restructuring process, the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rupees 51.257 billion and the SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated 12 June 2003 and capped at the aforesaid mark-up rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated 16 December 2004 and ACD/14/Loans-15-A/2004 dated 4 January 2005 agreed with proposed terms except the proposed capping of mark-up rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark-up, this proposal could not be implemented. Therefore, mark-up / interest on above debt is being charged in the profit and loss account as per original terms of agreement.

In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank, the matter was discussed in the meeting held on 16 January 2008 between representatives of Ministry of Finance (MoF), the Bank and the SBP and also in meetings held thereafter, it was resolved that the SBP in consultation with the Bank and MoF shall firm up proposal regarding the SBP's debt on priority basis. Accordingly, the SBP submitted a proposal pertaining to the Bank's debt restructuring vide letter No. DG/29/08 dated 8 November 2008.

In this regard MoF vide their letter No. F.1(5)1F-I/2007-1217 dated 28 September 2009 advised that Finance Division, the SBP and the Bank will work out a revised proposal to rationalize debt structure of the Bank. As per GoP directive, the SBP presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated 27 October 2009. However, the Bank requested MoF vide its letter No. 2932 dated 20 November 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated 8 April 2010 that the agreed upon SBP debt restructuring proposal dated 8 November 2008 may be implemented. Thereafter, the SBP revised proposal dated 27 October 2009 was again discussed in a tripartite meeting held in MoF on 7 July 2010 wherein the Bank's representatives stressed that the SBP agreed upon proposal dated 8 November 2008 would be practicable for the Bank. As per minutes of the meeting vide MoF letter No. F.1 (5)1F-I/2007-943 dated 22 July 2010, it was decided that the Bank may come up with a practicable proposal for debt restructuring to be considered by Finance Division and the SBP.

The SBP vide their letter dated 9 February 2011 submitted a revised proposal, received by the Bank through MoF letter dated 12 February 2011. The Bank's response on the SBP proposal was furnished to MoF vide the Bank's letter dated 22 February 2011 whereby the Bank conveyed its in principal agreement with the revised SBP proposal, subject to some further relaxations. In the tripartite meeting held on 6 June 2012, among MoF, SBP and the Bank, it was desired by the MoF that ZTBL will furnish a comprehensive and workable proposal for consideration. A proposal to this affect was sent to MoF on 15 June 2012. Last tripartite meeting among MoF, SBP and the Bank was held on 13 August 2012, wherein the proposal submitted by the Bank was deliberated. MoF advised ZTBL to firm up a comprehensive proposal to be discussed in the next meeting.



- 15.6** Subsequent to the reporting period, in the meeting held on 11 July 2014, among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert all outstanding SBP principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owned by the Bank to SBP as on 30 June 2014 in to equity investment of SBP in the Bank. It has also been decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various remission schemes shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18 July 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Board of Directors also advised the management of the Bank to convene the extra ordinary general meeting of the Bank to complete the legal and corporate formalities.
- 15.7** Under Refinance Scheme for Revival of SME's and Agricultural Activities in Flood Affected Areas introduced by SBP vide SMEFD circular number 16 of 2010 and agreement with SBP, refinance limit of Rupees 3.00 billion was sanctioned to the Bank. This loan carries mark-up at a rate of 5.00% per annum and is repayable along with mark up with in one year. This loan is secured by way of guarantee of Government of Pakistan (GoP).
- 15.8** These carry markup rates ranging from 9.65% to 9.98% and are secured against market treasury bills of carrying value of Rupees 3,935.342 million. These are repayable by February 2014.

		2013	2012
	Note	Rupees in '000	
16	DEPOSITS AND OTHER ACCOUNTS		
	Customers - local currency		
	Fixed deposits	378,583	196,182
	Saving deposits	16.1 5,982,810	2,853,117
	Current accounts - remunerative	83,188	142,266
	Current accounts - non-remunerative	16.2 8,433,921	7,876,530
	Unclaimed deposits	28,080	28,861
		<u>14,906,582</u>	<u>11,096,956</u>

- 16.1** This includes Rupees 8.144 million (2012: Rupees 30.061 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 66.533 million (2012: Rupees 64.745 million) as deposit of employees' benefit funds.
- 16.2** This includes Rupees 0.544 (2012: Rupees 1.042 million) as deposit of Kissan Support Services (Private) Limited, wholly owned subsidiary of the Bank and Rupees 0.010 million (2012: Rupees 0.563 million) as deposit of employees' benefit funds.

17 SUB-ORDINATED LOAN

As per restructuring plan of the Bank approved by the ECC of the Cabinet, the SBP's equity holding of Rupees 3.204 billion was converted into subordinated loan on terms to be agreed with the SBP. Accordingly, the Bank submitted a proposal to the SBP for restructuring the debt according to which the SBP's debt of Rupees 51.257 billion and SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated 12 June 2003 and capped at the aforesaid markup rate for an initial period of five years. As more fully explained in Note 15.6, subsequent to the reporting period, the Bank is in process to issue fully paid-up ordinary shares to the SBP against sub-ordinated debt and related mark-up.

	Note	2013	2012
		Rupees in '000	
			Restated
18	DEFERRED TAX LIABILITIES / (ASSETS) - NET		
	The details of the tax effect of taxable and deductible temporary differences are as follows:		
	Taxable temporary differences on:		
	Accelerated tax depreciation	38,521	40,343
	Defined benefit plans	351,793	1,087,542
	Surplus on revaluation of assets	22 317,358	199,877
		<u>707,672</u>	<u>1,327,762</u>
	Deductible temporary differences on:		
	Provision against non-performing loans and advances	(577,650)	(570,369)
		<u>130,022</u>	<u>757,393</u>



19 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		33,411,693	29,936,318
Accrued expenses		963,455	288,244
Taxation (provisions less payments)		3,039,116	2,204,358
Branch adjustment account		473,257	588,111
Payable to Ministry of Food Agriculture and Livestock	19.1	176,100	176,100
Profit payable on deposits and other accounts		66,045	72,007
Net liabilities relating to Bangladesh	19.2	189	189
Provision for employees' post retirement medical benefits	35.5.4	2,325,802	1,257,078
Provision for employees' compensated absences	35.6.2	681,457	446,202
Payable to subsidiary company	39	10,095	11,794
Security deposits		23,721	21,372
Deferred income	19.3	15,927	16,765
Others	19.4	656,066	570,039
		41,842,923	35,588,577

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

	Note	2013	2012
		Rupees in '000	
19.2	Net liabilities relating to Bangladesh		
	Liabilities	1,578,146	1,548,776
	Assets	(1,577,957)	(1,548,587)
	19.2.1	189	189

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

	Note	2013	2012
		Rupees in '000	
19.3	Deferred Income		
	Opening balance	16,765	17,647
	Amortization during the year	26 (838)	(882)
	Closing balance	15,927	16,765

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

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



20 SHARE CAPITAL

20.1 Authorized Capital

	2013	2012		2013	2012
	Number of shares			Rupees in '000	
	<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rupees 10 each	<u>25,000,000</u>	<u>25,000,000</u>

20.2 Issued, subscribed and paid up capital

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

20.3

Shareholder	No of ordinary shares	Paid-up value per share	2013	2012
			Rupees in '000	
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,256	1,256
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	<u>1,252,244,067</u>		<u>12,522,441</u>	<u>12,522,441</u>

21 RESERVES

Statutory reserves	Revenue reserve		2013	2012
	Contingencies reserve			
Rupees in '000				
Opening balance	2,771,346	60,000	2,831,346	2,313,441
Transfer from unappropriated profit	675,312	-	675,312	517,905
Closing balance	<u>3,446,658</u>	<u>60,000</u>	<u>3,506,658</u>	<u>2,831,346</u>

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

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

22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) arising on revaluation of available-for-sale securities:

	2013	2012
	Rupees in '000	
Quoted investments	3,161,364	1,948,644
Other securities	<u>12,208</u>	<u>50,117</u>
	3,173,572	1,998,761
Related deferred tax liability	<u>(317,357)</u>	<u>(199,877)</u>
	<u>2,856,215</u>	<u>1,798,884</u>



23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent assets

23.1.1 The Government of Pakistan reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect was worked out at Rupees 32,377 million for the period from 01 July 2004 to 31 December 2013 (2012: Rupees 30,224 million). This amount was not accounted for in the financial statements as the formal approval from Ministry of Finance had not been received by the Bank. However, as more fully explained in Note 15.6, the Board of Directors has resolved to waive off this claim along with claims against Presidential Relief Packages (Note 23.1.2)

23.1.2 There was a contingent asset of an amount of Rupees 1.708 billion (2012: Rupees 1.708 billion) receivable from the Federal Government on account of following Presidential Relief Packages:

	2013	2012
	Rupees in '000	
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts outstanding as on 30 April 2007	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	1,707,726	1,707,726

As more fully explained in Note 15.6, the Board of Directors has resolved to waive off claims against the above Presidential Relief Packages.

23.1.3 Commitments against capital expenditure

	93,638	115,730
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23.2 Contingent liabilities

23.2.1 Contingent liabilities in respect of 596 cases (2012: 654 cases) filed against the Bank by various borrower.

	8,762,497	8,026,383
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23.2.2 Contingent liabilities in respect of 432 cases (2012: 354 cases) filed against the Bank in various courts of law by the employees.

	1,174,436	1,240,130
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23.2.3 There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP against the aforesaid decision.

23.2.4 Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), where case is pending. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.



- 23.2.5** The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated 9 June 2010, 1 March 2011, 22 July 2011 and 16 April 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 4,640.154 million out of which Rupees 1,887.415 million has been adjusted against payment of advance tax for the period from June 2012 to May 2013. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in the financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.6** Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard, has been received so far.
- 23.2.7** Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of the Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), against appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. The department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 of the Income Tax Ordinance, 2001 which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 27.792 million for tax year 2009. To avail the Government amnesty, the Bank paid Rupees 19.183 million under protest with waiver of penalty amount of Rupees 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9** DCIR passed order under section 122(1) read with section 122(5) raising demand of Rupees 597.740 million for tax year 2010. The Bank filed appeal before CIR(A) who decided the case by annulling the orders of DCIR with the directions to give the lawful treatment to the evidences provided by the appellant. The Bank has filed appeal with ATIR against the orders of the CIR(A) where the case is still pending. No provision has been made in the financial statements as favourable outcome is expected.
- 23.2.10** Order STA No. 416/IB/2012 for tax year 2008 and STA No. 417/IB/2012 for tax year 2009 were issued by ATIR to delete the demand of Rupees 51.476 million and Rupees 171.794 million respectively in respect of Federal Excise Duty / Sales Tax raised by the assessing officer. Against the orders, reference applications have been filed by FBR in Honourable Islamabad High Court, Islamabad on 7 May 2013. No provision for said amounts have been recognized in the financial statements as the Bank is confident of a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.11** ACIR passed orders under section 122(5A) and raised demand of Rupees 2.923 billion for tax year 2011 and Rupees 2.037 billion for tax year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to DCIR. The Bank has filed appeal with ATIR against the orders of the CIR(A). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12** Assessment orders were passed by DCIR regarding Federal Excise Duty / Sales Tax for the year 2011 and year 2012 by raising demand of Rupees 485.940 million and Rupees 712.552 million. The Bank filed appeal against the orders with CIR(A) who reduced the amount by Rupees 855.251 million and confirmed the rest of demand of Rupees 343.242 million. Further appeal has been filed before ATIR against the decision of the CIR(A). Proceedings of the case are pending and no provision for said amounts have been recognized in the financial statements as the Bank is confident for a favourable outcome.
- 23.2.13** The SBP debt (Principal and mark-up) was in the process of repricing / restructuring as explained in Note 15.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5, the resultant additional mark up amounting to Rupees 2.729 billion (now no more payable) was not accounted for in the financial statements of the Bank, pending the formal approval of the debt restructuring proposal including approval of the Bank claim of differential of mark-up amounting to Rupees 32.377 billion from GoP. However, as more fully explained in Note 15.6, subsequent to the reporting period, the Bank is in process to issue fully paid-up ordinary shares to the SBP against the SBP debt and related mark-up.



		2013	2012
		Rupees in '000	
24	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to customers	10,704,108	9,087,325
	On investments:		
	- In held for trading securities	17,434	329,174
	- In held to maturity securities	853,975	1,102,396
	- In available for sale securities	803,109	98,373
		1,674,518	1,529,943
	On deposits with financial institutions	453,119	704,117
	On securities purchased under resale agreement	37,698	-
	On call money lendings	73,973	-
		<u>12,943,416</u>	<u>11,321,385</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On deposits	278,842	195,437
	On borrowings and subordinated debt - State Bank of Pakistan	3,526,059	3,535,395
	On securities sold under repurchased agreement	76,541	-
	Bank commission and other charges	11,438	6,556
		<u>3,892,880</u>	<u>3,737,388</u>
	Note	2013	2012
		Rupees in '000	
26	OTHER INCOME		
	Rent on property - KSSL - subsidiary company	9,694	7,942
	Rent on property - others	18,847	16,921
		<u>28,541</u>	<u>24,863</u>
	Recoveries of charged off amounts	3,418,065	2,942,686
	Gain on sale of operating fixed assets	14,873	17,778
	Loan application fee	897,521	801,990
	Deferred income amortization	19.3	882
	Others	26.1	393,926
		<u>4,816,973</u>	<u>4,182,125</u>
26.1	OTHERS		
	Sale proceeds of loan application forms	49,632	46,312
	Postal charges received from loanees	195,423	175,115
	Accounting and other services rendered to KSSL - subsidiary company	21,953	19,440
	Miscellaneous income	26.1.1	153,059
		<u>457,135</u>	<u>393,926</u>
26.1.1	This includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.		



27

ADMINISTRATIVE EXPENSES

	Note	2013	2012 Restated
Rupees in '000			
Salaries, allowances and benefits	27.1	6,057,730	5,752,521
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	35.1.7	(404,004)	(444,134)
- Benevolent scheme - officers / executives	35.2.7	(45,585)	(48,740)
- Benevolent scheme - clerical / non-clerical	35.3.7	(33,518)	(32,718)
- Gratuity under old staff regulations	35.4.1.7	(182,435)	(184,653)
- Gratuity scheme - staff regulation 2005	35.4.2.7	130,312	138,357
- Employees' compensated absences	35.6.2	235,255	102,229
		(299,975)	(469,659)
Contribution to defined contribution plan - provident fund	35.7	20,166	63,284
Non-executive directors' fees and other expenses		6,249	10,995
Rent, taxes, insurance, electricity, etc.		205,299	194,072
Legal and professional charges		84,220	86,485
Communications		66,797	57,368
Repairs and maintenance		54,841	50,970
Motor vehicle expenses		407,856	335,453
Traveling expenses		152,088	140,901
Stationery and printing		96,281	74,814
Advertisement and publicity		11,388	7,816
Auditors' remuneration	27.2	5,104	5,104
Depreciation - tangible	12.2	138,363	167,661
Amortization - intangible	12.3	117	19
Services rendered by KSSL - subsidiary company		595,579	521,790
Commutation to employees	27.3	3,320	13,044
Others		103,303	82,281
		7,708,726	7,094,919



27.1 This includes post retirement medical benefit amounting to Rupees 464.608 million (2012: Rupees 292.642 million)

27.2 **Auditors' remuneration**

	2013		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	800	800	1,600
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	2,552	2,552	5,104
	..... Rupees in '000		
	2012		
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	Total
	..... Rupees in '000		
Audit fee	800	800	1,600
Fee for half year review	200	200	400
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Out of pocket expenses	873	873	1,746
	2,552	2,552	5,104

27.3 **Commutation to employees**

- Under Staff Regulations - 2005

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

- Voluntary Golden Handshake Scheme - 2011 for drivers

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

	Note	2013	2012
		Rupees in '000	
28 OTHER CHARGES			
Penalties imposed by SBP		128	1,691
Fixed assets - written off		336	3
		464	1,694
		..... Rupees in '000	
		2013	2012
29 TAXATION			Restated
For the year:			
Current	29.1	1,799,026	1,352,475
Deferred		(9,103)	(59,251)
For prior years:			
Current		62	-
		1,789,985	1,293,224



		2013	2012
29.1 Relationship between income tax expense and accounting profit		Rupees in '000	
Accounting profit for the year		5,166,544	3,870,390
Add:			
Accounting depreciation and amortization		138,480	167,680
Penalties imposed by SBP		128	1,691
Provision charged against non performing advances as per Prudential Regulations		1,043,048	1,049,786
Unrealized loss on revaluation of investments classified as held for trading		-	30,537
		1,181,656	1,249,694
Less:			
Tax depreciation		127,262	112,269
Provision against non performing advances allowed up to 1% of gross advances		1,022,245	952,424
Dividend and capital gain for separate consideration		82,066	294,131
		1,231,573	1,358,824
		5,116,627	3,761,260
Income tax - excluding dividend and capital gain		1,790,819	1,323,097
Income tax on dividend and capital gain		8,207	29,378
Income tax for the current period		1,799,026	1,352,475
Applicable tax rate		35%	35%
30 BASIC EARNINGS PER SHARE		2013	2012
Profit after tax for the year - Rupees in '000		3,376,559	2,577,166
Weighted average number of ordinary shares outstanding during the year		1,252,244,067	1,252,244,067
Basic earnings per share in Rupees		2.696	2.058
31 DILUTED EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share as the Bank does not have any convertible instruments in issue at 31 December 2013.			
	Note	2013	2012
32 CASH AND CASH EQUIVALENTS		Rupees in '000	
Cash and balances with treasury banks	7	3,627,922	3,524,505
Balances with other banks	8	9,113,832	9,000,562
		12,741,754	12,525,067
33 STAFF STRENGTH		Number	
Permanent		5,599	5,724
Contractual		13	19
Total staff strength		5,612	5,743
34 CREDIT RATING			
JCR-VIS Credit Rating Company Limited, Karachi in reports dated 30 May 2013 and 18 December 2013 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2012: AAA/A-1+) with stable outlook, medium to long term credit rating of A and short-term credit rating of A-2 (31 December 2012: B+ medium to long term credit rating, B short term credit rating).			



35 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Bank operates the following retirement benefit plans for its employees:

Pension Scheme - funded
 Benevolent Scheme - funded
 Post Retirement Medical Benefits - unfunded
 Employees Gratuity Scheme - funded
 Employees Compensated Absences - unfunded
 Defined Contribution Plan

35.1 Pension scheme

35.1.1 General description

For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

35.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50
Expected rate of increase in pension	7.50	6.25

Note

2013 2012

Rupees in '000

35.1.3 Changes in the present value of obligation

Present value of obligation as on 01 January	1,848,263	1,503,105
Current service cost	39,085	37,265
Interest cost	199,879	184,860
Benefits paid	(203,416)	(167,314)
Transferred to Gratuity - SSR 1961	(16,952)	(11,135)
Remeasurement due to change in demographic assumptions	254,268	-
Remeasurement due to experience	627,427	301,482
Present value of obligation as at 31 December	2,748,554	1,848,263

35.1.4 Changes in the fair value of plan assets

Total assets as on 01 January	5,692,003	5,206,173
Expected return on plan assets	642,968	666,259
Remeasurement due to return on investment	(73,607)	(13,115)
Contributions	1,457	-
Benefits paid	(203,416)	(167,314)
Total assets as at 31 December	6,059,405	5,692,003

35.1.5 Amounts recognized in statement of financial position

Present value of defined benefit obligation	2,748,554	1,848,263
Fair value of plan assets	(6,059,405)	(5,692,003)
Asset recognized in the statement of financial position	13.5 (3,310,851)	(3,843,740)



	Note	2013	2012
Rupees in '000			
35.1.6	Movement in net asset recognized		
	Opening net assets	(3,843,740)	(3,703,068)
	Credit for the year	35.1.7 (404,004)	(444,134)
	Other comprehensive income	955,302	314,597
	Transferred to Gratuity - SSR 1961	(16,952)	(11,135)
	Contributions	(1,457)	-
	Closing net asset	13.5 <u>(3,310,851)</u>	<u>(3,843,740)</u>
35.1.7	Income recognized in the profit and loss account		
	Current service cost	39,085	37,265
	Interest cost	<u>(443,089)</u>	<u>(481,399)</u>
		<u>(404,004)</u>	<u>(444,134)</u>
35.1.8	Actual return on plan assets		
	Actual return on plan assets	<u>569,361</u>	<u>653,144</u>

	2013		2012	
	Fair value	%	Fair value	%
35.1.9	Rupees in '000		Rupees in '000	
Government securities	231,356	3.82	3,029,815	53.23
Term deposit receipts	5,800,141	95.72	2,642,034	46.42
Deposits in the Bank	30,256	0.50	20,298	0.35
Debtors and creditors	(189)	(0.00)	(144)	(0.00)
Due to the Bank	(2,159)	(0.04)	-	-
Fair value of total plan assets	<u>6,059,405</u>	<u>100.00</u>	<u>5,692,003</u>	<u>100.00</u>

	2013	2012	2011	2010	2009
..... Rupees in '000					
35.1.10	Other relevant details				
Present value of defined benefit obligation	2,748,554	1,848,263	1,503,105	1,202,368	1,331,776
Fair value of plan assets	(6,059,405)	(5,692,003)	(5,206,173)	(4,609,499)	(5,180,979)
Surplus in pension fund	<u>(3,310,851)</u>	<u>(3,843,740)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>
Experience adjustment	(627,427)	(301,482)	(197,824)	219,527	24,259
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(627,427)</u>	<u>(301,482)</u>	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>
Experience adjustment	-	-	44,065	(85,595)	(70,837)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>-</u>	<u>-</u>	<u>44,065</u>	<u>(85,595)</u>	<u>(70,837)</u>

35.1.11 No contribution is expected in 2014 to the Pension Fund.

35.2 Benevolent scheme - officers / executives

35.2.1 General description

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

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50

Note 2013 2012

Rupees in '000

35.2.3 Changes in the present value of obligation

Present value of obligation as on 01 January	244,874	211,133
Current service cost	9,887	8,724
Interest cost	27,097	26,558
Remeasurement due to change in demographic assumptions	(4,868)	-
Remeasurement due to change in financial assumptions	(16,540)	19,171
Remeasurement due to change in experience	3,679	(6,596)
Benefits paid	(18,497)	(14,116)
Present value of obligation as at 31 December	<u>245,632</u>	<u>244,874</u>

35.2.4 Changes in the fair value of plan assets

Total assets as on 01 January	677,701	609,363
Expected return on plan assets	77,460	78,965
Remeasurement due to return on investment	(17,984)	(6,625)
Contributions - Employer	5,109	5,057
Contributions - Employees	5,109	5,057
Benefits paid	(18,497)	(14,116)
Total assets as at 31 December	<u>728,898</u>	<u>677,701</u>

35.2.5 Amounts recognized in the statement of financial position

Present value of defined benefit obligation	245,632	244,874
Fair value of plan assets	(728,898)	(677,701)
Unrecognized due to impact of asset ceiling	483,266	432,827
Asset recognized in the statement of financial position	<u>-</u>	<u>-</u>

35.2.6 Movement in net asset recognized

Opening net receivable	-	-
Credit for the year	35.2.7 (45,585)	(48,740)
Comprehensive income	50,694	53,797
Contribution to fund / benefits paid during the year	(5,109)	(5,057)
Closing net receivable	<u>-</u>	<u>-</u>

35.2.7 Income recognized in profit and loss account

Current service cost	9,887	8,724
Interest cost	(50,363)	(52,407)
Contributions - Employees	(5,109)	(5,057)
	<u>(45,585)</u>	<u>(48,740)</u>

35.2.8 Actual return on plan assets

Actual return on plan assets	<u>59,476</u>	<u>72,340</u>
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35.2.9	Composition of fair value of plan assets	2013		2012	
		Fair value Rupees in '000	%	Fair value Rupees in '000	%
	Government securities	61,358	8.42	365,969	54.00
	Term deposit receipts	664,610	91.18	297,748	43.94
	Deposits in the Bank	2,938	0.40	2,185	0.32
	Debtors and creditors	(8)	(0.00)	11,799	1.74
	Fair value of total plan assets	<u>728,898</u>	<u>100.00</u>	<u>677,701</u>	<u>100.00</u>

35.2.10	Other relevant details	2013	2012	2011	2010	2009
		..... Rupees in '000				
	Present value of defined benefit obligation	245,632	244,874	211,133	177,105	165,502
	Fair value of plan assets	(728,898)	(677,701)	(609,363)	(545,226)	(502,094)
	Surplus in benevolent scheme - officers / executives	<u>(483,266)</u>	<u>(432,827)</u>	<u>(398,230)</u>	<u>(368,121)</u>	<u>(336,592)</u>
	Experience adjustment	(3,679)	6,596	(11,828)	6,636	9,424
	Assumptions gain / (loss)	-	-	-	-	-
	Actuarial (loss) / gain on obligation	<u>(3,679)</u>	<u>6,596</u>	<u>(11,828)</u>	<u>6,636</u>	<u>9,424</u>
	Experience adjustment	-	-	(3,017)	(16,541)	(32,950)
	Assumptions gain / (loss)	-	-	-	-	-
	Actuarial loss on assets	<u>-</u>	<u>-</u>	<u>(3,017)</u>	<u>(16,541)</u>	<u>(32,950)</u>

35.3 Benevolent scheme - clerical / non-clerical

35.3.1 General description

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

35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50

35.3.3 Changes in the present value of obligation

	2013	2012
	Rupees in '000	
Present value of obligation as on 01 January	31,149	23,370
Current service cost	1,394	1,374
Interest cost	3,453	2,935
Remeasurement due to change in demographic assumptions	(1,360)	-
Remeasurement due to change in financial assumptions	(2,668)	3,494
Remeasurement due to change in experience	(1,707)	1,618
Benefits paid	(2,249)	(1,642)
Present value of obligation as at 31 December	<u>28,012</u>	<u>31,149</u>



35.3.4	Changes in the fair value of plan assets						
	Total assets as on 01 January		306,517		273,293		
	Expected return on plan assets		35,455		35,604		
	Remeasurement due to return on investment		(5,540)		(3,584)		
	Contributions - Employer		2,910		1,423		
	Contributions - Employees		2,910		1,423		
	Benefits paid		(2,249)		(1,642)		
	Total assets as at 31 December		<u>340,003</u>		<u>306,517</u>		
35.3.5	Amounts recognized in the statement of financial position						
	Present value of defined benefit obligation		28,012		31,149		
	Fair value of plan assets		(340,003)		(306,517)		
	Unrecognized due to impact of asset ceiling		311,991		275,368		
	Asset recognized in the statement of financial position		<u>-</u>		<u>-</u>		
		Note	2013		2012		
			Rupees in '000				
35.3.6	Movement in net asset recognized						
	Opening net receivable		-		-		
	Credit for the year	35.3.7	(33,518)		(32,718)		
	Comprehensive income		36,428		34,141		
	Contribution to fund / benefits paid during the year		(2,910)		(1,423)		
	Closing net receivable		<u>-</u>		<u>-</u>		
35.3.7	Income recognized in profit and loss account						
	Current service cost		1,394		1,374		
	Interest cost		(2,910)		(32,669)		
	Contributions - Employees		(32,002)		(1,423)		
			<u>(33,518)</u>		<u>(32,718)</u>		
35.3.8	Actual return on plan assets						
	Actual return on plan assets		<u>29,915</u>		<u>32,020</u>		
			2013		2012		
			Fair value		Fair value		
			Rupees in '000		Rupees in '000		
			%		%		
35.3.9	Composition of fair value of plan assets						
	Government securities		20,092	5.91	133,141	43.44	
	Term deposit receipts		317,209	93.30	171,756	56.03	
	Deposits in the Bank		2,710	0.80	1,306	0.43	
	Debtors and creditors		(8)	(0.00)	314	0.10	
	Fair value of total plan assets		<u>340,003</u>	<u>100.00</u>	<u>306,517</u>	<u>100.00</u>	
			2013	2012	2011	2010	2009
		 Rupees in '000				
35.3.10	Other relevant details						
	Present value of defined benefit obligation		28,012	31,149	23,370	20,014	34,041
	Fair value of plan assets		(340,003)	(306,517)	(273,293)	(240,105)	(224,993)
	Surplus in benevolent scheme - clerical / non-clerical		<u>(311,991)</u>	<u>(275,368)</u>	<u>(249,923)</u>	<u>(220,091)</u>	<u>(190,952)</u>
	Experience adjustment		1,707	(1,618)	(835)	19,057	3,695
	Assumptions gain / (loss)		-	-	-	-	-
	Actuarial (loss) / gain on obligation		<u>1,707</u>	<u>(1,618)</u>	<u>(835)</u>	<u>19,057</u>	<u>3,695</u>
	Experience adjustment		-	-	419	(15,181)	(4,376)
	Assumptions gain / (loss)		-	-	-	-	-
	Actuarial (loss) / gain on assets		<u>-</u>	<u>-</u>	<u>419</u>	<u>(15,181)</u>	<u>(4,376)</u>



35.4	Gratuity scheme			
35.4.1	Gratuity under old Staff Regulations			
35.4.1.1	General description			
	For employees who opted for the scheme introduced in 1975 for clerical / non-clerical staff and in 1977 for officers / executives, the Bank operates an approved funded gratuity scheme in which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.			
35.4.1.2	Principal actuarial assumption			
	The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:			
			2013	2012
		 %	
	Valuation discount rate		12.75	11.50
	Expected rate of increase in salary		10.50	9.50
	Expected rate of return on plan assets		12.75	11.50
		Note	2013	2012
			Rupees in '000	
35.4.1.3	Changes in the present value of obligation			
	Present value of obligation as on 01 January		-	-
	Benefits paid		(16,952)	(11,135)
	Addition to liability from Pension Fund		16,952	11,135
	Present value of obligation as at 31 December		<u>-</u>	<u>-</u>
35.4.1.4	Changes in the fair value of plan assets			
	Total assets as on 01 January		1,594,870	1,425,804
	Expected return on plan assets		182,435	184,653
	Remeasurement due to return on investment		(19,071)	(4,452)
	Benefits paid		(16,952)	(11,135)
	Total assets as at 31 December		<u>1,741,282</u>	<u>1,594,870</u>
35.4.1.5	Amounts recognized in the statement of financial position			
	Present value of defined benefit obligation		-	-
	Fair value of plan assets		(1,741,282)	(1,594,870)
	Asset recognized in the statement of financial position	13.5	<u>(1,741,282)</u>	<u>(1,594,870)</u>
35.4.1.6	Movement in net asset recognized			
	Opening net assets		(1,594,870)	(1,425,804)
	Credit for the year	35.4.1.7	(182,435)	(184,653)
	Comprehensive income		19,071	4,452
	Addition to liability from Pension Fund		16,952	11,135
	Closing net assets	13.5	<u>(1,741,282)</u>	<u>(1,594,870)</u>
35.4.1.7	Income recognized in profit and loss account			
	Expected return on plan assets		(182,435)	(184,653)
35.4.1.8	Actual return on plan assets			
	Actual return on plan assets		<u>163,364</u>	<u>180,201</u>
35.4.1.9	Composition of fair value of plan assets		2013	2012
			Fair value	Fair value
			Rupees in '000	Rupees in '000
	Government securities		57,438	367,599
	Term deposit receipts		1,671,471	1,209,295
	Deposits in the Bank		9,048	10,347
	Debtors and creditors		3,861	7,629
	Due from / (to) the Bank		(536)	-
	Fair value of total plan assets		<u>1,741,282</u>	<u>1,594,870</u>
			100.00	100.00



	2013	2012	2011	2010	2009
	..... Rupees in '000				
35.4.1.10 Other relevant details					
Present value of defined benefit obligation	-	-	-	-	357,969
Fair value of plan assets	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)	(1,483,278)
Surplus in gratuity scheme under old staff regulations					
	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)	(1,125,309)
Experience adjustment	-	-	-	397,152	(13,520)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	-	-	-	397,152	(13,520)
Experience adjustment	-	-	3,700	(12,429)	(35,230)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	-	-	3,700	(12,429)	(35,230)

35.4.1.11 No contribution is expected in 2014 to the Gratuity Fund scheme under old regulations.

35.4.2 Gratuity under Staff Regulations - 2005 (SR-2005)

35.4.2.1 General description

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

35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50

	Note	2013	2012
		Rupees in '000	
35.4.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		992,636	804,808
Current service cost		185,120	182,191
Interest cost		111,627	103,054
Remeasurment due to change in demographic assumptions		(5,794)	-
Remeasurment due to experience		395,189	(72,489)
Benefits paid		(43,939)	(24,928)
Present value of obligation as at 31 December		1,634,839	992,636
35.4.2.4 Changes in the fair value of plan assets			
Total assets as on 01 January		1,360,616	1,038,563
Expected return on plan assets		166,435	146,888
Remeasurement due to return on investment		(24,461)	(13,283)
Contributions		217,236	213,376
Benefits paid		(43,939)	(24,928)
Total assets as at 31 December		1,675,887	1,360,616



35.4.2.5 Amounts recognized in the statement of financial position

Present value of defined benefit obligation		1,634,839	992,636
Fair value of plan assets		(1,675,887)	(1,360,616)
Asset recognized in the statement of financial position	13.5	<u>(41,048)</u>	<u>(367,980)</u>
	Note	2013	2012

35.4.2.6 Movement in net asset recognized

		Rupees in '000	
Opening net assets		(367,980)	(233,755)
Charge for the year	35.4.2.7	130,312	138,357
Comprehensive income		413,856	(59,206)
Contribution to fund during the year		<u>(217,236)</u>	<u>(213,376)</u>
Closing net assets		<u>(41,048)</u>	<u>(367,980)</u>

35.4.2.7 Expense recognized in profit and loss account

Current service cost		185,120	182,191
Interest cost		<u>(54,808)</u>	<u>(43,834)</u>
		<u>130,312</u>	<u>138,357</u>

35.4.2.8 Actual return on plan assets

Actual return on plan assets		<u>141,974</u>	<u>133,605</u>
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	2013		2012	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
Government securities	-	-	728,866	53.57
Term deposit receipts	1,670,667	99.69	602,820	44.30
Deposits in the Bank	5,228	0.31	17,959	1.32
Debtors and creditors	(8)	(0.00)	10,971	0.81
Fair value of total plan assets	<u>1,675,887</u>	<u>100.00</u>	<u>1,360,616</u>	<u>100.00</u>

35.4.2.10 Other relevant details

	2013	2012	2011	2010	2009
	..... Rupees in '000				
Present value of defined benefit obligation	1,634,839	992,636	804,808	612,864	551,398
Fair value of plan assets	(1,675,887)	(1,360,616)	(1,038,563)	(730,213)	(446,349)
(Surplus) / deficit in gratuity scheme under staff regulations - 2005 (SR-2005)	<u>(41,048)</u>	<u>(367,980)</u>	<u>(233,755)</u>	<u>(117,349)</u>	<u>105,049</u>
Experience adjustment	(395,189)	72,489	57,132	154,132	(6,896)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	<u>(395,189)</u>	<u>72,489</u>	<u>57,132</u>	<u>154,132</u>	<u>(6,896)</u>
Experience adjustment	-	-	(2,186)	(8,812)	2,028
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	<u>-</u>	<u>-</u>	<u>(2,186)</u>	<u>(8,812)</u>	<u>2,028</u>

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2014 amounting to Rupees 236 million.



35.5 Post retirement medical benefits

35.5.1 General description

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

35.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Medical inflation rate	7.50	6.25

	Note	2013	2012
		Rupees in '000	
35.5.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		1,257,078	1,093,841
Current service cost		150,501	151,830
Past service cost		170,846	-
Interest cost		143,261	140,812
Remeasurement due to change in demographic assumptions		200,839	-
Remeasurement due to experience		425,949	(107,383)
Benefits paid		(22,672)	(22,022)
Present value of obligation as at 31 December		<u>2,325,802</u>	<u>1,257,078</u>

35.5.4 Amounts recognized in the statement of financial position

Present value of defined benefit obligation	19	<u>2,325,802</u>	<u>1,257,078</u>
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35.5.5 Movement in net liability recognized

Opening net liability		1,257,078	1,093,841
Charge for the year	35.5.6	464,608	292,642
Comprehensive income / (loss)		626,788	(107,383)
Benefits paid during the year		(22,672)	(22,022)
Closing net liability		<u>2,325,802</u>	<u>1,257,078</u>

35.5.6 Expense recognized in profit and loss account

Current service cost		321,347	151,830
Interest cost		143,261	140,812
		<u>464,608</u>	<u>292,642</u>



35.5.7 Post retirement medical benefits - sensitivity analysis

Medical cost trend (%)	6.50%	7.50%	8.50%
Obligation (Rupees in '000)	69,312	78,541	89,752
Regular cost (Rupees in '000)	(12,911)	11,004	15,850

35.5.8 Other relevant details

	2013	2012	2011	2010	2009
	..... Rupees in '000				
Present value of defined benefit obligation	2,325,802	1,257,078	1,093,841	921,360	2,543,255
Deficit in post retirement medical benefits	2,325,802	1,257,078	1,093,841	921,360	2,543,255
Experience adjustment	(425,949)	107,383	89,849	1,988,525	360,274
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	(425,949)	107,383	89,849	1,988,525	360,274

35.6 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

35.6.1 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50

35.6.2 Movement in liability recognized for compensated absences

	2013	2012
	..... Rupees in '000	
Opening liability	446,202	343,973
Charge for the year	235,255	102,229
Closing liability	681,457	446,202

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

	2013	2012	2011	2010	2009
	..... Rupees in '000				
Opening liability	446,202	343,973	798,452	1,194,349	952,253
Charged / (reversal) for the year	235,255	102,229	(454,479)	(395,897)	242,096
	681,457	446,202	343,973	798,452	1,194,349

35.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2067 (2012: 2107) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 3532 (2012: 3617) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 20.166 million (2012: Rupees 63.284 million) in respect of this fund.

COMPENSATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

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

	President / Chief Executive		Acting President		Directors		Executives	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees in '000							
Fee	-	-	-	-	6,249	10,995	-	-
Managerial remuneration	6,116	1,645	-	5,969	-	-	2,066,149	2,275,547 *
Charged for defined benefit plan	1,226	229	-	365	-	-	129,483	129,020 **
Contribution to defined benefit or contributory fund	-	-	-	-	-	-	25,394	22,225
Rent and house maintenance	3,364	905	-	-	-	-	7,807	9,575
Utilities	917	247	-	-	-	-	1,901	2,689
Medical	917	247	-	-	-	-	1,909	2,250
Conveyance	845	222	-	-	-	-	1,469	1,676
Furnishing allowance	-	-	-	-	-	-	-	519
Club facility	56	11	-	-	-	-	-	-
Leave fare assistance	1,425	-	-	-	-	-	-	-
	14,866	3,506	-	6,334	6,249	10,995	2,234,112	2,443,501
Number of persons	1	1	-	1	11	11	1,828	1,587

* It includes an amount of Rupees 1,265 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

** It includes an amount of Rupees 0.086 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

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

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Rupees in '000								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
2013									
Total income	-	-	-	-	-	-	-	-	17,855,967
Total expenses	-	-	-	-	-	-	-	-	12,689,423
Net income before tax	-	-	-	-	-	-	-	-	5,166,544
Taxation	-	-	-	-	-	-	-	-	1,789,985
Income after tax	-	-	-	-	-	-	-	-	3,376,559
Segment assets (gross)	-	-	-	-	-	-	-	-	156,128,603
Segment non performing loans	-	-	-	-	-	-	-	-	17,771,792
Segment provision required	-	-	-	-	-	-	-	-	3,896,440
Segment liabilities	-	-	-	-	-	-	-	-	115,965,018
Segment return on net assets (%)	-	-	-	-	-	-	-	-	15.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.31%
2012 (Restated)									
Total income	-	-	-	-	-	-	-	-	15,737,773
Total expenses	-	-	-	-	-	-	-	-	11,867,383
Net income before tax	-	-	-	-	-	-	-	-	3,870,390
Taxation	-	-	-	-	-	-	-	-	1,293,224
Income after tax	-	-	-	-	-	-	-	-	2,577,166
Segment assets (gross)	-	-	-	-	-	-	-	-	139,562,324
Segment non performing loans	-	-	-	-	-	-	-	-	18,907,010
Segment provision required	-	-	-	-	-	-	-	-	4,162,553
Segment liabilities	-	-	-	-	-	-	-	-	102,233,430
Segment return on net assets (%)	-	-	-	-	-	-	-	-	13.16%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.70%



39 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its subsidiary company, employee benefit plans and key management personnel.

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

	Subsidiary company		Key management personnel	
	2013	2012	2013	2012
..... Rupees in '000'				
Advances				
Balance at the beginning of the year	-	-	14,533	15,934
Loan granted during the year	-	-	911	762
Repayment during the year	-	-	(8,260)	(2,163)
Balance at the end of the year	-	-	7,183	14,533
Deposits				
Deposits at the beginning of the year	31,103	77,195	8,250	7,784
Deposits received during the year	55,440	97,326	74,889	76,598
Deposits repaid during the year	(77,855)	(143,418)	(80,085)	(76,132)
Deposits at the end of the year	8,688	31,103	3,054	8,250
Investments at the end of the year	100,000	100,000	-	-
Payable at the end of the year	10,095	11,794	-	-
..... Rupees in '000'				
Subsidiary company				
Key management personnel				
	2013	2012	2013	2012
Mark-up / interest earned	-	-	308	366
Mark-up / interest expensed	1,677	6,865	-	-
Compensation	-	-	72,477	72,860
Post retirement benefit	-	-	4,976	4,586
Contribution to defined benefit plans	-	-	319	257
Services rendered by subsidiary company	595,579	521,790	-	-
Rent, accounting and communication charges	31,697	27,432	-	-

40 CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of application

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

40.2 Capital Management

Objectives and goals of managing capital

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

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

Statutory minimum capital requirement and capital adequacy ratio

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ended on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2013 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2013 is 29.63% of its risk weighted exposure.

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

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

S.No.	Ratio	Year ended						As of 31
		2013	2014	2015	2016	2017	2018	December 2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB			0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.88%	12.50%	12.50%

- *(Consisting of CET1 only)

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

'- Common Equity Tier 1 capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer to note 40.3)

'- Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1 (refer to note 40.3)

'- Tier 2 capital, which includes subordinated debt, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets) and net of tax reserves on revaluation of equity investments up to a maximum of 45% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.3)

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

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

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



40.3 Capital Structure

	2013		2012	
	Amount	Amounts subject to Pre - Basel III treatment	Amount	Amount
..... Rupees in '000				
Common Equity Tier 1 capital (CET1): Instruments and reserves				
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441		12,522,441	
2 Balance in Share Premium Account	-		-	
3 Reserve for issue of Bonus Shares	-		-	
4 General/ Statutory Reserves	3,506,658		2,831,346	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
6 Unappropriated/unremitted profits/ (losses)	13,597,945		10,243,364	
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-		-	
8 CET 1 before Regulatory Adjustments	29,627,044		25,597,151	
Common Equity Tier 1 capital: Regulatory adjustments				
9 Goodwill (net of related deferred tax liability)	-		-	
10 All other intangibles (net of any associated deferred tax liability)	(211)		(328)	
11 Shortfall of provisions against classified assets	-		-	
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
13 Defined-benefit pension fund net assets	-	2,152,053	-	
14 Reciprocal cross holdings in CET1 capital instruments	-		-	
15 Cash flow hedge reserve	-		-	
16 Investment in own shares/ CET1 instruments	-		-	
17 Securitization gain on sale	-		-	
18 Capital shortfall of regulated subsidiaries	-		-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-		-	
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-	
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-	
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
23 Amount exceeding 15% threshold	-		-	
24 of which: significant investments in the common stocks of financial entities	-		-	
25 of which: deferred tax assets arising from temporary differences	-		-	
26 National specific regulatory adjustments applied to CET1 capital	-		-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-		-	
28 Any other deduction specified by SBP (mention details)	-		-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)		(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,211)		(50,328)	
Common Equity Tier 1	(a) 29,576,833		25,546,823	
Additional Tier 1 (AT 1) Capital				
31 Qualifying Additional Tier-1 instruments plus any related share premium	-		-	
32 of which: Classified as equity	-		-	
33 of which: Classified as liabilities	-		-	
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-		-	
35 of which: instrument issued by subsidiaries subject to phase out	-		-	
36 AT1 before regulatory adjustments	-		-	



Additional Tier 1 Capital: regulatory adjustments			
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-
38	Investment in own AT1 capital instruments	-	-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	-
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	-
44	Total of Regulatory Adjustment applied to AT1 capital	-	-
45	Additional Tier 1 capital	-	-
46	Additional Tier 1 capital recognized for capital adequacy	(b)	-
	Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	29,576,833
			25,546,823
Tier 2 Capital			
47	Qualifying Tier 2 capital instruments under Basel III	3,204,323	3,204,323
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
50	of which: instruments issued by subsidiaries subject to phase out	-	-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,250,883	1,417,758
52	Revaluation Reserves		
53	of which: Revaluation reserves on Property	-	-
54	of which: Unrealized Gains/Losses on AFS	1,285,297	809,498
55	Foreign Exchange Translation Reserves	-	-
56	Undisclosed/Other Reserves (if any)	-	-
57	T2 before regulatory adjustments	5,740,503	5,431,579
Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	(50,000)
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	(50,000)	(50,000)
64	Tier 2 capital (T2)	5,690,503	5,381,579
65	Tier 2 capital recognized for capital adequacy	5,690,503	5,381,579
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
67	Total Tier 2 capital admissible for capital adequacy	(d)	5,690,503
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	35,267,336
	Total Risk Weighted Assets	(i=f+g+h)	113,410,644



68	Total Credit Risk Weighted Assets	(f)	100,070,672	94,162,042
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity			
71	of which: deferred tax assets		-	-
72	of which: Defined-benefit pension fund net assets		2,152,053	-
73	of which: Others			
74	Total Market Risk Weighted Assets	(g)	-	227,814
75	Total Operational Risk Weighted Assets	(h)	18,950,209	19,020,788
Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA	(a/i)	24.85%	22.53%
77	Tier-1 capital to total RWA	(c/i)	24.85%	22.53%
78	Total capital to RWA	(e/i)	29.63%	27.27%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)			
80	of which: capital conservation buffer requirement		-	-
81	of which: countercyclical buffer requirement		-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-
National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		5.00%	-
85	Tier 1 minimum ratio		6.50%	-
86	Total capital minimum ratio		10.00%	10.00%
Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities		-	-
88	Significant investments in the common stock of financial entities		-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-
Applicable caps on the inclusion of provisions in Tier 2				
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		3,000,000	3,000,000
91	Cap on inclusion of provisions in Tier 2 under standardized approach		1,250,883	1,417,758
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-

*As the Bank has not Tier 1 capital, deduction was made from CET1

**2012 based on BASEL II framework.



40.4 Capital Structure Reconciliation

Step 1	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	3,627,922	3,627,923	
Balanced with other banks	9,113,832	9,102,759	
Lending to financial institutions	3,646,716	3,646,716	
Investments	23,609,958	23,517,703	
Advances	95,311,716	95,309,846	
Operating fixed assets	1,347,307	1,312,034	
Deferred tax assets	-	-	
Other assets	11,790,826	11,870,620	
Total assets	148,448,277	148,387,601	
Liabilities & Equity			
Bills payable	706,265	706,972	
Borrowings	55,174,903	55,174,903	
Deposits and other accounts	14,906,582	14,906,802	
Sub-ordinated loans	3,204,323	3,204,323	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	130,022	470,239	
Other liabilities	41,842,923	41,107,117	
Total liabilities	115,965,018	115,570,356	
Share capital/ Head office capital account	12,522,441	12,522,441	
Reserves	3,506,658	3,473,290	
Unappropriated/ Unremitted profit/ (losses)	13,597,945	13,978,515	
Minority Interest	-	-	
Surplus on revaluation of assets	2,856,215	2,842,999	
Total liabilities	32,483,259	32,817,245	
Total liabilities & equity	148,448,277	148,387,601	
Step 2	Balance sheet as in published financial statements 2013	Under regulatory scope of consolidation 2013	Ref
	Rupees in '000		
Assets			
Cash and balances with treasury banks	3,627,922	3,627,923	
Balanced with other banks	9,113,832	9,102,759	
Lending to financial institutions	3,646,716	3,646,716	
Investments	23,609,958	23,517,703	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	95,311,716	95,309,846	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital</i>	-	-	f
<i>3,000,000</i>	3,000,000	3,000,000	g
Fixed Assets	1,347,307	1,312,034	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	11,790,826	11,870,620	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	211	211	k
<i>of which: Defined-benefit pension fund net assets</i>	3,310,851	3,453,219	l
Total assets	148,448,277	148,387,601	

**Liabilities & Equity**

Bills payable	706,265	706,972	
Borrowings	55,174,903	55,174,903	
Deposits and other accounts	14,906,582	14,906,802	
Sub-ordinated loans	3,204,323	3,204,323	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	3,204,323	3,204,323	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	130,022	470,239	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	1,158,798	-	q
<i>of which: other deferred tax liabilities</i>	(1,028,776)	-	r
Other liabilities	41,842,923	41,107,117	
Total liabilities	115,965,018	115,570,356	
Share capital	12,522,441	12,522,441	
<i>of which: amount eligible for CET1</i>	12,522,441	12,522,441	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	3,506,658	3,473,290	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	3,506,658	3,473,290	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	13,597,945	13,978,515	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	2,856,215	2,842,999	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	2,856,215	2,842,999	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Equity	32,483,259	32,817,245	
Total liabilities & Equity	148,448,277	148,387,601	

Step 3

Component of regulatory capital reported by bank

Source based on reference number from Step 2

Rupees in '000

Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	3,473,290	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/(losses)	13,978,515	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	29,974,246	



Common Equity Tier 1 capital: Regulatory adjustments

9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	(211)	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,211)	
Common Equity Tier 1	29,924,035	

Additional Tier 1 (AT 1) Capital

31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)



Component of regulatory capital reported by bank Source based on reference number from Note 40.4.2

Rupees in '000

41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	
44 Total of Regulatory Adjustment applied to AT1 capital		
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	3,204,323	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(z)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,476,555	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities	1,279,350	portion of (aa)
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	5,960,228	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	(50,000)	
64 Tier 2 capital (T2)	5,910,228	
65 Tier 2 capital recognized for capital adequacy	5,910,228	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	5,910,228	
TOTAL CAPITAL (T1 + admissible T2)	35,834,263	



40.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	ZTBL
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	29,576,833
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable



41 RISK MANAGEMENT

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

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

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

41.1 Credit risk

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

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

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

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

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

41.1.1 Credit Risk - General disclosures

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

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

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



Credit exposures subject to standardized approach

Exposures	Rating	2013			2012		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000							
Cash and cash equivalents	-	982,838	982,838	-	1,379,587	1,379,587	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	24,592,603	24,592,603	-	16,364,711	16,364,711	-
Claims on banks	-	2,384,996	1,892,000	492,996	500,000	-	500,000
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	9,155,372	7,324,298	1,831,074	9,330,013	7,464,010	1,866,003
Claims categorized as retail portfolio	-	82,802,929	20,700,732	62,102,197	74,436,632	18,609,158	55,827,474
Claims fully secured by residential property	-	1,633,435	1,061,733	571,702	1,879,335	1,221,568	657,767
Past due loans	-	13,875,353	(5,273,039)	19,148,392	14,744,457	(5,863,754)	20,608,211
Listed equity investments	-	3,250,660	-	3,250,660	2,037,940	-	2,037,940
Investments in premises, plant and equipment and all other fixed assets	-	1,347,096	-	1,347,096	1,179,939	-	1,179,939
All other assets	-	11,322,785	-	11,322,785	11,484,708	-	11,484,708
		<u>151,348,067</u>	<u>51,281,165</u>	<u>100,066,902</u>	<u>133,337,322</u>	<u>39,175,280</u>	<u>94,162,042</u>

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rupees 146,097 million (2012: Rupees 129,423 million) the financial assets which are subject to credit risk amounting to Rupees 127,909 million (2012: Rupees 114,574 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 20,227 million (2012: Rupees 14,924 million) are guaranteed by the Government of Pakistan.

41.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2013 the composition of equity investments and subsidiary is as follows:



Exposures	Available for sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	3,250,660	-
Equity investments - others	-	100,000
Total value	<u>3,250,660</u>	<u>100,000</u>

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

Investments - Available for sale
Investment in subsidiary

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

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

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

The cumulative unrealized gain of Rupees 3,173.572 million (2012: Rupees 1,998.761 million) is recognized in the statement of financial position in respect of 'available for sale' securities.

41.1.6 Segmental information

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

41.1.7 Segments by class of business

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	100,187,375	98.01%	-	-	8,762,497	29.36%
Individuals	-	-	14,831,122	99.49%	1,174,436	3.93%
Others	2,037,154	1.99%	75,460	0.51%	19,911,431	66.71%
	<u>102,224,529</u>	<u>100.00%</u>	<u>14,906,582</u>	<u>100.00%</u>	<u>29,848,364</u>	<u>100.00%</u>
	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	92,866,329	97.51%	-	-	8,026,383	37.88%
Individuals	-	-	11,000,037	99.13%	1,240,130	5.85%
Others	2,376,111	2.49%	96,919	0.87%	11,921,856	56.27%
	<u>95,242,440</u>	<u>100.00%</u>	<u>11,096,956</u>	<u>100.00%</u>	<u>21,188,369</u>	<u>100.00%</u>



41.1.8 Segments by sector

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	20,544	0.14%	19,911,431	66.71%
Private	102,224,529	100.00%	14,886,038	99.86%	9,936,933	33.29%
	102,224,529	100.00%	14,906,582	100.00%	29,848,364	100.00%
	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	23,917	0.22%	11,921,856	56.27%
Private	95,242,440	100.00%	11,073,039	99.78%	9,266,513	43.73%
	95,242,440	100.00%	11,096,956	100.00%	21,188,369	100.00%

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

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

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000			
Agriculture, forestry, hunting and fishing	17,771,792	6,896,440	18,907,010	7,162,553
Advances to employees	16,373	16,373	19,463	19,463
	17,788,165	6,912,813	18,926,473	7,182,016

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

Private	17,771,792	6,896,440	18,907,010	7,162,553
Advances to employees	16,373	16,373	19,463	19,463
	17,788,165	6,912,813	18,926,473	7,182,016

41.1.11 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	5,166,544	148,448,277	32,483,259	29,848,364
	2012 (Restated)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	3,870,390	131,649,189	29,415,759	21,188,369

41.2 Market risk management

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

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

41.2.1 Foreign exchange risk management

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

41.2.2 Equity price risk

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

41.3 Mismatch of interest rate sensitive assets and liabilities

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

2013

Effective Yield / Interest rate	Exposed to Yield / Interest risk										Not exposed to Yield / Interest risk	
	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												
Cash and balances with treasury banks	3,627,922	-	-	-	-	-	-	-	-	-	-	3,627,922
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-	-	-
Investments - net	23,509,958	1,297,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	-	-	3,333,267
Advances - net	95,311,716	30,341,193	39,248	2,504,885	25,187,504	16,234,117	7,781,364	8,612,938	3,745,828	524,710	-	339,929
Other assets - net	10,887,238	-	-	-	-	-	-	-	-	-	-	10,887,238
	146,097,382	42,017,872	19,165,764	2,504,885	25,615,065	17,301,022	8,245,601	8,768,283	3,765,824	524,710	-	18,188,356
Liabilities												
Bills payable	706,265	-	-	-	-	-	-	-	-	-	-	706,265
Borrowings	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-	-	-
Deposits and other accounts	14,906,582	6,306,159	70,390	100,200	129,037	-	53,258	1,161	-	-	-	8,246,377
Sub-ordinated loans	3,204,323	-	-	-	3,204,323	-	-	-	-	-	-	-
Other liabilities	37,624,741	-	-	-	-	-	-	-	-	-	-	37,624,741
	111,616,814	10,223,849	70,390	100,200	54,590,573	-	53,258	1,161	-	-	-	46,577,383
On-balance sheet gap	34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	-	(28,389,027)
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	524,710	-	(28,389,027)
Cumulative yield / interest risk sensitivity gap	34,480,568	31,794,023	50,889,397	53,294,082	24,318,574	41,619,596	49,811,939	58,579,061	62,344,885	62,869,595	34,480,568	
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:												
Rupees in '000												
Total financial assets	146,097,382											
Add non-financial assets:												
Investment in subsidiary company	100,000											
Operating fixed assets	1,347,307											
Other assets	903,588											
Total assets as per statement of financial position	148,448,277											
Rupees in '000												
Total financial liabilities	111,616,814											
Add non-financial liabilities:												
Deferred tax liabilities - net	130,022											
Other liabilities	4,218,182											
Total liability as per statement of financial position	115,965,018											

41.3.1 Mismatch of interest rate sensitive assets and liabilities

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

	2012 (Restated)									
	Total	Exposed to Yield / Interest risk					Not exposed to			
Effective Yield / Interest rate	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Yield / Interest risk
..... Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	3,524,505	-	-	-	-	-	-	-	-	3,524,505
Balances with other banks	9,000,562	1,700,000	-	500,000	-	-	-	-	-	-
Investments - net	17,784,472	7,347,146	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,037,940	100,000
Advances - net	88,060,424	27,652,545	1,221,324	24,539,021	15,707,158	7,206,683	8,482,200	2,741,679	261,204	171,575
Other assets - net	11,173,387	-	-	-	-	-	-	-	-	11,173,387
	129,543,350	41,800,253	3,961,838	25,977,909	16,150,435	9,451,971	9,020,470	3,241,679	2,299,144	14,969,467
Liabilities										
Bills payable	294,024	-	-	-	-	-	-	-	-	294,024
Borrowings	51,292,157	22,246,402	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-
Deposits and other accounts	11,096,956	2,930,848	57,879	4,278	-	55,456	773	65	-	8,047,657
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	32,176,138	-	-	-	-	-	-	-	-	32,176,138
	98,063,598	25,177,250	1,766,453	4,278	3,417,148	3,472,604	6,835,068	13,668,655	3,204,323	40,517,819
On-balance sheet gap	31,479,752	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(25,548,352)
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	31,479,752	16,623,003	3,961,838	903,731	25,973,631	12,733,287	5,979,367	2,185,402	(10,426,976)	(25,548,352)
Cumulative yield / interest risk sensitivity gap	31,479,752	16,623,003	20,584,841	21,488,572	47,462,203	60,195,490	66,174,857	68,360,259	57,933,283	31,479,752
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:										
	..... Rupees in '000									
Total financial assets	129,543,350									98,063,598
Add non-financial assets:										
Investment in subsidiary company	100,000									757,393
Operating fixed assets	1,180,267									3,412,439
Other assets	825,572									102,233,430
Total assets as per statement of financial position	131,649,189									
Total financial liabilities										
Add non-financial liabilities:										
Deferred tax liabilities - net										
Other liabilities										
Total liability as per statement of financial position										

41.4 Liquidity risk

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

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

2013

	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	3,627,922	3,627,922	-	-	-	-	-	-	-	-
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
Lending to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
Investments - net	23,609,958	1,397,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	3,333,267
Advances - net	95,311,716	30,343,526	42,583	2,511,633	25,201,310	16,252,556	7,800,380	8,639,859	3,858,506	661,363
Other assets - net	11,790,826	2,752,106	520,228	591,162	1,561,129	851,859	730,094	1,321,290	1,768,522	1,694,436
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	1,347,307	-	-	-	367,574	-	-	-	-	979,733
	148,448,277	48,500,233	19,689,327	3,102,795	27,557,574	18,171,320	8,994,711	10,116,494	5,647,024	6,668,799
Liabilities										
Bills payable	706,265	706,265	-	-	-	-	-	-	-	-
Borrowings	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-
Deposits and other accounts	14,906,582	14,552,536	70,390	100,200	129,037	-	53,258	1,161	-	-
Sub-ordinated loan	3,204,323	-	-	-	3,204,323	-	-	-	-	-
Deferred tax liabilities - net	130,022	-	-	-	-	-	-	130,022	-	-
Other liabilities	41,842,923	687,329	358,218	1,317,940	34,612,423	317,940	224,286	591,142	1,037,125	2,696,520
	115,965,018	19,863,820	428,608	1,418,140	89,202,996	317,940	277,544	722,325	1,037,125	2,696,520
Net assets	32,483,259	28,636,413	19,260,719	1,684,655	(61,645,422)	17,853,380	8,717,167	9,394,169	4,609,899	3,972,279
Share capital	12,522,441									
Reserves	3,506,658									
Unappropriated profit	13,597,945									
Surplus on revaluation of assets - net of tax	2,856,215									
	32,483,259									

41.4.2

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

	2012 (Restated)									
	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	3,524,505	3,524,505	-	-	-	-	-	-	-	-
Balances with other banks	9,000,562	6,800,562	1,700,000	-	500,000	-	-	-	-	-
Investments - net	17,884,472	7,447,146	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,137,940
Advances - net	88,060,424	27,296,471	95,593	1,248,476	24,590,506	15,761,774	7,255,187	8,561,563	2,871,147	379,707
Other assets - net	11,998,959	2,682,517	421,493	417,355	2,087,491	829,766	624,369	1,064,854	1,005,425	2,865,689
Operating fixed assets	1,180,267	216,024	44,018	144,722	132,054	60,395	23,207	42,586	89,961	427,300
	131,649,189	47,967,225	4,445,907	3,259,413	28,248,939	17,095,212	10,148,051	10,207,273	4,466,533	5,810,636
Liabilities										
Bills payable	294,024	294,024	-	-	-	-	-	-	-	-
Borrowings	51,292,157	22,246,402	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-
Deposits and other accounts	11,096,956	10,978,505	-	57,879	4,278	-	55,456	773	65	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Deferred tax liabilities - net	757,393	-	-	-	-	-	-	757,393	-	-
Other liabilities	35,588,577	1,139,466	358,218	29,997,222	1,213,940	1,317,940	224,286	591,142	537,125	209,238
	102,233,430	34,658,397	358,218	31,763,675	1,218,218	4,735,088	3,696,890	8,183,603	17,410,103	209,238
Net assets	29,415,759	13,308,828	4,087,689	(28,504,262)	27,030,721	12,360,124	6,451,161	2,023,670	(12,943,570)	5,601,398
Share capital	12,522,441									
Reserves	2,831,346									
Unappropriated profit	12,263,088									
Surplus on revaluation of assets - net of tax	1,798,884									
	29,415,759									



41.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. In order to manage operational issues, an Operational Risk Model (ORM) has been developed which comprises Key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG). This model has been successfully implemented in all large and medium branches of the Bank. The data of the Operational Risk Model is collected and analyzed on quarterly basis and risk gaps are elevated to Operational Risk Committee for corrective measures. This model will be rolled out to the remaining branches of the bank in a phased manner.

With regards to Basel-II compliance, the Bank has implemented Basic Indicator Approach (BIA) for minimum capital requirements for operational risk. Disaster recovery and business continuity plan has also been revised. It includes separate IT business continuity plan which caters to IT specific business continuity planning requirements.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 August 2014 by the Board of Directors of the Bank.

43 GENERAL

43.1 Comparative information has been re-classified or re-arranged in these financial statements for the purposes of better presentation. However, no significant reclassification has been made in these financial statements.

43.2 The figures in the financial statements are rounded off to the nearest thousand rupees.

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
"Annexure-I"
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Rupees in million			Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total	Principal charged off	Interest charged off	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	
1	SYED NOOR AHMED SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED NOOR AHMED. SHAH	121-89-00961	SYED BALA SHAH	0.509	0.128	-	0.637	0.509	0.128	-	0.637	
	SYED LIAQAT ALI SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED LIAQUAT ALI SHAH	121-61-111964	SYED ZULFIQAR SHAH									
	SYED ZULFIQAR SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED ZULFIQAR SHAH	13101-22006987	SYED NOOR AHMED SHAH									
2	ISLAM VILLAGE KUNDI, TEHSIL CHATTAR, DM JAMALI	ISLAM	608-17-045872	PANJA KHAN	0.068	0.901	-	0.969	0.068	0.901	-	0.969	
3	MST. NAZIA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. NAZIA BIBI	607-89-184003	GHULAM MUHAMMAD	0.438	0.782	-	1.220	0.438	0.145	-	0.583	
	FAQIR MUHAMMAD VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	FAQIR MUHAMMAD	607-27-110351	PIRAL KHAN									
	MST. NAWAB KHATOON VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. NAWAB KHATOON	607-89-184004	GHULAM MUHAMMAD SHAHLIANI									
	MUHAMMAD RAMZAN VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MUHAMMAD RAMZAN	607-53-065975	SHAH RAKHIA									
4	MST. JAMILA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD DM JAMALI	MST. JAMILA BIBI	607-89-184012	GHULAM MUHAMMAD SHAHLIANI	0.682	0.889	-	1.571	0.682	0.156	-	0.838	
	MUHAMMAD HASSAN VILLAGE MEHRABPUR, USTA MUHAMMAD DM JAMALI	MUHAMMAD HASSAN	405-28-063315	ALI BUX									
	MST. SURIA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD DM JAMALI	MST. SURIA BIBI	607-89-227505	MIRALI NAWAZ KHAN									
	ALLAH BAKHSH VILLAGE MEHRABPUR, USTA MUHAMMAD DM JAMALI	ALLAH BAKHSH	60795-99118847	ALLAH RAKHA									

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

"Annexure-I"

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year			Rupees in million		Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	6	7					8	9	10	11	12	13
5	MUHAMMAD JAFFER KHAN VILL KOLO TARAR, HAFIZABAD,	MUHAMMAD JAFFER KHAN	00289-47459751	SAIFULLAH KHAN	0.672	1.110	-	1.782	0.672	0.366	-	1.038	
6	SYED ANWAR HUSSAIN VILLAGE MOINUDDIN PUR, HAFIZABAD	SYED ANWAR HUSSAIN	22593-695456630	SYED RASUL SHAH	0.353	0.764	-	1.117	-	0.715	-	0.715	
7	SYED AKRAM SHAH VILLAGE MOINUDDIN PUR, HAFIZABAD	SYED AKRAM SHAH	225-40-119035	SYED RASUL SHAH	0.111	0.672	-	0.783	-	0.781	-	0.781	
8	HAJI KHAN VILLAGE PAT GAHI, TM KHAN	HAJI KHAN	459-43-028536	FEROZ KHAN	0.122	0.891	-	1.013	-	0.891	-	0.891	
9	PIARO KHAN VILL SEHWAN SHARIF, HYDERABAD	PIARO KHAN	46545-48081505	MATTARO KHAN	0.312	0.203	-	0.515	-	0.515	-	0.515	
10	DR. ABDUL MAJEED ABID VILL. RAHEELO, KOTRI, HYD.	DR. ABDUL MAJEED ABID	49994-69105602	MUHAMMAD ISHAQUE	0.414	0.435	-	0.849	-	0.571	-	0.571	
11	DR. ABDUL MAJEED ABID VILL. RAHEELO, KOTRI, HYD.	DR. ABDUL MAJEED ABID	449-46-105602	MUHAMMAD ISHAQUE	0.407	0.301	-	0.708	-	0.705	-	0.705	
12	SAIN BUX VILL KHURARI, TANDO BHAGO HYDERABAD	SAIN BUX	458-40-068000	QADIR BUX	0.305	0.554	-	0.859	-	0.554	-	0.554	
13	NAZAR HUSSAIN VILL. MAL SULTAN	NAZAR HUSSAIN	260-24-565440	ALLAH BUX	0.108	1.072	-	1.180	-	1.072	-	1.072	
14	HABIB UR REHMAN H NO AK-13A, SOOMRO LYAN, ABDUL LATIF BHATTI ROAD, KARACHI	HABIB UR REHMAN	42301-08900039-5	RAHIM BUX SOOMRO	0.247	0.539	-	0.786	-	0.537	-	0.537	

ZARAI TARAQIATI BANK LIMITED
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OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

"Annexure-I"

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13
					..... Rupees in million							
15	M/S LARR SUGAR MILLS 36/D KAECHS, OFF. SHAHEED E MILLAT ROAD, KARACHI	S. GHULAM MUSTAFA SHAH	495-18-000470	SYED GHULAM ALI SHAH	110.513	20.070	-	130.583	-	73.011	-	73.011
		ASAD ANSARI	42201-11435343	ALI MUHAMMAD ANSARI								
		S. KALEEMULLAH SHAH	495-87-002337	HIDAYAT ULLAH SHAH								
		ASADULLAH FAROOQI	42301-10645907	MIAN MUHAMMAD FAROOQ								
		ABDUL RAUF	42201-08931987	MIAN MUHAMMAD FAROOQ								
		DR. S. RAFIQUE MUSTAFA	42201-68757039	S. GHULAM MUSTAFA SHAH								
		AMANULLAH FAROOQI	42201-42391875	MIAN MUHAMMAD FAROOQ								
		MRS. ISHRAT ABBAS		MUHAMMAD ABBAS								
		ABDUL MAJEED QAZI		ABDUL RASHEED QAZI								
16	SIKANDAR ALI JATI/KARACHI	SIKANDAR ALI	496-57-026351	MUHAMMAD BACHAL	0.147	1.714	-	1.861	-	1.638	-	1.638
17	AGRO CARE 23 B STREET C, UPPER MALL LAHORE	SYED RASHID BUKHARI	35202-4831850-1	S AHMED ALI SHAH	0.585	3.791	-	4.376	-	3.349	-	3.349
18	GRAIN CARE 145 FEROPURE RD. LAHORE	MRS. ROMANA KHALID	35202-5180908-4	W/O KHALID UMER KHAKWANI								
		MALIK RAFIQUE AHMED	35202-8258015-3	MALIK BASHIR AHMED								
		KHALID UMER KHAKWANI	35202-0175599-9	DOST MUHAMMAD KHAKWANI	2.037	1.753	-	3.790	-	3.148	-	3.148
		MST. BEHRAWAR BOKHARI	36302-3363966-0	W/O S SAJID ALI BOKHARI								
19	RICH GREEN IND. PVT 1-96 AHMED BLOCK NEW GARDEN TOWN, LAHORE	SYED MUHAMMAD TALOQEER	271-44-085210	SYED MUHAMMAD AZEEM	2.834	11.553	-	14.387	-	14.387	-	14.387
		SYED AHMED SAEED	271-45-137008	SYED MUHAMMAD AZEEM								
		SYED IKRAMUL HAQ	231-34-214772	SYED MEHBOOB SHAH								
		SHAHEEN RAHEEM	409-50-064000	RAHEEM CHAUDHRY								
20	YOUSUF ALI VILL. MEHREENPUR, LARKANA	YOUSUF ALI	00403-56117819	KHADIM ALI	0.106	1.223	-	1.329	-	1.162	-	1.162
21	GUL HASSAN KHAN VILL GAHNO WAH, GARHI YASIN, LARKANA	GUL HASSAN KHAN	41292-79076087	DUR MUHAMMAD	0.119	0.506	-	0.625	-	0.625	-	0.625
22	NABI BUX HAJANO VILL HAJANA DEH JANO, SHIKARPUR	NABI BUX HAJANO	411-43-133420	JALALUDDIN	0.129	0.486	-	0.615	-	0.615	-	0.615

"Annexure-I"

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year					Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6	7	8	9	10					11	12
					Rupees in million								
1													
23	ABDUL RAZAQUE VILL RAHIM WAH, GARHI YASIN, LARKANA	ABDUL RAZAQUE	41290-19012079	FATEH KHAN	0.990	1.433	-	2.423	-	1.430	-	-	1.430
24	MUHAMMAD AMIN KHAN QUETTA ROAD, JACOBABAD	MUHAMMAD AMIN KHAN	412-01-012079	FATEH KHAN	-	-	-	-	-	-	-	-	-
24	ABDUL RASHEED VILL RAHIM WAH, GARHI YASIN, LARKANA	ABDUL RASHEED	412-50-123906	SHAHRAZ KHAN	0.420	0.625	-	1.045	-	0.625	-	-	0.625
25	ABDUL RASOOL VILL RAHIM WAH, GARHI YASIN, LARKANA	ABDUL RASOOL	412-52-123906	SHAH BAZ KHAN	0.041	0.672	-	0.713	-	0.672	-	-	0.672
26	NIGHAT BIBI BASTI MALOOK/MULTAN	NIGHAT BIBI			0.729	-	-	0.729	-	0.729	-	-	0.729
27	RAZIA BEGUM VILL LABAR, DISTT. MULTAN	RAZIA BEGUM	323-37-107560	NAZAR MUHAMMAD	0.554	1.060	-	1.614	-	0.799	-	-	0.799
28	SADIA ASGHAR VILL THATH GHALWAN, SHUJABAD, MULTAN	SADIA ASGHAR	35201-77401684	MUHAMMAD QASIM	0.973	1.299	-	2.272	-	0.813	-	-	0.813
29	AHMED YAR VILL LALPUR, MUZAFFARGARH	AHMED YAR	32304-52269551	GHULAM RASOOL	-	0.578	-	0.578	-	0.578	-	-	0.578
30	RASHIDA BEGUM VILL DOGAR KALASRA, SANAWAN, MUZAFFARGARH	RASHIDA BEGUM	31795-29169795	SULTAN AHMED	0.434	0.893	-	1.327	-	0.676	-	-	0.676
31	GHULAM ALI VILL PHULJI CO NIZAMUDDIN, DADU	GHULAM ALI	462-15-001391	ALLAH BUX	0.095	0.795	-	0.890	-	0.890	-	-	0.890
32	SHER MUHAMMAD VILL PHULJI CO NIZAMUDDIN, DADU	SHER MUHAMMAD	462-26-002516	ALLAH BUX									
32	RAHIM BUX DEH KOORPUR, KALHORA, DADU	RAHIM BUX	46246-05170100	HAJI MUHAMMAD ABBAS	0.465	0.282	-	0.747	-	0.747	-	-	0.747
33	MIR NAWAZ DEH PUMBI, DADU	MIR NAWAZ	46294-69023500	AHMED KHAN	0.030	0.669	-	0.699	-	0.654	-	-	0.654
34	IFTIKHAR AHMED APTAWA HOUSE, JEHANGIRABAD, PESHAWAR	IFTIKHAR AHMED	13590-09000193	NOOR HAQUE	0.500	0.841	-	1.341	-	0.583	-	-	0.583
35	NASRULLAH QILA IBRAHIM, WANDU	NASRULLAH	627-53-132888	BILAL MANGLE	0.125	1.190	-	1.315	-	1.315	-	-	1.315
36	HAZOOOR BUX CHACHEZAI PANJPAI, QUETTA	HAZOOOR BUX	00602-43019489	MALIK SHAH	0.703	0.818	-	1.521	-	0.775	-	-	0.775
	ABDUL WAHID CHACHEZAI PANJPAI, QUETTA	ABDUL WAHID	602-45-423506	MALIK SHAH									

"Annexure-I"
ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Fathers' / husband's name	Outstanding liabilities at beginning of the year			Rupees in million			Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Principal charged off	Interest charged off	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	
37	SYED RIAZ HUSSAIN SHAH VILL LAL SHAH, QABOOLA TOWN, SAHIWAL	SYED RIAZ HUSSAIN SHAH	338-37-255297	ASGHAR ALI	0.770	0.755	-	1.525	-	0.705	-	0.705	
38	GHULAM FARID 63 KB, LUDDEN, VEHARI	GHULAM FARID	324-25-051879	MIAN KORA	0.718	0.049	-	0.767	-	0.767	-	0.767	
39	PIR MEHAR SHAH VILL ALAMPUR, KARAMPUR, VEHARI	PIR MEHAR SHAH	36602-24217697	PIR ANWAR SHAH	0.661	-	-	0.661	-	0.661	-	0.661	
40	MUMTAZ AHMED KHAN VILL SHAHTAB GARH, KARAMPUR, VEHARI	MUMTAZ AHMED	325-45-243236	GHULAM MUHAMMAD	0.519	0.269	-	0.788	-	0.787	-	0.787	
41	SHAIKAT HAYAT KHAN SHATAB GARH, THE. MAILSI,	SHAIKAT HAYAT	325-62-132569	AHMED KHAN	0.623	0.597	-	1.220	-	0.565	-	0.565	
42	SIKANDAR HAYAT SHATAB GARH, THE. MAILSI,	SIKANDAR HAYAT	325-52-385629	AHMED KHAN	0.697	0.639	-	1.336	-	0.603	-	0.603	
43	QAZI ZAMEER UD DIN VILL CHADHAR BHINDA, MAILSI, VEHARI	QAZI ZAMEER UD DIN	325-50-155426	IMTIAZ UD DIN	0.254	0.322	-	0.576	-	0.576	-	0.576	
44	MUHAMMAD IQBAL KHAN VILL FADDA, MAILSI VEHARI	MUHAMMAD IQBAL KHAN	32595-39385908	MUHAMMAD YAR KHAN	0.578	0.053	-	0.631	-	0.631	-	0.631	
45	MUKHTAR AHMED SHAH VILL GHULAM SHAH, LUDDEN VEHARI	MUKHTAR AHMED SHAH	324-57-368592	AHMED ALI SHAH	0.489	0.104	-	0.593	-	0.593	-	0.593	
46	MST. GHULAM JANAT VILL. HASSAN SHAH, KARAMPUR, VEHARI	GHULAM JANAT	325-22-151510	RIAZ HUSSAIN SHAH	0.979	1.173	-	2.152	-	0.646	-	0.646	
	AZIZ BEGUM VILL. HASSAN SHAH, KARAMPUR, VEHARI	GHULAM JANAT	00325-49409085	RIAZ HUSSAIN SHAH									
	SYED ALTAF HUSSAIN VILL. HASSAN SHAH, KARAMPUR, VEHARI	SYED ALTAF HUSSAIN	36602-95740821	SYED RIAZ HUSSAIN SHAH									
47	MST. JANAT BIBI VILL. HASSAN SHAH, KARAMPUR, VEHARI	JANAT BIBI	325-37-151511	RIAZ HUSSAIN SHAH	0.979	0.875	-	1.854	-	1.035	-	1.035	
	SYED NASIR HUSSAIN SHAH	SYED NASIR HUSSAIN SHAH	325-59-323461	RIAZ HUSSAIN SHAH									
					134.544	66.328	-	200.872	2.369	124.827	-	127.196	





CONSOLIDATED FINANCIAL STATEMENTS





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

ILYAS SAEED & CO.
Chartered Accountants
Office # 26, 2nd Floor
Rose Plaza, I-8 Markaz
Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Zarai Taraqati Bank Limited ("the Bank") and its subsidiary company as at 31 December 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for one hundred and eighteen branches which have been audited by us. We have also expressed separate opinion on the financial statements of Zarai Taraqati Bank Limited. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by Ilyas Saeed & Co., Chartered Accountants, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of Ilyas Saeed & Co., Chartered Accountants. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Zarai Taraqati Bank Limited and its subsidiary company as at 31 December 2013 and the results of their operations for the year then ended.

Emphasis of matters

Prudential Regulation 'O-3' for Corporate / Commercial Banking requires clearance of all outstanding entries in inter-branches / offices current accounts within a period of 30 days from the date of recording of transactions. We have, however, noted balances in inter-branches / offices current accounts included in these consolidated financial statements on net basis amounting to Rupees 473.257 million credit balance (2012: Rupees 588.111 million credit balance) which include transactions beyond the period of 30 days.

We draw attention to note 15.6 to the consolidated financial statements, which more fully explains the events after the reporting period, relating to decisions on conversion of borrowings from State Bank of Pakistan (SBP) (Note 15.5), SBP sub-ordinated loan (Note 17) and related accrued mark-up on borrowings from SBP and SBP sub-ordinated loan into fully paid-up ordinary shares of the Bank. Further, Bank's claim against Government of Pakistan on account of mark-up differential (Note 23.1.1) and various remission schemes (Note 23.1.2) have been waived off by the Board of Directors of the Bank.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Atif Bin Arshad

Date: 21 August 2014

Islamabad

ILYAS SAEED & CO.
Chartered Accountants

Name of engagement partner:
Imran Ilyas

Date: 21 August 2014

Islamabad



ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013	2012 Restated	2011 Restated
..... Rupees in '000				
ASSETS				
Cash and balances with treasury banks	7	3,627,922	3,524,505	3,056,462
Balances with other banks	8	9,370,154	9,176,810	11,301,812
Lendings to financial institutions	9	3,646,716	-	-
Investments - net	10	23,542,336	17,814,472	11,947,958
Advances - net	11	95,311,716	88,060,424	84,743,706
Operating fixed assets	12	1,348,947	1,182,211	1,169,361
Deferred tax assets - net		-	-	-
Other assets - net	13	11,741,386	11,964,379	10,351,350
		148,589,177	131,722,801	122,570,649
LIABILITIES				
Bills payable	14	706,265	294,024	208,117
Borrowings	15	55,174,903	51,292,157	51,257,213
Deposits and other accounts	16	14,897,893	11,065,853	8,885,263
Sub-ordinated loan	17	3,204,323	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities - net	18	97,002	729,086	825,771
Other liabilities	19	41,865,940	35,596,702	31,581,780
		115,946,326	102,182,145	95,962,467
NET ASSETS		32,642,851	29,540,656	26,608,182
REPRESENTED BY				
Share capital	20	12,522,441	12,522,441	12,522,441
Reserves	21	3,505,289	2,829,977	2,312,072
Unappropriated profit		13,758,929	12,389,354	10,459,826
		29,786,659	27,741,772	25,294,339
Surplus on revaluation of assets - net of tax	22	2,856,192	1,798,884	1,313,843
		32,642,851	29,540,656	26,608,182
CONTINGENCIES AND COMMITMENTS	23			

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
Mark-up / return / interest earned	24	12,962,641	11,337,285
Mark-up / return / interest expensed	25	3,891,207	3,730,526
Net mark-up / interest income		9,071,434	7,606,759
Provision for diminution in the value of investments - net	10.3	-	80
Provision against non-performing loans and advances - net		1,043,048	1,049,786
Write offs under Government relief packages		7,911	14,454
Bad debts written off directly		-	-
		<u>1,050,959</u>	<u>1,064,320</u>
Net mark-up / interest income after provisions		8,020,475	6,542,439
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		13,512	13,568
Dividend income		54,068	17,222
Income from dealing in foreign currencies		-	-
Gain on sale of securities		30,399	234,268
Unrealized loss on revaluation of investments classified as held for trading	10.1	-	(30,537)
Other income	26	4,785,455	4,155,995
Total non mark-up / interest income		<u>4,883,434</u>	<u>4,390,516</u>
		12,903,909	10,932,955
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	7,656,119	7,047,618
Provision against other assets - net	13.6	36,394	(30,938)
Other charges	28	464	1,694
Total non mark-up / interest expenses		<u>7,692,977</u>	<u>7,018,374</u>
		5,210,932	3,914,581
EXTRA ORDINARY / UNUSUAL ITEMS		-	-
PROFIT BEFORE TAXATION		5,210,932	3,914,581
Taxation - Current year		1,820,705	1,373,689
- Prior years		62	96
- Deferred		(16,297)	(65,216)
	29	<u>1,804,470</u>	<u>1,308,569</u>
PROFIT AFTER TAXATION		3,406,462	2,606,012
Unappropriated profit brought forward		12,389,354	10,459,826
Profit available for appropriation		<u>15,795,816</u>	<u>13,065,838</u>
Basic earnings per share (Rupees)	30	<u>2.720</u>	<u>2.081</u>
Diluted earnings per share (Rupees)	31	<u>2.720</u>	<u>2.081</u>

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
PROFIT AFTER TAXATION FOR THE YEAR		3,406,462	2,606,012
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement of defined benefit plans		(2,094,843)	(243,941)
Deferred tax		733,268	85,362
		(1,361,575)	(158,579)
Items that may be reclassified to profit and loss account		-	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY		2,044,887	2,447,433
COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY			
Net change in fair value of available for sale securities of the Bank		1,174,788	538,935
Deferred tax		(117,480)	(53,894)
		1,057,308	485,041
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,102,195</u>	<u>2,932,474</u>

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012 Restated
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,210,932	3,914,581
Dividend income		(54,068)	(17,222)
		5,156,864	3,897,359
Adjustments for non-cash charges:			
Depreciation	12.2	139,270	168,455
Amortization	12.3	117	19
Amortization of deferred income	19.3	(838)	(882)
Provision against non-performing loans and advances - net		1,043,048	1,049,786
Provision for diminution in the value of investments - net	10.3	-	80
Provision for employees post retirement medical benefits	35.5.6	464,608	292,642
Reversal of provision against other assets - net	13.6	36,394	(30,938)
Fixed assets - written off	28	336	3
Write offs under Government relief packages		7,911	14,454
Reversal for defined benefit plans	27	(285,908)	(460,693)
Unrealized loss on revaluation of investments classified as held for trading	10.1	-	30,537
Gain on sale of securities		(30,399)	(234,268)
Gain on sale of operating fixed assets	26	(14,873)	(17,778)
		1,359,666	811,417
		6,516,530	4,708,776
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(3,646,716)	-
Net investments in held for trading securities		1,041,437	(1,010,900)
Advances - net		(8,302,251)	(4,380,958)
Others assets - net		(513,647)	(1,029,149)
		(11,421,177)	(6,421,007)
Increase / (decrease) in operating liabilities:			
Bills payable		412,241	85,907
Borrowings from financial institutions		3,882,746	34,944
Deposits and other accounts		3,832,040	2,180,590
Other liabilities (excluding current taxation)		4,148,045	3,570,782
		12,275,072	5,872,223
Employees' benefits paid		(250,134)	(242,119)
Income tax paid		(1,021,898)	(1,315,477)
Net cash generated from operating activities		6,098,393	2,602,396



	Note	2013	2012 Restated
Rupees in '000			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(1,851,624)	(3,831,038)
Net investments in held to maturity securities		(3,712,490)	(281,990)
Dividend income received		54,068	17,222
Investments in operating fixed assets		(311,624)	(203,129)
Sale proceeds from disposal of property and equipment		20,038	39,580
Net cash used in investing activities		(5,801,632)	(4,259,355)
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net increase / (decrease) in cash and cash equivalents		296,761	(1,656,959)
Cash and cash equivalents at beginning of the year		12,701,315	14,358,274
Cash and cash equivalents at end of the year	32	12,998,076	12,701,315

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Statutory Reserve	Revenue Reserves		Total
			Contingencies reserve	Un-appropriated profit	
	..... Rupees in '000				
Balance as at 31 December 2011 - as previously reported	12,522,441	2,252,072	60,000	8,274,546	23,109,059
Effect of change in accounting policy - note 3.4	-	-	-	2,185,280	2,185,280
Balance as at 31 December 2011 - restated	12,522,441	2,252,072	60,000	10,459,826	25,294,339
Profit after taxation for the year ended 31 December 2012	-	-	-	2,606,012	2,606,012
Other comprehensive income for the year ended 31 December 2012	-	-	-	(158,579)	(158,579)
Total comprehensive income for the year ended 31 December 2012	-	-	-	2,447,433	2,447,433
Transferred to statutory reserve	-	517,905	-	(517,905)	-
Balance as at 31 December 2012 - restated	12,522,441	2,769,977	60,000	12,389,354	27,741,772
Profit after taxation for the year ended 31 December 2013	-	-	-	3,406,462	3,406,462
Other comprehensive income for the year ended 31 December 2013	-	-	-	(1,361,575)	(1,361,575)
Total comprehensive income for the year ended 31 December 2013	-	-	-	2,044,887	2,044,887
Transferred to statutory reserve	-	675,312	-	(675,312)	-
Balance as at 31 December 2013	12,522,441	3,445,289	60,000	13,758,929	29,786,659

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

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- Zarai Taraqiati Bank Limited

Subsidiary company

Kissan Support Services (Private) Limited

1.1 Zarai Taraqiati Bank Limited ("the Bank")

(a) Reorganization and conversion

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

(b) Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqiati Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984 on 23 October 2002. Consequently, under SRO 823 (1) / 2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of Agricultural Development Bank of Pakistan were transferred to, and vested in Zarai Taraqiati Bank Limited on 14 December 2002, the effective date specified by the Federal Government, on the basis of net worth determined at Rupees 8.7 billion. The Bank's registered and principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 379 (2012: 359) branches in Pakistan as at close of the year.

(c) Nature of business

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

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

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

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) shall prevail.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' on banks through SRO 411(1)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of the Group's financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3 IFRS 8, 'Operating Segments' is effective for the accounting period beginning on or after 1 January 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.
- 3.4 **Standards, amendments and interpretations to published approved accounting standards that are effective in the current year**
The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2013:
- IAS 1 'Presentation of Financial Statements' has been amended effective 1 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The specified changes has been made in the statement of other comprehensive income for the year.
 - IAS 19 'Employee Benefits' - (Amendment)
- Significant changes have been made in the requirements of IAS 19 - Employee Benefits. These changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. Actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

Expected returns on plan assets are calculated using the discount rate used to measure the present value of defined benefit obligation, instead of expected rate of return.

Unvested past service cost can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment / curtailment occurs or when the entity recognizes related restructuring or termination costs.

The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Further, objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The Group applied this standard retrospectively in the current year in accordance with the transitional provision given in the standard.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these consolidated financial statements are as under:

Zarai Taraqati Bank Limited

	31 December 2013		31 December 2012		31 December 2011		
	Increase / (decrease) due to change in policy and assumptions	As previously reported	Increase / (decrease) due to change in policy and assumptions	As restated	As previously reported	Increase / (decrease) due to change in policy and assumptions	As restated
..... Rupees in '000							
Impact on statement of financial position							
Receivable from defined benefit plans	(1,284,314)	5,686,605	119,985	5,806,590	4,951,267	411,360	5,362,627
Provision for employees' post retirement medical benefits	1,995,994	(4,244,360)	2,987,282	(1,257,078)	(4,049,164)	2,955,323	(1,093,841)
Deferred tax liability - net	(249,088)	330,150	(1,087,543)	(757,393)	331,449	(1,178,339)	(846,890)
Unappropriated profit	(462,592)	(10,243,364)	(2,019,724)	(12,263,088)	(8,171,742)	(2,188,344)	(10,360,086)
	Year ended 31 December 2013		Year ended 31 December 2012				
	... Rupees in '000 ...		... Rupees in '000 ...				
Impact on profit and loss account (Administrative expenses)		355,701		19,018			
Impact on other comprehensive income - net of tax		(1,366,390)		(156,259)			
Impact on earning per share - in Rupees		0.185		0.010			

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	31 December 2012		
	As previously reported	Increase / (decrease) due to change in policy and assumptions	As restated
..... Rupees in '000			
Impact on statement of financial position			
Payable to defined benefit plans	(46,711)	(8,208)	(54,919)
Deferred tax asset	25,433	2,873	28,306
Unappropriated profit	(130,251)	5,335	(124,916)
Advance tax	15,241	(17)	15,224
	Year ended 31 December 2012		Prior to 01 January 2012
	..... Rupees in '000		
Impact on profit and loss account			
Net increase in profit before tax		50	-
Net increase in tax expenses		17	-
Net increase in profit after tax		33	-
Impact on other comprehensive income			
Actuarial net loss reclassified to other comprehensive income		(50)	
Net actuarial loss recognized in other comprehensive income		(3,494)	(4,714)
Deferred tax		1,223	1,650
		(2,271)	(3,064)
		(2,321)	(3,064)

- There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2013 but are considered not relevant or do not have a significant effect on the Group's operations and therefore are not detailed in the consolidated financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2014:

	Effective date (accounting periods beginning on or after)
- IAS 32 - Financial Instruments: Presentation (Amendment)	1 January 2014
- IFRS 10 - Consolidated Financial Statements	1 January 2014
- IFRS 12 - Disclosure of Interest in Other Entities	1 January 2014
- IFRS 3 - Profit and Loss Sharing on Deposits	1 January 2014

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

4 BASIS OF MEASUREMENT

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5.1 Classification of investments

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

5.2 Provision against advances

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

5.3 Defined benefit plans

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

5.4 Operating fixed assets

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

5.5 Impairment

Impairment of available for sale equity investments

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

Impairment of investments in associates

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

Impairment of non-financial assets (excluding deferred tax)

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

5.6 Taxation

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Basis of consolidation

The consolidated financial statements include the financial statements of Zarai Taraqati Bank Limited and its subsidiary company. Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiary is disposed off. The assets and liabilities of subsidiary company has been consolidated on a line by line basis based on the financial statements as at 31 December 2013 and the carrying value of investments held by the Bank is eliminated against the subsidiary shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

6.2 Staff retirement benefits

Zarai Taraqati Bank Limited

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

Pension scheme

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

Gratuity scheme

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

Provident fund scheme

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

Benevolent scheme

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

Post retirement medical benefits

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

Employees compensated absences

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

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Unfunded medical benefits

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

Gratuity scheme

The Company operates an un-funded gratuity scheme for its permanent employees whose period of service is one year or more. Employees are entitled to gratuity on the basis set out in staff regulation. The most recent actuarial valuation is carried out at 31 December 2013 using the 'Projected Unit Credit Method' as under the latest IAS - 19 revised 2011.

6.3 Cash and cash equivalents

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

6.4 Advances

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

6.5 Investments

The Group classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

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

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

Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiary and investments in associates are carried at cost less accumulated impairment losses, if any.

6.6 Operating fixed assets and depreciation / amortization

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

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

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

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

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

6.7 Intangible assets

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

6.8 Impairment

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

6.9 Assets acquired in satisfaction of claims

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

6.10 Taxation

Current

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

Deferred

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

6.11 Borrowings / deposits and their costs

Borrowings / deposits are recorded at the proceeds received.

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

6.12 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as

investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

6.13 Revenue recognition

Zarai Taraqati Bank Limited

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). Where the debt securities are purchased at premium or discount, such premium / discount is amortised through the profit and loss account over the remaining period of maturity.
- Commission income is recognized on a time proportion basis.
- Profit / (loss) on sale of investments is credited / charged to profit and loss account for the current year.
- Dividend income is recognized when the Group's right to receive has been established.
- Recoveries against loans written-off under Government relief packages are accounted for on cash receipt basis.
- Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.

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

6.14 Provisions

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

6.15 Foreign currencies

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

6.16 Financial assets and financial liabilities

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

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

6.17 Offsetting

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

6.18 Dividend distribution and appropriation

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

6.19 Borrowing cost

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

6.20 Trade and other payables

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

6.21 Other receivables

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

6.22 Trade debts

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

	Note	2013	2012
Rupees in '000			
7 CASH AND BALANCES WITH TREASURY BANKS			
Local currency			
In hand		981,661	1,378,401
Prize bonds		1,177	1,186
In current accounts with:			
State Bank of Pakistan (SBP)	7.1	2,645,082	2,144,916
National Bank of Pakistan		2	2
		3,627,922	3,524,505

7.1 SBP requires minimum cash reserves at the rate of 5% of the Bank's demand liabilities and deposits with maturity up to one year in Pakistan. These are non-remunerative in nature. Cash reserve is required to be maintained with SBP to comply with the requirements of regulations issued from time to time.

	Note	2013	2012
Rupees in '000			
8 BALANCES WITH OTHER BANKS			
In Pakistan - local currency:			
In current accounts		21,373	26,301
In deposit accounts	8.1	9,348,781	9,150,509
		9,370,154	9,176,810

8.1 These carry mark-up rates ranging from 6.00% to 10.30% per annum (2012: 6.00% to 12.25% per annum).

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9.2	2,365,000	-
Repurchase agreement lendings	9.3	1,281,716	-
		3,646,716	-
9.1 Particulars of lendings			
In local currency		3,646,716	-
In foreign currencies		-	-
		3,646,716	-

9.2 These carry mark-up rates ranging from 10.00% to 10.25% per annum (2012: Nil).

9.3 These carry mark-up rates ranging from 10.00% to 10.40% per annum (2012: Nil).

9.4 Securities held as collateral against lendings to financial institutions

	2013			2012		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
..... Rupees in '000						
Market Treasury Bills	1,281,716	-	1,281,716	-	-	-
	1,281,716	-	1,281,716	-	-	-

10 INVESTMENTS - NET

10.1 Investments by types

	Note	2013			2012		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
..... Rupees in '000							
Held for trading securities							
Sukuk Bonds	10.7	-	-	-	1,041,437	-	1,041,437
		-	-	-	1,041,437	-	1,041,437
Available-for-sale securities							
Market Treasury Bills	10.6	1,693,733	3,916,490	5,610,223	3,280,751	-	3,280,751
Shares in listed companies	10.4	90,031	-	90,031	90,031	-	90,031
Shares in unlisted companies	10.5	10,523	-	10,523	10,523	-	10,523
Sukuk Bonds	10.7	20,042	-	20,042	20,287	-	20,287
Term Finance Certificates	10.9	19,996	-	19,996	500,000	-	500,000
Units of mutual funds	10.11	32,401	-	32,401	30,000	-	30,000
		1,866,726	3,916,490	5,783,216	3,931,592	-	3,931,592
Held-to-maturity securities							
Market Treasury Bills	10.6	12,464,036	-	12,464,036	8,386,033	-	8,386,033
Pakistan Investment Bonds	10.8	1,325,350	-	1,325,350	1,336,447	-	1,336,447
Sukuk Bonds	10.7	807,443	-	807,443	859,292	-	859,292
Certificates of Investment	10.10	-	-	-	302,705	-	302,705
		14,596,829	-	14,596,829	10,884,477	-	10,884,477
Investments at cost		16,463,555	3,916,490	20,380,045	15,857,506	-	15,857,506
Provision for diminution in value of investments	10.3	(11,258)	-	(11,258)	(11,258)	-	(11,258)
Investments (net of provisions)		16,452,297	3,916,490	20,368,787	15,846,248	-	15,846,248
Deficit on revaluation of held for trading securities		-	-	-	(30,537)	-	(30,537)
Surplus on revaluation of available-for-sale securities - net	22	3,154,697	18,852	3,173,549	1,998,761	-	1,998,761
Investments at revalued amounts (net of provisions)		19,606,994	3,935,342	23,542,336	17,814,472	-	17,814,472

	Note	2013	2012	
Rupees in '000				
10.2 Investments by segments				
Federal Government Securities:				
Market Treasury Bills	10.6	18,074,259	11,666,784	
Pakistan Investment Bonds	10.8	1,325,350	1,336,447	
Sukuk Bonds	10.7	827,485	1,921,016	
		20,227,094	14,924,247	
Fully paid-up ordinary shares:				
Listed companies	10.4	90,031	90,031	
Un-listed companies	10.5	10,523	10,523	
		100,554	100,554	
Units of Mutual Funds	10.11	32,401	30,000	
Other investments				
Term Finance Certificates	10.9	19,996	500,000	
Certificates of Investments	10.10	-	302,705	
		19,996	802,705	
Total investments at cost		20,380,045	15,857,506	
Provision for diminution in value of investments	10.3	(11,258)	(11,258)	
Investments (net of provisions)		20,368,787	15,846,248	
Deficit on revaluation of held for trading securities		-	(30,537)	
Surplus on revaluation of available-for-sale securities	22	3,173,549	1,998,761	
Total investments at carrying value		23,542,336	17,814,472	
10.3 Particulars of provision for diminution in value of investments				
Opening balance		11,258	11,178	
Charge for the year		-	80	
Closing balance		11,258	11,258	
10.3.1 Particulars of provision in respect of type and segment				
Available-for-sale securities - listed securities		735	735	
Available-for-sale securities - un-listed securities		10,523	10,523	
		11,258	11,258	
10.4 Particulars of investments held in listed companies				
			2013	2012
Number of ordinary shares	Paid up value/share	Name	Rupees in '000	
2013	2012	Rupees		
430,551	430,551	10 Nestle Pakistan Limited	89,296	89,296
450,000	450,000	10 Uqab Breeding Farm Limited (Note 10.4.1)	585	585
150,000	150,000	10 Mubarik Dairies Limited (Note 10.4.2)	150	150
300,000	300,000	10	-	-
		Dadabhoy Agricultural Leasing Limited (Note 10.4.3)	90,031	90,031



- 10.4.1** Uqab Breeding Farm Limited is in the process of liquidation under the Companies Ordinance, 1984 since February 2012 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.
- 10.4.2** Mubarik Dairies Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements. Trading in shares of Mubarik Dairies Limited is under suspension since February 2012. At the date of suspension, market value per share was Rupee 0.52 against its face value of Rupees 10 per share.
- 10.4.3** Dadabhoy Agricultural Leasing Limited is in the process of liquidation under the Companies Ordinance, 1984 and there is no probability of any recovery of amount invested on final settlement. This investment has been fully provided for in these consolidated financial statements.
- 10.4.4** Market value of listed investments is Rupees 3,250.660 million (2012: Rupees 2,037.940 million).

10.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value per share	Based on audited financial statements for the year ended	Name of chief executive/ managing director
Rupees					
Pakistan Mercantile Exchange Limited (Note 10.5.1)	4.78%	909,091	(8.44)	30 June 2013	Mr. Samir Ahmed
Saudi Pak Kala Bagh Livestock Limited (Note 10.5.2 & 10.5.4)	33.33%	1,000,000	-	-	Mr. Malik Allah Yar
Pakistan Agricultural Storage and Services Corporation Limited (Note 10.5.4)	8.33%	2,500	(127,104.30)	31 March 2013	Maj. Gen. (R) Sohail Shafqat
Larkana Sugar Mills Limited (Note 10.5.3 & 10.5.4)	6.36%	141,970	-	-	Mr. Anwar Majeed

- 10.5.1** Due to negative break up value, this investment has been fully provided for in these consolidated financial statements.
- 10.5.2** Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan obtained from the Bank and the case has been referred to National Accountability Bureau.
- 10.5.3** Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.
- 10.5.4** Investments in Saudi Pak Kalabagh Livestock Limited, Pakistan Agricultural Storage and Services Corporation Limited and Larkana Sugar Mills Limited were transferred to the Bank at the time of conversion of ADBP into the Bank at nominal value of Rupee 01 each.
- 10.5.5** Cost of unlisted investments is Rupees 10.523 million (2012: Rupees 10.523 million) and face value of investments in unlisted shares is Rupees 21.591 million (2012: Rupees 21.591 million).

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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Market Treasury Bills - available for sale	Unrated	Jan 2014 to March 2014	On maturity	9.28 to 10.60	at maturity
Market Treasury Bills - held to maturity	Unrated	Jan 2014 to March 2014	On maturity	9.40 to 10.00	at maturity

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


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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Sukuk Bonds - available for sale	Unrated	May 2014	On maturity	9.46	at maturity
Sukuk Bonds - held to maturity	Unrated	June 2015	On maturity	9.98	at maturity

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

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

Name of investment	Credit rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pakistan Investment Bonds	Unrated	August 2014 to July 2017	On maturity	11.25 to 11.75	at maturity

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

10.9 Particulars of investments in Term Finance Certificates

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Bank Alfalah Limited	AA/A1+	February 2021	On maturity	10.67	at maturity

10.10 Particulars of investments in Certificates of Investments

Name of investee	Credit Rating	Maturity period	Principal payment	Rate % per annum	Coupon payment
Pak Brunei Investment Company Limited	AA+/A1+	February 2013	On maturity	10.00	at maturity

10.11 Particulars of units of Mutual Funds

Units of Mutual Funds	Name of Management Company	Number of units held	Paid up value per unit	Total paid up/nominal value	Cost as at	
					2013	2012
			Rupees	Rupees in '000		
NAFA Money Market Fund	NBP Fullerton Asset Management Limited	2,157,097	10.0118	21,596	21,640	20,000
Askari Sovereign Cash	Askari Investment Management Limited	106,961	100.7994	10,782	10,761	10,000

10.12 Quality of Available-for-Sale securities

	2013		2012	
	Market value	Credit Rating	Market value	Credit Rating
	Rupees in '000		Rupees in '000	
Shares in listed companies				
Nestle Pakistan Limited	3,250,660	Unrated	2,037,940	Unrated
Mubarik Dairies Limited	Not available	Unrated	Not available	Unrated
	3,250,660		2,037,940	
Units of Mutual Funds				
NAFA	21,596	AA	20,000	AA+
Askari Fund Management	10,782	AAA	10,000	AM2
	32,378		30,000	
Market Treasury Bills	5,629,883	Unrated	3,330,959	Unrated
Sukuk Bonds	20,106	Unrated	20,196	Unrated
Term Finance Certificates	20,431	AA/A1+	500,000	AA-/A1+
	8,953,458		5,919,095	



	Note	2013	2012
		Rupees in '000	
11 ADVANCES - NET			
Loans, etc.			
In Pakistan - gross	11.1	102,224,529	95,242,440
Less:			
- Provision against non-performing advances	11.2	(6,896,440)	(7,162,553)
- Provision against staff advances		(16,373)	(19,463)
		(6,912,813)	(7,182,016)
Advances - net of provision		95,311,716	88,060,424
11.1 Particulars of advances (gross)			
11.1.1 In local currency		102,224,529	95,242,440
11.1.2 Short term		58,935,133	55,351,482
Long term		43,289,396	39,890,958
		102,224,529	95,242,440

11.2 Advances include Rupees 17,771.792 million (2012: Rupees 18,907.010 million) which have been placed under non-performing status as detailed below:

Category of classification	2013			2012		
	..... Rupees in '000 .....			..... Rupees in '000		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	Domestic			Domestic		
Other assets especially mentioned	10,546,077	-	-	11,727,508	-	-
Substandard	2,675,831	535,162	535,162	2,409,510	481,897	481,897
Doubtful	2,377,209	1,188,602	1,188,602	2,178,666	1,089,330	1,089,330
Loss	2,172,675	2,172,676	2,172,676	2,591,326	2,591,326	2,591,326
	17,771,792	3,896,440	3,896,440	18,907,010	4,162,553	4,162,553
Provision under portfolio audit - general	-	-	3,000,000	-	-	3,000,000
	17,771,792	3,896,440	6,896,440	18,907,010	4,162,553	7,162,553

11.3 Particulars of provision against non-performing advances

Note	2013			2012		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
Opening balance	4,162,553	3,000,000	7,162,553	4,266,212	3,000,000	7,266,212
Charge for the year	5,395,181	-	5,395,181	5,790,080	-	5,790,080
Reversals	(4,349,042)	-	(4,349,042)	(4,737,600)	-	(4,737,600)
	1,046,139	-	1,046,139	1,052,480	-	1,052,480
Amounts written off 11.4	-	-	-	-	-	-
Amounts charged off 11.5	(1,312,252)	-	(1,312,252)	(1,156,139)	-	(1,156,139)
Closing balance	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553

11.3.1 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	..... Rupees in '000					
In local currency	3,896,440	3,000,000	6,896,440	4,162,553	3,000,000	7,162,553

11.3.2 Regulations R-17, R-18, R-21 and R-25 of the Prudential Regulations for Agriculture Financing prescribe minimum standards for classification and provisioning of non-performing loans. As per the time based criteria given in the aforesaid Regulations, provision against non-performing loans is to be made at a given percentage of the difference resulting from the outstanding balance of principal less the



amount of realizable liquid assets and a given percentage of the value of mortgaged lands and buildings at the time of sanction of the loans. However, as a matter of prudence the Bank has not availed the benefit of allowed value of mortgaged lands and buildings while computing the provision against non-performing loans.

- 11.3.3** In addition to the time based criteria, the Bank has classified loans and advances amounting to Rupees 1,378.412 million (2012: Rupees 355.769 million) on the basis of credit worthiness of the borrowers in accordance with the subjective criteria of the Prudential Regulations for Agriculture Financing.

	Note	2013	2012
Rupees in '000			
11.4 Particulars of write offs			
11.4.1 Against provisions		-	-
Write offs of Rupees 500,000 and above	11.6	-	-
Write offs of below Rupees 500,000		-	-
		-	-
11.5 Particulars of charged offs			
11.5.1 Against provisions		1,312,252	1,156,139
11.5.2 Charge offs of Rupees 500,000 and above		-	-
Charge offs of below Rupees 500,000		1,312,252	1,156,139
	11.7	1,312,252	1,156,139

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year have to be disclosed. However, this write off does not effect the Bank's right to recover debts from these customers. During the year ended 31 December 2013, no write-off or any other financial relief of five hundred thousand rupees or above was allowed to any person(s).

11.7 Particulars of charged off

In terms of Prudential Regulations for Agricultural Financing - Part C (specific regulations) the Bank extinguishes its loans through provisions. The total balance for these off-balance sheet loans extinguished against provisions as at 31 December 2013 was Rupees 26,966 million (Rupees 29,441 million as at 31 December 2012) with an addition of Rupees 1,312 million (Rupees 1,156 million for the year ended 31 December 2012) as charge off loans during the year. Detail of charge offs out of extinguished loan portfolio exceeding five hundred thousand rupees is given at Annexure-I.

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

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

	Note	2013	2012
Rupees in '000			
Balance at the beginning of year		1,951,795	2,134,905
Loans granted during the year		111,232	441,729
		2,063,027	2,576,634
Repayments		(364,039)	(624,839)
Balance at the end of year		1,698,988	1,951,795
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	399,850	272,710
Property and equipment	12.2	948,886	909,173
Intangible assets	12.3	211	328
		1,348,947	1,182,211
12.1 Capital work-in-progress			
Civil works		335,703	242,865
Equipment		46,971	13,425
Advances to suppliers and contractors		150	150
Consultancy charges		13,547	12,791
Others		3,479	3,479
		399,850	272,710

12.2.1 Detail of disposal of operating fixed assets during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal/ settlement	Particulars of buyers	Location
Computer, office and other equipment							
Audio Video equipment	5,023	4,999	24	100	Through auction	M/s International Advertising (Pvt.) Ltd. (SAATACHI & SAATACHI)	Islamabad
	5,023	4,999	24	100			
Vehicles							
Toyota Corolla, SK-903	1,381	759	622	622	As per Bank policy	Ghulam Haider Marth, Ex-EVP	Islamabad
Toyota Corolla, SS-508	1,381	759	622	622	As per Bank policy	Kh. Waheed Raza, Ex-EVP	Islamabad
Toyota Corolla, QC-896	1,294	714	580	581	As per Bank policy	Riaz Ahmed Nagra, EVP	Islamabad
Toyota Corolla, PP-875	1,264	990	274	274	As per Bank policy	Javed Akhtar, SEVP	Islamabad
Toyota Corolla, QZ-794	1,136	418	718	718	As per Bank policy	Sultan Ahmed Khan, Ex-EVP	Islamabad
Toyota Corolla, UF-629	934	217	717	717	As per Bank policy	Fareeha Pervaiz Toru, Ex-VP	Islamabad
Suzuki Swift, SH-040	892	297	595	595	As per Bank policy	Anwar-ul-Hussain Alvi, Ex-SVP	Islamabad
Toyota Corolla, PW-485	833	500	333	333	As per Bank policy	Brig (R) Sajid Hameed, SVP	Islamabad
	9,115	4,654	4,461	4,462			
Other assets having book value of less than Rupees 250,000 or cost of less than Rupees 1,000,000	28,106	27,426	680	15,476			

42,244	37,079	5,165	20,038
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2013 2012
Rupees in '000

12.2.2 Carrying amount of temporarily idle property

	74,996	80,441
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12.2.3 The title documents of freehold land having cost of Rupees 0.849 million (2012: Rupees 0.849 million) and leasehold land having book value of Rupees 0.121 million (2012: Rupees 0.460 million) are still in the name of Agricultural Development Bank of Pakistan.

12.2.4 The lease tenure of leasehold lands having cost of Rupees 7.793 million (2012: Rupees 7.793 million) have expired and are not yet renewed.

12.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION			Annual rate of amortization
	At 01 January 2013	At 31 December 2013	At 01 January 2013	Charge for the year	At 31 December 2013	
			Rupees in '000			
Computer software	1,156	1,156	829	117	946	33.33%
Computer software - ADB	80,500	80,500	80,499	-	80,499	33.33%
2013	81,656	81,656	81,328	117	81,445	
			Rupees in '000			
Description	COST		ACCUMULATED AMORTIZATION			Annual rate of Amortization
	At 01 January 2012	At 31 December 2012	At 01 January 2012	Charge for the year	At 31 December 2012	
			Rupees in '000			
Computer software	826	1,156	810	19	829	33.33%
Computer software - ADB	80,500	80,500	80,499	-	80,499	33.33%
2012	81,326	81,656	81,309	19	81,328	



	Note	2013	2012 Restated
13 OTHER ASSETS - NET			
		Rupees in '000	
Income / mark-up accrued on deposits in local currency		45,394	30,435
Income / mark-up accrued on securities		21,685	57,416
Accrued interest / mark-up on advances	13.1	5,497,079	5,090,398
Stationery and stamps in hand		68,998	64,985
Amount recoverable from Federal Government	13.2	404,818	310,106
Crop loan insurance claim recoverable from Insurance Company		303,522	304,547
Tax recoverable	13.3	410,934	391,751
Non banking assets acquired in satisfaction of claims	13.4	281,670	297,447
Receivable from defined benefit plans	13.5	5,032,242	5,751,671
Stock of farm machinery		13,125	13,125
Advances against salary and expenses		18,591	14,872
Security deposits		2,472	2,400
Advances and other prepayments		310,533	294,042
Others		86,578	61,045
		12,497,641	12,684,240
Provision held against other assets	13.6	(756,255)	(719,861)
Other assets - net of provisions		11,741,386	11,964,379

13.1 This does not include Rupees 2,838.183 million (2012: Rupees 2,841.700 million) on account of unrealized mark-up on non performing loans and advance kept in the memorandum account in accordance with the Prudential Regulations for Agriculture Financing.

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

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

13.4 Market value of non-banking assets acquired in satisfaction of claims is Rupees 667.784 million (2012: Rupees 765.003 million).

	Note	2013	2012 Restated
13.5 Receivable from defined benefit plans			
		Rupees in '000	
Pension scheme	35.1.5	3,310,851	3,843,740
Gratuity scheme - Staff Regulations 1975	35.4.1.5	1,741,282	1,594,870
Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.5	41,048	367,980
Gratuity scheme of the Company	35.4.3.4	(60,939)	(54,919)
	13.5.1	5,032,242	5,751,671

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

13.6 Provision held against other assets

Opening balance		719,861	750,799
Charge for the year		55,464	1,330
Reversals		(19,070)	(32,268)
		36,394	(30,938)
Amount written off		-	-
Closing balance		756,255	719,861



	Note	2013	2012
Rupees in '000			
14	BILLS PAYABLE		
	- In Pakistan	706,265	294,024
15	BORROWINGS		
	- In Pakistan	55,174,903	51,292,157
15.1	Particulars of borrowings with respect to currencies		
	- In local currency	55,174,903	51,292,157
15.2	Details of borrowings from financial institutions - secured		
	Borrowing from State Bank of Pakistan (SBP)		
	Agricultural loans	50,174,089	50,174,089
	Agri-project loans	1,083,124	1,083,124
	SMEs and Agricultural loans	1,200	34,944
		51,258,413	51,292,157
	Repurchase agreement borrowings	3,916,490	-
		55,174,903	51,292,157

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

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

15.5 As a part of restructuring process, the Bank in the year 2003 submitted a proposal to the SBP for restructuring of the total debt according to which the SBP's debt of Rupees 51.257 billion and the SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated 12 June 2003 and capped at the aforesaid mark-up rate for an initial period of five years. SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated 16 December 2004 and ACD/14/Loans-15-A/2004 dated 4 January 2005 agreed with proposed terms except the proposed capping of mark-up rate which was suggested to be fixed on last auction's weighted average yield of Government Treasury Bill of 12 months maturity on floating basis every year. Due to the disagreement on the issue of terms of mark-up, this proposal could not be implemented. Therefore, mark-up / interest on above debt is being charged in the consolidated profit and loss account as per original terms of agreement.

In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank, the matter was discussed in the meeting held on 16 January 2008 between representatives of Ministry of Finance (MoF), the Bank and the SBP and also in meetings held thereafter, it was resolved that the SBP in consultation with the Bank and MoF shall firm up proposal regarding the SBP's debt on priority basis. Accordingly, the SBP submitted a proposal pertaining to the Bank's debt restructuring vide letter No. DG/29/08 dated 8 November 2008.

In this regard MoF vide their letter No. F.1(5)1F-I/2007-1217 dated 28 September 2009 advised that Finance Division, the SBP and the Bank will work out a revised proposal to rationalize debt structure of the Bank. As per GoP directive, the SBP presented revised restructuring plan vide their letter No. ACD/1.1-13/2009-1071 dated 27 October 2009. However, the Bank requested MoF vide its letter No. 2932 dated 20 November 2009 and Letter No. FIN/B&FMD/4(15)/2009-943 dated 8 April 2010 that the agreed upon SBP debt restructuring proposal dated 8 November 2008 may be implemented. Thereafter, the SBP revised proposal dated 27 October 2009 was again discussed in a tripartite meeting held in MoF on 7 July 2010 wherein the Bank's representatives stressed that the SBP agreed upon proposal dated 8 November 2008 would be practicable for the Bank. As per minutes of the meeting vide MoF letter No. F.1 (5)IF-I/2007-943 dated 22 July 2010, it was decided that the Bank may come up with a practicable proposal for debt restructuring to be considered by Finance Division and the SBP.

The SBP vide their letter dated 9 February 2011 submitted a revised proposal, received by the Bank through MoF letter dated 12 February 2011. The Bank's response on the SBP proposal was furnished to MoF vide the Bank's letter dated 22 February 2011 whereby the Bank conveyed its in principal agreement with the revised SBP proposal, subject to some further relaxations. In the tripartite meeting held on 6 June 2012, among MoF, SBP and the Bank, it was desired by the MoF that ZTBL will furnish a comprehensive and workable proposal for consideration. A proposal to this effect was sent to MoF on 15 June 2012. Last tripartite meeting among MoF, SBP and the Bank was held on 13 August 2012, wherein the proposal submitted by the Bank was deliberated. MoF advised ZTBL to firm up a comprehensive proposal to be discussed in the next meeting.



- 15.6 Subsequent to the reporting period, in the meeting held on 11 July 2014, among Ministry of Finance (MoF), State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP) and the Bank, it was decided to convert all outstanding SBP principal (Rupees 51.257 billion), sub-ordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owned by the Bank to SBP as on 30 June 2014 in to equity investment of SBP in the Bank. It has also been decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various remission schemes shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18 July 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Board of Directors also advised the management of the Bank to convene the extra ordinary general meeting of the Bank to complete the legal and corporate formalities.
- 15.7 Under Refinance Scheme for Revival of SME's and Agricultural Activities in Flood Affected Areas introduced by SBP vide SMEFD circular number 16 of 2010 and agreement with SBP, refinance limit of Rupees 3.00 billion was sanctioned to the Bank. This loan carries mark-up at a rate of 5.00% per annum and is repayable along with mark up with in one year. This loan is secured by way of guarantee of Government of Pakistan (GoP).
- 15.8 These carry markup rates ranging from 9.65% to 9.98% and are secured against market treasury bills of carrying value of Rupees 3,935.342 million. These are repayable by February 2014.

	Note	2013	2012
		Rupees in '000	
16 DEPOSITS AND OTHER ACCOUNTS			
Customers - local currency			
Fixed deposits		378,583	196,182
Saving deposits	16.1	5,974,665	2,823,056
Current accounts - remunerative		83,188	142,266
Current accounts - non-remunerative	16.2	8,433,377	7,875,488
Unclaimed deposits		28,080	28,861
		<u>14,897,893</u>	<u>11,065,853</u>

16.1 This includes Rupees 66.533 million (2012: Rupees 64.745 million) as deposit of employees' benefit funds.

16.2 This includes Rupees 0.010 million (2012: Rupees 0.563 million) as deposit of employees' benefit funds.

17 SUB-ORDINATED LOAN

As per restructuring plan of the Bank approved by the ECC of the Cabinet, the SBP's equity holding of Rupees 3.204 billion was converted into subordinated loan on terms to be agreed with the SBP. Accordingly, the Bank submitted a proposal to the SBP for restructuring the debt according to which the SBP's debt of Rupees 51.257 billion and SBP's subordinated debt of Rupees 3.204 billion was repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated 12 June 2003 and capped at the aforesaid markup rate for an initial period of five years. As more fully explained in Note 15.6, subsequent to the reporting period, the Bank is in process to issue fully paid-up ordinary shares to the SBP against sub-ordinated debt and related mark-up.

	Note	2013	2012 Restated
		Rupees in '000	
18 DEFERRED TAX LIABILITIES / (ASSETS) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Accelerated tax depreciation		38,224	40,624
Defined benefit plans		331,074	1,068,320
Surplus on revaluation of assets	22	317,357	199,877
		<u>686,655</u>	<u>1,308,821</u>
Deductible temporary differences on:			
Provision for medical facilities		(12,003)	(9,366)
Provision against non-performing loans and advances		(577,650)	(570,369)
		<u>97,002</u>	<u>729,086</u>



	Note	2013	2012 Restated
Rupees in '000			
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		33,411,693	29,936,318
Accrued expenses		988,754	288,244
Taxation (provisions less payments)		3,007,186	2,189,134
Branch adjustment account		473,257	588,111
Payable to Ministry of Food Agriculture and Livestock	19.1	176,100	176,100
Profit payable on deposits and other accounts		65,685	70,406
Net liabilities relating to Bangladesh	19.2	189	189
Provision for employees' post retirement medical benefits	35.5.4	2,325,802	1,257,078
Provision for employees' compensated absences	35.6.2	681,457	446,202
Security deposits		24,065	21,766
Deferred income	19.3	15,927	16,765
Others	19.4	695,825	606,389
		41,865,940	35,596,702

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

	Note	2013	2012
Rupees in '000			
19.2 Net liabilities relating to Bangladesh			
Liabilities		1,578,146	1,548,776
Assets		(1,577,957)	(1,548,587)
	19.2.1	189	189

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

	Note	2013	2012
Rupees in '000			
19.3 Deferred Income			
Opening balance		16,765	17,647
Amortization during the year	26	(838)	(882)
Closing balance		15,927	16,765

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

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



20 SHARE CAPITAL

20.1 Authorized Capital

	2013	2012		2013	2012
	Number of shares			Rupees in '000	
	2,500,000,000	2,500,000,000	Ordinary shares of Rupees 10 each	25,000,000	25,000,000

20.2 Issued, subscribed and paid up capital

	2013	2012		2013	2012
	1,186,961,201	1,186,961,201	Ordinary shares of Rupees 10 each fully paid in cash	11,869,612	11,869,612
	65,282,866	65,282,866	Issued as bonus shares	652,829	652,829
	1,252,244,067	1,252,244,067		12,522,441	12,522,441

20.3

Shareholder	No of ordinary shares	Paid-up value per share	2013	2012
			Rupees in '000	
Government of Pakistan	1,251,189,067	10	12,511,891	12,511,891
Government of Punjab	292,340	10	2,923	2,923
Government of Sindh	125,545	10	1,256	1,256
Government of Khyber Pakhtunkhwa	71,740	10	717	717
Government of Balochistan	37,875	10	379	379
Erstwhile East Pakistan	527,500	10	5,275	5,275
	1,252,244,067		12,522,441	12,522,441

21 RESERVES

	Statutory reserves	Revenue reserve Contingencies reserve	2013	2012
	Rupees in '000		Rupees in '000	
Opening balance	2,769,977	60,000	2,829,977	2,312,072
Transfer from unappropriated profit	675,312	-	675,312	517,905
Closing balance	3,445,289	60,000	3,505,289	2,829,977

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

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

22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of available-for-sale securities:

	2013	2012
	Rupees in '000	
Quoted investments	3,161,364	1,948,644
Other securities	12,185	50,117
	3,173,549	1,998,761
Related deferred tax liability	(317,357)	(199,877)
	2,856,192	1,798,884



23 CONTINGENCIES AND COMMITMENTS

23.1 Contingent assets

23.1.1 The Government of Pakistan reduced the markup rates on the Bank's advances from 14% to 9% vide Presidential Relief Package 2004 w.e.f. 01 July 2004. As per the directive of the Bank's Board of Directors, the Bank requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of markup. The total claim in this respect was worked out at Rupees 32,377 million for the period from 01 July 2004 to 31 December 2013 (2012: Rupees 30,224 million). This amount was not accounted for in the consolidated financial statements as the formal approval from Ministry of Finance had not been received by the Bank. However, as more fully explained in Note 15.6, the Board of Directors has resolved to waive off this claim along with claims against Presidential Relief Packages (Note 23.1.2)

23.1.2 There was a contingent asset of an amount of Rupees 1.708 billion (2012: Rupees 1.708 billion) receivable from the Federal Government on account of following Presidential Relief Packages:

	2013	2012
	Rupees in '000	
Advances outstanding as at 30 April 2007 receivable from borrowers of Badin, Umerkot and Tharparkar districts	752,444	752,444
Advances outstanding as at 04 August 2008 from borrowers of Girdawar Circles of Mathra and Khalisa of Peshawar districts	61,168	61,168
Advances outstanding as at 31 May 2007 from borrowers of Mansehra, Battagram, Kohistan and Shangla districts	296,773	296,773
Advances outstanding as at 30 November 2009 from borrowers of Gilgit Baltistan	597,341	597,341
	<u>1,707,726</u>	<u>1,707,726</u>

As more fully explained in Note 15.6, the Board of Directors has resolved to waive off claims against the above Presidential Relief Packages.

23.1.3 Commitments against capital expenditure

93,638

115,730

23.1.4 The Company had let out a property to the Institute of Business Education (IBE) on the 27 March 2008. Subsequently, the Company served vacation notice dated 26 January 2009 on IBE. IBE failed to vacate the property within notice period. The Company filed a petition with Civil Judge, Islamabad for the vacation of the property. This petition was decided in the favor of the Company. Subsequently, the Company filed another petition for the recovery of rent arrears for the period beyond the notice period of Rupees 2.669 million along with markup @ 2% plus prevailing bank profit rate and cost of suit with the Civil Judge, Islamabad. The case is pending before the court for decision, however, based on legal advisor opinion, the management of the Company is confident of favorable outcome, hence, no provision against rent receivable has been provided in these consolidated financial statements. IBE paid an amount of Rupees 0.658 million out of the total claim and deducted tax including surcharge amounting to Rupees 0.045 million. However, the Company returned the cheque received as the amount claimed is higher than the payment made but took credit of tax withheld and deposited in the Government treasury by IBE. This reduced the receivable balance to Rupees 2.647 million.

23.2 Contingent liabilities

23.2.1 Contingent liabilities in respect of 596 cases (2012: 654 cases) filed against the Bank by various borrower.

8,762,497

8,026,383

23.2.2 Contingent liabilities in respect of 432 cases (2012: 354 cases) filed against the Bank in various courts of law by the employees.

1,174,436

1,240,130



- 23.2.3** There is a contingency of an amount of Rupees 297.149 million and Rupees 54.828 million on account of minimum income tax levied by the income tax authorities under section 80-D of the Income Tax Ordinance, 1979, and various tax refunds pertaining to assessment years 1991-92 to 1998-99 and assessment year 1999-2000 respectively despite the income of the Bank being exempt from tax up to income year ended 30 June 1999. The Bank paid, under protest, these disputed tax demands and also filed writ petition in this respect in the Honorable Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the Bank withdrew the said petition on the directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in the Bank's favour. The Federal Board of Revenue (FBR) disagreed with the aforesaid decision and further took up the matter with Federal Cabinet for its review. Federal Cabinet referred the case to the Attorney General of Pakistan (AGP) for final decision which was received on 12 March 2011 whereby the AGP decided that Section 27-A of the ADBP Ordinance should prevail over the said section 80-D of the Income Tax Ordinance, 1979. Being aggrieved, FBR has initiated the process to file review with the AGP against the aforesaid decision.
- 23.2.4** Income Tax Department under section 161 / 205 of the Income Tax Ordinance, 2001 levied income tax amounting to Rupees 7.714 million for the tax year 2004. The Bank filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) who decided the case in favour of the Bank. However, being aggrieved, the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), where case is pending. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.5** The cases relating to taxation matters of the Bank for the assessment years 2002-2003 and tax years 2003 to 2009 were contested by the Bank at various forums. ATIR vide its orders dated 9 June 2010, 1 March 2011, 22 July 2011 and 16 April 2012 has decided most of the issues involved in favour of the Bank. Final appeal effects order has also been received by the Bank as per decisions of ATIR resulting in net refunds of Rupees 4,640.154 million out of which Rupees 1,887.415 million has been adjusted against payment of advance tax for the period from June 2012 to May 2013. However, Commissioner Inland Revenue (CIR) has filed reference applications under section 133 of the Income Tax Ordinance, 2001 against the aforementioned ATIR orders dated 9 June 2010, 1 March 2011 and 22 July 2011 before the Honorable Lahore High Court, Rawalpindi Bench for tax years 2003, 2004, 2006 and 2007 and Honorable Islamabad High Court, Islamabad for assessment year 2002-03 and tax years 2004, 2005, 2006, 2007, 2008 and 2009. No provision for income tax involved of approximately Rupees 9,917.854 million has been recognized in the financial statements as the Bank is confident for a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.6** Deputy Commissioner Inland Revenue (DCIR) passed orders under section 122(4) of the Income Tax Ordinance, 2001 and raised demand of Rupees 3,307 million for tax years 2008 and 2009. The Bank filed appeals before CIR(A) who maintained the order. The Bank filed an appeal against the said order before the ATIR which has been decided and cases have been remanded back to the assessing officer. No order, in this regard, has been received so far.
- 23.2.7** Assistant Commissioner Inland Revenue (ACIR) raised demand of Rupees 429.747 million under section 161 of the Income Tax Ordinance, 2001 for the tax year 2010. CIR(A), against appeal filed by the Bank, remanded back the case to ACIR with the directions to provide opportunity to the assessee. The Bank and department both filed appeals before the ATIR which were decided in favour of the Bank. The department has filed reference application before Honorable Islamabad High Court, Islamabad under section 133 of the Income Tax Ordinance, 2001 which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.8** DCIR passed order under section 161/205 of the Income Tax Ordinance, 2001 and raised demand of Rupees 27.792 million for tax year 2009. To avail the Government amnesty, the Bank paid Rupees 19.183 million under protest with waiver of penalty amount of Rupees 8.609 million under amnesty. The FBR allowed the amnesty to the Bank. The Bank has filed appeal before CIR(A) against the orders of DCIR who upheld the orders of DCIR. The Bank has filed appeal before ATIR against the orders of the CIR(A) which is pending adjudication. The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.9** DCIR passed order under section 122(1) read with section 122(5) raising demand of Rupees 597.740 million for tax year 2010. The Bank filed appeal before CIR(A) who decided the case by annulling the orders of DCIR with the directions to give the lawful treatment to the evidences provided by the appellant. The Bank has filed appeal with ATIR against the orders of the CIR(A) where the case is still pending. No provision has been made in the financial statements as favourable outcome is expected.
- 23.2.10** Order STA No. 416/IB/2012 for tax year 2008 and STA No. 417/IB/2012 for tax year 2009 were issued by ATIR to delete the demand of Rupees 51.476 million and Rupees 171.794 million respectively in respect of Federal Excise Duty / Sales Tax raised by the assessing officer. Against the orders, reference applications have been filed by FBR in Honourable Islamabad High Court, Islamabad on 7 May 2013. No provision for said amounts have been recognized in the financial statements as the Bank is confident of a favourable outcome based on strong grounds of appeal and opinion of legal counsel of the Bank.
- 23.2.11** ACIR passed orders under section 122(5A) and raised demand of Rupees 2.923 billion for tax year 2011 and Rupees 2.037 billion for tax year 2012. The Bank filed appeal before CIR(A) who remanded back the cases to DCIR. The Bank has filed appeal with ATIR against the orders of the CIR(A). The Bank has not accounted for the demand as tax payable, as a favourable decision is expected.
- 23.2.12** Assessment orders were passed by DCIR regarding Federal Excise Duty / Sales Tax for the year 2011 and year 2012 by raising demand of Rupees 485.940 million and Rupees 712.552 million. The Bank filed appeal against the orders with CIR(A) who reduced the amount by Rupees 855.251 million and confirmed the rest of demand of Rupees 343.242 million. Further appeal has been filed before ATIR against the decision of the CIR(A). Proceedings of the case are pending and no provision for said amounts have been recognized in the financial statements as the Bank is confident for a favourable outcome.



- 23.2.13** The SBP debt (Principal and mark-up) was in the process of repricing / restructuring as explained in Note 15.5. Consequent upon reworking of accrued mark up as advised by the SBP and as explained in Note 15.5, the resultant additional mark up amounting to Rupees 2.729 billion (now no more payable) was not accounted for in the financial statements of the Bank, pending the formal approval of the debt restructuring proposal including approval of the Bank claim of differential of mark-up amounting to Rupees 32.377 billion from GoP. However, as more fully explained in Note 15.6, subsequent to the reporting period, the Bank is in process to issue fully paid-up ordinary shares to the SBP against the SBP debt and related mark-up.
- 23.2.14** The Officer Inland Revenue, Large Taxpayers Unit (LTU), Islamabad amended the assessment of the Company under section 122(5A) for the financial year ended 31 December 2009 i.e. tax year 2010 and created a demand of Rupees 5.095 million. Being aggrieved, the Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment framed by the Officer Inland Revenue. The tax amount of Rupees 5.095 million has been deposited with the tax authorities and at the same time the Company preferred an appeal before the Appellate Tribunal Inland Revenue, Islamabad under section 131 of the Income Tax Ordinance, 2001. Date of hearing is yet to be fixed. No provision has been made in these financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.
- 23.2.15** The Officer Inland Revenue LTU, Islamabad has initiated proceedings against the Company under Section 161 / 205 of the Income Tax Ordinance, 2001 for the tax year 2009 and 2011. The Company has submitted all the documentary evidences yet, the case is pending for adjudication. No provision has been made in these financial statements as the management is confident that the decision of the case will be announced in the favour of the Company.

		2013	2012
		Rupees in '000	
24	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to customers	10,704,108	9,087,325
	On investments:		
	- In held for trading securities	17,434	329,174
	- In held to maturity securities	853,975	1,102,396
	- In available for sale securities	803,109	113,878
		1,674,518	1,545,448
	On deposits with financial institutions	472,344	704,512
	On securities purchased under resale agreement	37,698	-
	On call money lendings	73,973	-
		<u>12,962,641</u>	<u>11,337,285</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
	On deposits	277,165	188,572
	On borrowings and subordinated debt - State Bank of Pakistan	3,526,059	3,535,395
	On securities sold under repurchased agreement	76,541	-
	Bank commission and other charges	11,442	6,559
		<u>3,891,207</u>	<u>3,730,526</u>
26	OTHER INCOME		
	Rent on property - others	18,847	18,160
	Recoveries of charged off amounts	3,418,065	2,942,686
	Gain on sale of operating fixed assets	14,873	17,778
	Loan application fee	897,521	801,990
	Deferred income amortization	838	882
	Others	435,311	374,499
		<u>4,785,455</u>	<u>4,155,995</u>
26.1	OTHERS		
	Sale proceeds of loan application forms	49,632	46,312
	Postal charges received from loanees	195,423	175,115
	Miscellaneous income	190,256	153,072
		<u>435,311</u>	<u>374,499</u>
26.1.1	This includes sale of scrap, renewal fee of Sada Bahar Scheme and cost of loose cheques.		



	Note	2013	2012 Restated
Rupees in '000			
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	27.1	6,510,050	6,151,490
Charge / (reversal) for defined benefit plans and other benefits:			
- Pension scheme	35.1.7	(404,004)	(444,134)
- Benevolent scheme - officers / executives	35.2.7	(45,585)	(48,740)
- Benevolent scheme - clerical / non-clerical	35.3.7	(33,518)	(32,718)
- Gratuity under old staff regulations of the Bank	35.4.1.7	(182,435)	(184,653)
- Gratuity scheme - staff regulation 2005 of the Bank	35.4.2.7	130,312	138,357
- Gratuity scheme of the Company	35.4.3.6	14,067	8,966
- Employees' compensated absences	35.6.2	235,255	102,229
		(285,908)	(460,693)
Contribution to defined contribution plan - provident fund	35.7	20,166	63,284
Non-executive directors' fees and other expenses		6,249	10,995
Rent, taxes, insurance, electricity, etc.		207,012	187,937
Legal and professional charges		85,012	87,463
Communications		78,248	67,860
Repairs and maintenance		56,762	52,740
Motor vehicle expenses		407,993	336,783
Traveling expenses		152,359	141,974
Stationery and printing		98,195	76,492
Advertisement and publicity		11,388	7,816
Auditors' remuneration	27.2	5,374	5,383
Depreciation - tangible	12.2	139,270	168,455
Amortization - intangible	12.3	117	19
Commutation to employees	27.3	3,320	13,044
Others		160,512	136,576
		7,656,119	7,047,618

27.1 This includes post retirement medical benefit amounting to Rupees 464.608 million (2012: Rupees 292.642 million)

27.2 Auditors' remuneration

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



	2012		Total
	Ilyas Saeed & Co. Chartered Accountants	Riaz Ahmad & Co. Chartered Accountants	
	..... Rupees in '000		
Audit fee	880	800	1,680
Fee for half year review	255	200	455
Consolidation of the financial statements of subsidiary company	242	242	484
Other certifications	437	437	874
Other services	144	-	144
Out of pocket expenses	873	873	1,746
	<u>2,831</u>	<u>2,552</u>	<u>5,383</u>

27.3 Commutation to employees

- Under Staff Regulations - 2005

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

- Voluntary Golden Handshake Scheme - 2011 for drivers

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

	Note	2013	2012
		Rupees in '000	
28 OTHER CHARGES			
Penalties imposed by SBP		128	1,691
Fixed assets - written off		336	3
		<u>464</u>	<u>1,694</u>

	Note	2013	2012
		Rupees in '000	
29 TAXATION			
For the year:			
Current	29.1	1,820,705	1,373,689
Deferred		(16,297)	(65,216)
For prior years:			
Current		62	96
		<u>1,804,470</u>	<u>1,308,569</u>



		2013	Rupees in '000	2012
29.1 Relationship between income tax expense and accounting profit				
Accounting profit for the year		5,210,932		3,914,581
Add:				
Accounting depreciation and amortization		139,387		168,474
Penalties imposed by SBP		128		1,691
Provision charged against non performing advances as per Prudential Regulations		1,043,048		1,049,786
Unrealized loss on revaluation of investments classified as held for trading		-		30,537
		1,182,563		1,250,488
Less:				
Tax depreciation		127,262		113,018
Provision against non performing advances allowed up to 1% of gross advances		1,022,245		952,424
Dividend and capital gain for separate consideration		84,467		295,459
		1,233,974		1,360,901
		5,159,521		3,804,168
Income tax - excluding dividend and capital gain		1,812,498		1,344,178
Income tax on dividend and capital gain		8,207		29,511
Income tax for the current period		1,820,705		1,373,689
Applicable tax rate		35%		35%
		2013		2012
30 BASIC EARNINGS PER SHARE				
Profit after tax for the year - Rupees in '000		3,406,462		2,606,012
Weighted average number of ordinary shares outstanding during the year		1,252,244,067		1,252,244,067
Basic earnings per share in Rupees		2.720		2.081
31 DILUTED EARNINGS PER SHARE				
There is no dilutive effect on the basic earnings per share as the Group does not have any convertible instruments in issue at 31 December 2013.				
	Note	2013	Rupees in '000	2012
32 CASH AND CASH EQUIVALENTS				
Cash and balances with treasury banks	7	3,627,922		3,524,505
Balances with other banks	8	9,370,154		9,176,810
		12,998,076		12,701,315
33 STAFF STRENGTH			Number	
Permanent		5,599		5,724
Contractual		13	-	19
Total staff strength		5,612		5,743
34 CREDIT RATING				

JCR-VIS Credit Rating Company Limited, Karachi in reports dated 30 May 2013 and 18 December 2013 has reaffirmed credit rating of the Bank at AAA/A-1+ (31 December 2012: AAA/A-1+) with stable outlook, medium to long term credit rating of A and short-term credit rating of A-2 (31 December 2012: B+ medium to long term credit rating, B short term credit rating).



35 DEFINED BENEFIT AND CONTRIBUTION PLANS

The Group operates the following retirement benefit plans for its employees:

Pension Scheme - funded
 Benevolent Scheme - funded
 Post Retirement Medical Benefits - unfunded
 Employees Gratuity Scheme - funded
 Employees Gratuity Scheme - unfunded of the Company
 Employees Compensated Absences - unfunded
 Defined Contribution Plan

35.1 Pension scheme

35.1.1 General description

For employees who opted for the scheme introduced in year 1975 for clerical / non-clerical staff and in the year 1977 for officers / executives, the Bank operates an approved funded pension scheme on which contributions are made on the basis of actuarial recommendation. However, most of the officers / executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from 2006 and 2008.

35.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

	2013	..... % .....	2012
Valuation discount rate	12.75		11.50
Expected rate of increase in salary	10.50		9.50
Expected rate of return on plan assets	12.75		11.50
Expected rate of increase in pension	7.50		6.25

Note

2013 2012

Rupees in '000

35.1.3 Changes in the present value of obligation

Present value of obligation as on 01 January	1,848,263	1,503,105
Current service cost	39,085	37,265
Interest cost	199,879	184,860
Benefits paid	(203,416)	(167,314)
Transferred to Gratuity - SSR 1961	(16,952)	(11,135)
Remeasurement due to change in demographic assumptions	254,268	-
Remeasurement due to experience	627,427	301,482
Present value of obligation as at 31 December	2,748,554	1,848,263

35.1.4 Changes in the fair value of plan assets

Total assets as on 01 January	5,692,003	5,206,173
Expected return on plan assets	642,968	666,259
Remeasurement due to return on investment	(73,607)	(13,115)
Contributions	1,457	-
Benefits paid	(203,416)	(167,314)
Total assets as at 31 December	6,059,405	5,692,003

35.1.5 Amounts recognized in statement of financial position

Present value of defined benefit obligation	2,748,554	1,848,263
Fair value of plan assets	(6,059,405)	(5,692,003)
Asset recognized in the statement of financial position	(3,310,851)	(3,843,740)

13.5



	Note	2013	2012
Rupees in '000			
35.1.6	Movement in net asset recognized		
Opening net assets		(3,843,740)	(3,703,068)
Credit for the year	35.1.7	(404,004)	(444,134)
Other comprehensive income		955,302	314,597
Transferred to Gratuity - SSR 1961		(16,952)	(11,135)
Contributions		(1,457)	-
Closing net asset	13.5	<u>(3,310,851)</u>	<u>(3,843,740)</u>
35.1.7	Income recognized in the profit and loss account		
Current service cost		39,085	37,265
Interest cost		(443,089)	(481,399)
		<u>(404,004)</u>	<u>(444,134)</u>
35.1.8	Actual return on plan assets		
Actual return on plan assets		<u>569,361</u>	<u>653,144</u>

	2013		2012	
	Fair value	%	Fair value	%
35.1.9	Rupees in '000		Rupees in '000	
Government securities	231,356	3.82	3,029,815	53.23
Term deposit receipts	5,800,141	95.72	2,642,034	46.42
Deposits in the Bank	30,256	0.50	20,298	0.35
Debtors and creditors	(189)	(0.00)	(144)	(0.00)
Due to the Bank	(2,159)	(0.04)	-	-
Fair value of total plan assets	<u>6,059,405</u>	<u>100.00</u>	<u>5,692,003</u>	<u>100.00</u>

	2013	2012	2011	2010	2009
..... Rupees in '000					
35.1.10	Other relevant details				
Present value of defined benefit obligation	2,748,554	1,848,263	1,503,105	1,202,368	1,331,776
Fair value of plan assets	(6,059,405)	(5,692,003)	(5,206,173)	(4,609,499)	(5,180,979)
Surplus in pension fund	<u>(3,310,851)</u>	<u>(3,843,740)</u>	<u>(3,703,068)</u>	<u>(3,407,131)</u>	<u>(3,849,203)</u>
Experience adjustment	(627,427)	(301,482)	(197,824)	219,527	24,259
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(627,427)</u>	<u>(301,482)</u>	<u>(197,824)</u>	<u>219,527</u>	<u>24,259</u>
Experience adjustment	-	-	44,065	(85,595)	(70,837)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	<u>-</u>	<u>-</u>	<u>44,065</u>	<u>(85,595)</u>	<u>(70,837)</u>

35.1.11 No contribution is expected in 2014 to the Pension Fund.

35.2 Benevolent scheme - officers / executives

35.2.1 General description

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

35.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

		2013	..... % .....	2012
Valuation discount rate		12.75		11.50
Expected rate of increase in salary		10.50		9.50
Expected rate of return on plan assets		12.75		11.50
	Note	2013		2012
		Rupees in '000		
35.2.3 Changes in the present value of obligation				
Present value of obligation as on 01 January		244,874		211,133
Current service cost		9,887		8,724
Interest cost		27,097		26,558
Remeasurement due to change in demographic assumptions		(4,868)		-
Remeasurement due to change in financial assumptions		(16,540)		19,171
Remeasurement due to change in experience		3,679		(6,596)
Benefits paid		(18,497)		(14,116)
Present value of obligation as at 31 December		<u>245,632</u>		<u>244,874</u>
35.2.4 Changes in the fair value of plan assets				
Total assets as on 01 January		677,701		609,363
Expected return on plan assets		77,460		78,965
Remeasurement due to return on investment		(17,984)		(6,625)
Contributions - Employer		5,109		5,057
Contributions - Employees		5,109		5,057
Benefits paid		(18,497)		(14,116)
Total assets as at 31 December		<u>728,898</u>		<u>677,701</u>
35.2.5 Amounts recognized in the statement of financial position				
Present value of defined benefit obligation		245,632		244,874
Fair value of plan assets		(728,898)		(677,701)
Unrecognized due to impact of asset ceiling		483,266		432,827
Asset recognized in the statement of financial position		<u>-</u>		<u>-</u>
35.2.6 Movement in net asset recognized				
Opening net receivable		-		-
Credit for the year	35.2.7	(45,585)		(48,740)
Comprehensive income		50,694		53,797
Contribution to fund / benefits paid during the year		(5,109)		(5,057)
Closing net receivable		<u>-</u>		<u>-</u>

35.2.7 Income recognized in profit and loss account

Current service cost	9,887	8,724
Interest cost	(50,363)	(52,407)
Contributions - Employees	(5,109)	(5,057)
	<u>(45,585)</u>	<u>(48,740)</u>

35.2.8 Actual return on plan assets

Actual return on plan assets	59,476	72,340
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35.2.9 Composition of fair value of plan assets

	2013		2012	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
Government securities	61,358	8.42	365,969	54.00
Term deposit receipts	664,610	91.18	297,748	43.94
Deposits in the Bank	2,938	0.40	2,185	0.32
Debtors and creditors	(8)	(0.00)	11,799	1.74
Fair value of total plan assets	<u>728,898</u>	<u>100.00</u>	<u>677,701</u>	<u>100.00</u>

35.2.10 Other relevant details

	2013	2012	2011	2010	2009
	..... Rupees in '000				
Present value of defined benefit obligation	245,632	244,874	211,133	177,105	165,502
Fair value of plan assets	<u>(728,898)</u>	<u>(677,701)</u>	<u>(609,363)</u>	<u>(545,226)</u>	<u>(502,094)</u>
Surplus in benevolent scheme - officers / executives	<u>(483,266)</u>	<u>(432,827)</u>	<u>(398,230)</u>	<u>(368,121)</u>	<u>(336,592)</u>
Experience adjustment	(3,679)	6,596	(11,828)	6,636	9,424
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	<u>(3,679)</u>	<u>6,596</u>	<u>(11,828)</u>	<u>6,636</u>	<u>9,424</u>
Experience adjustment	-	-	(3,017)	(16,541)	(32,950)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial loss on assets	<u>-</u>	<u>-</u>	<u>(3,017)</u>	<u>(16,541)</u>	<u>(32,950)</u>

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

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

35.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50

		2013	2012
		Rupees in '000	
35.3.3	Changes in the present value of obligation		
	Present value of obligation as on 01 January	31,149	23,370
	Current service cost	1,394	1,374
	Interest cost	3,453	2,935
	Remeasurement due to change in demographic assumptions	(1,360)	-
	Remeasurement due to change in financial assumptions	(2,668)	3,494
	Remeasurement due to change in experience	(1,707)	1,618
	Benefits paid	(2,249)	(1,642)
	Present value of obligation as at 31 December	<u>28,012</u>	<u>31,149</u>
35.3.4	Changes in the fair value of plan assets		
	Total assets as on 01 January	306,517	273,293
	Expected return on plan assets	35,455	35,604
	Remeasurement due to return on investment	(5,540)	(3,584)
	Contributions - Employer	2,910	1,423
	Contributions - Employees	2,910	1,423
	Benefits paid	(2,249)	(1,642)
	Total assets as at 31 December	<u>340,003</u>	<u>306,517</u>
35.3.5	Amounts recognized in the statement of financial position		
	Present value of defined benefit obligation	28,012	31,149
	Fair value of plan assets	(340,003)	(306,517)
	Unrecognized due to impact of asset ceiling	311,991	275,368
	Asset recognized in the statement of financial position	<u>-</u>	<u>-</u>
		Note	
		2013	2012
		Rupees in '000	
35.3.6	Movement in net asset recognized		
	Opening net receivable	-	-
	Credit for the year	35.3.7 (33,518)	(32,718)
	Comprehensive income	36,428	34,141
	Contribution to fund / benefits paid during the year	(2,910)	(1,423)
	Closing net receivable	<u>-</u>	<u>-</u>
35.3.7	Income recognized in profit and loss account		
	Current service cost	1,394	1,374
	Interest cost	(2,910)	(32,669)
	Contributions - Employees	(32,002)	(1,423)
		<u>(33,518)</u>	<u>(32,718)</u>
35.3.8	Actual return on plan assets		
	Actual return on plan assets	<u>29,915</u>	<u>32,020</u>

	Note	2013	2012
Rupees in '000			
35.4.1.3	Changes in the present value of obligation		
	Present value of obligation as on 01 January	-	-
	Benefits paid	(16,952)	(11,135)
	Addition to liability from Pension Fund	16,952	11,135
	Present value of obligation as at 31 December	<u>-</u>	<u>-</u>
35.4.1.4	Changes in the fair value of plan assets		
	Total assets as on 01 January	1,594,870	1,425,804
	Expected return on plan assets	182,435	184,653
	Remeasurement due to return on investment	(19,071)	(4,452)
	Benefits paid	(16,952)	(11,135)
	Total assets as at 31 December	<u>1,741,282</u>	<u>1,594,870</u>
35.4.1.5	Amounts recognized in the statement of financial position		
	Present value of defined benefit obligation	-	-
	Fair value of plan assets	(1,741,282)	(1,594,870)
	Asset recognized in the statement of financial position	13.5 <u>(1,741,282)</u>	<u>(1,594,870)</u>
35.4.1.6	Movement in net asset recognized		
	Opening net assets	(1,594,870)	(1,425,804)
	Credit for the year	35.4.1.7 (182,435)	(184,653)
	Comprehensive income	19,071	4,452
	Addition to liability from Pension Fund	16,952	11,135
	Closing net assets	13.5 <u>(1,741,282)</u>	<u>(1,594,870)</u>
35.4.1.7	Income recognized in profit and loss account		
	Expected return on plan assets	<u>(182,435)</u>	<u>(184,653)</u>
35.4.1.8	Actual return on plan assets		
	Actual return on plan assets	<u>163,364</u>	<u>180,201</u>

	2013		2012		
	Fair value	%	Fair value	%	
	Rupees in '000		Rupees in '000		
35.4.1.9	Composition of fair value of plan assets				
	Government securities	57,438	3.29	367,599	23.04
	Term deposit receipts	1,671,471	95.99	1,209,295	75.83
	Deposits in the Bank	9,048	0.52	10,347	0.65
	Debtors and creditors	3,861	0.22	7,629	0.48
	Due from / (to) the Bank	(536)	(0.03)	-	-
	Fair value of total plan assets	<u>1,741,282</u>	<u>100.00</u>	<u>1,594,870</u>	<u>100.00</u>

	2013	2012	2011	2010	2009
	..... Rupees in '000				
35.4.1.10 Other relevant details					
Present value of defined benefit obligation	-	-	-	-	357,969
Fair value of plan assets	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)	(1,483,278)
Surplus in gratuity scheme under old staff regulations					
	(1,741,282)	(1,594,870)	(1,425,804)	(1,244,730)	(1,125,309)
Experience adjustment	-	-	-	397,152	(13,520)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on obligation	-	-	-	397,152	(13,520)
Experience adjustment	-	-	3,700	(12,429)	(35,230)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial gain / (loss) on assets	-	-	3,700	(12,429)	(35,230)

35.4.1.11 No contribution is expected in 2014 to the Gratuity Fund scheme under old regulations.

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

35.4.2.1 General description

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

35.4.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Expected rate of increase in salary	10.50	9.50
Expected rate of return on plan assets	12.75	11.50

	Note	2013	2012
		Rupees in '000	
35.4.2.3 Changes in the present value of obligation			
Present value of obligation as on 01 January		992,636	804,808
Current service cost		185,120	182,191
Interest cost		111,627	103,054
Remeasurment due to change in demographic assumptions		(5,794)	-
Remeasurment due to experience		395,189	(72,489)
Benefits paid		(43,939)	(24,928)
Present value of obligation as at 31 December		1,634,839	992,636

	Note	2013	2012
Rupees in '000			
35.4.2.4	Changes in the fair value of plan assets		
Total assets as on 01 January		1,360,616	1,038,563
Expected return on plan assets		166,435	146,888
Remeasurement due to return on investment		(24,461)	(13,283)
Contributions		217,236	213,376
Benefits paid		(43,939)	(24,928)
Total assets as at 31 December		<u>1,675,887</u>	<u>1,360,616</u>
35.4.2.5	Amounts recognized in the statement of financial position		
Present value of defined benefit obligation		1,634,839	992,636
Fair value of plan assets		(1,675,887)	(1,360,616)
Asset recognized in the statement of financial position	13.5	<u>(41,048)</u>	<u>(367,980)</u>
35.4.2.6	Movement in net asset recognized		
Opening net assets		(367,980)	(233,755)
Charge for the year	35.4.2.7	130,312	138,357
Comprehensive income		413,856	(59,206)
Contribution to fund during the year		(217,236)	(213,376)
Closing net assets		<u>(41,048)</u>	<u>(367,980)</u>
35.4.2.7	Expense recognized in profit and loss account		
Current service cost		185,120	182,191
Interest cost		(54,808)	(43,834)
		<u>130,312</u>	<u>138,357</u>

	Note	2013	2012
Rupees in '000			
35.4.2.8	Actual return on plan assets		
Actual return on plan assets		<u>141,974</u>	<u>133,605</u>

	2013		2012	
	Fair value Rupees in '000	%	Fair value Rupees in '000	%
35.4.2.9	Composition of fair value of plan assets			
Government securities	-	-	728,866	53.57
Term deposit receipts	1,670,667	99.69	602,820	44.30
Deposits in the Bank	5,228	0.31	17,959	1.32
Debtors and creditors	(8)	(0.00)	10,971	0.81
Fair value of total plan assets	<u>1,675,887</u>	<u>100.00</u>	<u>1,360,616</u>	<u>100.00</u>

	2013	2012	2011	2010	2009
..... Rupees in '000					
35.4.2.10 Other relevant details					
Present value of defined benefit obligation	1,634,839	992,636	804,808	612,864	551,398
Fair value of plan assets	(1,675,887)	(1,360,616)	(1,038,563)	(730,213)	(446,349)
(Surplus) / deficit in gratuity scheme under staff regulations - 2005 (SR-2005)	(41,048)	(367,980)	(233,755)	(117,349)	105,049
Experience adjustment	(395,189)	72,489	57,132	154,132	(6,896)
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on obligation	(395,189)	72,489	57,132	154,132	(6,896)
Experience adjustment	-	-	(2,186)	(8,812)	2,028
Assumptions gain / (loss)	-	-	-	-	-
Actuarial (loss) / gain on assets	-	-	(2,186)	(8,812)	2,028

Projected Gratuity Fund scheme (SR-2005) contributions for the year 2014 amounting to Rupees 236 million.

35.4.3 Gratuity scheme of the Company

35.4.3.1 General description

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

35.4.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
		%
Valuation discount rate	13.00	11.50
Expected rate of increase in salary	12.00	10.50

2013 2012
Rupees in '000

35.4.3.3 Changes in the present value of obligation

Present value of obligation as on 01 January	54,919	42,651
Current service cost	7,794	6,363
Interest cost	6,273	2,603
Benefits paid	(751)	(241)
Actuarial (gain) / loss on obligation	(7,296)	3,543
Present value of obligation as at 31 December	60,939	54,919

35.4.3.4 Amounts recognized in the statement of financial position

Present value of defined benefit obligation	60,939	54,919
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	Note	2013	2012
Rupees in '000			
35.4.3.5	Movement in net (asset) / liability recognized		
		54,919	42,651
	Opening net (asset) / liability		
	Charge for the year	14,067	8,966
	35.4.3.6		
	Comprehensive income	(7,296)	3,543
	Contribution to fund during the year	(751)	(241)
	Closing net asset	<u>60,939</u>	<u>54,919</u>

35.4.3.6	Expense recognized in profit and loss account		
	Current service cost	7,794	6,363
	Interest cost	6,273	2,603
		<u>14,067</u>	<u>8,966</u>

35.5 Post retirement medical benefits

35.5.1 General description

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

35.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	2012
 %	
Valuation discount rate	12.75	11.50
Medical inflation rate	7.50	6.25

	2013	2012
Rupees in '000		
35.5.3	Changes in the present value of obligation	
	Present value of obligation as on 01 January	1,257,078
	Current service cost	150,501
	Past service cost	170,846
	Interest cost	143,261
	Remeasurement due to change in demographic assumptions	200,839
	Remeasurement due to experience	425,949
	Benefits paid	(22,672)
	Present value of obligation as at 31 December	<u>2,325,802</u>

	Note	2013	2012
Rupees in '000			
35.5.4	Amounts recognized in the statement of financial position		
	Present value of defined benefit obligation	19	2,325,802
			<u>1,257,078</u>

35.5.5	Movement in net liability recognized	Note	2013	2012
		Rupees in '000		
	Opening net liability		1,257,078	1,093,841
	Charge for the year	35.5.6	464,608	292,642
	Comprehensive income / (loss)		626,788	(107,383)
	Benefits paid during the year		(22,672)	(22,022)
	Closing net liability		2,325,802	1,257,078

35.5.6	Expense recognized in profit and loss account	Note	2013	2012
		Rupees in '000		
	Current service cost		321,347	151,830
	Interest cost		143,261	140,812
			464,608	292,642

35.5.7	Post retirement medical benefits - sensitivity analysis			
	Medical cost trend (%)	6.50%	7.50%	8.50%
	Obligation (Rupees in '000)	69,312	78,541	89,752
	Regular cost (Rupees in '000)	(12,911)	11,004	15,850

35.5.8	Other relevant details	2013	2012	2011	2010	2009
		..... Rupees in '000				
	Present value of defined benefit obligation	2,325,802	1,257,078	1,093,841	921,360	2,543,255
	Deficit in post retirement medical benefits	2,325,802	1,257,078	1,093,841	921,360	2,543,255
	Experience adjustment	(425,949)	107,383	89,849	1,988,525	360,274
	Assumptions gain / (loss)	-	-	-	-	-
	Actuarial (loss) / gain on obligation	(425,949)	107,383	89,849	1,988,525	360,274

35.6 Employees compensated absences - unfunded

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method.

35.6.1 Principal actuarial assumption

The latest actuarial valuation is carried out as at 31 December 2013. Actuarial valuation was made using the following significant assumptions:

	2013	..... % .....	2012
Valuation discount rate	12.75		11.50
Expected rate of increase in salary	10.50		9.50

35.6.2	Movement in liability recognized for compensated absences	2013	2012
		Rupees in '000	
	Opening liability	446,202	343,973
	Charge for the year	235,255	102,229
	Closing liability	681,457	446,202

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

	2013	2012	2011	2010	2009
	..... Rupees in '000				
Opening liability	446,202	343,973	798,452	1,194,349	952,253
Charged / (reversal) for the year	235,255	102,229	(454,479)	(395,897)	242,096
	681,457	446,202	343,973	798,452	1,194,349

35.7 Defined contribution plan

The Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust for 2067 (2012: 2107) employees who are governed under Staff Service Regulations 1961. Contributions to the fund are made by the employees only at the rate of 8% of mean of pay scale per month.

The Bank also operates Contributory Provident Fund scheme introduced in 2006 (w.e.f. July 2006) for 3532 (2012: 3617) employees governed under Staff Regulations 2005. Contributions to the Contributory Provident Fund are made by the employees and the Bank at the rate of 2% of monetized salary per month, if their remaining service is more than ten years from the date of option / appointment. During the year, the Bank contributed Rupees 20.166 million (2012: Rupees 63.284 million) in respect of this fund.

COMPENSATION OF PRESIDENT, DIRECTORS AND EXECUTIVES

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

	President / Chief Executive		Acting President		Directors		Executives	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees in '000							
Fee	-	-	-	-	6,249	10,995	-	-
Managerial remuneration	6,116	1,645	-	5,969	-	-	2,066,149	2,275,547 *
Charged for defined benefit plan	1,226	229	-	365	-	-	129,483	129,020 **
Contribution to defined benefit or contributory fund	-	-	-	-	-	-	25,394	22,225
Rent and house maintenance	3,364	905	-	-	-	-	7,807	9,575
Utilities	917	247	-	-	-	-	1,901	2,689
Medical	917	247	-	-	-	-	1,909	2,250
Conveyance	845	222	-	-	-	-	1,469	1,676
Furnishing allowance	-	-	-	-	-	-	-	519
Club facility	56	11	-	-	-	-	-	-
Leave fare assistance	1,425	-	-	-	-	-	-	-
	14,866	3,506	-	6,334	6,249	10,995	2,234,112	2,443,501
Number of persons	1	1	-	1	11	11	1,828	1,587

* It includes an amount of Rupees 1.265 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

** It includes an amount of Rupees 0.086 million relating to Acting President pertaining to the period after her appointment as Chief Operating Officer.

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

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Agri financing
	Rupees in '000								
2013									
Total income	-	-	-	-	-	-	-	-	17,855,967
Total expenses	-	-	-	-	-	-	-	-	12,689,423
Net income before tax	-	-	-	-	-	-	-	-	5,166,544
Taxation	-	-	-	-	-	-	-	-	1,789,985
Income after tax	-	-	-	-	-	-	-	-	3,376,559
Segment assets (gross)	-	-	-	-	-	-	-	-	156,128,603
Segment non performing loans	-	-	-	-	-	-	-	-	17,771,792
Segment provision required	-	-	-	-	-	-	-	-	3,896,440
Segment liabilities	-	-	-	-	-	-	-	-	115,965,018
Segment return on net assets (%)	-	-	-	-	-	-	-	-	15.91%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.31%
2012 (Restated)									
Total income	-	-	-	-	-	-	-	-	15,737,773
Total expenses	-	-	-	-	-	-	-	-	11,867,383
Net income before tax	-	-	-	-	-	-	-	-	3,870,390
Taxation	-	-	-	-	-	-	-	-	1,283,224
Income after tax	-	-	-	-	-	-	-	-	2,577,166
Segment assets (gross)	-	-	-	-	-	-	-	-	139,562,324
Segment non performing loans	-	-	-	-	-	-	-	-	18,907,010
Segment provision required	-	-	-	-	-	-	-	-	4,162,563
Segment liabilities	-	-	-	-	-	-	-	-	102,233,430
Segment return on net assets (%)	-	-	-	-	-	-	-	-	13.16%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5.70%

39 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

	Key management personnel	
	2013	2012
	... Rupees in '000' ...	
Advances		
Balance at the beginning of the year	14,533	15,934
Loan granted during the year	911	762
Repayment during the year	(8,260)	(2,163)
Balance at the end of the year	<u>7,184</u>	<u>14,533</u>
Deposits		
Deposits at the beginning of the year	8,250	7,784
Deposits received during the year	74,889	76,598
Deposits repaid during the year	(80,085)	(76,132)
Deposits at the end of the year	<u>3,054</u>	<u>8,250</u>
	Key management personnel	
	2013	2012
	... Rupees in '000' ...	
Mark-up / interest earned	308	366
Compensation	74,555	74,872
Post retirement benefit	4,976	4,586
Contribution to defined benefit plans	319	257

40 CAPITAL ASSESSMENT AND ADEQUACY

40.1 Scope of application

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

40.2 Capital Management

Objectives and goals of managing capital

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

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

Statutory minimum capital requirement and capital adequacy ratio

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rupees 10 billion by the year ended on 31 December 2013. The paid-up capital of the Bank for the year ended 31 December 2013 stands at Rupees 12.522 billion and is in compliance with the SBP requirement. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 10 % of the risk weighted exposure. The Bank's CAR as at 31 December 2013 is 29.63% of its risk weighted exposure.

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

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

S.No.	Ratio	Year ended						As of 31
		2013	2014	2015	2016	2017	2018	December 2019
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB			0.25%	0.65%	1.28%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.00%	10.25%	11.25%	11.88%	12.50%	12.50%

- *(Consisting of CET1 only)

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

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer to note 40.3)
- Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1 (refer to note 40.3)
- Tier 2 capital, which includes subordinated debt, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets) and net of tax reserves on revaluation of equity investments up to a maximum of 45% of the balance after all regulatory adjustments applicable on Tier-2 (refer to note 40.3)

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

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

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

40.3 Capital Structure

	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment	Amount
..... Rupees in '000			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441		12,522,441
2 Balance in Share Premium Account	-		-
3 Reserve for issue of Bonus Shares	-		-
4 General/ Statutory Reserves	3,506,658		2,831,346
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-
6 Unappropriated/unremitted profits/ (losses)	13,597,945		10,243,364
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-		-
8 CET 1 before Regulatory Adjustments	29,627,044		25,597,151
Common Equity Tier 1 capital: Regulatory adjustments			
9 Goodwill (net of related deferred tax liability)	-		-
10 All other intangibles (net of any associated deferred tax liability)	(211)		(328)
11 Shortfall of provisions against classified assets	-		-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
13 Defined-benefit pension fund net assets	-	2,152,053	-
14 Reciprocal cross holdings in CET1 capital instruments	-		-
15 Cash flow hedge reserve	-		-
16 Investment in own shares/ CET1 instruments	-		-
17 Securitization gain on sale	-		-
18 Capital shortfall of regulated subsidiaries	-		-
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-		-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
23 Amount exceeding 15% threshold	-		-
24 of which: significant investments in the common stocks of financial entities	-		-
25 of which: deferred tax assets arising from temporary differences	-		-
26 National specific regulatory adjustments applied to CET1 capital	-		-
27 Investment in TFCs of other banks exceeding the prescribed limit	-		-
28 Any other deduction specified by SBP (mention details)	-		-
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)		(50,000)
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,211)		(50,328)
Common Equity Tier 1	(a) 29,576,833		25,546,823

	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment	Amount
	..... Rupees in '000		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
32 of which: Classified as equity	-	-	-
33 of which: Classified as liabilities	-	-	-
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
35 of which: instrument issued by subsidiaries subject to phase out	-	-	-
36 AT1 before regulatory adjustments	-	-	-
Additional Tier 1 Capital: regulatory adjustments			
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
38 Investment in own AT1 capital instruments	-	-	-
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	-	-
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	-	-
44 Total of Regulatory Adjustment applied to AT1 capital	-	-	-
45 Additional Tier 1 capital	-	-	-
46 Additional Tier 1 capital recognized for capital adequacy	(b)	-	-
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	29,576,833	25,546,823
Tier 2 Capital			
47 Qualifying Tier 2 capital instruments under Basel III	3,204,323	3,204,323	3,204,323
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	-
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-	-
50 of which: instruments issued by subsidiaries subject to phase out	-	-	-
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,250,883	1,417,758	1,417,758
52 Revaluation Reserves			
53 of which: Revaluation reserves on Property	-	-	-
54 of which: Unrealized Gains/Losses on AFS	1,285,297	809,498	809,498
55 Foreign Exchange Translation Reserves	-	-	-
56 Undisclosed/Other Reserves (if any)	-	-	-
57 T2 before regulatory adjustments	5,740,503	5,431,579	5,431,579

	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment	Amount
Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	(50,000)
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	(50,000)	(50,000)
64	Tier 2 capital (T2)	5,690,503	5,381,579
65	Tier 2 capital recognized for capital adequacy	5,690,503	5,381,579
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
67	Total Tier 2 capital admissible for capital adequacy	(d) 5,690,503	5,381,579
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) <u>35,267,336</u>	<u>30,928,402</u>
	Total Risk Weighted Assets	(i=f+g+h) <u>119,020,881</u>	<u>113,410,644</u>
68	Total Credit Risk Weighted Assets	(f) 100,070,672	94,162,042
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity		
71	of which: deferred tax assets	-	-
72	of which: Defined-benefit pension fund net assets	2,152,053	-
73	of which: Others		
74	Total Market Risk Weighted Assets	(g) -	227,814
75	Total Operational Risk Weighted Assets	(h) 18,950,209	19,020,788

2013		2012
Amount	Amounts subject to Pre - Basel III treatment	Amount

Capital Ratios and buffers (in percentage of risk weighted assets)

76	CET1 to total RWA	(a/i)	24.85%	22.53%
77	Tier-1 capital to total RWA	(c/i)	24.85%	22.53%
78	Total capital to RWA	(e/i)	29.63%	27.27%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)			
80	of which: capital conservation buffer requirement		-	-
81	of which: countercyclical buffer requirement		-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-

National minimum capital requirements prescribed by SBP

84	CET1 minimum ratio		5.00%	-
85	Tier 1 minimum ratio		6.50%	-
86	Total capital minimum ratio		10.00%	10.00%

Amounts below the thresholds for deduction (before risk weighting)

87	Non-significant investments in the capital of other financial entities		-	-
88	Significant investments in the common stock of financial entities		-	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-

Applicable caps on the inclusion of provisions in Tier 2

90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		3,000,000	3,000,000
91	Cap on inclusion of provisions in Tier 2 under standardized approach		1,250,883	1,417,758
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-

*As the Bank has not Tier 1 capital, deduction was made from CET1

**2012 based on BASEL II framework.

40.4 Capital Structure Reconciliation

Step 1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2013	2013
Rupees in '000		
Assets		
Cash and balances with treasury banks	3,627,922	3,627,923
Balanced with other banks	9,113,832	9,102,759
Lending to financial institutions	3,646,716	3,646,716
Investments	23,609,958	23,517,703
Advances	95,311,716	95,309,846
Operating fixed assets	1,347,307	1,312,034
Deferred tax assets	-	-
Other assets	11,790,826	11,870,620
Total assets	148,448,277	148,387,601
Liabilities & Equity		
Bills payable	706,265	706,972
Borrowings	55,174,903	55,174,903
Deposits and other accounts	14,906,582	14,906,802
Sub-ordinated loans	3,204,323	3,204,323
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	130,022	470,239
Other liabilities	41,842,923	41,107,117
Total liabilities	115,965,018	115,570,356
Share capital/ Head office capital account	12,522,441	12,522,441
Reserves	3,506,658	3,473,290
Unappropriated/ Unremitted profit/ (losses)	13,597,945	13,978,515
Minority Interest	-	-
Surplus on revaluation of assets	2,856,215	2,842,999
Total liabilities	32,483,259	32,817,245
Total liabilities & equity	148,448,277	148,387,601

Step 2

Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
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2013	2013
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Rupees in '000

Assets

Cash and balances with treasury banks	3,627,922	3,627,923	
Balances with other banks	9,113,832	9,102,759	
Lending to financial institutions	3,646,716	3,646,716	
Investments	23,609,958	23,517,703	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	95,311,716	95,309,846	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	3,000,000	3,000,000	g
Fixed Assets	1,347,307	1,312,034	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	11,790,826	11,870,620	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	211	211	k
<i>of which: Defined-benefit pension fund net assets</i>	3,310,851	3,453,219	l
Total assets	148,448,277	148,387,601	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2013	2013	
	Rupees in '000		
Liabilities & Equity			
Bills payable	706,265	706,972	
Borrowings	55,174,903	55,174,903	
Deposits and other accounts	14,906,582	14,906,802	
Sub-ordinated loans	3,204,323	3,204,323	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	3,204,323	3,204,323	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	130,022	470,239	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	1,158,798	-	q
<i>of which: other deferred tax liabilities</i>	(1,028,776)	-	r
Other liabilities	41,842,923	41,107,117	
Total liabilities	115,965,018	115,570,356	
Share capital	12,522,441	12,522,441	
<i>of which: amount eligible for CET1</i>	12,522,441	12,522,441	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	3,506,658	3,473,290	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	3,506,658	3,473,290	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	13,597,945	13,978,515	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	2,856,215	2,842,999	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	2,856,215	2,842,999	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Equity	32,483,259	32,817,245	
Total liabilities & Equity	148,448,277	148,387,601	

Step 3

Step 3	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from Step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,522,441	
2 Balance in Share Premium Account	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	3,473,290	
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6 Unappropriated/unremitted profits/(losses)	13,978,515	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	29,974,246	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	(211)	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	(50,211)	
Common Equity Tier 1	29,924,035	

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from Step 2
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	(50,000)	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	50,000	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)		
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	3,204,323	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,476,555	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities	1,279,350	portion of (aa)
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	5,960,228	

	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from Note 40.4.2
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	(50,000)	
64 Tier 2 capital (T2)	5,910,228	
65 Tier 2 capital recognized for capital adequacy	5,910,228	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	5,910,228	
TOTAL CAPITAL (T1 + admissible T2)	35,834,263	

40.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	ZTBL
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	29,657,180
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

40.6 Capital adequacy

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

	2013	2012	2013	2012
	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Banks	232,407	236,600	2,324,070	2,366,003
Retail	6,210,220	5,582,747	62,102,197	55,827,474
Loans secured against residential property	57,170	65,777	571,702	657,767
Past due loans	1,914,839	2,060,821	19,148,392	20,608,211
Listed equity investments	325,066	203,794	3,250,660	2,037,940
Investments in fixed assets	134,710	117,994	1,347,096	1,179,939
Other assets	1,132,279	1,148,471	11,322,785	11,484,708
Total credit risk	10,006,691	9,416,204	100,066,902	94,162,042
Off-Balance Sheet				
Non-market related	377	-	3,770	-
	10,007,068	9,416,204	100,070,672	94,162,042
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	-	18,225	-	227,814
Equity position risk	-	-	-	-
Foreign exchange risk	-	-	-	-
Total market risk	-	18,225	-	227,814
Operational risk				
Capital requirement for operational risks	1,516,017	1,521,663	18,950,209	19,020,788
	1,516,017	1,521,663	18,950,209	19,020,788
Total	11,523,085	10,956,092	119,020,881	113,410,644
			2013	2012
			Rupees in '000	
Capital adequacy ratio				
Total eligible regulatory capital held			35,267,336	30,928,402
Total risk weighted assets			119,020,881	113,410,644
Capital Adequacy Ratio			29.63%	27.27%

41 RISK MANAGEMENT

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

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

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

41.1 Credit risk

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

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

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

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

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

41.1.1 Credit Risk - General disclosures

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

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

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

Credit exposures subject to standardized approach

Exposures	Rating	2013			2012		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000							
Cash and cash equivalents	-	982,838	982,838	-	1,379,587	1,379,587	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	24,592,603	24,592,603	-	16,364,711	16,364,711	-
Claims on banks	-	2,384,996	1,892,000	492,996	500,000	-	500,000
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	9,155,372	7,324,298	1,831,074	9,330,013	7,464,010	1,866,003
Claims categorized as retail portfolio	-	82,802,929	20,700,732	62,102,197	74,436,632	18,609,158	55,827,474
Claims fully secured by residential property	-	1,633,435	1,061,733	571,702	1,879,335	1,221,568	657,767
Past due loans	-	13,875,353	(5,273,039)	19,148,392	14,744,457	(5,863,754)	20,608,211
Listed equity investments	-	3,250,660	-	3,250,660	2,037,940	-	2,037,940
Investments in premises, plant and equipment and all other fixed assets	-	1,347,096	-	1,347,096	1,179,939	-	1,179,939
All other assets	-	11,322,785	-	11,322,785	11,484,708	-	11,484,708
		151,348,067	51,281,165	100,066,902	133,337,322	39,175,280	94,162,042

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rupees 146,097 million (2012: Rupees 129,423 million) the financial assets which are subject to credit risk amounting to Rupees 127,909 million (2012: Rupees 114,574 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rupees 20,227 million (2012: Rupees 14,924 million) are guaranteed by the Government of Pakistan.

41.1.5 Equity position risk in the banking book

The Bank takes proprietary equity positions for strategic purposes. The Bank has invested in its subsidiary to achieve long term strategic objectives. As of 31 December 2013 the composition of equity investments and subsidiary is as follows:

Exposures	Available for sale	Subsidiary
	Rupees in '000	
Equity investments - publicly traded	3,250,660	-
Equity investments - others	-	100,000
Total value	3,250,660	100,000

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

Investments - Available for sale

Investment in subsidiary

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

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

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

The cumulative unrealized gain of Rupees 3,173.572 million (2012: Rupees 1,998.761 million) is recognized in the statement of financial position in respect of 'available for sale' securities.

41.1.6 Segmental information

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

41.1.7 Segments by class of business

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	100,187,375	98.01%	-	-	8,762,497	29.36%
Individuals	-	-	14,839,821	99.55%	1,174,436	3.93%
Others	2,037,154	1.99%	58,072	0.45%	19,911,431	66.71%
	102,224,529	100.00%	14,897,893	100.00%	29,848,364	100.00%

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	92,866,329	97.51%	-	-	8,026,383	37.88%
Individuals	-	-	11,000,037	99.41%	1,240,130	5.85%
Others	2,376,111	2.49%	65,816	0.59%	11,921,856	56.27%
	95,242,440	100.00%	11,065,853	100.00%	21,188,369	100.00%

41.1.8 Segments by sector

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	20,544	0.98%	19,911,431	66.71%
Private	102,224,529	100.00%	14,877,349	99.02%	9,936,933	33.29%
	102,224,529	100.00%	14,897,893	100.00%	29,848,364	100.00%

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government *	-	-	23,917	0.22%	11,921,856	56.27%
Private	95,242,440	100.00%	11,041,936	99.78%	9,266,513	43.73%
	95,242,440	100.00%	11,065,853	100.00%	21,188,369	100.00%

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

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

	2013		2012	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	..... Rupees in '000			
Agriculture, forestry, hunting and fishing	17,771,792	6,896,440	18,907,010	7,162,553
Advances to employees	16,373	16,373	19,463	19,463
	<u>17,788,165</u>	<u>6,912,813</u>	<u>18,926,473</u>	<u>7,182,016</u>

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

Private	17,771,792	6,896,440	18,907,010	7,162,553
Advances to employees	16,373	16,373	19,463	19,463
	<u>17,788,165</u>	<u>6,912,813</u>	<u>18,926,473</u>	<u>7,182,016</u>

41.1.11 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	5,166,544	148,448,277	32,483,259	29,848,364
	..... Rupees in '000			
	2012 (Restated)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	..... Rupees in '000			
Pakistan	3,914,581	131,722,801	29,540,656	21,188,369

41.2 Market risk management

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

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

41.2.1 Foreign exchange risk management

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

41.2.2 Equity price risk

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

41.3 Mismatch of interest rate sensitive assets and liabilities

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

2013

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk							Not exposed to Yield / Interest risk	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
Rupees in '000										
On-balance sheet financial instruments										
Assets										
-	3,627,922	-	-	-	-	-	-	-	-	3,627,922
7.27	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
8.65	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
9.92	23,509,958	1,297,947	16,744,800	427,561	1,066,905	464,237	155,345	19,996	-	3,333,267
12.35	95,311,716	30,341,193	39,248	25,187,504	16,234,117	7,781,364	8,612,938	3,745,828	524,710	339,929
-	10,887,238	-	-	-	-	-	-	-	-	10,887,238
	146,097,382	42,017,972	19,165,764	2,504,885	25,615,065	17,301,022	8,245,601	8,768,283	3,765,824	18,188,356
Liabilities										
-	706,265	-	-	-	-	-	-	-	-	706,265
6.09	55,174,903	3,917,690	-	51,257,213	-	-	-	-	-	-
2.34	14,906,582	6,306,159	70,390	129,037	-	53,258	1,161	-	-	8,246,377
12 month T-bill rate	3,204,323	-	-	3,204,323	-	-	-	-	-	-
-	37,624,741	-	-	-	-	-	-	-	-	37,624,741
	111,616,814	10,223,849	70,390	54,590,573	-	53,258	1,161	-	-	46,577,383
	34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	(28,389,027)
Off-balance sheet gap										
	-	-	-	-	-	-	-	-	-	-
	34,480,568	31,794,023	19,095,374	2,404,685	(28,975,508)	17,301,022	8,192,343	8,767,122	3,765,824	(28,389,027)
Cumulative yield / interest risk sensitivity gap										
	34,480,568	31,794,023	50,889,397	53,294,082	24,318,574	41,619,596	49,811,939	56,579,061	62,344,885	62,869,595
Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities:										
Rupees in '000										
Total financial assets	146,097,382									146,097,382
Add non-financial assets:										
Investment in subsidiary company	100,000									100,000
Operating fixed assets	1,347,307									1,347,307
Other assets	903,588									903,588
Total assets as per statement of financial position	148,448,277									148,448,277
Total financial liabilities										
Add non-financial liabilities:										
Deferred tax liabilities - net	130,022									130,022
Other liabilities	4,218,182									4,218,182
Total liability as per statement of financial position	115,965,018									115,965,018

41.4

Liquidity risk

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

41.4.1

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

2013

	2013									
	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	3,627,922	3,627,922	-	-	-	-	-	-	-	-
Balances with other banks	9,113,832	8,013,832	1,100,000	-	-	-	-	-	-	-
Lending to financial institutions	3,646,716	2,365,000	1,281,716	-	-	-	-	-	-	-
Investments - net	23,609,958	1,397,847	16,744,800	-	427,561	1,066,905	464,237	155,345	19,996	3,333,267
Advances - net	95,311,716	30,343,526	42,583	2,511,633	25,201,310	16,252,556	7,800,380	8,639,859	3,858,506	661,363
Other assets - net	11,790,826	2,752,106	520,228	591,162	1,561,129	851,859	730,094	1,321,290	1,768,522	1,694,436
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	1,347,307	-	-	-	367,574	-	-	-	-	979,733
Liabilities										
Bills payable	148,448,277	48,500,233	19,689,327	3,102,795	27,557,574	18,171,320	8,994,711	10,116,494	5,647,024	6,668,799
Borrowings	706,265	706,265	-	-	-	-	-	-	-	-
Deposits and other accounts	55,174,903	3,917,690	-	-	51,257,213	-	-	-	-	-
Sub-ordinated loan	14,906,582	14,552,536	70,390	100,200	129,037	-	53,258	1,161	-	-
Deferred tax liabilities - net	3,204,323	-	-	-	3,204,323	-	-	-	-	-
Other liabilities	130,022	-	-	-	-	-	-	130,022	-	-
Net assets	41,842,923	687,329	358,218	1,317,940	34,612,423	317,940	224,286	591,142	1,037,125	2,696,520
Share capital	115,965,018	19,863,820	428,608	1,418,140	89,202,996	317,940	277,544	722,325	1,037,125	2,696,520
Reserves	32,483,259	28,636,413	19,260,719	1,694,655	(61,645,422)	17,853,380	8,717,167	9,394,169	4,609,899	3,972,279
Unappropriated profit	12,522,441	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	3,506,658	-	-	-	-	-	-	-	-	-
	13,597,945	-	-	-	-	-	-	-	-	-
	2,856,215	-	-	-	-	-	-	-	-	-
	32,483,259	-	-	-	-	-	-	-	-	-

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

	2012 (Restated)									
	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	
Assets	..... Rupees in '000									
Cash and balances with treasury banks	3,524,505	-	-	-	-	-	-	-	-	-
Balances with other banks	9,000,562	1,700,000	-	500,000	-	-	-	-	-	-
Investments - net	17,884,472	2,184,803	1,448,860	938,888	443,277	2,245,288	538,270	500,000	2,137,940	-
Advances - net	88,060,424	95,593	1,248,476	24,590,506	15,761,774	7,255,187	8,561,563	2,871,147	379,707	-
Other assets - net	11,998,959	421,493	417,355	2,087,491	829,766	624,369	1,064,854	1,005,425	2,865,689	-
Operating fixed assets	1,180,267	44,018	144,722	132,054	60,395	23,207	42,586	89,961	427,300	-
	131,649,189	4,445,907	3,259,413	28,248,939	17,095,212	10,148,051	10,207,273	4,466,533	5,810,636	-
Liabilities										
Bills payable	294,024	-	-	-	-	-	-	-	-	-
Borrowings	51,292,157	-	1,708,574	-	3,417,148	3,417,148	6,834,295	13,668,590	-	-
Deposits and other accounts	11,096,956	-	57,879	4,278	-	55,456	773	65	-	-
Sub-ordinated loan	3,204,323	-	-	-	-	-	-	3,204,323	-	-
Deferred tax liabilities - net	757,393	-	-	-	-	-	757,393	-	-	-
Other liabilities	35,588,577	358,218	29,997,222	1,213,940	1,317,940	224,286	591,142	537,125	209,238	-
	102,233,430	358,218	31,763,675	1,218,218	4,735,088	3,696,890	8,183,603	17,410,103	209,238	-
Net assets	29,415,759	4,087,689	(28,504,262)	27,030,721	12,360,124	6,451,161	2,023,670	(12,943,570)	5,601,398	-
Share capital	12,522,441									
Reserves	2,831,346									
Unappropriated profit	12,263,088									
Surplus on revaluation of assets - net of tax	1,798,884									
	29,415,759									

41.5 Operational risk

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

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 18 August 2014 by the Board of Directors of the Bank.

43 GENERAL

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

PRESIDENT / CHIEF EXECUTIVE
PRESIDENT / CHIEF EXECUTIVE

DIRECTOR
DIRECTOR

DIRECTOR
DIRECTOR

DIRECTOR
DIRECTOR

ZARAI TARAQIATI BANK LIMITED
STATEMENT SHOWING CHARGE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES
OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2013

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6 Principal	7 Interest	8 Others	9 Total				
..... Rupees in million												
1	1 SYED NOOR AHMED SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED NOOR AHMED. SHAH	121-89-00961	SYED BALA SHAH	0.509	0.128	-	0.637	0.509	0.128	-	0.637
	2 SYED LIAQAT ALI SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED LIAQAT ALI SHAH	121-61-111964	SYED ZULFIQAR SHAH								
	3 SYED ZULFIQAR SHAH H.NO. 165 VILL. KUNG GADEEM, ABBOTABAD	SYED ZULFIQAR SHAH	13101-22006987	SYED NOOR AHMED SHAH								
2	4 ISLAM VILLAGE KUNDI, TEHSIL CHATTAR, D M JAMALI	ISLAM	608-17-045872	PANJA KHAN	0.068	0.901	-	0.969	0.068	0.901	-	0.969
3	5 MST. NAZIA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. NAZIA BIBI	607-89-184003	GHULAM MUHAMMAD	0.438	0.782	-	1.220	0.438	0.145	-	0.583
	6 FAQIR MUHAMMAD VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	FAQIR MUHAMMAD	607-27-110351	PIRAL KHAN								
	7 MST. NAWAB KHATOON VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. NAWAB KHATOON	607-89-184004	GHULAM MUHAMMAD SHAHLIANI								
	8 MUHAMMAD RAMZAN VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MUHAMMAD RAMZAN	607-53-065975	SHAH RAKHIA								
4	9 MST. JAMILA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. JAMILA BIBI	607-89-184012	GHULAM MUHAMMAD SHAHLIANI	0.682	0.889	-	1.571	0.682	0.156	-	0.838
	10 MUHAMMAD HASSAN VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MUHAMMAD HASSAN	405-28-063315	ALI BUX								
	11 MST. SURIA BIBI VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	MST. SURIA BIBI	607-89-227505	MIR ALI NAWAZ KHAN								
	12 ALLAH BAKHSH VILLAGE MEHRABPUR, USTA MUHAMMAD M JAMALI	ALLAH BAKHSH	60795-99118847	ALLAH RAKHIA								

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6	7	8	9				
					Rupees in million							
1	2	3	4	5	6	7	8	9	10	11	12	13
5	MUHAMMAD JAFFER KHAN VILL KOLO TARAR, HAFIZABAD, SYED ANWAR HUSSAIN	MUHAMMAD JAFFER KHAN SYED ANWAR HUSSAIN	00289-47459751 22593-695456630	SAIFULLAH KHAN SYED RASUL SHAH	0.672	1.110	-	1.782	0.672	0.366	-	1.038
6	VILLAGE MOINUDDIN PUR, HAFIZABAD SYED AKRAM SHAH	SYED AKRAM SHAH	225-40-119035	SYED RASUL SHAH	0.363	0.764	-	1.117	-	0.715	-	0.715
7	VILLAGE MOINUDDIN PUR, HAFIZABAD KHAIR MUHAMMAD	KHAIR MUHAMMAD	459-43-028536	FEROZ KHAN	0.111	0.672	-	0.783	-	0.781	-	0.781
8	VILLAGE WALHAR, GOLARCHI, HYDERABAD HAJI KHAN	HAJI KHAN			0.122	0.891	-	1.013	-	0.891	-	0.891
9	VILLAGE PAT GAHI, T M KHAN PIARO KHAN	PIARO KHAN	46545-48081505	MATTARO KHAN	0.312	0.203	-	0.515	-	0.515	-	0.515
10	VILL SEHWAN SHARIF, HYDERABAD DR. ABDUL MAJEED ABID	DR. ABDUL MAJEED ABID	49994-69105602	MUHAMMAD ISHAQUE	0.414	0.435	-	0.849	-	0.571	-	0.571
11	VILL. RAHEELO, KOTRI, HYD. DR. ABDUL MAJEED ABID	DR. ABDUL MAJEED ABID	449-46-105602	MUHAMMAD ISHAQUE	0.407	0.301	-	0.708	-	0.705	-	0.705
12	VILL. RAHEELO, KOTRI, HYD. SAIN BUX	SAIN BUX	458-40-068000	QADIR BUX	0.305	0.554	-	0.859	-	0.554	-	0.554
13	VILL KHURARI, TANDO BHAGO, HYDERABAD NAZAR HUSSAIN	NAZAR HUSSAIN	260-24-565440	ALLAH BUX	0.108	1.072	-	1.180	-	1.072	-	1.072
14	VILL. MAL SULTAN HABIB UR REHMAN	HABIB UR REHMAN	42301-0890039-5	RAHIM BUX SOOMRO	0.247	0.539	-	0.786	-	0.537	-	0.537
15	H NO AK-13 A, SOOMRO LYAN, ABDUL LATIF BHATTI ROAD, KARACHI M/S LARR SUGAR MILLS 36/D KAECHS, OFF. SHAHEED E MILLAT ROAD, KARACHI	S. GHULAM MUSTAFA SHAH	495-18-000470	SYED GHULAM ALI SHAH	110.513	20.070	-	130.583	-	73.011	-	73.011
16	SIKANDAR ALI JATI/KARACHI	ASAD ANSARI S. KALEEMULLAH SHAH ASADULLAH FAROOQI ABDUL RAUF DR. S. RAFIQUE MUSTAFA AMANULLAH FAROOQI MRS. ISHRAT ABBAS ABDUL MAJEED QAZI SIKANDAR ALI	42201-11435343 495-87-002337 42301-10645907 42201-08931987 42201-68757039 42201-42391875	ALI MUHAMMAD ANSARI HIDAYAT ULLAH SHAH MIAN MUHAMMAD FAROOQ MIAN MUHAMMAD FAROOQ S. GHULAM MUSTAFA SHAH MIAN MUHAMMAD FAROOQ MUHAMMAD ABBAS ABDUL RASHEED QAZI MUHAMMAD BACHAL	0.147	1.714	-	1.861	-	1.638	-	1.638

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's / husband's name	Outstanding liabilities at beginning of the year					Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6	7	8	9	10					11	12	13
					Principal	Interest	Others	Total	Rupees in million				
17	AGRO CARE 23 B STREET C, UPPER MALL LAHORE	SYED RASHID BUKHARI	35202-4831850-1	SAHMED ALI SHAH	0.585	3.791	-	4.376	-	-	3.349	-	3.349
18	GRAIN CARE 145 FEROPPURE RD. LAHORE	MRS. ROMANA KHALID MALIK RAFIQUE AHMED KHALID UMER KHAKWANI	35202-5180908-4 35202-8258015-3 35202-0175599-9	W/O KHALID UMER KHAKWANI MALIK BASHIR AHMED DOST MUHAMMAD KHAKWANI	2.037	1.753	-	3.790	-	-	3.148	-	3.148
19	RICH GREEN IND. PVT 1-96 AHMED BLOCK NEW GARDEN TOWN, LAHORE	MST. BEHRAWAR BOKHARI SYED MUHAMMAD TAUQEER	36302-3363966-0 271-44-085210	W/O S SAJID ALI BOKHARI SYED MUHAMMAD AZEEM	2.834	11.553	-	14.387	-	-	14.387	-	14.387
20	YOUSUF ALI VILL. MEHREENPUR, LARKANA	SYED AHMED SAEED SYED IKRAMUL HAQ	271-45-137008 231-34-214772	SYED MUHAMMAD AZEEM SYED MEHBOOB SHAH	0.106	1.223	-	1.329	-	-	1.162	-	1.162
21	GUL HASSAN KHAN VILL GAHNO WAH, GARHI YASIN, LARKANA	SHAHEEN RAHEEM YOUSUF ALI	409-50-064000 00403-56117819	RAHEEM CHAUDHRY KHADIMALI	0.119	0.506	-	0.625	-	-	0.625	-	0.625
22	NABI BUX HAJANO VILL HAJANA DEH JANO, SHIKARPUR	GUL HASSAN KHAN	41292-79076087	DUR MUHAMMAD	0.129	0.486	-	0.615	-	-	0.615	-	0.615
23	ABDUL RAZAQUE VILL RAHIM WAH, GARHI YASIN, LARKANA	ABDUL RAZAQUE	41290-19012079	FATEH KHAN	0.990	1.433	-	2.423	-	-	1.430	-	1.430
24	ABDUL RASHEED VILL RAHIM WAH, GARHI YASIN, LARKANA	MUHAMMAD AMIN KHAN	412-01-012079	FATEH KHAN	-	-	-	-	-	-	-	-	-
25	ABDUL RASOOL VILL RAHIM WAH, GARHI YASIN, LARKANA	ABDUL RASHEED	412-50-123906	SHAHRAZ KHAN	0.420	0.625	-	1.045	-	-	0.625	-	0.625
26	NIGHT BIBI BASTI MALOOK/MULTAN	ABDUL RASOOL	412-52-123906	SHAH BAZ KHAN	0.041	0.672	-	0.713	-	-	0.672	-	0.672
27	RAZIA BEGUM VILL LABAR, DISTT. MULTAN	NIGHT BIBI	323-37-107560	NAZAR MUHAMMAD	0.729	-	-	0.729	-	-	0.729	-	0.729
28	SADIA ASGHAR VILL THATH GHALWAN, SHUJABAD, MULTAN	RAZIA BEGUM	35201-77401684	MUHAMMAD QASIM	0.554	1.060	-	1.614	-	-	0.799	-	0.799
29	AHMED YAR VILL LALPUR, MUZAFFARGARH	SADIA ASGHAR	35201-77401684	MUHAMMAD QASIM	0.973	1.299	-	2.272	-	-	0.813	-	0.813
30	RASHIDA BEGUM VILL. DOGAR KALASRA, SANAWAN, MUZAFFARGARH	AHMED YAR	32304-52269551	GHULAM RASOOL	-	0.578	-	0.578	-	-	0.578	-	0.578
		RASHIDA BEGUM	31795-29169795	SULTAN AHMED	0.434	0.893	-	1.327	-	-	0.676	-	0.676

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Total	Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					Principal	Interest	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	13	
Rupees in million													
31	GHULAM ALI VILL PHULJI C/O NIZAMUDDIN, DADU SHER MUHAMMAD VILL PHULJI C/O NIZAMUDDIN, DADU	GHULAM ALI SHER MUHAMMAD	462-15-001391 462-26-002516	ALLAH BUX ALLAH BUX	0.095	0.795	-	0.890	-	0.890	-	0.890	
32	RAHIM BUX DEH KOORPUR, KALHORA, DADU	RAHIM BUX	46246-05170100	HAJI MUHAMMAD ABBAS	0.465	0.282	-	0.747	-	0.747	-	0.747	
33	MIR NAWAZ DEH PUMBI, DADU	MIR NAWAZ	46294-69023500	AHMED KHAN	0.030	0.669	-	0.699	-	0.654	-	0.654	
34	IFTIKHAR AHMED APTAMA HOUSE, JEHANGIRABAD, PESHAWAR	IFTIKHAR AHMED	13590-09000193	NOOR HAQUE	0.500	0.841	-	1.341	-	0.583	-	0.583	
35	NASRULLAH QILA IBRAHIM, WANDU	NASRULLAH	627-53-132888	BILAL MANGLE	0.125	1.190	-	1.315	-	1.315	-	1.315	
36	HAZOOOR BUX CHACHEZAI PANJIPAI, QUETTA	HAZOOOR BUX	00602-43019489	MALIK SHAH	0.703	0.818	-	1.521	-	0.775	-	0.775	
37	ABDUL WAHID CHACHEZAI PANJIPAI, QUETTA SYED RIAZ HUSSAIN SHAH VILL LAL SHAH, QABOOLA TOWN, SAHIWAL	ABDUL WAHID SYED RIAZ HUSSAIN SHAH	602-45-423506 338-37-255297	MALIK SHAH ASGHAR ALI	0.770	0.755	-	1.525	-	0.705	-	0.705	
38	GHULAM FARID 63 KB, LUDDEN, VEHARI	GHULAM FARID	324-25-051879	MIAN KORA	0.718	0.049	-	0.767	-	0.767	-	0.767	
39	PIR MEHAR SHAH VILL ALAMPUR, KARAMPUR, VEHARI	PIR MEHAR SHAH	36602-24217697	PIR ANWAR SHAH	0.661	-	-	0.661	-	0.661	-	0.661	
40	MUMTAZ AHMED KHAN VILL SHAHTAB GARH, KARAMPUR, VEHARI	MUMTAZ AHMED	325-45-243236	GHULAM MUHAMMAD	0.519	0.269	-	0.788	-	0.787	-	0.787	

Sr. No.	Name and address of the borrower	Name of individual / partners / directors	NIC number	Father's/ husband's name	Outstanding liabilities at beginning of the year				Principal charged off	Interest charged off	Other financial relief / waiver provided	Total (10+11+12)
					6	7	8	9				
1	2	3	4	5	6	7	8	9	10	11	12	13
..... Rupees in million												
41	SHAUKAT HAYAT KHAN SHATAB GARH, THE. MAILSI, SIKANDAR HAYAT	SHAUKAT HAYAT	325-62-132569	AHMED KHAN	0.623	0.597	-	1.220	-	0.565	-	0.565
42	SHATAB GARH, THE. MAILSI, SHATAB GARH, THE. MAILSI,	SIKANDAR HAYAT	325-52-386629	AHMED KHAN	0.697	0.639	-	1.336	-	0.603	-	0.603
43	QAZI ZAMEER UD DIN VILL CHADHAR BHINDA, MAILSI, VEHARI	QAZI ZAMEER UD DIN	325-50-155426	IMTIAZ UD DIN	0.254	0.322	-	0.576	-	0.576	-	0.576
44	MUHAMMAD IQBAL KHAN VILL FADDA, MAILSI VEHARI	MUHAMMAD IQBAL KHAN	32595-39385908	MUHAMMAD YAR KHAN	0.578	0.063	-	0.631	-	0.631	-	0.631
45	MUKHTAR AHMED SHAH VILL GHULAM SHAH, LUDDEN VEHARI	MUKHTAR AHMED SHAH	324-57-368692	AHMED ALI SHAH	0.489	0.104	-	0.593	-	0.593	-	0.593
46	MST. GHULAM JANAT VILL. HASSAN SHAH, KARAMPUR, VEHARI	GHULAM JANAT	325-22-151510	RIAZ HUSSAIN SHAH	0.979	1.173	-	2.152	-	0.646	-	0.646
	AZIZ BEGUM VILL. HASSAN SHAH, KARAMPUR, VEHARI	GHULAM JANAT	00325-49409085	RIAZ HUSSAIN SHAH								
	SYED ALTAF HUSSAIN VILL. HASSAN SHAH, KARAMPUR, VEHARI	SYED ALTAF HUSSAIN	36602-95740821	SYED RIAZ HUSSAIN SHAH								
47	MST. JANAT BIBI VILL. HASSAN SHAH, KARAMPUR, VEHARI	JANAT BIBI	325-37-151511	RIAZ HUSSAIN SHAH	0.979	0.875	-	1.854	-	1.035	-	1.035
	SYED NASIR HUSSAIN SHAH	SYED NASIR HUSSAIN SHAH	325-59-323461	RIAZ HUSSAIN SHAH								
					134.544	66.328	-	200.872	2.369	124.827	-	127.196



STATISTICAL ANNEX



C O N T E N T S

- 1 SELECTED FINANCIAL AND STATISTICAL INDICATORS**

- 2 DISBURSEMENT**
 - 2.1 LOANS DISBURSED SINCE INCEPTION : AREA-WISE
 - 2.2 LOANS DISBURSED : AREA-WISE
 - 2.3 TERM-WISE COMPOSITION OF LOANS DISBURSED
 - 2.4 LOANS DISBURSED : SECURITY-WISE
 - 2.5 ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED SINCE INCEPTION
 - 2.6 AGRI. CREDIT DISBURSED BY MAJOR PURPOSES
 - 2.7 AGRI.CREDIT DISBURSED: SIZE OF LOAN
 - 2.8 AGRI.CREDIT DISBURSED: SIZE OF HOLDING

- 3 RECOVERY**
 - 3.1 RECOVERY POSITION
 - 3.2 CUMULATIVE RECOVERY SINCE INCEPTION

- 4 STAFF POSITION**

- 5 NETWORK OF FIELD OFFICES**

SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

SR. NO.	DESCRIPTION	2009	2010	2011	2012	2013
<u>DURING THE YEAR</u>						
1	AGRICULTURAL CREDIT DISBURSED	77680	69561	65452	64133	71107
2	LOANS TO SUBSISTENCE FARMERS	52089	47135	44606	45207	51858
3	2 AS %AGE OF 1	67%	68%	68%	70%	73%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	67992	61174	58066	57617	64575
5	4 AS %AGE OF 1	88%	88%	89%	90%	91%
6	FINANCING OF TRACTORS					
	- NUMBER	24596	13321	908	7296	9212
	- AMOUNT	9995	6270	431	3594	5977
7	6 AS %AGE OF 1	13%	9%	1%	6%	8%
8	AGRI. CREDIT RECOVERY	69549	71936	72422	67376	72636
9	CUMMULATIVE RECOVERY (%)	99%	99%	99%	99%	99%
10	TOTAL INCOME	15165	14230		10936	12912
11	TOTAL EXPENDITURE	11115	11342		7066	7745
12	PROFIT BEFORE TAXATION	3373	2878	3277	3870	5166
<u>AT THE END OF THE YEAR</u>						
1	TOTAL ASSETS	112619	117586	122548	131649	148448
2	LOAN PORTFOLIO (NET)	81974	84793	84744	88060	95312
3	NUMBER OF ZONAL OFFICES	26	27	31	31	31
4	NUMBER OF BRANCHES	347	355	359	359	379
5	NUMBER OF MCO's	1212	1362	1277	1313	1308
6	NUMBER OF STAFF	5274	5494	5789	5724	5599

2.1
LOANS DISBURSED SINCE INCEPTION: AREA-WISE
UPTO 31.12.2013

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	AMOUNT DISBURSED	SHARE(%)
1	PUNJAB	697764.665	77.5
2	SINDH	134272.872	14.9
3	KHYBER PAKHTUNKHWA	51372.014	5.7
4	BALUCHISTAN	9743.197	1.1
5	AZAD KASHMIR	3572.364	0.4
6	GILGIT/BALTISTAN	3278.313	0.4
TOTAL		900003.425	100.0

2.2
LOANS DISBURSED : AREA-WISE

DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	353362	57655.911	81.1
2	SINDH	38255	9271.876	13.0
3	KHYBER PAKHTUNKHWA	17728	3463.921	4.9
4	BALUCHISTAN	700	177.294	0.3
5	AZAD KASHMIR	4296	294.012	0.4
6	GILGIT/BALTISTAN	1494	243.693	0.3
TOTAL		415835	71106.707	100.0

2.3
TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

SR. NO.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT	NO. OF BORROWERS	AMOUNT
1	PUNJAB	305061	44543.925	33376	6083.782	14925	7028.204	353362	57655.911
2	SINDH	34124	8453.275	3670	582.504	461	236.097	38255	9271.876
3	KHYBER PAKHTUNKHWA	13487	2896.130	3957	435.474	284	132.317	17728	3463.921
4	BALUCHISTAN	604	141.931	31	3.205	65	32.158	700	177.294
5	AZAD KASHMIR	3454	178.998	765	79.489	77	35.525	4296	294.012
6	GILGIT/BALTISTAN	676	154.331	795	79.665	23	9.697	1494	243.693
TOTAL		357406	56368.590	42594	7264.119	15835	7473.998	415835	71106.707

2.4
LOANS DISBURSED: SECURITY - WISE
DURING 01.01.2013 TO 31.12.2013

(RUPEES MILLION)

SR. NO.	PARTICULARS	NUMBER OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	411204	70497.345	99.2
2	HYPOTHECATION LOANS	251	70.162	0.1
3	PERSONAL SURETY LOANS	2872	80.335	0.1
4	OTHER SECURITY	1508	458.865	0.6
TOTAL		415835	71106.707	100.0

2.5

ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2013

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since inception upto 30-06-1971	780.798	15043	295.372	18757	213.849
FY' 1972	80.000	1906	37.410	1790	18.412
FY' 1973	169.100	1679	43.654	2389	26.415
FY' 1974	415.570	1997	74.500	2922	45.000
FY' 1975	396.310	3122	131.600	3566	74.500
FY' 1976	532.850	6043	348.200	2357	47.600
FY' 1977	638.770	5888	319.200	1364	25.700
FY' 1978	430.530	5768	324.050	580	10.793
FY' 1979	416.937	6003	310.200	543	10.100
FY' 1980	711.550	8661	468.900	425	9.300
FY' 1981	1066.619	10111	636.560	562	13.646
FY' 1982	1557.386	12359	880.198	745	20.576
FY' 1983	2310.435	17497	1459.256	1246	38.109
FY' 1984	3131.676	22766	2028.706	1623	57.938
FY' 1985	4167.908	25500	2305.668	2548	67.424
FY' 1986	5307.867	20603	1955.257	4260	196.697
FY' 1987	6031.152	23648	2621.911	4621	220.835
FY' 1988	7716.078	20288	2650.555	6743	392.196
FY' 1989	8667.523	19725	2898.750	6632	476.667
FY' 1990	9389.861	20290	3465.396	5898	487.010
FY' 1991	8323.947	12468	2650.302	5388	564.277
FY' 1992	6996.426	8823	1742.676	3281	304.834

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS FINANCED	
		NUMBER	AMOUNT	NUMBER	AMOUNT
FY' 1993	8643.408	16574	3548.008	2528	252.005
FY' 1994	8989.252	17127	4071.548	2403	294.128
FY' 1995	14575.735	22002	5029.803	4920	693.707
FY' 1996	10339.274	15968	3261.605	1680	173.336
FY' 1997	11687.112	10701	3195.652	2300	385.586
FY' 1998	22362.983	13630	4286.009	3869	857.677
FY' 1999	30175.960	16951	4509.982	6998	1436.177
FY' 2000	24423.889	21515	5743.598	4735	830.894
FY' 2001	27610.229	18909	5119.122	8991	1648.100
FY' 2002	29108.015	12744	3501.149	7894	1335.733
01-07-2002 to 13-12-2002	10426.734	3660	1011.927	2955	384.419
14-12-2002 to 31-12-2003	32286.990	10679	2799.972	5100	1016.363
CY' 2004	33714.580	7848	1952.655	4369	845.424
CY' 2005	39356.053	10807	2893.575	3895	703.891
CY' 2006	52520.505	9052	2512.927	1918	292.898
CY' 2007	55912.018	10275	3478.103	1218	178.114
CY' 2008	70698.335	16143	5741.191	1941	340.850
CY' 2009	77680.431	24596	9994.861	1917	360.733
CY' 2010	69561.375	13321	6269.645	1839	397.014
CY' 2011	65451.788	908	431.248	1745	476.253
CY' 2012	64132.759	7296	3594.398	2051	524.817
CY' 2013	71106.707	9212	5976.749	1522	575.109
TOTAL:-	900003.425	560106	116572.048	155028	17325.106

2.6

AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES

DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

PURPOSES	NO. OF BORROWERS	AMOUNT DISBURSED	SHARE (%)
<u>I. DEVELOPMENT LOANS</u>	<u>58429</u>	<u>14738.117</u>	<u>20.7</u>
1 TRACTORS	10949	5976.749	8.4
2 DAIRY FARMING	36846	6619.578	9.3
3 FARM EQUIPMENT	1913	435.674	0.6
4 TUBEWELLS	1615	575.109	0.8
5 LIVESTOCK	3198	410.849	0.6
6 POULTRY FARMING	10	2.693	0.0
7 ORCHARDS	297	46.321	0.1
8 LAND DEVELOPMENT	498	38.221	0.1
9 FISHERIES	2	0.280	0.0
10 FARM TRANSPORTATION	38	2.989	0.0
11 GODOWN/ COLD STORAGE	1215	434.007	0.6
12 OTHERS	1848	195.647	0.2
<u>II. PRODUCTION LOANS</u>	<u>357406</u>	<u>56368.590</u>	<u>79.3</u>
1 FERTILIZER	171555	27056.923	38.0
2 PESTICIDES	67907	10710.032	15.1
3 SEEDS	100074	15783.205	22.2
4 LABOUR HIRE/ OTHER CHARGES	2	90.000	0.1
5 WORKING CAPITAL FOR POULTRY	3149	467.693	0.7
6 WORKING CAPITAL FOR DAIRY	4957	824.542	1.2
7 WORKING CAPITAL FOR LIVESTOCK	7	1.085	0.0
8 WORKING CAPITAL FOR FISHERIES	3	1.030	0.0
9 OTHERS	9752	1434.080	2.0
TOTAL:-	415835	71106.707	100.0

2.7

AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN

DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

SIZE OF LOAN	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	11936	2.9	238.643	0.3
RS.25001 TO 50000/-	47836	11.5	1864.371	2.6
RS.50001 TO 100000/-	117441	28.2	9117.591	12.8
RS.100001 TO 200000/-	115678	27.8	16315.635	23.0
RS.200001 TO 500000/-	105933	25.5	33097.951	46.6
RS.500001 TO 1000000/-	16699	4.0	9959.678	14.0
OVER 1000000/-	312	0.1	512.838	0.7
TOTAL:-	415835	100.0	71106.707	100.0

2.8

AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING

DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

SIZE OF HOLDING	NO. OF BORROWERS	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	242	0.1	28.796	0.0
B. OWNERS				
UNDER 5.1 HECTARES (UNDER 12.5 ACRES)	344643	82.9	50477.043	71.0
5.1 TO UNDER 6.5 HECTARES (12.5 TO UNDER 16 ACRES)	24032	5.8	6114.437	8.6
6.5 TO UNDER 10.1 HECTARES (16 TO UNDER 25 ACRES)	25464	6.1	7954.242	11.2
10.1 TO UNDER 13 HECTARES (25 TO UNDER 32 ACRES)	8782	2.1	2591.687	3.7
13 TO UNDER 20.2 HECTARES (32 TO UNDER 50 ACRES)	6791	1.6	2236.255	3.1
20.2 TO UNDER 26 HECTARES (50 TO UNDER 64 ACRES)	2183	0.5	643.964	0.9
26 HECTARES & ABOVE (64 ACRES & ABOVE)	3698	0.9	1060.283	1.5
TOTAL:-	415835	100.0	71106.707	100.0

3.1
RECOVERY POSITION
DURING 01-01-2013 TO 31-12-2013

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	RECOVERY RATE (%)
1	PUNJAB	63691.042	58861.413	92.4
2	SINDH	10443.989	9380.925	89.8
3	KHYBER PAKHTUNKHWA	4265.369	3812.857	89.4
4	BALUCHISTAN	197.394	157.677	79.9
5	AZAD KASHMIR	260.866	257.849	98.8
6	GILGIT/BALISTAN	189.600	165.203	87.1
TOTAL		79048.260	72635.924	91.9

3.2
CUMMULATIVE RECOVERY SINCE INCEPTION
UPTO 31.12.2013

(RUPEES MILLION)

SR. NO.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2013	RECOVERY RATE (%)
1	PUNJAB	715572.593	710742.964	4829.629	99.3
2	SINDH	131629.511	130566.447	1063.064	99.2
3	KHYBER PAKHTUNKHWA	53322.519	52870.007	452.512	99.2
4	BALUCHISTAN	7363.832	7324.115	39.717	99.5
5	AZAD KASHMIR	3322.354	3319.337	3.017	99.9
6	GILGIT/BALISTAN	3039.471	3015.074	24.397	99.2
TOTAL		914250.280	907837.944	6412.336	99.3

4

STAFF POSITION

(NUMBERS)

YEAR	OFFICERS	STAFF	TOTAL	M.C.O.'s
FY' 1990	4614	4035	8649	1487
FY' 1991	4781	3963	8744	1434
FY' 1992	4842	3816	8658	1454
FY' 1993	5046	3621	8667	1521
FY' 1994	5035	3369	8404	1432
FY' 1995	5035	3576	8611	1376
FY' 1996	5443	3383	8826	1441
FY' 1997	5347	3830	9177	1441
FY' 1998	4535	3368	7903	1449
FY' 1999	4608	3183	7791	1463
FY' 2000	4586	3196	7782	1459
FY' 2001	4563	3177	7740	1465
FY' 2002	4515	3150	7665	1496
CY' 2003	3711	2027	5738	1363
CY' 2004	3657	1934	5591	1328
CY' 2005	3609	1934	5543	1311
CY' 2006	3485	1841	5326	1258
CY' 2007	3629	1704	5333	1269
CY' 2008	3651	1635	5286	1243
CY' 2009	3709	1565	5274	1212
CY' 2010	3930	1564	5494	1362
CY' 2011	4145	1644	5789	1277
CY' 2012	4095	1629	5724	1313
CY' 2013	4218	1381	5599	1308

5

NETWORK OF FIELD OFFICES**AS ON 31.12.2013**

(NUMBERS)

SR.NO.	PROVINCES	ZONAL OFFICES	BRANCHES
1	PUNJAB	16	190
2	SINDH	6	88
3	KHYBER PAKHTUN KHWA	4	51
4	BALUCHISTAN	3	33
5	AZAD KASHMIR	1	10
6	GILGIT/BALTISTAN	1	7
TOTAL		31	379



ZTBL

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