



NIB Bank Limited  
Annual Report 2012

A New Chapter...

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<b>Board of Directors</b>	Teo Cheng San, Roland Syed Aamir Zahidi Tejpal Singh Hora Asif Jooma Chia Yew Hock, Wilson Najmus Saquib Hameed Muhammad Abdullah Yusuf Badar Kazmi	Chairman Director Director Director Director Director Director Director & President / CEO
<b>Board Audit Committee</b>	Muhammad Abdullah Yusuf Syed Aamir Zahidi Najmus Saquib Hameed	Chairman Member Member
<b>Board Risk Management Committee</b>	Tejpal Singh Hora Asif Jooma Badar Kazmi	Chairman Member Member
<b>Board Human Resource Committee</b>	Teo Cheng San, Roland Chia Yew Hock, Wilson Asif Jooma Badar Kazmi	Chairman Member Member Member
<b>Company Secretary</b>	Ather Ali Khan	
<b>Chief Financial Officer</b>	Yameen Kerai	
<b>Registered Office</b>	First Floor, Post Mall F-7 Markaz, Islamabad.	
<b>Head Office</b>	PNSC Building M.T. Khan Road Karachi-74000. UAN: +9221 111 333 111	
<b>Email &amp; URL</b>	Email: info@nibpk.com URL: www.nibpk.com	
<b>Share Registrar Office</b>	THK Associates (Pvt.) Limited Ground Floor, State Life Building No. 3 Dr. Ziauddin Ahmed Road Karachi-75530. UAN: +9221 111 000 322	
<b>Auditors</b>	M/s. KPMG Taseer Hadi & Co. Chartered Accountants	
<b>Legal Advisor</b>	M/s. Mandviwalla & Zafar Advocates	
<b>Credit Rating</b>	Long Term: AA- Short Term: A1+ NIB TFC: A+ Rating Agency: PACRA	

## Notice of Annual General Meeting

Notice is hereby given that Tenth Annual General Meeting of NIB Bank Limited (“the Bank”) shall be held at 3.00 pm on Friday the 29th March 2013, at ICAP Auditorium, Institute of Chartered Accountants of Pakistan (ICAP) Building, G-10/4, Mauve Area, Islamabad to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the 9th Annual General Meeting held on 30th March 2012.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31st December 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration. M/s. KPMG Taseer Hadi & Co., Chartered Accountants have offered themselves for the re-appointment.
4. To elect the directors of the Bank for a period of 3 (three) years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The number of directors to be elected has been fixed as 8 (eight) pursuant to the provisions of section 178(1) of the Companies Ordinance, 1984. The following directors are retiring and are eligible for re-election:
  - a) Teo Cheng San, Roland
  - b) Syed Aamir Zahidi
  - c) Tejpal Singh Hora
  - d) Chia Yew Hock, Wilson
  - e) Asif Jooma
  - f) Muhammad Abdullah Yusuf
  - g) Najmus Saquib Hameed
  - h) Badar Kazmi

### SPECIAL BUSINESS:

5. To grant post facto approval to the payment of remuneration fixed by the Board for the Non-executive Directors, in terms of State Bank of Pakistan's Prudential Regulations # G-1(C)(2) for Corporate / Commercial Banking and to pass the following resolution:

RESOLVED that post facto approval for payment of remuneration fixed by the Board for Non-executive Directors in terms of State Bank of Pakistan's Prudential Regulation # G-1(C)(2) for Corporate / Commercial Banking is hereby granted.
6. Any other business with the permission of the Chair.

Statements as required under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts concerning the special business contained in the Notice to be considered at the meeting are annexed to the Notice of the meeting being sent to the members.

By Order of the Board

Karachi  
8th March 2013

**Ather Ali Khan**  
Company Secretary

### Notes:

1. Share Transfer Book of the Bank will remain closed from 21st March to 29th March 2013 (both days inclusive).
2. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his / her proxy to attend and vote. A shareholder can appoint only one proxy to attend the meeting. Proxies, in order to be effective, must be received at the Head Office of the Bank situated at PNSC Building, M.T. Khan Road, Karachi (Pakistan) not later than 48 (forty eight) hours before the time of meeting, and must be duly stamped, signed and witnessed.
3. Every candidate who seeks to contest the election, whether he is retiring director or otherwise, shall file with the Bank at least 14 days before the meeting a notice of his intention to offer himself for election as director along with

his consent in the prescribed form to his appointment as director of the Bank along with declaration as required under the Code of Corporate Governance (Listing Regulations) and "Fit and Proper Test" affidavit and a complete set of documents as required in terms of State Bank of Pakistan's Prudential Regulations.

4. Shareholders are requested to notify any change in their addresses immediately to the Bank or Share Registrar, M/s. THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi (Pakistan).
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated the 26th January 2000 issued by the Securities and Exchange Commission of Pakistan:

For attending the meeting:

In case of individuals, the account holder or sub-account holder or investor account holder shall authenticate identity by showing his / her original computerized national identity card (CNIC) or original passport at the time of attending the meeting.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxies:

In case of individuals, the account holder or sub-account holder or investor account holder shall submit the proxy form as per the above requirement.

The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.

Attested copy of CNIC or the Passport, of the account holder or sub-account holder or investor account holder shall be furnished with the proxy form.

The proxy shall produce his original CNIC or original Passport at the time of the meeting.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

## **Statement under Section 160(1) (b) of the Companies Ordinance, 1984**

NIB Bank Limited was incorporated as a public limited company under the Companies Ordinance, 1984, to carry on the business of a banking company under the Banking Companies Ordinance, 1962.

### **1) REMUNERATION TO NON-EXECUTIVE DIRECTORS AND CHAIRMAN:**

As per State Bank of Pakistan's Prudential Regulation G-1(C)(2), the Banks / DFIs during a calendar year may pay a reasonable and appropriate remuneration for attending the Board or its Committee(s) meeting(s) to the Non-executive Directors and Chairman, which should be linked to the actual number of Board / Committee meetings attended by an individual Director / Chairman. Furthermore, the scale of remuneration to be paid to the Non-executive Directors / Chairman for attending the Board and / or Committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting. There is no change in scale since 2009. During 2012 an amount of Rs. 5.973 million has been paid to Non-executive Directors.

For the purpose aforesaid it is proposed that the resolution set out in the notice convening the Annual General Meeting of the Bank be passed as and by way of a Special Resolution.



## Directors' Report to the Shareholders

### THE ECONOMY

The highlight for 2012 on the macroeconomic landscape was the interest rate easing stance adopted in the monetary policy by the State Bank of Pakistan (SBP). Prompted by the Consumer Price Index (CPI) receding to an average of 9.7% in 2012 vs 12.0% in 2011 and hitting a 5-yr low at 6.93% in November, the SBP cut the discount rate to 9.50% in December. As a result the three cumulative cuts totaled 2.50% in the calendar year. The lower rate of inflation was mainly driven by softer food inflation, sharp cut in gas tariff and CNG prices in July and October respectively.

Given impending repayments on external debt obligations, particularly to the IMF, exchange rate concerns remained in the forefront with the currency depreciating by 8% during the year compared to a 5% decline in 2011. During 2012 total repayments were around USD 2.3 bn, resulting in a sharp decline in foreign exchange reserves to USD 13.9 bn. Second half of the calendar year saw relatively improved inflows with USD 1.8 bn received under the Coalition Support Fund. As a result, Current Account posted a surplus of USD 0.25 bn in the last six months of 2012 compared to a deficit of USD 2.4 bn in corresponding period of the preceding year. Recent meetings between the senior officials of the Government and the IMF indicate a high likelihood of another IMF bailout package in the offing.

By June 2012 the fiscal deficit had reached 8.5% of GDP. This was financed primarily by domestic sources. Tax to GDP ratio remained at 9.9% during the year, much below desired levels while the Government financed its entire debt servicing costs and development expenditures through additional borrowing from the banking sector. The adverse impact of Government borrowing was on private sector credit which failed to revive as envisaged despite the aggressive discount rate cuts by the SBP.

Progress on policy issues, e.g. gas supply to mainstream sectors including power, textile and fertilizers, trade policy, tax reforms and energy sector debt, remained slow in 2012.

### BANKING SECTOR

Banking sector continued to maintain strong growth in profitability. Aggregate profit after tax grew by 22% year on year for the first 9 months of the calendar year. Improvement in profitability was led by increase in non funded income and lower provisions. However, net interest income grew by only 1% as banking spreads came under pressure. This was due to the combined impact of discount rate cuts and the increase in the SBP mandated minimum interest rate floor on savings accounts by 100 basis points in April 2012.

Non-Performing Loans showed improvement in 2012 versus prior year. This was partly attributable to continuation of risk averse credit strategy adopted by the banks, as evidenced by the advance to deposit ratio of 58% in December against 60% in the previous year. Going forward the lack of improvement in credit demand coupled with the recent reduction in interest rates is expected to keep banking sector earnings under strain.

### OPERATING RESULTS

After two consecutive years of losses, the Bank is pleased to announce return to profitability. Unconsolidated profit after tax of Rs 38 mn for the year ended December 2012 has been recorded. On a consolidated basis profit after tax in 2012 was Rs 262 mn. Despite serious challenges and constraints the Bank was able to grow revenues by 25% while restricting expense growth to 10%. More significantly the Bank has also been able to achieve a positive operating margin, i.e., operating revenues less expenses. We believe this gives the Bank a good base from which to improve its performance going forward.

The Bank grew its Corporate loan portfolio mainly in blue chip corporates and public sector entities. In the Commercial segment the bank selectively grew in certain segments and scaled backed in others. The Bank has also restarted Consumer lending in a measured way with an emphasis on security and collectability. Active management of the Balance Sheet also yielded positive results. Despite the foregoing measures the overall impact of 250 basis points cut in interest rates and its adverse impact on margins resulted in lower gross interest income in 2012 compared to 2011.

In continuation of its efforts to develop stable and low cost funding the Bank continued its focus on mobilizing lower cost deposits by leveraging its branch network and also by offering customized transaction banking solutions to its customers. Concurrently, with a declining interest rate environment it was essential to proactively manage the deposit mix. As a result the proportion of current and low cost deposits to total deposits improved from 2011 and cost of borrowing dropped by 1.53%.

Overall net interest income of the Bank increased by Rs 777 mn, a 37% improvement over 2011.

Focus on increasing non funded income also bore positive results. Fees and commissions grew by 18% between the two years from higher cross-sell of services including Bancassurance, Corporate Advisory and Trade Finance. Capital gains from the sale of securities and equity more than compensated for reductions in dividends from a significantly smaller equity portfolio and reduced foreign exchange earnings. Overall aggregate non funded income increased by 13% between 2011 and 2012.

The Bank continued its investments in people, premises and technology in order to build a robust and sustainable platform for growth. While the Bank was able to hire a number of experienced and talented resources with proven track record to strengthen bench strength at both senior and middle management levels, it has also been focusing on optimizing on the existing talent pool. In order to provide its employees with a more productive and efficient work environment, the Bank shifted its Head Office in October to a newly renovated building in a less congested area of the city. The shift has not only yielded operating cost savings as envisaged, but has also resulted in creating capacity for future growth through efficient space usage. Apart from the Head Office the Bank has also started to gradually upgrade its branch network with top priority being given to premises with Health and Safety risk factors. This is a medium term project and is being undertaken in phases.

While being cognizant of resource constraints the Bank continued to fund new investments in technology, re-engineering of processes and increased automation to support various strategic business initiatives. Including these investments and despite the prevalent high inflation, the Bank was successfully able to restrict administrative expenses growth to 10% over prior year.

On the Remedial side, the improvement in net credit provisioning has been a result of execution of a concerted strategy. The Bank intends to build upon its success in managing NPLs and improving recoveries by continuing to invest in the Remedial function.

### **FUTURE OUTLOOK**

Despite the challenging economic environment in 2012, through a disciplined and focused approach the Bank was able to show good growth in top line revenue by leveraging the inherent strength of the franchise, extensive network, committed people and loyal customers. We will strive to create the best outcomes for our corporate clients and retail customers with financial solutions that are simple and innovative. With the key enablers well in place, and despite external challenges, we are confident that execution of our focused business strategy should lead to sustained growth in the Bank's revenues and profitability.

### **CREDIT RATING**

The Pakistan Credit Rating Agency (PACRA) has maintained NIB's long term rating and short term rating at AA- (Double A minus) and at A1+ (A one plus) respectively in June 2012. The rating of unsecured TFC issue of PKR 4,000 mn has also been maintained at A+ (A plus). The ratings denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

### **CORPORATE GOVERNANCE**

During the year under review, the Bank was compliant with the provisions of the Code of Corporate Governance. Being aware of their responsibilities under the Code of Corporate Governance, the Board of Directors state that:

The financial statements prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

Proper books of accounts of the Bank have been maintained.

Appropriate accounting policies, except hereinafter mentioned, have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed and explained.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the Bank's ability to continue as a going concern.

## Directors' Report to the Shareholders

In 2012 the Board of Directors was given a presentation on the latest changes in the Code of Corporate Governance. One director has partially completed the "Bank Governance Programme" offered by the Pakistan Institute of Corporate Governance, to be completed by June 2013 as required by the Code.

There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations of Stock Exchanges.

As of 31st December 2012, the value of investments of the Provident Fund was Rs.776,771,435/-(unaudited).

Trading during the year, if any, in the shares of the Bank, carried out by Directors, Executives and their spouses and minor children, are disclosed in the pattern of shareholding.

Dividend has not been declared for the year due to the small amount of earnings.

Six years' financial data for NIB Bank on an unconsolidated is provided hereunder:

<i>Rs mn</i>	2012	2011	2010	2009	2008	2007
Advances	71,564	60,844	74,566	84,021	80,344	81,932
Deposits and other accounts	91,291	85,488	99,169	93,920	104,586	116,671
Total Assets	190,609	154,794	164,350	208,119	178,909	176,872
Net Assets	14,014	13,677	13,663	41,528	39,699	36,453
Share capital	103,029	103,029	40,437	40,437	28,437	22,018
Net Mark-up / Interest Income	2,856	2,079	2,949	5,400	4,402	2,004
Total Non Mark-up / Interest income	2,422	2,152	1,715	1,682	2,421	927
Total Non Mark-up / Interest expense	5,233	4,945	7,235	5,243	8,164	2,146
Profit / (Loss) before taxation	145	(3,480)	(12,622)	644	(10,998)	(710)
Profit / (Loss) after taxation	38	(2,044)	(10,112)	691	(7,475)	(490)
Basic / diluted earnings / (loss) per share (Rupees)	0.004	(0.34)	(2.50)	0.17	(2.63)	(0.44)

- During 2012 the following Board and sub-committees meetings were held and attended by the Directors as follows:

Name of Directors	Board Meetings		Audit Committee		Risk Management Committee		Human Resource Management Committee	
	Eligible to attend	Meetings Attend	Eligible to attend	Meetings Attend	Eligible to attend	Meetings Attend	Eligible to attend	Meetings Attend
Teo Cheng San, Roland	6	6	-	-	-	-	2	2
Syed Aamir Zahidi	6	6	4	4	-	-	-	-
Tejpal Singh Hora	6	5	-	-	4	3	-	-
Chia Yew Hock, Wilson	6	6	-	-	-	-	1	1
Asif Jooma	6	5	-	-	4	4	1	1
Muhammad Abdullah Yusuf	6	6	4	4	-	-	-	-
Najmus Saquib Hameed	6	5	4	4	-	-	-	-
Khawaja Iqbal Hassan (resigned w.e.f. 31.05.2012)	2	2	-	-	1	1	1	1
Badar Kazmi	6	6	-	-	4	4	1	1

Leave of absence was granted in case the Directors were not able to attend the meetings.

### INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

The Board is pleased to endorse the statements made by the management relating to internal control and the risk assessment framework to meet the requirement of the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2004, BSD Circular letter No. 2 of 2005 and Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The management's statements are included in the annual report.



## **CORPORATE SOCIAL RESPONSIBILITY**

Pakistan faced its greatest humanitarian crisis during the devastating floods of 2010 & 2011. The effects of the floods have been long term with rehabilitation projects extending in to 2012. The floods not only damaged the infrastructure in interior Sindh and Baluchistan but also contaminated the water supplies which led to serious water borne diseases and healthcare problems. Like many affected areas of Sindh, Budhapur was also one district that became a victim of this national tragedy. This district had absence of any proper healthcare facility and its inhabitants had to travel to neighbouring villages to seek treatment. Keeping true to the spirit of helping people grow, NIB Bank proactively took part in raising funds for the district of Budhapur to build a state-of-the-art healthcare centre for mothers and children. NIB Bank is committed to fulfilling its role towards the community and continues to respond to alleviate the adversity faced by the citizens of the affected areas/segments of society.

## **AUDITORS**

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and, being eligible have offered themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the suggestion of the Audit Committee recommends their appointment for the next term.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at 31st December 2012 is included in the annual report.

## **ACKNOWLEDGEMENT**

NIB Bank is grateful to its majority shareholder, Fullerton Financial Holdings, a subsidiary of Temasek Holdings of Singapore, who have repeatedly demonstrated their commitment to the Bank. NIB Bank is also very grateful to its minority shareholders for their patience and perseverance and most of all to its customers who continue to demonstrate very strong loyalty to NIB. The SBP, SECP and other regulatory bodies have, as always guided the Bank well and have given their full support which is highly appreciated. The transformation the Bank has undergone in the past year would not have been possible without the tireless efforts and dedication of its employees and for that they deserve a special thank you.

On behalf of the Board

**Teo Cheng San, Roland**  
Chairman

**Badar Kazmi**  
Director & President / CEO

# Statement of Compliance with Code of Corporate Governance For the year ended December 31, 2012



This statement is being presented to comply with Code of Corporate Governance (CCG) contained in Regulation # 35 of Listing Regulations of stock exchanges where the Bank's shares are listed and Regulation G-1 of SBP's Prudential Regulations for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The Bank encourages representation of independent Non-executive Directors on its Board including those representing minority interests. At present the Board includes:

Category	Name
Independent Directors	Teo Cheng San, Roland Asif Jooma Muhammad Abdullah Yusuf Najmus Saquib Hameed
Non-Executive Directors	Syed Aamir Zahidi Tejpal Singh Hora Chia Yew Hock, Wilson
Executive Director	Badar Kazmi

The independent directors meet the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or Non Banking Finance Company. None of the directors of the Bank are members of any Stock Exchange.
4. A casual vacancy occurred during 2011 which was filled in as per regulatory requirements.
5. The Bank has prepared a "Code of Conduct" and has ensured appropriate steps have been taken to disseminate it through the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement and an overall corporate strategy. Significant policies of the Bank have been prepared and approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved is being 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 CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board held six meetings during the year (including the required quarterly meetings). Written notices of Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The CFO and Company Secretary attended all the meetings of the Board of Directors during the year.
9. An orientation program was carried out for directors during 2012 on the Code of Corporate Governance. A director has completed 3 out of 5 modules of 'Bank Corporate Governance' offered by Pakistan Institute of Corporate Governance and it is expected that the training will be completed before 30th June 2013.
10. The Board had approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit and the terms and conditions of their employment, determined by the CEO, are duly authorized by the Board of Directors. No new appointments during 2012.

11. The Directors' Report has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Audit Committee comprises of three members, all of whom are non-executive directors and the Chairman is an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. During the year, the Risk Management sub-committee of the Board comprising of 3 members (2 non-executives and 1 executive director) met 4 times, whereas the HR sub-committee of the Board comprising of 4 members (2 independent, 1 non-executive and 1 executive director) met 2 times.
18. The Bank has an effective Internal Audit department. An Internal Audit Manual is approved by the Board. The Internal Audit department has conducted audit of branches and various departments of the Bank during the year.
19. The statutory 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. Level of Materiality has been defined by the management and will be approved by the Board in due course of time.
24. We confirm that all the material principles contained in the CCG have been complied with.

**Badar Kazmi**

Director & President / CEO

### Internal Control System

Management acknowledges its responsibility for establishing and maintaining a system of internal control directly related to and designed to provide reasonable assurance to achieve the following objectives:

- Efficiency and effectiveness of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

The bank is continuously adding to its internal control systems by enhancing the quality of processes, staff and IT infrastructure and will continue to do so to strengthen internal controls as it grows its business volumes and activities.

The Bank is pleased to make the following disclosures on the components of internal control system:

### Control Environment

1. The Bank has written and implemented policies and procedures for most of the areas of the Bank's business.
2. The Bank has adopted a mission / vision statement and corporate strategy, duly approved by the Board.
3. An organizational structure exists which supports clear lines of communication.
4. The management has defined roles and responsibilities of key management personnel.
5. The Audit Committee, which comprises of Non-executive Directors, has written terms of reference and reports to the Board. It reviews the approach adopted by the Bank's internal audit department and the scope of, and the relationship with, the external auditors. It also regularly receives summary of reports from the internal audit department and the external auditors on the system of internal control and any material control weaknesses that have been identified and discusses the actions to be taken in areas of concern with the executive management.
6. An effective internal audit system exists which is responsible for evaluation of the internal control system on a continuous basis and reports directly to the Audit Committee.
7. The Bank has adopted a code of conduct that is signed by all employees. Furthermore this statement is annually signed by all Directors.
8. Management has set up an effective compliance function to ensure ongoing monitoring of the Bank's adherence with all laws and regulations.
9. The Bank has also developed a regulatory matrix that allows mapping applicable regulations with specific controls. The underlying controls are periodically tested by means of a process of self assessment.

### Risk Assessment

10. The Bank is compliant with the risk management guidelines issued by the SBP.

### Control Activities

11. The Bank has developed a Business Continuity Plan and tests the Plan at periodic intervals.
12. The Bank has strict Know Your Customer / Anti Money Laundering policies and has anti-fraud training programs and controls in place. The Bank continues to use an e-KYC form to further strengthen its KYC / AML regime. Given its importance the Bank continue to focus on further strengthening process and controls in this area.

### Information and Communication

13. The Bank has a functioning Management Information System and has developed Key Performance Indicators for its businesses enabling it to monitor budget versus actual performance.

### Monitoring

14. Internal Audit periodically carries out audits for branches and Head Office functions to monitor compliance with the Bank's standards.
15. Management gives due consideration to the recommendations made by the internal, external auditors and regulators especially for improvements in the internal control system and takes timely action to implement such recommendations.

Based on the results of an evaluation of the internal control system and key features of the control framework enumerated above, management is of the view that the internal control system during the year was acceptable in design and has been effectively implemented throughout the year. The Bank, however, will continue to further strengthen the process by both raising the bar on acceptable performance and strengthening the consequence management process.

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

### Risk Management Framework

The acceptance and management of financial risk is inherent to banking business activities. It involves the identification, measurement, monitoring and controlling of Risk.

In accordance with the Risk Management guidelines issued by the SBP, an Integrated Risk Management Group in the Bank formulates risk management Policies and Procedures in line with Bank's defined strategies and to monitor the following areas:

- a) Credit Risk Management
- b) Market and Liquidity Risk Management
- c) Operational Risk Management

### Credit Risk Management (CRM)

CRM is viewed as an ongoing activity where credit risks are regularly identified and assessed. It determines the quality of the credit portfolio and assists in balancing risk and reward. To manage credit risks appropriately, Credit Risk Committee has been established at the Head Office and comprises of senior and seasoned members with credit, industry and business expertise.

In order to achieve earnings targets with a high degree of reliability and to avoid losses through a strong credit process, the Credit Risk Policies has been developed and duly implemented. These Credit Policies are under constant review and updated annually, thereby, establishing a robust credit control environment.

### Market Risk Management (MRM)

MRM is a control system which allows management to closely supervise and monitor risks caused by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices, resulting in a potential loss to earnings and capital.

Market and Liquidity Risk Unit under the supervision of Integrated Risk Management Group, is responsible for ensuring that market risk parameters are properly adhered to. A senior resource with requisite experience has been inducted to further strengthen this area.

## Statement on Internal Controls For the year ended December 31, 2012



In order to ensure adequate controls for money market, foreign exchange and equity transactions, a comprehensive control mechanism has been implemented by restructuring the limit mechanism and introducing new notional as well as sensitivity based limits and approaches for price and liquidity risk.

### **Operational Risk Management (ORM)**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. The Bank has an Operational Risk Framework duly approved by the Board which is reviewed annually. During 2012 there is a major leap in the area of Operational Risk wherein the Bank has acquired Operational Risk System and implemented Operational Risk Framework aligned to international best practices. The Bank is using Key Risk Indicators, Risk & Control Self Assessment and capturing Operational Incidents as tools for identification, monitoring, and management of operational risk. The Bank intends to further strengthen this area by emphasizing on training, adding experienced resources, focusing on building robust processes and introducing a strong monitoring system as part of the risk management process.

### **Badar Kazmi**

Director & President / CEO



We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of NIB Bank Limited ("the Bank") to comply with listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further sub-regulation (x) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited requires the Bank to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2012.

Date: 20 February 2013  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of NIB Bank Limited (the Bank) as at 31 December 2012 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 26 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 60% 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;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement, and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved

## Auditors' Report to the Members

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 respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2012 and its true balance of profit, 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.

Date: 20 February 2013  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Amir Jamil Abbasi

NIB Bank Limited  
Unconsolidated Statement of Financial Position  
As at December 31, 2012



	Note	2012 (Rupees '000')	2011
<b>ASSETS</b>			
Cash and balances with treasury banks	7	7,672,866	7,969,044
Balances with other banks	8	960,850	1,486,830
Lendings to financial institutions	9	3,440,910	14,666,918
Investments	10	85,386,110	49,598,830
Advances	11	71,564,237	60,844,380
Operating fixed assets	12	2,708,498	2,693,795
Intangible assets	13	1,720,424	2,054,426
Deferred tax assets - net	14	10,881,284	11,017,000
Other assets	15	6,274,182	4,462,407
		190,609,361	154,793,630
<b>LIABILITIES</b>			
Bills payable	16	2,430,030	1,738,422
Borrowings	17	76,179,065	47,382,031
Deposits and other accounts	18	91,291,234	85,488,268
Sub-ordinated loans	19	3,992,800	3,994,400
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	20	2,702,438	2,514,005
		176,595,567	141,117,126
<b>NET ASSETS</b>		<u>14,013,794</u>	<u>13,676,504</u>
<b>REPRESENTED BY:</b>			
Share capital	21	103,028,512	103,028,512
Reserves		225,889	218,276
Discount on issue of shares		(45,769,623)	(45,769,623)
Accumulated loss		(43,862,642)	(43,893,095)
Shareholders' equity		13,622,136	13,584,070
Surplus on revaluation of assets - net	22	391,658	92,434
		<u>14,013,794</u>	<u>13,676,504</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Badar Kazmi**  
President / Chief Executive

**Teo Cheng San, Roland**  
Chairman / Director

**Tejpal Singh Hora**  
Director

**Muhammad Abdullah Yusuf**  
Director

**NIB Bank Limited**  
**Unconsolidated Profit and Loss Account**  
**For the year ended December 31, 2012**



	Note	2012	2011
		(Rupees '000')	
Mark-up / Return / Interest earned	24	13,988,512	14,245,677
Mark-up / Return / Interest expensed	25	11,132,803	12,166,781
Net Mark-up / Interest Income		2,855,709	2,078,896
Provision against non-performing loans and advances	11.5	116,533	2,355,074
(Reversal) / Provision for diminution in the value of investments	10.13	(231,969)	395,267
Bad debts written off directly		15,632	15,802
		(99,804)	2,766,143
Net Mark-up / Interest income after provisions		2,955,513	(687,247)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		891,618	756,650
Dividend income		448,906	573,184
Income from dealing in foreign currencies		469,247	526,577
Gain on sale of securities - net	26	539,578	274,512
Unrealized gain on revaluation of investments classified as held-for-trading		-	-
Other income	27	72,833	21,157
Total Non Mark-up / Interest income		2,422,182	2,152,080
		5,377,695	1,464,833
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	28	5,173,194	4,714,974
Other provisions / write offs		5,239	200,912
Other charges	29	54,142	42,365
Workers welfare fund		-	(13,000)
Total Non-Mark-up / Interest expense		5,232,575	4,945,251
Extraordinary / Unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		145,120	(3,480,418)
Taxation - Current	30	82,054	163,978
- Prior years	30	25,000	30,658
- Deferred	30	-	(1,630,964)
		107,054	(1,436,328)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		38,066	(2,044,090)
Accumulated loss brought forward		(43,893,095)	(41,592,479)
ACCUMULATED LOSS CARRIED FORWARD		(43,855,029)	(43,636,569)
Basic / diluted Earnings / (Loss) per share (Rupees)	31	0.004	(0.34)

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director

NIB Bank Limited  
 Unconsolidated Statement of Comprehensive Income  
 For the year ended December 31, 2012



	2012	2011
	(Rupees '000')	
Profit / (Loss) after taxation for the year	38,066	(2,044,090)
<b>Other comprehensive income</b>	-	-
Total comprehensive income for the year	<u>38,066</u>	<u>(2,044,090)</u>

Surplus / deficit on revaluation of "Available for Sale" securities is presented under a separate head below equity as "Surplus / deficit on revaluation of assets" in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director



**NIB Bank Limited**  
**Unconsolidated Statement of Changes in Equity**  
**For the year ended December 31, 2012**



	Reserves						
	Share capital	Discount on issue of shares	Capital		Revenue		Total
			Share premium	Statutory reserve (a)	General reserve	Accumulated loss	
	(Rupees '000')						
<b>Balance as at December 31, 2010</b>	40,437,271	-	8,246,618	212,804	5,472	(41,592,479)	7,309,686
<b>Total comprehensive income / (loss) for the year</b>							
Loss after taxation for the year	-	-	-	-	-	(2,044,090)	(2,044,090)
<b>Transaction with owners, recorded directly in equity</b>							
Issuance of right shares during the year	62,591,241	-	-	-	-	-	62,591,241
Discount on issue of right shares	-	(54,016,241)	-	-	-	-	(54,016,241)
Share premium adjusted against share discount	-	8,246,618	(8,246,618)	-	-	-	-
Right shares issue cost	-	-	-	-	-	(256,526)	(256,526)
	62,591,241	(45,769,623)	(8,246,618)	-	-	(256,526)	8,318,474
<b>Balance as at December 31, 2011</b>	103,028,512	(45,769,623)	-	212,804	5,472	(43,893,095)	13,584,070
<b>Total comprehensive income / (loss) for the year</b>							
Profit after taxation for the year	-	-	-	-	-	38,066	38,066
Transfer to statutory reserve	-	-	-	7,613	-	(7,613)	-
<b>Balance as at December 31, 2012</b>	103,028,512	(45,769,623)	-	220,417	5,472	(43,862,642)	13,622,136

(a) This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance 1962.

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director

NIB Bank Limited  
Unconsolidated Statement of Cash Flows  
For the year ended December 31, 2012



	2012	2011
	(Rupees '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	145,120	(3,480,418)
Dividend income	(448,906)	(573,184)
	<u>(303,786)</u>	<u>(4,053,602)</u>
<b>Adjustments for non-cash items</b>		
Depreciation	228,148	273,601
Amortization	348,306	368,608
Workers welfare fund	-	(13,000)
Gain on sale of securities	(539,578)	(274,512)
Gain on sale of operating fixed assets	(13,607)	(2,522)
Provision against non-performing loans and advances	116,533	2,355,074
Bad debts written off directly	15,632	15,802
Fixed assets written off	72,890	-
(Reversal) / Provision for diminution in the value of investments	(231,969)	395,267
Other provisions / write offs	5,239	200,912
	<u>1,594</u>	<u>3,319,230</u>
	(302,192)	(734,372)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	11,226,008	(8,237,752)
Advances	(10,852,022)	11,350,759
Other assets (excluding advance taxation)	(1,796,692)	565,110
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	691,608	402,929
Borrowings	28,797,034	5,020,097
Deposits and other accounts	5,802,966	(13,681,105)
Other liabilities	188,838	(1,297,383)
	<u>33,755,548</u>	<u>(6,611,717)</u>
Income tax paid	(127,375)	(264,276)
<b>Net cash from / (used in) operating activities</b>	<u>33,628,173</u>	<u>(6,875,993)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in available-for-sale securities	(34,721,052)	2,278,201
Net Investments in held-to-maturity securities	140,258	(22,089)
Dividend received	448,906	573,184
Payments for capital work in progress	(227,385)	(191,617)
Acquisition of property and equipment	(117,840)	(58,334)
Acquisition of intangible assets	-	(3,886)
Sale proceeds of property and equipment disposed off	28,787	4,052
<b>Net cash (used in) / from investing activities</b>	<u>(34,448,326)</u>	<u>2,579,511</u>

	Note	2012	2011
		(Rupees '000')	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of sub-ordinated loans		(1,600)	(1,600)
Issue of share capital		-	2,222,640
Dividend paid		(405)	(86)
Right shares issue cost		-	(256,526)
<b>Net cash (used in) / from financing activities</b>		(2,005)	1,964,428
Net decrease in cash and cash equivalents		(822,158)	(2,332,054)
Cash and cash equivalents at beginning of the year		9,455,874	11,787,928
Cash and cash equivalents at end of the year	32	8,633,716	9,455,874

The annexed notes from 1 to 42 and annexure - 1 form an integral part of these unconsolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director

## 1. STATUS AND NATURE OF BUSINESS

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at first floor, Post Mall, F-7 Markaz, Islamabad. The Bank is listed on all the stock exchanges in Pakistan and has 179 branches (December 31, 2011: 179 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

NIB Bank Limited is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

## 2. BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank, its subsidiary and associates are presented separately.

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

These unconsolidated financial statements have been presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

## 3. STATEMENT OF COMPLIANCE

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

**3.2** SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

### **3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

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

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of these have not been quantified.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of

other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Bank.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Bank.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Bank.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on financial statements of the Bank.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 1, 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendments have no impact on financial statements of the Bank.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12. The amendments have no impact on financial statements of the Bank.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Bank.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Bank.

#### 4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain investments and commitments in respect of forward foreign exchange contracts that are stated at revalued amounts / fair values, staff retirement benefits (Gratuity) which are stated at present value and certain financial assets that are stated net of provisions.

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. 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 are as follows:

##### 5.1 Classification of Investments

###### Held-to-maturity securities

As described in note 6.4, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments.

###### Held-for-trading securities

Investments classified as held-for-trading are those which the Bank has acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

###### Available-for-sale securities

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

##### 5.2 Impairment

###### Valuation and impairment of available-for-sale investments

The Bank determines that an available-for-sale equity investment and mutual funds 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. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Provision for diminution in the value of Term Finance Certificates, Bonds, and Sukuks is made as per the Prudential Regulations issued by the SBP.

In case of impairment of available for sale securities, the loss is recognised in the profit and loss account.

###### Impairment of investments in associates and subsidiaries

The Bank considers that a significant or prolonged decline in the recoverable value of investments in associates and subsidiaries 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. Subsequent reversal of impairment loss, upto the cost of investments in associates and subsidiaries, are credited to the profit and loss account.

#### **Impairment of non financial assets (excluding deferred tax and goodwill)**

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets (excluding goodwill) is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

#### **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business.

### **5.3 Provision against non-performing advances**

Apart from the provision determined on the basis of time based criteria given in the Prudential Regulations of the SBP, management also applies subjective criteria of classification and accordingly the classification of an advance may be downgraded on the basis of evaluation of the credit worthiness of the borrower, its cash flows, operations in its account and adequacy of security in order to ensure accurate measurement of the provision.

### **5.4 Retirement Benefits**

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 34.2 to these unconsolidated financial statements.

### **5.5 Operating fixed assets, depreciation and amortisation**

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

### **5.6 Income Taxes**

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

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2011 and are enumerated as follows:

### **6.1 Business combinations**

Business combinations are accounted for using the purchase method. Under this method, identified assets acquired, liabilities and contingent liabilities assumed are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

## 6.2 Revenue recognition

Mark-up / return on performing loans / advances and investments is recognized on time proportionate basis. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity using the effective interest rate method so as to produce a constant rate of return. Interest or mark-up recovered on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP as amended from time to time.

The financing method is used in accounting for income on finance leases and hire purchase transactions. Under this method, the unearned income, i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortized to income over the term of the lease on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Rental income from assets given on operating lease is recognized on time proportionate basis over the lease period.

Gains / losses on termination of lease contracts, documentation charges and other lease income are recognized as income when they are realized.

Fee, commission and brokerage income is recognized at the time of performance of the service.

Dividend income is recorded when the right to receive the dividend is established.

## 6.3 Grants and assistance

In terms of Kreditanstalt fur Wiederaufbau (KfW) loan re-lent by the Government of Pakistan (GoP), the Bank was required to bear interest at 11 percent per annum and pay interest to the GoP at 10 percent per annum and transfer the remaining 1 percent per annum margin to a counter part fund to be used by the Bank for financing feasibility surveys, market surveys and similar investigations destined for the preparation of projects.

## 6.4 Investments

Investments of the Bank, other than investments in subsidiaries and associates are classified as held-to-maturity, held-for-trading and available-for-sale.

### Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity for which the Bank has the positive intent and ability to hold upto maturity.

### Held-for-trading

These securities are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in the portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

### Available-for-sale

These are securities which do not fall under the classification of held-for-trading or held-to-maturity securities.

### Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales of investments are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments.

### **Subsequent measurement**

#### **Held-to-maturity**

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

#### **Held-for-trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

#### **Available-for-sale**

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the balance sheet below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the criteria prescribed by the Prudential Regulations issued by the SBP.

#### **Investment in Subsidiaries and Associates**

Investments in subsidiaries and associates are valued at cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognized as it arises provided the increased carrying value does not exceed that it would have been had no impairment loss been recognized.

Gain or loss on sale of investments in subsidiaries and associates is included in the profit and loss account for the year.

### **6.5 Lendings to / borrowings from financial institutions (including repurchase and resale 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 agreement to resale (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. In the case of the continuous funding system, transactions are shown under advances. The difference between sale and repurchase price is treated as mark-up / return expensed whereas difference between purchase and resale price is treated as mark-up / return earned.

Securities purchase with a corresponding commitment to resell at a specified future date are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

### **6.6 Advances**

Advances including continuous funding system and net investment in finance lease are stated net of provisions.

#### **Provisions**

Specific and general provisions are made based on an appraisal of the loan portfolio that takes into account Prudential Regulations issued by the State Bank of Pakistan from time to time. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. The general provision is for the inherent risk of losses which are known from experience to be present in any loan portfolio. Provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against advances.

Advances are written off when there is no realistic prospect of recovery.

### Net investment in finance lease

Leases include hire purchase where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset and are classified as finance leases. Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments and any guaranteed residual value less unearned finance income, if any.

## 6.7 Operating fixed assets and depreciation

### Owned

Property and equipment except freehold and leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold and leasehold land is stated at cost.

Depreciation is charged to income applying the straight line method over the estimated useful lives of the assets while taking into account any residual value, at the rates given in Note 12.2 to these unconsolidated financial statements. In respect of additions and deletions to assets during the year, depreciation is charged from the month of acquisition while depreciation on disposals during the year is charged upto the month of disposal.

Normal repairs and maintenance are charged to the profit and loss account for the year as and when incurred. Major repairs and improvements are capitalized and assets so replaced are retired.

Gains and losses on disposal of property and equipment if any, are taken to the profit and loss account for the year.

### Assets held under finance lease

Leasehold land is stated at cost.

Assets held under finance lease are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

### Assets held under operating lease

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any.

Repairs and maintenance are charged to the profit and loss account as and when incurred.

### Capital work in progress

These assets are stated at cost. These are transferred to specific assets as and when assets are available for use.

## 6.8 Intangible assets

Intangible assets include the value of the brand, core deposit relationships, and core overdraft / working capital loan relationships and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the profit and loss account on a straight line basis over the assets' useful lives which are determined using methods that best reflect the pattern of economic benefits. The estimated useful lives are as follows:

Brand	5 years
Core deposit relationships	11 years
Core overdraft / working capital loan relationships	11 years

Computer software is stated at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is carried out on the straight line method at the rates given in Note 13 to these unconsolidated financial statements.

## 6.9 Sub-Ordinated loans

Sub-ordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

## 6.10 Staff retirement benefits

### Defined contribution plan

The Bank operates a defined contribution provident fund for all its permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees at the rate of 10% of basic salary.

### Defined benefit plan

The Bank operates an unfunded gratuity scheme covering all eligible employees who have attained the minimum qualifying period of five years. Eligible employees are those employees who have joined the service of the Bank on or before March 31, 2006. Provision is made in accordance with actuarial recommendations. Actuarial valuation is carried out periodically using the "Projected Unit Credit Method".

Actuarial gain / loss is recognized using the 10% corridor approach. Corridor is defined as the greater of 10% of the present value of defined benefit obligations and plan assets.

## 6.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation in accordance with the prevailing laws for taxation on income earned after taking into consideration tax credits and rebates available and any adjustments to tax payable in respect of previous years.

### Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences as at the statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the statement of financial position date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank recognizes a deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Bank recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

## 6.12 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) 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 quarterly and are adjusted to reflect the current best estimate.

### 6.13 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items relating to such assets and liabilities are also offset and the net amount is reported in the financial statements.

### 6.14 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared.

### 6.15 Distributions of bonus shares and other appropriations to reserves

The Bank recognizes all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares made after the statement of financial position date, in the period in which such appropriations are approved.

### 6.16 Foreign currencies

Transactions in foreign currencies are translated to Rupees at the foreign exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

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

Assets against which the constituents have exercised their option to transfer exchange risk to the Bank and liabilities for which the Bank has exercised its option to transfer exchange risk to the Government, are translated at the rates of exchange guaranteed by the Bank and the Government, respectively.

Assets, liabilities, commitments and contingent liabilities in respect of Bangladesh are translated at foreign exchange rates approximating those prevailing prior to August 15, 1971.

Exchange gains and losses are included in income currently except net unrealized exchange gain on long-term monetary items which, as a matter of prudence, is carried forward as unrealized gain in view of the uncertainty associated with its realization.

### 6.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

### 6.18 Financial instruments

All 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 i.e. 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 directly. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 6.19 Derivative financial instruments

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into and subsequently these instruments are marked to market and changes in fair values are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

### 6.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

#### 6.20.1 Business Segments

##### Corporate and Investment Banking

It represents all funded and non funded credit facilities of working capital financing including seasonal finance, trade finance, cash finance, running finance, guarantees and bills of exchange relating to corporate customers, as well as for long term expansion, BMR, Project financing, syndicated financing along with advisory, underwriting, transactional banking, and IPO related activities.

##### Retail

It represents banking services offered to individuals and small businesses through a retail branch banking and alternate distribution network. These banking services include lending, deposits and distribution of insurance products along with other financial products and services tailored for such customers.

##### Small & Medium Enterprises and Commercial

It represents all funded and non funded credit facilities, deposit products & transaction services offered by the Bank to small & medium enterprises and commercial businesses operating in the manufacturing, trading, wholesale and service sectors.

##### Treasury

Treasury manages the asset and liability mix of the Bank, and provides customers with products that meet their demands for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risk.

#### 6.20.2 Geographical segments

The Bank operates in Pakistan only.

### 6.21 Assets acquired in satisfaction of claims

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

### 6.22 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

### 6.23 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. 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.

### 6.24 Fiduciary Assets

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



	Note	2012	2011
		(Rupees '000')	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency	7.1	2,023,711	2,236,526
Foreign currencies		297,579	254,442
With State Bank of Pakistan in			
Local currency current accounts	7.2	3,736,944	3,852,169
Foreign currency current account	7.3	291,449	260,843
Foreign currency deposit accounts	7.4	932,339	807,546
With National Bank of Pakistan in local currency current accounts		390,844	557,518
		<u>7,672,866</u>	<u>7,969,044</u>

**7.1** This includes National Prize Bonds of Rs. 6.627 million (2011: Rs. 6.237 million).

**7.2** The current account is maintained under the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**7.3** This includes special cash reserve at Nil return (2011: Nil) required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme.

**7.4** This represents special cash reserve of 15% required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme at Nil return (2011: Nil) per annum.

**8. BALANCES WITH OTHER BANKS**

In Pakistan in current accounts	103,742	853,746
Outside Pakistan in current accounts	857,108	633,084
	<u>960,850</u>	<u>1,486,830</u>

**9. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	9.2	600,000	195,000
Repurchase agreement lendings (Reverse Repo)	9.3 & 9.4	2,840,910	14,471,918
		<u>3,440,910</u>	<u>14,666,918</u>

**9.1 Particulars of Lendings**

In local currency	3,440,910	14,666,918
In foreign currencies	-	-
	<u>3,440,910</u>	<u>14,666,918</u>

**9.2** These represent unsecured call money lending to a financial institution carrying mark-up rate of 9.00% (2011: 12.25%) per annum and having remaining maturity of two days.

**9.3** These represent repurchase agreement lendings to financial institutions carrying mark-up rates ranging from 7.75% to 10.35% (2011: 11.63% to 13.31%) per annum and having remaining maturities upto twenty five days.

#### 9.4 Securities held as collateral against lendings to financial institutions

	2012			2011		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
(Rupees '000')						
Market Treasury Bills	984,963	329,306	1,314,269	5,969,968	7,998,376	13,968,344
Pakistan Investment Bonds	394,409	1,132,232	1,526,641	503,574	-	503,574
	<u>1,379,372</u>	<u>1,461,538</u>	<u>2,840,910</u>	<u>6,473,542</u>	<u>7,998,376</u>	<u>14,471,918</u>

9.4.1 The market value of securities held as collateral against lendings to financial institutions as at December 31, 2012 amounted to Rs. 2,854.713 million (2011: Rs. 14,517.363 million).

## 10. INVESTMENTS

### 10.1 (a) Investments by type:

Note	2012			2011			
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total	
(Rupees '000')							
<b>Held-for-trading securities</b>	-	-	-	-	-	-	
<b>Available-for-sale securities</b>							
Market Treasury Bills	10.2	1,896,778	47,428,597	49,325,375	7,687,909	18,826,953	26,514,862
Pakistan Investment Bonds	10.2	367,876	12,547,372	12,915,248	2,897,683	6,180,265	9,077,948
GOP Ijara Sukuk Bonds	10.2.1	9,559,180	-	9,559,180	-	-	-
Defense Savings Certificates	10.3	-	2,730	2,730	-	2,730	2,730
Sukuk Bonds	10.4	502,117	-	502,117	528,774	-	528,774
Cumulative Preference shares	10.5	80,178	-	80,178	80,178	-	80,178
Ordinary shares /Certificates in listed companies/ modarabas	10.6	167,232	-	167,232	961,085	112,373	1,073,458
Ordinary shares of unlisted companies	10.7	65,872	-	65,872	66,092	-	66,092
Term Finance Certificates	10.8 & 10.9	1,961,670	-	1,961,670	2,372,733	-	2,372,733
Units / Certificates of mutual funds	10.10	-	-	-	13,005	-	13,005
		<u>14,600,903</u>	<u>59,978,699</u>	<u>74,579,602</u>	<u>14,607,459</u>	<u>25,122,321</u>	<u>39,729,780</u>
<b>Held-to-maturity securities</b>							
Pakistan Investment Bonds	10.2	4,649,177	-	4,649,177	235,980	4,499,632	4,735,612
Term Finance Certificates	10.8 & 10.9	43,511	-	43,511	97,334	-	97,334
		<u>4,692,688</u>	<u>-</u>	<u>4,692,688</u>	<u>333,314</u>	<u>4,499,632</u>	<u>4,832,946</u>
<b>Associates</b>	10.11 & 10.16	1,573,832	-	1,573,832	1,573,832	-	1,573,832
<b>Subsidiaries</b>	10.12 & 10.16	4,584,741	-	4,584,741	4,584,741	-	4,584,741
<b>Investments at cost</b>		<u>25,452,164</u>	<u>59,978,699</u>	<u>85,430,863</u>	<u>21,099,346</u>	<u>29,621,953</u>	<u>50,721,299</u>
Provision for diminution in value of investments	10.13 & 10.14	(611,775)	-	(611,775)	(1,188,688)	(65,863)	(1,254,551)
<b>Investments - net of provisions</b>		<u>24,840,389</u>	<u>59,978,699</u>	<u>84,819,088</u>	<u>19,910,658</u>	<u>29,556,090</u>	<u>49,466,748</u>
Surplus / (Deficit) on revaluation of available-for-sale securities	22	150,708	416,314	567,022	55,249	76,833	132,082
<b>Net Investments</b>		<u>24,991,097</u>	<u>60,395,013</u>	<u>85,386,110</u>	<u>19,965,907</u>	<u>29,632,923</u>	<u>49,598,830</u>

	Note	2012	2011
(Rupees '000')			
<b>10.1(b) Investments by segments:</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	10.2	49,325,375	26,514,862
Pakistan Investment Bonds	10.2	17,564,425	13,813,560
GOP Ijara Sukuk Bonds	10.2.1	9,559,180	–
Defense Savings Certificates	10.3	2,730	2,730
<b>Sukuk Bonds</b>	10.4	502,117	528,774
<b>Cumulative Preference Shares</b>	10.5	80,178	80,178
<b>Fully Paid-up Ordinary Shares &amp; Modaraba Certificates</b>			
Listed	10.6	167,232	1,073,458
Unlisted	10.7	65,872	66,092
<b>Term Finance Certificates</b>			
Listed	10.8	1,861,907	2,311,691
Unlisted	10.9	143,274	158,376
<b>Units / Certificates of Mutual Funds</b>	10.10	–	13,005
<b>Associates</b>	10.11 & 10.16	1,573,832	1,573,832
<b>Subsidiaries</b>	10.12 & 10.16	4,584,741	4,584,741
<b>Total investments at cost</b>		85,430,863	50,721,299
Provision for diminution in value of investments	10.13 & 10.14	(611,775)	(1,254,551)
<b>Investments - Net of Provisions</b>		84,819,088	49,466,748
Surplus / (Deficit) on revaluation of available-for-sale securities	22	567,022	132,082
<b>Net Investments</b>		<u>85,386,110</u>	<u>49,598,830</u>

**10.2** Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yields ranging from 9.00% to 11.60% (2011: 11.92% to 13.35%) with remaining maturities of 10 days to 318 days and Pakistan Investment Bonds carry mark-up ranging from 8% to 12% (2011: 8% to 12% ) per annum on semi-annual basis with remaining maturities of 181 days to 9.55 years. Certain government securities are required to be maintained with the SBP to meet statutory liquidity requirements calculated on the basis of demand and time liabilities.

**10.2.1** GOP Ijara Sukuk currently carry mark-up ranging from 9.3% to 10.4% per annum on semi-annual basis, these securities are repriced semi annually by the State Bank of Pakistan at the start of each half year. The remaining maturities of these securities are of 1 year to 2.7 years.

**10.3** These DSCs of Rs. 2.730 million are pledged as security and carry interest rate at 12.15 % per annum.

**10.4** These Sukuk Bonds of Liberty Power Tech Limited carry mark-up rate of 3 months KIBOR + 300 bps and have an original maturity of 12 years.

### 10.5 Particulars of investment in Cumulative Preference Shares

Investee	Note	Number of Shares held		Total nominal value	
		2012	2011	2012	2011
				(Rupees '000')	
Pak Elektron Limited	10.5.1	2,500,000	2,500,000	25,000	25,000
Fazal Cloth Mills Limited	10.5.2	2,500,000	2,500,000	25,000	25,000
Galaxy Textile Mills Limited	10.5.3	3,017,800	3,017,800	30,178	30,178
				80,178	80,178

**10.5.1** These preference shares carry fixed dividend of 9.5% on cumulative basis payable when and if declared by the Board of Directors. For redemption, the call option can be exercised by PEL up to 100% after three years of the issue date at 1% premium on the issue price.

**10.5.2** These preference shares are redeemable upon the exercise of a call option by the company after completion of three years from the issue date.

**10.5.3** These preference shares are non voting and convertible into ordinary shares after 10 years. These preference shares bear a fixed return at the rate of 5% per annum that will be non cumulative for the first five years and thereafter will be cumulative from year to year.

### 10.6 Particulars of investment in Listed Shares / Certificates

	Number of Shares / Certificates held		Cost of Investment	
	2012	2011	2012	2011
			(Rupees '000')	
<b>Available-for-sale</b>				
Abbott Laboratories (Pakistan) Limited	–	721,281	–	149,705
Adamjee Insurance Company Limited	–	1,533,330	–	172,304
Agritech Limited	605,138	–	21,180	–
Awan Textile Mills Limited	–	39,000	–	390
Bank Al-Habib Limited	–	390,449	–	10,928
Brother Textile Mills Limited	–	87	–	2
First Fidelity Lease Modaraba	–	1	–	–
First National Bank Modaraba	–	581,880	–	4,946
First Tawakal Modaraba	–	446,774	–	–
Glamour Textile Mills Limited	–	200,000	–	5,016
GlaxoSmithKline Pakistan Limited	–	568,977	–	95,192
Habib Insurance Company Limited	–	*1,613,557	–	83,772
Ibrahim Fibres Limited	–	300	–	5
IGI Insurance Limited	770	–	–	–
Karam Ceramics Limited	–	429,146	–	8,321
KSB Pumps Company Limited	–	111,017	–	20,044
Lafarage Pakistan Cement Limited (formerly Pakistan Cement Limited)	250,000	10,000	2,819	2,819

	Number of Shares / Certificates held		Cost of Investment	
	2012	2011	2012	2011
<b>Available-for-sale</b>				
LTV Capital Modaraba Redeemable Capital	–	*171,473	–	5,573
Millat Tractors Limited	260,892	408,592	97,674	152,971
Mohib Textile Mills Limited	–	5	–	–
Security Investment Bank Limited	–	10	–	–
Sitara Chemical Industries Limited	–	105,126	–	33,640
Tariq Glass Industries Limited	3,213,212	6,349,212	45,559	90,022
Tawakal Garment Limited	–	150,000	–	–
The Hub Power Company Limited	–	7,289,451	–	237,805
Trust Modaraba	–	100	–	1
Yousuf Weaving Mills Limited	–	100	–	2
Total Listed Shares / Certificates			167,232	1,073,458

	Note	Percentage of holding	Number of Shares held		Cost of Investment	
			2012	2011	2012	2011
<b>10.7 Particulars of Unlisted Shares</b>						
Pakistan Export Finance Guarantee Agency Limited Chief Executive: Syed Mohammad Zaeem	10.7.1	5.26%	568,044	568,044	5,680	5,680
Central Depository Company of Pakistan Limited Chief Executive: Mr. Muhammad Hanif Jakhura	10.7.2	5.00%	3,250,000	3,250,000	5,000	5,000
Crescent Capital Management (Private) Limited Chief Executive: Mr. Mahmood Ahmed	10.7.3	4.88%	100,000	100,000	1,000	1,000
Equity Participation Fund Limited Chief Executive: Mr. S. Shabhat Hussain		–	–	**5,087	–	509
Pakistan Textile City (Private) Limited Chief Executive: Mr. Zaheer A. Hussain	10.7.4	4.00%	5,000,000	5,000,000	50,000	50,000
National Investment Trust Limited Chief Executive: Mr. Wazir Ali Khoja	10.7.5	8.33%	**79,200	**79,200	100	100
Sunbiz (Private) Limited Chief Executive: Mr. Nisar Ahmed	10.7.6	4.65%	10,000	10,000	1,000	1,000
SWIFT Chief Executive: Mr. Lazaro Campos	10.7.7	0.01%	***9	***9	3,092	2,803
					65,872	66,092

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2012



- 10.7.1** This investment is fully provided in these unconsolidated financial statements.
- 10.7.2** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 109.794 million. (June 30, 2011: Rs. 80.646 million).
- 10.7.3** This investment is fully provided in these unconsolidated financial statements.
- 10.7.4** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 33.038 million. (June 30, 2011: Rs. 38.013 million).
- 10.7.5** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 1,110.902 million. (June 30, 2011: Rs. 1,140.827 million).
- 10.7.6** This investment is fully provided in these unconsolidated financial statements.
- 10.7.7** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2011 amounts to Rs. 3.026 million. (December 31, 2010: Rs. 2.785 million).

	Note	Number of Certificates held		Amortized cost	
		2012	2011	2012	2011
<b>10.8 Particulars of investment in Listed Term Finance Certificates</b>					
<b>Investee</b>					
Askari Bank Limited		33,184	53,120	167,432	267,238
Azgard Nine Limited		10,000	10,000	16,269	37,509
Bank Alfalah Limited		55,000	60,000	274,670	300,047
Bank AL Habib Limited		-	8,500	-	28,260
Engro Fertilizer Limited (formerly Engro Corporation Limited)		223,438	223,438	1,078,909	1,102,224
Escorts Investment Bank Limited		2,016	2,016	2,014	3,022
Orix Leasing Pakistan Limited		-	76,400	-	63,155
PACE Pakistan Limited		6,000	6,000	29,964	29,964
Pakistan Mobile Communications Limited		24,000	24,000	19,968	59,904
Soneri Bank Limited		6,000	6,000	7,482	22,446
Summit Bank Limited		10,000	10,000	49,977	50,000
Telecard Limited		74,888	74,888	137,454	137,607
United Bank Limited		16,500	45,000	77,768	210,315
				<u>1,861,907</u>	<u>2,311,691</u>
<b>10.9 Particulars of investment in Unlisted Term Finance Certificates</b>					
Azgard Nine Limited	10.9.1	11,864	-	-	-
Avari Hotels Limited		30,400	30,400	129,070	129,070
New Khan Transport Company (Private) Limited		20,000	20,000	14,204	29,306
				<u>143,274</u>	<u>158,376</u>

**10.9.1** During the year, the Bank received 11,864 Term Finance Certificates of Rs. 5,000 each, having total value of Rs. 59.32 million in respect of overdue mark-up of Azgard Nine Limited. These certificates have been recognised at nil value in the Bank's books as per the requirement of Prudential Regulations, whereby overdue interest on classified advance accounts can only be recognised once this is received in cash.

	Number of Units / Certificates held		Cost of Investment	
	2012	2011	2012	2011
			(Rupees '000')	
<b>10.10 Particulars of investment in Mutual Funds</b>				
First Dawood Mutual Fund	-	900,000	-	6,975
JS Growth Fund	-	227,410	-	2,911
JS Large Capital Fund	-	64,211	-	3,119
			-	13,005

	Note	Number of Shares / Units / Certificates		Cost of Investment	
		2012	2011	2012	2011
				(Rupees '000')	

**10.11 Particulars of investment in Associates**

PICIC Energy Fund		11,130,160	11,130,160	83,476	83,476
PICIC Growth Fund		15,132,858	15,132,858	510,917	510,917
PICIC Insurance Limited		10,499,993	10,499,993	345,900	345,900
PICIC Investment Fund		41,544,649	41,544,649	633,539	633,539
				1,573,832	1,573,832

**10.12 Particulars of investment in Subsidiaries**

PICIC Asset Management Company Limited	10.16	299,999,993	299,999,993	4,584,017	4,584,017
Financial and Management Services (Private) Limited	**	88,850	88,850	724	724
				4,584,741	4,584,741

Unless otherwise stated, holdings in modaraba certificates and ordinary shares are of Rs. 10 each.

\* Shares / Modaraba Certificates of Face Value of Rs. 5 each

\*\* Shares / Modaraba Certificates of Face Value of Rs. 100 each

\*\*\* Shares of Face Value of Euro 2,680 each

All Term Finance Certificates are of Original Face Value of Rs. 5,000 each



	2012	2011
	(Rupees '000')	
<b>10.13 Particulars of provision for diminution in value of investments</b>		
Opening balance	1,254,551	948,772
Charge for the year	41,566	416,505
Reversals for the year		
- Unlisted shares	(30,178)	-
- Term Finance Certificates	(26,572)	(21,238)
- Associates	(216,785)	-
	(231,969)	395,267
Reversal due to sale / write off	(410,807)	(89,488)
Closing balance	611,775	1,254,551

**10.14 Particulars of Provision in respect of Type and Segment**

Available-for-sale securities		
- Listed shares / Certificates / Units	36,148	432,836
- Unlisted shares	24,642	49,845
- Term Finance Certificates	76,461	80,561
	137,251	563,242
Associates		
- Listed shares / Certificates / Units	473,800	690,585
Subsidiaries		
- Unlisted shares	724	724
	611,775	1,254,551

	2012		2011	
	(Rupees '000')	Rating	(Rupees '000')	Rating
<b>10.15 Quality of Available-for-Sale Securities - at Market Value</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	49,469,121	Unrated	26,634,300	Unrated
Pakistan Investment Bonds	13,189,754	Unrated	9,038,705	Unrated
GOP Ijara Sukus	9,611,019	Unrated	-	Unrated
Defense Savings Certificates	2,730	Unrated	2,730	Unrated
<b>Sukuk Bonds</b>	502,117	Unrated	528,774	Unrated
<b>Cumulative Preference shares</b>				
Pak Elektron Limited	25,000	BBB/A3	25,000	BBB/A3
Fazal Cloth Mills Limited	25,000	A-/A2	25,000	A-/A2
Galaxy Textile Mills Limited	30,178	*	30,178	*
<b>Ordinary shares of Listed Companies</b>				
Abbott Laboratories Pakistan Limited	-	-	71,977	*
Adamjee Insurance Company Limited	-	-	71,315	AA
Agritech Limited	7,062	D	-	-

	2012		2011	
	(Rupees '000')	Rating	(Rupees '000')	Rating
Bank AL-Habib Limited	–	–	11,140	AA+/A1+
First National Bank Modaraba	–	–	4,160	A+/A-1
GlaxoSmithKline Pakistan Limited	–	–	38,167	*
Habib Insurance Company Limited	–	–	15,894	A+
IGI Insurance Limited	74	AA	–	–
Karam Ceramics Limited	–	–	2,189	*
K.S.B. Pumps Limited	–	–	2,699	*
Lafarage Pakistan Cement Limited (formerly Pakistan Cement Limited)	1,268	*	–	–
Millat Tractors Limited	147,289	*	149,222	*
Sitara Chemicals Industries Limited	–	–	7,590	A+/A-1
Tariq Glass Limited	67,767	*	52,063	*
The Hub Power Company Limited	–	–	249,299	AA+/A1+
<b>Ordinary shares of Unlisted Companies</b>				
Central Depository Company of Pakistan Limited	5,000	*	5,000	*
Crescent Capital Management (Private) Limited	1,000	*	1,000	*
Equity Participation Fund Limited	–	–	509	*
National Investment Trust Limited	100	AM2-	100	AM2
Pakistan Export Finance Guarantee Agency Limited	5,680	*	5,680	*
Pakistan Textile City (Private) Limited	50,000	*	50,000	*
Sun Biz (Private) Limited	1,000	*	1,000	*
SWIFT	3,092	*	2,803	*
<b>Units / Certificates of Mutual Funds</b>				
First Dawood Mutual Fund	–	–	1,530	FR 2-STAR / 2-STAR
JS Growth Fund	–	–	1,069	*
JS Large Capital Fund	–	–	2,462	*
<b>Term Finance Certificates</b>				
Askari Bank Limited	181,473	AA-	271,226	AA-
Avari Hotels Limited	129,070	A-	129,070	A- (SO)
Azgard Nine Limited	8,135	D	18,785	D
Bank Alfalah Limited	297,684	AA-	308,454	AA-
Engro Fertilizer Limited (formerly Engro Corporation Limited)	1,043,227	A	1,104,900	AA
Escorts Investment Bank Limited	1,485	BB	2,228	BB
New Khan Transport Company (Private) Limited	14,204	*	29,306	*
Orix Leasing Pakistan Limited	–	–	61,586	AA+
PACE Pakistan Limited	29,964	*	29,964	D
Pakistan Mobile Communication Limited	20,051	AA-	60,066	A+

	2012		2011	
	(Rupees '000')	Rating	(Rupees '000')	Rating
Power Holdings (Private) Limited	-	*	-	*
Summit Bank Limited	47,718	A- (SO)	48,066	A (SO)
Telecard Limited	134,552	D	134,697	D
United Bank Limited	58,661	AA	199,123	AA
	<u>75,110,475</u>		<u>39,429,026</u>	

\* Rating not Available

- 10.16** As per BSD circular No. 6 of 2007 dated September 6, 2007, investments in subsidiaries and associates are required to be reported separately and should be carried at cost. However, as per IAS 36, these need to be tested for impairment, if there is indication that such impairment may exist.

Management has tested the investment in its subsidiary, PICIC Asset Management Company Limited for impairment using a value in use calculation. The value in use calculation indicates that the value of the investment in the subsidiary exceeds the cost of investment, therefore no impairment was made during the year.

	Note	2012 (Rupees '000')	2011 (Rupees '000')
<b>11. ADVANCES</b>			
Loans, cash credits, running finance, etc. - in Pakistan	11.1	88,990,934	77,735,586
Net investment in finance lease - in Pakistan	11.3	1,897,676	1,975,733
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		189,544	225,889
Payable outside Pakistan		3,779,947	4,534,870
Advances - Gross		94,858,101	84,472,078
Provision against non performing advances			
Specific	11.4	(23,214,941)	(23,345,559)
General		(78,923)	(282,139)
	11.5	(23,293,864)	(23,627,698)
Advances - Net of provision		<u>71,564,237</u>	<u>60,844,380</u>

- 11.1** This includes a sum of Rs. 72.337 million (2011: Rs. 72.337 million) representing unrealized exchange gain, which has not been recognised as income and deferred in these unconsolidated financial statements, in accordance with the policy of the Bank, as stated in note 6.16.

	2012 (Rupees '000')	2011 (Rupees '000')
<b>11.2 Particulars of advances</b>		
<b>11.2.1</b> In local currency	90,453,467	79,145,864
In foreign currencies	4,404,634	5,326,214
	<u>94,858,101</u>	<u>84,472,078</u>
<b>11.2.2</b> Short term (for upto one year)	80,111,750	71,454,623
Long term (for over one year)	14,746,351	13,017,455
	<u>94,858,101</u>	<u>84,472,078</u>

### 11.3 Net Investment in Finance Lease

	2012			
	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees '000')			
Lease rentals receivable	1,759,480	15,274	–	1,774,754
Residual value	489,195	–	–	489,195
Minimum lease payments	2,248,675	15,274	–	2,263,949
Financial charges for future periods (including income suspended)	(364,675)	(1,598)	–	(366,273)
Present value of minimum lease payments	1,884,000	13,676	–	1,897,676

  

	2011			
	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees '000')			
Lease rentals receivable	1,835,620	31,545	–	1,867,165
Residual value	530,913	–	–	530,913
Minimum lease payments	2,366,533	31,545	–	2,398,078
Financial charges for future periods (including income suspended)	(419,332)	(3,013)	–	(422,345)
Present value of minimum lease payments	1,947,201	28,532	–	1,975,733

**11.3.1** A major portion of these leases are non performing against which provision of Rs. 1,371.158 million has been held.

**11.4 Advances include Rs. 32,921.495 million (2011: Rs. 34,194.582 million) which have been placed under non-performing status as detailed below:**

Note	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000')								
<b>Category of Classification</b>									
Substandard	2,521,821	–	2,521,821	342,199	–	342,199	342,199	–	342,199
Doubtful	1,949,958	–	1,949,958	519,348	–	519,348	519,348	–	519,348
Loss 11.4.1	28,449,716	–	28,449,716	22,353,394	–	22,353,394	22,353,394	–	22,353,394
	32,921,495	–	32,921,495	23,214,941	–	23,214,941	23,214,941	–	23,214,941

Category of Classification	2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000')								
Substandard	3,163,483	-	3,163,483	604,976	-	604,976	604,976	-	604,976
Doubtful	1,914,497	-	1,914,497	348,750	-	348,750	348,750	-	348,750
Loss	29,116,602	-	29,116,602	22,391,833	-	22,391,833	22,391,833	-	22,391,833
	<u>34,194,582</u>	<u>-</u>	<u>34,194,582</u>	<u>23,345,559</u>	<u>-</u>	<u>23,345,559</u>	<u>23,345,559</u>	<u>-</u>	<u>23,345,559</u>

**11.4.1** Included in the Provision required is an amount of Rs. 410.960 million (2011: Rs. 594.565 million) which represents provision in excess of the requirements of the State Bank of Pakistan.

**11.4.2** In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances. During the year, total FSV benefit erosion resulted in decrease in profit after tax of Rs. 1,029.071 million. Accordingly, as of December 31, 2012, the accumulated profit after tax of Rs. 4,825.641 million (2011: Rs. 5,854.713 million) shall not be available for payment of cash and stock dividend as required by aforementioned SBP directive.

#### 11.5 Particulars of provision against non-performing advances

Note	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees '000')					
Opening balance	23,345,559	282,139	23,627,698	22,826,463	952,076	23,778,539
Charge for the year	2,858,015	-	2,858,015	5,754,521	-	5,754,521
Reversals	(2,538,266)	(203,216)	(2,741,482)	(2,729,510)	(669,937)	(3,399,447)
	319,749	(203,216)	116,533	3,025,011	(669,937)	2,355,074
Amounts written off	11.6 (450,367)	-	(450,367)	(2,505,915)	-	(2,505,915)
Closing balance	<u>23,214,941</u>	<u>78,923</u>	<u>23,293,864</u>	<u>23,345,559</u>	<u>282,139</u>	<u>23,627,698</u>

#### 11.5.1 Particulars of provision against non-performing advances - currency wise

	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees '000')					
In local currency	23,214,941	78,923	23,293,864	23,345,559	282,139	23,627,698
In foreign currencies	-	-	-	-	-	-
	<u>23,214,941</u>	<u>78,923</u>	<u>23,293,864</u>	<u>23,345,559</u>	<u>282,139</u>	<u>23,627,698</u>

	Note	2012	2011
(Rupees '000')			
<b>11.6 Particulars of write offs:</b>			
<b>11.6.1</b> Against provisions		450,367	2,505,915
Directly charged to profit and loss account		15,632	15,802
		<u>465,999</u>	<u>2,521,717</u>
<b>11.6.2</b> Write offs of Rs. 500,000 and above	11.7	345,504	254,056
Write offs of below Rs. 500,000	11.7	120,495	2,267,661
		<u>465,999</u>	<u>2,521,717</u>

**11.7 Details of loan write offs of Rs. 500,000 and above**

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any financial relief of five hundred thousand rupees or above allowed to person(s) during the year ended December 31, 2012 is given in Annexure 1. However, this write off does not affect the Bank's right to recover these debts from any of its customers.

**11.8 Particulars of loans and advances to directors, associated companies etc.**

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

	Note	2012	2011
(Rupees '000')			
Balance at the beginning of the year		1,200,987	1,384,159
Additions / granted during the year		667,081	594,180
Repayments / transferred during the year		(474,277)	(777,352)
Balance at the end of the year		<u>1,393,791</u>	<u>1,200,987</u>

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

Balance at the beginning of the year		24,997	29,797
Loan granted during the year		1,069	85,381
Repayments during the year		(4,115)	(90,181)
Balance at the end of the year		<u>21,951</u>	<u>24,997</u>

**12. OPERATING FIXED ASSETS**

Capital work in progress	12.1	115,187	162,308
Property and equipment	12.2	2,593,311	2,531,487
		<u>2,708,498</u>	<u>2,693,795</u>

**12.1 Capital work in progress**

Civil works		7,971	1,123
Electrical, office and computer equipment		53,681	154,980
Advances to suppliers and contractors		5,394	-
Advance for computer software		48,141	6,205
		<u>115,187</u>	<u>162,308</u>

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



## 12.2 Property and Equipment

2012

Particulars	Note	C O S T			DEPRECIATION			Net Book value as at December 31, 2012	Rate of Depreciation % per annum
		As at January 01, 2012	Additions / (Deletions)	As at December 31, 2012	Accumulated as at January 01, 2012	For the year / (on deletions)	Adjustment (Write-offs)		
Freehold land		336,617	-	336,617	-	-	-	336,617	-
Leasehold land	12.2.3	1,064,456	-	1,064,456	15,634	-	15,634	1,048,822	-
Buildings on freehold land		584,330	-	584,330	218,693	28,565	-	247,258	5%
Buildings on leasehold land		158,073	4,500	162,573	40,851	7,744	-	48,595	5%
Furniture and fixtures		228,337	29,665	212,587	130,026	17,599	-	120,771	10%
			(18,951)	(26,464)		(11,431)		(15,423)	
Electrical, office and computer equipment		1,400,757	230,827	1,315,306	1,123,460	131,199	93	957,527	357,779 10% to 33%
			(75,811)	(240,532)		(68,199)		(229,026)	
Vehicles		35,258	-	28,951	24,800	4,149	3	22,700	6,251 20%
			(5,848)	(459)		(5,816)		(436)	
Leasehold Improvements		833,516	110,288	774,426	556,393	38,892	-	473,450	300,976 10%
			(235)	(169,123)		(219)		(121,616)	
		<b>4,641,344</b>	<b>375,260</b>	<b>4,479,246</b>	<b>2,109,857</b>	<b>228,148</b>	<b>(366,501)</b>	<b>1,885,935</b>	<b>2,593,311</b>
			<b>(100,845)</b>	<b>65</b>		<b>(85,665)</b>	<b>96</b>		

(Rupees '000')

**12.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 837.893 million (2011: Rs. 949.233 million).

**12.2.2** Carrying amount of temporarily idle property is Rs. 885.609 million (2011: Rs. 891.219 million).

**12.2.3** This includes a plot of land costing Rs. 361 million in Block-6, KDA Scheme-5, Clifton, Karachi (the "Plot"), possession of which was taken by the Bank (formerly PICIC) in April 1983 pursuant to an allotment order by City District Government Karachi ("CDGK") (formerly Karachi Development Authority). All the legal dues in respect of the Plot including Non-utilization Fees have been paid. In 2000, CDGK cancelled the allotment unilaterally based on certain building and construction restrictions. The Bank filed a Civil Suit against CDGK before the High Court of Sindh in respect of the said unilateral cancellation of the allotment. Meanwhile, also in 2000, a dispute arose with KPT in respect of construction of a boundary wall on the Plot by KPT as KPT claimed that the ownership of the land had been reverted to KPT. The said claim by KPT was also challenged by way of Civil Suit before the High Court of Sindh. The High Court of Sindh initially issued restraining orders against CDGK and KPT in the respective suits in respect of cancellation of the allotment of the Plot. Subsequently, both the suits were decided in favor of the Bank. In the suit filed against CDGK, the High Court of Sindh held that the action of cancellation of the allotment by CDGK was improper and void, whereas, in the suit against KPT, the High Court of Sindh held that since allotment in favor of the Bank was valid therefore, KPT had no standing to claim that the ownership of the land had been reverted back to KPT. Both the decisions of the High Court of Sindh are currently being challenged in two separate High Court Appeals by CDGK and KPT and the same are still pending. Furthermore, in November 2008, KPT filed a Civil Suit seeking a declaration from the High Court of Sindh to the effect that the ownership of the Plot had been validly reverted to KPT. At present, the Bank is actively defending the cases.



## Property and Equipment

2011

Particulars	C O S T		DEPRECIATION		Net Book value as at December 31, 2011	Rate of Depreciation % per annum
	As at January 01, 2011	As at December 31, 2011	Accumulated as at January 01, 2011	For the year / (on deletions) Adjustment (Write-offs)		
Freehold land	336,617	-	-	-	336,617	-
Leasehold land	1,064,456	-	1,064,456	-	1,048,822	-
Buildings on freehold land	584,330	-	584,330	29,688	365,637	5%
Buildings on leasehold land	158,073	-	158,073	7,661	117,222	5%
Furniture and fixtures	224,454	7,201	228,337	20,610	98,311	10%
		(2,866)	(452)	(1,587)		
Electrical, office and computer equipment	1,345,818	60,127	1,400,757	174,741	277,287	10% to 33%
		(5,188)		(4,989)		
Vehicles	32,642	3,451	35,258	4,793	10,458	20%
		(835)		(835)		
Leasehold improvements	756,810	76,949	833,516	36,108	277,123	10%
		(243)		(191)		
	<b>4,503,200</b>	<b>147,728</b>	<b>4,641,344</b>	<b>273,601</b>	<b>2,531,487</b>	
		<b>(9,132)</b>	<b>(452)</b>	<b>(7,602)</b>		

### 12.2.4 Detail of disposal of property and equipment during the year

#### Items individually having cost more than Rs. 1 million or net book value exceeding Rs. 0.25 million

Description	Cost Accumulated depreciation value	Book value	Sales proceeds	Mode of disposal	Particulars of buyer
Vehicle	1,002	-	975	Bid	Zain Motors, Block - 10, Sector B-1, Peco Road, Township Lahore
Vehicle	1,002	-	852	Bid	Zain Motors, Block - 10, Sector B-1, Peco Road, Township Lahore
Computer Equipment	1,041	-	-	Bid	Muhammad Fahim, Jilani Centre, Mezzanine Floor, Shop 105 IR Enterprises, Main Tower, Kharadar, Karachi
Computer Equipment	810	495	647	Negotiation	AMFCO International, 317-318, Ceasars Tower National IT Park, Shahrah-e-Faisal, Karachi
Computer Equipment	773	472	301	Negotiation	AMFCO International, 317-318, Ceasars Tower National IT Park, Shahrah-e-Faisal, Karachi
Office equipment	830	544	286	Bid	Mr. Abdul Qudous, Col Godown, Near Ghani Chowranghi, Shershah, Karachi
Office equipment	4,562	4,562	1,800	Bid	Mr. Abdul Qudous, Col Godown, Near Ghani Chowranghi, Shershah, Karachi
Office equipment	1,455	717	738	Bid	Mr. Abdul Qudous, Col Godown, Near Ghani Chowranghi, Shershah, Karachi
Office equipment	615	312	303	Bid	Mr. Abdul Qudous, Col Godown, Near Ghani Chowranghi, Shershah, Karachi
Office equipment	1,240	540	700	Bid	Shaukat Ali, 26-37 Y, Walton Road, Lahore
	13,330	10,687	2,643	7,933	Mr. Abdul Qudous, Col Godown, Near Ghani Chowranghi, Shershah, Karachi

#### Items individually having cost less than Rs. 1 million or net book value not exceeding Rs. 0.25 million

Computer Equipment	26,865	26,334	531	929
Furniture and fixtures	18,951	11,431	7,520	6,110
Leasehold improvements	235	219	16	16
Office equipment	37,620	33,182	4,438	11,039
Vehicles	3,844	3,812	32	2,760
Sub Total	87,515	74,978	12,537	20,854
<b>2012</b>	<b>100,845</b>	<b>85,665</b>	<b>15,180</b>	<b>28,787</b>
<b>2011</b>	<b>9,132</b>	<b>7,602</b>	<b>1,530</b>	<b>4,052</b>

### 13. INTANGIBLE ASSETS

Particulars	C O S T		2012 AMORTIZATION / IMPAIRMENT				Rate of Amortization % per annum	
	As at January 01, 2012	Additions	As at December 31, 2012	Accumulated as at January 01, 2012	Amortization for the year	Accumulated as at December 31, 2012		Net Book value as at December 31, 2012
				(Rupees '000')				
Core Deposit Relationships	2,489,453	-	2,489,453	1,018,412	226,314	1,244,726	1,244,727	9.09%
Core Overdraft/Working								
Capital Loan Relationships	124,149	-	124,149	80,646	6,693	87,339	36,810	8.31%
Brand	204,116	-	204,116	183,705	20,411	204,116	-	20%
Computer Software	836,473	14,304	850,777	317,002	94,888	411,890	438,887	10% to 50%
	<b>3,654,191</b>	<b>14,304</b>	<b>3,668,495</b>	<b>1,599,765</b>	<b>348,306</b>	<b>1,948,071</b>	<b>1,720,424</b>	

13.1 Included in cost of computer software are fully amortized items still in use having cost of Rs. 105.929 million (2011: Rs. 102.952 million.)

Particulars	C O S T		2011 AMORTIZATION / IMPAIRMENT				Rate of Amortization % per annum	
	As at January 01, 2011	Additions	As at December 31, 2011	Accumulated as at January 01, 2011	Amortization for the year	Accumulated as at December 31, 2011		Net Book value as at December 31, 2011
				(Rupees '000')				
Core Deposit Relationships	2,489,453	-	2,489,453	792,098	226,314	1,018,412	1,471,041	9.09%
Core Overdraft/Working								
Capital Loan Relationships	124,149	-	124,149	73,953	6,693	80,646	43,503	8.31%
Brand	204,116	-	204,116	142,883	40,822	183,705	20,411	20%
Computer Software	832,587	3,886	836,473	222,223	94,779	317,002	519,471	10% to 50%
	<b>3,650,305</b>	<b>3,886</b>	<b>3,654,191</b>	<b>1,231,157</b>	<b>368,608</b>	<b>1,599,765</b>	<b>2,054,426</b>	

### 13.2 Annual test for impairment

#### Intangibles

In the current year, the Bank assessed the recoverable amount of core deposit relationships and determined that no impairment loss exists.

	Note	2012 (Rupees '000')	2011
<b>14. DEFERRED TAX ASSETS</b>			
<b>Deferred debits arising due to:</b>			
Provision against loans and advances		8,432,590	8,880,336
Provision against other receivable		255,121	259,790
Gratuity		-	-
Unused tax losses		4,488,530	3,699,934
Intangibles		8,843	25,911
Excess of tax base of government securities / investments over accounting base		378,894	429,189
		<u>13,563,978</u>	<u>13,295,160</u>
<b>Deferred credits arising due to:</b>			
Excess of accounting base of leased asset over tax base		(159,787)	(140,383)
Accelerated accounting depreciation on owned assets		(796,789)	(734,069)
Fair valuation of subsidiaries and associates		(532,758)	(511,079)
Surplus / (Deficit) on revaluation of securities		(175,364)	(39,648)
Unrealised exchange gains	14.2	(2,377)	(2,377)
Unrealised exchange losses	14.3	(33,604)	(33,604)
		<u>(1,700,679)</u>	<u>(1,461,160)</u>
Deferred tax Assets		<u>11,863,299</u>	<u>11,834,000</u>
Unrecognised deferred tax assets	14.1	<u>(982,015)</u>	<u>(817,000)</u>
Recognised deferred tax assets		<u>10,881,284</u>	<u>11,017,000</u>

**14.1** The deferred tax asset recognised in the books has been restricted to Rs. 10,881 million due to uncertainty of availability of future tax profits for utilization of the un-recognised deferred tax assets. The deductible differences available to the Bank are Rs. 11,863 million. Had these been taken completely, the profit after tax for the year would be higher by Rs. 165 million (2011: Rs. 817 million). Therefore, the accumulated amount of deferred tax asset not recognised as of 31 December 2012 amounted to Rs. 982.015 million.

The management has recorded deferred tax asset based on financial projections indicating realisability of deferred tax asset over a number of future years through reversals as a result of recoveries from borrowers and realisability of remaining deferred tax asset against future taxable profits. The financial projections involve certain key assumptions such as deposits composition, interest rates, growth of deposits and advances, investment returns and potential provision / reversals against assets. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

**14.2** In 1987 and 1989, the Bank (formerly PICIC) exercised its option to avail the exchange risk coverage offered by the Government of Pakistan, Ministry of Finance and Economic Affairs (Economic Affairs Division), through Office Memo 1(16)/50/DM/86 dated July 8, 1987 and 1(12)/50/DM/89 dated June 1, 1989 respectively and, in turn the Bank (formerly PICIC) offered the risk coverage to its Borrowers.

**14.3** The unrealised exchange losses of the Bank (formerly PICIC) as on April 21, 1987, the effective date of exercise of both the options arising on related borrowings as reduced by gains arising on related advances was claimed as loss for tax purposes.

14.4 Movement in temporary differences during the year

	2012			Balance as at December 31, 2012
	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in equity	
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	8,880,336	(447,746)	–	8,432,590
Provision against other receivables	259,790	(4,669)	–	255,121
Provision against balances with other banks	–	–	–	–
Gratuity	–	–	–	–
Unused tax losses	3,699,934	788,596	–	4,488,530
Intangibles	25,911	(17,068)	–	8,843
Excess of tax base of government securities / investments over accounting base	429,189	(50,295)	–	378,894
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(140,383)	(19,404)	–	(159,787)
Accelerated accounting depreciation on owned assets	(734,069)	(62,720)	–	(796,789)
Fair valuation of subsidiaries and associates	(511,079)	(21,679)	–	(532,758)
Surplus / (Deficit) on revaluation of securities	(39,648)	–	(135,716)	(175,364)
Unrealised exchange gains	(2,377)	–	–	(2,377)
Unrealised exchange losses	(33,604)	–	–	(33,604)
Deferred tax assets	11,834,000	165,015	(135,716)	11,863,299
<b>Unrecognised deferred tax assets</b>	<b>(817,000)</b>	<b>(165,015)</b>	<b>–</b>	<b>(982,015)</b>
<b>Recognised deferred tax assets</b>	<b>11,017,000</b>	<b>–</b>	<b>(135,716)</b>	<b>10,881,284</b>
	2011			
	Balance as at January 01, 2011	Recognised in profit and loss account	Recognised in equity / others	Balance as at December 31, 2011
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	7,329,965	1,550,371	–	8,880,336
Provision against other receivables	281,304	(21,514)	–	259,790
Provision against balances with other banks	1,387	(1,387)	–	–
Gratuity	6,943	(6,943)	–	–
Unused tax losses	2,777,890	922,044	–	3,699,934
Intangibles	35,834	(9,923)	–	25,911
Excess of tax base of government securities / investments over accounting base	413,992	15,197	–	429,189
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(116,322)	(24,061)	–	(140,383)
Accelerated accounting depreciation on owned assets	(736,614)	2,545	–	(734,069)
Fair valuation of subsidiaries and associates	(532,714)	21,635	–	(511,079)
Surplus / (Deficit) on revaluation of securities	55,299	–	(94,947)	(39,648)
Unrealised exchange gains	(2,377)	–	–	(2,377)
Unrealised exchange losses	(33,604)	–	–	(33,604)
Deferred tax assets	9,480,983	2,447,964	(94,947)	11,834,000
<b>Unrecognised deferred tax assets</b>	<b>–</b>	<b>(817,000)</b>	<b>–</b>	<b>(817,000)</b>
<b>Recognised deferred tax assets</b>	<b>9,480,983</b>	<b>1,630,964</b>	<b>(94,947)</b>	<b>11,017,000</b>

	Note	2012 (Rupees '000')	2011
<b>15. OTHER ASSETS</b>			
Income / mark-up accrued			
Local currency	15.1 & 15.6	2,793,258	2,590,768
Foreign currencies		40,484	24,534
Advances, deposits, advance rent and other prepayments	15.2	489,157	407,727
Advance taxation - net		1,232,104	1,211,783
Non - banking assets acquired in satisfaction of claims	15.3	733,318	701,067
Non - banking assets acquired in satisfaction of claims with buy back option with customer	15.3	512,274	-
Unrealized gain on forward foreign exchange contracts - net		183,808	79,483
Stationery and stamps on hand		1,172	2,009
Advance for purchase of term finance certificates	15.7	1,226,176	383,856
Assets in respect of Bangladesh	15.4	425,409	425,409
Insurance claim		6,518	16,410
Others		68,089	66,395
		<u>7,711,767</u>	<u>5,909,441</u>
Liabilities in respect of Bangladesh	15.4	(342,416)	(342,416)
Rupee Borrowings from Government of Pakistan in respect of Bangladesh		(82,993)	(82,993)
Provisions held against other assets	15.5	(1,012,176)	(1,021,625)
Other assets - net of provisions		<u>6,274,182</u>	<u>4,462,407</u>

**15.1** This includes Rs. 0.728 million (2011: Rs. 1.024 million) in respect of related parties.

**15.2 Advances, deposits, advance rent and other prepayments**

Advances	38,959	36,199
Deposits	33,275	28,901
Advance rent	296,864	252,635
Prepayments	120,059	89,992
	<u>489,157</u>	<u>407,727</u>

**15.3** Represents cost of land, plant and machinery acquired by the Bank against advances and held for resale. The market value of the subject assets as of December 31, 2012 was Rs. 1,203.436 million (2011: Rs. 611.403 million). Provision of Rs. 102.272 million has been made against difference between cost and fair value. The above mentioned values include properties having market value of Rs. 534.733 million acquired through settlement agreements, where the settlement agreement signed with borrowers entails a buy back option.

**15.4** All the assets and liabilities as of November 30, 1971 clearly identifiable as being in or in respect of the areas now under Bangladesh and referred to above were segregated as of that date and in such segregation, for purposes of conversion of foreign currency amounts, generally speaking, the parity rates ruling prior to August 15, 1971 were used, and all income accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings in 1971 was eliminated. Subsequently, consequent to the assuming by Bangladesh of certain foreign currency loan obligations as of July 1, 1974, including amounts previously identified by the Bank (formerly PICIC) as its foreign currency liabilities in respect of Bangladesh, such amounts were eliminated from the books of the Bank (formerly PICIC) by reducing an equivalent sum from its related foreign assets in that area.

Arising from advices received from the lenders and as a result of diversion of shipments and of the meeting of certain contingent liabilities, there have been certain modifications to the foreign currency advances relating to

Bangladesh. Furthermore, the difference between the actual amount of rupees required to remit maturities of foreign currency borrowings in respect of Bangladesh and the figures at which they appeared in the books and the interest paid to foreign lenders has been treated as increasing the rupee assets in that area.

The Government of Pakistan, while initially agreeing to provide the rupee finance required for discharging current maturities of foreign currency borrowings and interest related to Bangladesh, did not accept any responsibility for PICIC's assets in that area. However, following an agreement reached between PICIC and the Government of Pakistan during 1976, the Government has agreed that it would continue to provide the funds for servicing PICIC's foreign currency liabilities relating to Bangladesh and has further agreed that an amount equivalent to the rupee assets in Bangladesh financed from PICIC's own funds not exceeding Rs. 82 million would be deemed to have been allocated out of the rupee loans by the Government and that such allocated amount together with the rupee finance being provided by the Government including any interest thereon would not be recovered from PICIC until such time as PICIC recovers the related assets from Bangladesh and only to the extent of such recovery.

Accordingly, such allocated amounts, together with the rupee finance being provided by the Government for discharging the current maturities of foreign currency borrowings (including the interest and charges thereon and any exchange difference between the final rupee payment and the amount at which the liability, commitment or contingent liability as appearing in the books relating to Bangladesh) have been treated as liabilities in respect of Bangladesh. Further, in view of the aforesaid agreement no interest is being accrued on the allocated amount of rupee loans or in respect of the rupee finance provided by the Government related to PICIC's assets in Bangladesh nor is it considered necessary to provide for any loss that may arise in respect of PICIC's assets in Bangladesh.

	<b>2012</b>	<b>2011</b>
	<b>(Rupees '000')</b>	
<b>15.5 Particulars of provision against other assets</b>		
Opening balance	1,021,625	890,883
Charge for the year	3,892	192,211
Reversals	(3,500)	(15,610)
Write offs	(9,841)	(45,859)
Closing balance	<u>1,012,176</u>	<u>1,021,625</u>

**15.6** This includes a sum of Rs. 30.466 million (2011: Rs. 30.466 million) representing unrealised exchange gain, which has not been recognised as income and deferred in the financial statements, in accordance with the policy of the Bank, as stated in note 6.16.

**15.7** This includes Rs. 941.176 million in respect of advance paid by the Bank for purchase of Term Finance Certificates of Pakistan Mobile Communication Limited (PMCL). As per agreed repayment schedule mark-up has been received from PMCL which have been recorded as mark-up income of the Bank. The TFC issuance is in process and is expected to complete in first half of 2013, upon issuance of the certificates this advance will be reclassified as Investments.

	Note	2012 (Rupees '000')	2011
<b>16. BILLS PAYABLE</b>			
In Pakistan		2,336,274	1,660,205
Outside Pakistan		93,756	78,217
		2,430,030	1,738,422
<b>17. BORROWINGS</b>			
In Pakistan		75,941,423	47,262,148
Outside Pakistan		237,642	119,883
		76,179,065	47,382,031
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		75,941,423	47,262,148
In foreign currencies		237,642	119,883
		76,179,065	47,382,031
<b>17.2 Details of borrowings - secured / unsecured</b>			
<b>Secured</b>			
Borrowings from SBP under			
Export Refinance Scheme	17.3	9,074,523	8,122,798
Long Term Financing Facility	17.4	123,182	416,857
Long Term Finance for Export Oriented Projects	17.5	817,911	1,197,381
Repurchase agreement borrowings	17.6	61,763,521	37,350,826
<b>Unsecured</b>			
Call borrowings	17.7	4,000,000	12,000
Overdrawn nostro accounts		237,642	119,883
Foreign borrowings payable in local currency	17.8	162,286	162,286
		76,179,065	47,382,031

**17.3** Borrowings from SBP under Export Refinance Scheme are subject to mark-up at rate of 8.5% to 10% (2011: 10% ) per annum maturing within six months.

**17.4** Borrowings from SBP under Long Term Financing Facility (LTFF) are subject to mark up ranging from 6.50% to 8.60% (2011: 6.50% to 8.20%) per annum with remaining maturity upto six years.

**17.5** Borrowings from SBP under Long Term Finance for Export Oriented Projects are subject to mark up ranging from 4.90% to 5.00% (2011: 4.90% to 5.00%) per annum with remaining maturity upto three and half years.

**17.6** These borrowings are subject to mark-up at rates ranging from 7.75% to 8.85% (2011: 11.63% to 11.90% ) per annum with remaining maturity upto four days. Government securities have been given as collateral against these borrowings.



**17.7** These borrowings are subject to mark-up at rates ranging from 8% to 9.75% (2011: 11.25%) per annum with remaining maturity upto forty nine days.

**17.8** The Government of Pakistan (GoP) has claimed an amount of Rs. 162.286 million in respect of liabilities against German credit representing principal amount of loan and Rs. 45.444 million as interest thereon till June 30, 2006. The principal amount has been accounted for and shown as payable to the GoP whereas interest has been accounted for in Other Liabilities (note 20). However, the Bank is contending that any amount of principal and interest is payable to the GoP only when recovered from the related sub-borrowers, who have availed the German credit. This also includes unrealized exchange loss of Rs. 96.011 million (2011: Rs. 96.011 million) which has been netted off against unrealized exchange gain (note 15) as it is payable when recovered from sub-borrowers, who have availed the related German credit.

	<b>2012</b>	<b>2011</b>
	<b>(Rupees '000')</b>	
<b>18. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	24,859,849	32,769,500
Savings deposits	33,574,896	26,112,772
Current accounts - Non remunerative	27,784,055	25,169,484
Margin accounts	749,733	568,088
<b>Financial institutions</b>		
Remunerative deposits	4,068,911	622,053
Non-remunerative deposits	253,790	246,371
	91,291,234	85,488,268
<b>18.1 Particulars of deposits</b>		
In local currency	85,623,878	80,484,737
In foreign currencies	5,667,356	5,003,531
	91,291,234	85,488,268
<b>19. SUB-ORDINATED LOANS</b>		
<b>Term Finance Certificates - Quoted, Unsecured</b>	3,992,800	3,994,400
<b>Mark-up</b>	Floating (no floor, no cap) rate of return at Base Rate +1.15% [The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR")]	
<b>Subordination</b>	The TFCs are subordinated to all other indebtedness of the Bank including deposits	
<b>Issue Date</b>	March 5, 2008	
<b>Issue Amount</b>	Rs. 4,000 million	
<b>Rating</b>	A+ (A plus)	
<b>Tenor</b>	8 years from the Issue Date	
<b>Redemption</b>	Ten equal semi-annual instalments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual instalments of 16.63% of the Issue Amount from the sixty-sixth month onwards	
<b>Maturity</b>	March 5, 2016	
<b>Call Option</b>	The Bank can also exercise a Call Option or a Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date	

	Note	2012	2011
		(Rupees '000')	
<b>20. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in:			
Local currency		696,488	817,085
Foreign currencies		1,914	4,571
Unearned income on inland bills		776	-
Accrued expenses		735,869	608,615
Insurance premium payable		33,002	33,143
Advance from lessees		252,242	155,343
Unclaimed dividend		44,560	44,965
Borrowing from Government of Pakistan		2,095	2,095
Branch adjustment account		68,742	23,333
Security and other deposits		25,846	25,846
Payable to IBRD - Managed Fund		68,220	68,220
Payable to defined benefit plan	34.5	78,416	77,279
Security deposits against lease		486,655	528,493
Others		207,613	125,017
		<u>2,702,438</u>	<u>2,514,005</u>

## 21. SHARE CAPITAL

### 21.1 Authorized

2012	2011		2012	2011
(Number of Shares)			(Rupees '000')	
<u>12,000,000,000</u>	<u>12,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>120,000,000</u>	<u>120,000,000</u>

### 21.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each

3,278,902,659	3,278,902,659	Fully paid in cash	32,789,027	32,789,027
		Issued for consideration other than cash		
764,824,417	764,824,417	(under schemes of amalgamation)	7,648,244	7,648,244
<u>6,259,124,088</u>	<u>6,259,124,088</u>	Issuance of shares on discount	<u>62,591,241</u>	<u>62,591,241</u>
<u>10,302,851,164</u>	<u>10,302,851,164</u>		<u>103,028,512</u>	<u>103,028,512</u>

21.2.1 The holding company Bugis Investments (Mauritius) Pte. Limited holds 9,132,728,598 (2011: 9,132,728,598) ordinary shares.

2012  
2011  
(Number of Shares)

### 21.2.2 Reconciliation of number of ordinary shares of Rs. 10 each

At the beginning of the year	10,302,851,164	4,043,727,076
Right issue during the year at discount	-	6,259,124,088
At the end of the year	<u>10,302,851,164</u>	<u>10,302,851,164</u>

	2012	2011
	(Rupees '000')	
<b>22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - Net Surplus / (Deficit) on revaluation of available-for-sale securities</b>		
Market Treasury Bills	143,747	119,439
Pakistan Investment Bonds	274,507	(39,243)
Term Finance Certificates	4,553	24,738
GOP Ijara Sukuk	51,840	-
Mutual Funds	-	1,263
Investment in Shares of Listed Companies	92,375	25,885
	567,022	132,082
Related deferred tax asset / (liability)	(175,364)	(39,648)
	391,658	92,434
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>23.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees given favouring:</b>		
Government	-	-
Financial Institutions	2,200	-
Others	-	-
	2,200	-
<b>23.2 Transaction-related contingent liabilities / commitments</b>		
<b>Guarantees given in favour of:</b>		
Government	13,226,815	10,782,678
Financial Institutions	-	92,000
Others	796,509	514,510
	14,023,324	11,389,188
<b>23.3 Trade-related contingent liabilities</b>		
Letters of credit	20,248,003	11,720,785
Acceptances	3,055,764	2,253,467
	23,303,767	13,974,252
<b>23.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	266,133	266,133
<b>23.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	1,292,340	1,034,140
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
<b>23.6 Commitments in respect of forward exchange contracts</b>		
Purchase	17,670,541	56,859,837
Sale	18,716,569	58,787,111
	36,387,110	115,646,948
<b>23.7 Commitments for the acquisition of operating fixed assets</b>	65,530	44,008

	2012	2011
	(Rupees '000')	
<b>23.8 Commitments with respect to Government Securities</b>		
Purchase	513,980	487,600
Sale	1,900,540	47,683

**23.9** The income tax returns of NIB Bank Limited have been filed up to and including tax year 2012 relevant to the financial year ended December 31, 2011. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. These disallowances may result in additional tax aggregating to Rs. 1,370 million (2011: 1,370 million), which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.

Appeals filed against orders are pending at various appellate forums. Management is confident that the eventual outcome of the cases will be in favour of the Bank.

**23.10** A penalty of Rs. 700 million was imposed by the Competition Commission of Pakistan (“the Commission”) on all the member banks utilizing the 1 link Switch on account of uncompetitive behavior and imposing of uniform charges on cash withdrawal for off network ATM transactions. The Bank’s share in this penalty is Rs. 50 million. The concerned banks filed a constitutional petition before the High Court of Sindh, which has suspended the order of the Commission. Consequently an appeal was filed with the Competition Appellate Tribunal which has also suspended the order of the Commission till the conclusion of the hearing of the appeal. The management in consultation with external legal counsel that represents the Bank, is confident that they have strong grounds to contest this penalty and they consider that the case will be decided in the favour of the Bank.

	2012	2011
	(Rupees '000')	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	6,871,570	7,718,970
On investments in:		
Held-for-trading securities	251,971	-
Available-for-sale securities	5,782,836	4,980,398
Held-to-maturity securities	461,316	463,751
On deposits with financial institutions	892	629
On securities purchased under resale agreements	569,679	989,740
On call money lendings	50,248	92,189
	<u>13,988,512</u>	<u>14,245,677</u>

<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits and other accounts	5,107,426	6,948,513
Securities sold under repurchase agreements	4,208,158	3,023,491
Other short term borrowings	1,214,083	1,506,903
Long term borrowings	603,136	687,874
	<u>11,132,803</u>	<u>12,166,781</u>

	Note	2012	2011
(Rupees '000')			
<b>26. GAIN ON SALE OF SECURITIES</b>			
Market Treasury Bills		116,194	163,928
Pakistan Investment Bonds		188,666	29,846
Term Finance Certificates		18,942	6,378
Ordinary Shares of Listed and Unlisted Companies		185,839	8,786
Units of Mutual Funds		5,144	45,118
Sukuk		24,793	20,456
		539,578	274,512
<b>27. OTHER INCOME</b>			
Gain on disposal of property and equipment		13,607	2,522
Service charges		3,957	7,007
Rent		7,802	1,631
Gain on trading liabilities		4,322	-
Recovery against written off Assets		25,553	-
Recovery against Branch relocation		4,000	-
Recovery from insurance company against loss of assets		13,592	-
Recovery against charges		-	9,997
		72,833	21,157
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		2,381,554	2,083,603
Charge for defined benefit plan	34.4	16,902	23,194
Contribution to defined contribution plan		89,086	83,338
Non-executive directors' fees, allowances and other expenses		5,973	6,792
Brokerage and commission		27,525	48,386
Rent, taxes, insurance, electricity, etc.		873,046	880,603
Legal and professional charges		147,068	65,152
Communication		183,834	158,369
Repairs and maintenance		331,018	278,253
Stationery and printing		77,927	68,324
Advertisement and publicity		29,118	69,710
Fees and subscriptions		89,453	80,719
Auditor's remuneration	28.1	11,578	8,578
Depreciation	12.2	228,148	273,601
Amortization	13	348,306	368,608
Travelling, conveyance and vehicles running		49,497	31,427
Security services		128,637	120,188
Fixed assets written off		72,890	-
Others		81,634	66,129
		5,173,194	4,714,974
<b>28.1 Auditors' remuneration</b>			
Audit fee including fee for branch audit		4,300	4,300
Audit fee of consolidated financial statements		750	750
Review fee		1,100	1,100
Special certifications and sundry advisory services		4,752	1,752
Out-of-pocket expenses		676	676
		11,578	8,578
<b>28.2</b>	No donation was paid during the year in which any of the Directors or their spouses had any interest.		

	Note	2012	2011
(Rupees '000')			
<b>29. OTHER CHARGES</b>			
Penalties of the State Bank of Pakistan		23,760	56,122
Operational Loss / (Recovery)		30,382	(13,757)
		54,142	42,365
<b>30. TAXATION</b>			
For the year			
Current		82,054	163,978
Prior years	30.2	25,000	30,658
Deferred		–	(1,630,964)
		107,054	(1,436,328)
<b>30.1 Relationship between tax expense and accounting profit</b>			
Accounting profit / (loss) for the year		145,120	(3,480,418)
Tax @ 35% of above		50,792	(1,218,146)
SBP penalty not tax deductible		8,316	19,643
Adjustment in respect of tax at reduced rates		(152,997)	70,189
Unrecorded deferred tax asset due to uncertainty over availability of future tax profits		165,015	817,000
General provision reversal not recognized for tax purposes		(71,126)	(234,478)
Minimum tax based on turnover independent of loss		82,054	163,978
Tax charge for prior year		25,000	30,658
Consumer & SME provision in excess of 5% booked in June 2011 instead of December 2010		–	(1,085,172)
		107,054	(1,436,328)
<b>30.2</b> This represent payment of Rs. 25 million made to Azad Jammu & Kashmir (AJK) tax authorities in respect of demand raised against the AJK branches.			
<b>31. BASIC / DILUTED EARNINGS / (LOSS) PER SHARE</b>			
Profit / (Loss) after taxation (Rs. '000')		38,066	(2,044,090)
Weighted average number of ordinary shares outstanding during the year (in '000')		10,302,851	5,998,632
Profit / (Loss) per share - basic / diluted (Rupees)		0.004	(0.34)
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	7,672,866	7,969,044
Balances with other banks	8	960,850	1,486,830
		8,633,716	9,455,874

33. STAFF STRENGTH	2012	2011
	(Numbers)	
Permanent	2,419	2,300
Temporary / on contractual basis	37	25
Bank's own staff strength at the end of the year	2,456	2,325
Outsourced	312	346
Total staff strength	2,768	2,671

### 34. DEFINED BENEFIT PLAN

**34.1** The benefits under the gratuity scheme are payable in lump sum on retirement at the age of 60 years or earlier cessation of services. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service.

### 34.2 Principal actuarial assumptions

The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2012 using the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	Gratuity	
	2012	2011
- Valuation discount rate	12.0%	13.0%
- Salary increase rate	11.0%	12.0%
- Mortality rate	Based on LIC 1994-96 Ultimate Mortality table	Based on LIC 1975-79 Ultimate Mortality table
- Withdrawal rate	Heavy (double of moderate) Age - Wise withdrawal rates	

34.3 Reconciliation of (receivable from) / payable to defined benefit plan	Note	2012	2011	2010	2009	2008
		(Rupees '000')				
Present value of defined benefit obligations	34.6	63,588	71,098	79,459	81,502	58,963
Unrecognized prior service cost		-	-	-	-	1,630
Net actuarial gains / (loss) not recognized		14,828	6,181	(3,344)	(7,771)	(3,536)
Net liability / (receivable)		78,416	77,279	76,115	73,731	57,057
<b>34.4 (Income) / charge for defined benefit plan</b>						
Current service cost		8,557	11,626	14,660	13,962	10,922
Software project expense capitalized		-	-	-	(829)	-
Interest cost		8,345	11,568	10,067	6,398	3,834
Actuarial (gain) recognized		-	-	-	-	(303)
Amortization of prior service cost		-	-	-	(1,630)	(1,631)
		16,902	23,194	24,727	17,901	12,822
<b>34.5 Movement in balance (receivable) / payable</b>						
Opening balance		77,279	76,115	73,731	57,057	(32,128)
Adjustment		-	1,386	-	-	-
Expense recognized		16,902	23,194	24,727	17,901	12,822
Software project expense capitalized		-	-	-	829	-
Benefits paid to outgoing members		(15,765)	(23,416)	(22,343)	(2,056)	(271)
		78,416	77,279	76,115	73,731	(19,577)
Assumed on amalgamation		-	-	-	-	76,634
Closing balance		78,416	77,279	76,115	73,731	57,057



	2012	2011	2010	2009	2008
	(Rupees '000')				
<b>34.6 Summary of valuation results for the current and previous periods</b>					
Present value of defined benefit obligations	63,588	71,098	79,459	81,502	58,963
Fair value of plan assets	—	—	—	—	—
Deficit	<u>63,588</u>	<u>71,098</u>	<u>79,459</u>	<u>81,502</u>	<u>58,963</u>
Experience (gain) / loss on obligation	(8,647)	(8,139)	(4,427)	4,235	10,559

	2012	2011
	(Rupees '000')	
<b>34.7 Reconciliation of present value of defined benefit obligations</b>		
Opening balance	71,098	79,459
Current service cost	8,557	11,626
Interest cost	8,345	11,568
Benefits paid	(15,765)	(23,416)
Actuarial (gain) / loss on obligations	(8,647)	(8,139)
Closing balance	<u>63,588</u>	<u>71,098</u>

**34.8 Expected contribution for the next one year**

The Bank provides for gratuity as per the actuary's expected charge for the next one year. Based on actuarial advice, management estimates that the charge in respect of the defined benefit plan for the year ending December 31, 2013 would be Rs. 14.843 million.

**35. DEFINED CONTRIBUTION PLAN**

The Bank has established a provident fund scheme administered by the Board of Trustees for all permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees at the rate of 10% of basic salary.

**36. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees '000')					
Fees	—	—	5,973	6,792	—	—
Managerial remuneration	27,612	16,714	—	—	558,384	456,305
Charge for defined benefit plan	—	2,924	—	—	9,747	9,711
Contribution to defined contribution plan	2,761	1,667	—	—	48,808	42,595
Rent and house maintenance	14,918	5,850	—	—	195,435	159,706
Utilities	2,761	1,671	—	—	55,838	45,630
Others	12,856	29,804	—	—	257,264	270,758
	<u>60,908</u>	<u>58,630</u>	<u>5,973</u>	<u>6,792</u>	<u>1,125,476</u>	<u>984,705</u>
Number of persons	*2	*2	5	5	597	517

\*Includes interim President and Chief Executive Officer for 6 days in 2012 and 15 days in 2011.

The Presidents / Chief Executives are provided with travel, medical insurance, security arrangements and reimbursement of household utilities, as per terms of their employment.

Directors fees represents fees paid to certain non executive directors of the Bank and no further benefits are paid to executive and non executive directors.

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 37.1 On-balance sheet financial instruments

	2012		2011	
	Book value	Fair value	Book value	Fair value
(Rupees '000')				
<b>Assets</b>				
Cash and balances with treasury banks	7,672,866	7,672,866	7,969,044	7,969,044
Balances with other banks	960,850	960,850	1,486,830	1,486,830
Lendings to financial institutions	3,440,910	3,441,040	14,666,918	14,669,815
Investments	85,386,110	85,432,128	49,598,830	49,046,314
Advances	71,564,237	71,564,237	60,844,380	60,844,380
Other assets	3,271,343	3,271,343	2,803,395	2,803,395
	<u>172,296,316</u>	<u>172,342,464</u>	<u>137,369,397</u>	<u>136,819,778</u>
<b>Liabilities</b>				
Bills payable	2,430,030	2,430,030	1,738,422	1,738,422
Borrowings	76,179,065	76,192,062	47,382,031	47,382,076
Deposits and other accounts	91,291,234	91,291,234	85,488,268	85,488,268
Sub-ordinated loans	3,992,800	4,002,822	3,994,400	3,914,796
Other liabilities	1,868,177	1,868,177	2,365,655	2,365,655
	<u>175,761,306</u>	<u>175,784,325</u>	<u>140,968,776</u>	<u>140,889,217</u>

#### 37.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>17,670,541</u>	<u>17,695,724</u>	<u>56,859,837</u>	<u>57,548,407</u>
Forward sale of foreign exchange	<u>18,716,569</u>	<u>18,702,296</u>	<u>58,787,111</u>	<u>59,591,144</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Fair values of held-to-maturity securities, sub-ordinated loans and investment in quoted associates have been stated at market values.

Fair value of unquoted equity securities have been stated at the lower of cost and Net Assets Value as per the latest available audited financial statements.

Except for investment in unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year, the fair value of other on balance sheet financial assets and liabilities are not significantly different from their book value as these assets and liabilities are either short term in nature or are frequently re-priced.

The fair value of unquoted subsidiaries, fixed term advances, staff loans, fixed term deposits, other assets and other liabilities cannot be calculated with sufficient reliability due to non-availability of relevant active markets for similar assets and liabilities.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



## 38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Bank is organised into reportable segments as disclosed in note 6.20.1. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Bank's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation.

Transactions between reportable segments are carried out on an arms length basis.

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

For the Year ended December 31, 2012						
	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Retail	Treasury	Head Office / Other	*Adjustments
(Rupees '000')						
Net Interest Income	(274,288)	(607,080)	3,464,176	180,528	92,373	-
Non Funded Income	473,418	139,389	418,294	995,393	395,688	-
Net Interest and non mark-up Income	199,130	(467,691)	3,882,470	1,175,921	488,061	-
Total expenses including provisions (excluding Impairment)	248,294	684,872	4,158,465	229,192	43,917	-
Impairment against Investment	(42,632)	-	-	4,975	(194,312)	-
Total expenses including provisions	205,662	684,872	4,158,465	234,167	(150,395)	-
Segment Net income/ (loss) before tax	(6,532)	(1,152,563)	(275,995)	941,754	638,456	-
Segment Return on net assets (ROA) (%)	(0.02%)	(5.67%)	(0.44%)	1.22%	-	N/A
Segment Cost of funds (%)	10.04%	6.74%	5.45%	11.52%	-	N/A
For the Year ended December 31, 2011						
Net Interest Income	(605,465)	(621,777)	3,515,414	(387,463)	178,187	-
Non Funded Income	374,158	135,492	350,450	839,833	452,147	-
Net Interest and non mark-up Income	(231,307)	(486,285)	3,865,864	452,370	630,334	-
Total expenses including provisions (excluding Impairment)	799,676	886,360	5,405,275	173,981	50,835	-
Impairment against Investment	52,703	-	-	118,721	223,843	-
Total expenses including provisions	852,379	886,360	5,405,275	292,702	274,678	-
Segment Net income/ (loss) before tax	(1,083,686)	(1,372,645)	(1,539,411)	159,668	355,656	-
Segment Return on net assets (ROA) (%)	(1.69%)	(3.84%)	(1.22%)	0.19%	-	N/A
Segment Cost of funds (%)	11.97%	6.76%	6.62%	13.44%	-	N/A
As at December 31, 2012						
Segment Assets (Gross)	74,436,950	28,055,858	83,903,677	75,683,089	8,616,481	(56,792,830)
Segment Non Performing Loans	16,898,687	12,565,891	3,193,076	-	263,841	-
Segment Provision (including general provisions)	13,819,614	7,839,657	1,421,070	-	213,523	-
Segment Assets (Net)	60,617,336	20,216,201	82,482,607	75,683,089	8,402,958	(56,792,830)
Segment Liabilities	58,188,964	19,568,333	80,760,809	74,638,327	231,964	(56,792,830)
As at December 31, 2011						
Segment Assets (Gross)	56,637,592	30,116,978	83,809,168	53,507,148	10,369,353	(56,018,911)
Segment Non Performing Loans	18,006,713	12,234,822	3,725,523	-	227,524	-
Segment Provision (including general provisions)	14,965,673	6,876,818	1,589,256	-	195,951	-
Segment Assets (Net)	41,671,919	23,240,160	82,219,912	53,507,148	10,173,402	(56,018,911)
Segment Liabilities	40,802,879	22,740,530	80,501,374	53,091,254	-	(56,018,911)

\* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with appropriate transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

### 39. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its holding company (refer note 1), subsidiaries (refer note 10.12), associated undertakings (refer note 10.11), employee benefit plans (refer note 34) and its key management personnel.

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties except for staff loans which are on discounted rates as per industry practice.

The detail of transactions with related parties is given below:

	Holding company		Subsidiaries		Associates		Key Management Personnel		Other related parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
..... (Rupees '000) .....										
<b>39.1 Balances outstanding as at the year end</b>										
<b>Advances</b>										
At the beginning of the year	-	-	-	-	-	-	119,254	102,142	24,997	29,797
Addition during the year	-	-	-	-	-	-	85,308	58,669	1,069	85,381
Repaid during the year	-	-	-	-	-	-	(70,649)	(41,557)	(4,115)	(90,181)
At the end of the year	-	-	-	-	-	-	133,913	119,254	21,951	24,997
<b>Deposits</b>										
At the beginning of the year	42,653	58,350	16,038	57,633	298,751	543,226	42,013	23,564	94,200	300,457
Deposits during the year	904	12	4,854,627	4,188,863	22,039,707	29,676,785	321,388	261,479	1,197,079	7,539,595
Exchange difference	926	1,042	-	-	-	-	1,893	-	7,910	4,099
Withdrawal during the year	(11,660)	(16,751)	(4,673,878)	(4,230,458)	(21,727,142)	(29,921,260)	(331,861)	(243,030)	(1,245,063)	(7,749,951)
At the end of the year	32,823	42,653	196,787	16,038	611,316	298,751	33,433	42,013	54,126	94,200
<b>Investment in shares / mutual funds - cost</b>										
At the beginning of the year	-	-	4,584,741	4,584,741	1,573,832	1,573,832	-	-	149,705	151,815
Investments made during the year	-	-	-	-	-	-	-	-	-	136,559
Investments sold / liquidated during the year	-	-	-	-	-	-	-	-	(149,705)	(138,669)
At the end of the year	-	-	4,584,741	4,584,741	1,573,832	1,573,832	-	-	-	149,705
<b>Investment in Term Finance Certificates - cost</b>										
At the end of the year	-	-	-	-	-	-	-	-	1,078,909	1,102,224
<b>Receivables</b>										
At the end of the year	171	626	-	-	-	-	-	-	-	928
<b>Payables</b>										
At the end of the year	-	-	3,134	1,529	-	-	-	-	5,958	-
<b>Brokerage payable</b>										
At the end of the year	-	-	-	-	-	-	-	-	-	49
<b>Insurance premium payable</b>										
At the end of the year	-	-	-	-	-	4,691	-	-	-	-

	Holding company		Subsidiaries		Associates		Key Management Personnel		Other related parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees '000')									
<b>39.2 Income / Expense for the year</b>										
Mark-up / return / interest earned on advances	-	-	-	-	-	-	4,605	4,981	3,384	2,296
Mark-up / return / interest expensed on deposits	-	-	6,982	13,344	56,693	126,254	1,096	643	5,213	69,118
Mark-up / Return / Interest earned on Term Finance Certificates	-	-	-	-	-	-	-	-	153,293	171,638
Dividend income from shares / mutual funds	-	-	285,900	270,000	68,066	168,420	-	-	2,885	3,657
Brokerage expense	-	-	-	-	-	-	-	-	-	1,384
Directors remuneration	-	-	-	-	-	-	-	-	5,973	6,792
Directors travelling expense	5,732	2,834	-	-	-	-	-	-	517	127
Remuneration to key management personnel	-	-	-	-	-	-	241,384	145,236	-	-
Contribution to Provident Fund	-	-	-	-	-	-	-	-	88,788	83,894
Mark-up expense on sub-ordinated loans	-	-	-	-	-	-	-	-	-	3,703
Rent expense	-	-	1,606	1,529	-	-	-	-	-	-

#### 40. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

##### 40.1 Scope of Applications

Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk. The current requirement for CAR is 10% as per BSD Circular No. 07 dated April 15, 2009.

##### 40.2 Capital Structure

The Bank's regulatory capital base comprises of:

- Tier 1 capital which includes share capital, reserves and accumulated losses/unappropriated profit.
  - Tier 2 capital which consists of subordinated debt (subject to 50% of eligible Tier 1 capital), revaluation reserves (subject to 45% of balance in revaluation reserve) and general provision for loan losses (subject to 1.25% of Risk Weighted Asset).
- The issued, subscribed and paid-up capital of the Bank was Rs. 103,028.512 million as at December 31, 2012, comprising of 10,302,851,164 shares of Rs. 10 each.

The subordinated debt amounting to Rs. 3,992.800 million represents unsecured TFCs of the Bank. The amount raised through the issue contributed towards the Bank's Tier II capital for Minimum Capital Requirement as per the guidelines of SBP.

	Note	2012	2011
(Rupees '000')			
<b>Details of the Bank's regulatory capital are as under:</b>			
<b>Tier I Capital</b>			
Fully paid-up capital		103,028,512	103,028,512
Share premium		(45,769,623)	(45,769,623)
Statutory and general reserves		225,889	218,276
Accumulated loss		(43,862,642)	(43,893,095)
		13,622,136	13,584,070
Less:			
Intangibles	40.2.1	1,768,564	2,054,426
Other deductions (represents 100% of investment in subsidiary and 50% in other significant associates)	40.2.1	1,763,476	889,613
Total Tier I Capital		10,090,096	10,640,031
<b>Tier II Capital</b>			
Subordinated Debt (upto 50% of total Tier I Capital)		2,395,680	3,195,520
General Provision for loan losses (subject to 1.25% of Total Risk Weighted Assets)		78,923	282,139
Revaluation Reserves (up to 45%)		176,246	41,595
Less:			
Other deductions (represents 50% of investment in other significant associates)	40.2.1	36,750	889,613
Total Tier II Capital		2,614,099	2,629,641
Total Regulatory Capital Base (a)		12,704,195	13,269,672

**40.2.1** The SBP has allowed the Bank to break its investment in PICIC Asset Management Company Limited (PICIC AMC) into tangible and other components for the purposes of calculating CAR on unconsolidated basis. The tangible assets of PICIC AMC may be treated as a single asset in the banking book and assigned 100% risk weight. The difference between cost of PICIC AMC and tangible portion would be required to be deducted from Tier 1 capital. This relaxation is granted from December 2010 up to and including January 31, 2013.

### 40.3 Capital Adequacy

The purpose of capital management at the Bank is to ensure efficient utilization of capital in relation to business requirements, growth, risk appetite, shareholders' returns and expectations.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions, regulatory requirements and the risk profile of its activities. In order to maintain or adjust the capital structure, the Bank may issue capital / Tier II securities.

The Bank's capital adequacy ratio as at December 31, 2012 was 12.96% compared to the minimum regulatory requirement of 10%. The Bank ensures adherence to SBP's requirements by monitoring its capital adequacy on a regular basis.

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2012



Banking operations are categorised as either Trading book or Banking book, and Risk-Weighted Assets are determined according to SBP requirements that seek to reflect the varying levels of risk attached to bank's On and Off-balance sheet exposures.

Collateral if any, is used as an outflow adjustment. Risk weights notified, are applied to Net Adjusted Exposure.

Cash and near Cash collateral includes Government of Pakistan Securities, Shares listed on the stock exchanges, Cash and Cash equivalents (deposits / margins, lien on deposits).

The Bank has complied with all regulatory capital requirements as at the reporting date.

The capital requirements for the Bank as per the major risk categories is indicated below:

	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	(Rupees '000')			
<b>Credit Risk</b>				
Corporate	3,685,464	2,951,635	36,854,643	29,516,351
Sovereign	8,158	3,252	81,580	32,522
Retail	471,059	904,837	4,710,586	9,048,365
Banks	455,188	463,924	4,551,875	4,639,242
Equity investments	148,173	155,477	1,481,728	1,554,771
Public sector entities	117,499	23,069	1,174,992	230,685
Past due loans	1,035,368	1,140,635	10,353,682	11,406,353
Claims against residential mortgage	58,183	58,914	581,832	589,140
Investments in premises, plant and equipment and all other fixed assets	266,036	269,380	2,660,356	2,693,795
Other assets	1,746,874	1,561,220	17,468,743	15,612,203
Off balance sheet market related exposures	11,669	82,312	116,686	823,124
	<u>8,003,671</u>	<u>7,614,655</u>	<u>80,036,703</u>	<u>76,146,551</u>
<b>Market Risk</b>				
Interest Rate Risk	874,388	666,044	8,743,878	6,660,436
Equity Position Risk	-	29,151	-	291,507
Foreign Exchange Risk	4,351	4,908	43,511	49,081
	<u>878,739</u>	<u>700,103</u>	<u>8,787,389</u>	<u>7,001,024</u>
<b>Operational Risk</b>	923,428	1,090,490	9,234,284	10,904,895
<b>TOTAL</b>	(b) <u><u>9,805,838</u></u>	<u><u>9,405,248</u></u>	<u><u>98,058,376</u></u>	<u><u>94,052,470</u></u>

	2012	2011
	(Rupees '000')	
<b>Capital Adequacy Ratio</b>		
Total eligible regulatory capital held	12,704,195	13,269,672
Total Risk Weighted Assets	98,058,376	94,052,470
Capital Adequacy Ratio (a) / (b)	<u><u>12.96%</u></u>	<u><u>14.11%</u></u>



#### 40.4 Types of Exposures and ECAs used

The Bank uses external ratings from local and foreign rating agencies. The Bank has obtained ratings from the websites of External Credit Assessment Institutions (ECAIs) and followed the SBP rating grade for mapping.

Exposures	JCR-VIS	PACRA	Fitch	Moodys	Standard & Poor
Corporate	✓	✓	–	–	–
Sovereign	–	–	–	–	–
Retail	–	–	–	–	–
Banks	✓	✓	✓	✓	✓

#### 40.5 Credit exposure subject to Standardized Approach

Exposure	2012			
	(Rupees '000')			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	3,901,132	1,020,450	2,880,682
Corporate	2	2,432,770	–	2,432,770
Corporate	3,4	1,533	–	1,533
Corporate	5,6	723,889	100	723,789
Corporate	Unrated	36,343,092	2,368,187	33,974,905
<b>Retail</b>		7,125,079	844,298	6,280,781
<b>Banks</b>				
- Over 3 Months	1	942,708	–	942,708
- Over 3 Months	2,3	3,399,481	–	3,399,481
- Over 3 Months	4,5	1,479,731	–	1,479,731
- Over 3 Months	Unrated	772,817	–	772,817
- Maturity Upto and under 3 Months in FCY	1,2,3	1,925,405	–	1,925,405
- Maturity Upto and under 3 Months in FCY	4,5	26,027	–	26,027
- Maturity Upto and under 3 Months in FCY	6	2,518	–	2,518
- Maturity Upto and under 3 Months in FCY	Unrated	987,757	–	987,757
- Maturity Upto and under 3 Months in PKR	1	1,846,488	856,337	990,151
<b>Public Sector Entities</b>	1	2,709,251	–	2,709,251
	Unrated	1,273,714	7,430	1,266,284
<b>Sovereign</b>		28,177,011	16,395,860	11,781,151
<b>Others</b>		35,306,806	–	35,306,806
<b>Total</b>		<b>129,377,209</b>	<b>21,492,662</b>	<b>107,884,547</b>

#### 41. RISK MANAGEMENT

The risk management framework of NIB is approved by the Board of Directors (“BOD”) and implemented by the senior management. The Bank’s risk management policies are established to identify and analyze the risks faced by the Bank, to set standard and appropriate risk limits and controls to ensure quality of portfolio and credit process. Risk management policies are reviewed annually to reflect changes in economic environment, market conditions and products offerings. The BOD sets forth the vision and strategy of NIB and has entrusted the monitoring to the Board’s Risk Management Committee (“BRMC”), which is an oversight committee and meets at least quarterly. Findings of the BRMC are escalated to the BOD. Terms and references of BRMC are documented and duly approved by the BOD and broadly includes oversight responsibility at the highest level under the Risk Management Governance Framework.

“The BRMC has three sub-committees, namely the Asset Liability Committee (“ALCO”), the Credit Risk Committee (“CRC”) and the Operational Risk Committee (“ORC”), to identify, manage and monitor risks.

##### Asset Liability Committee (“ALCO”)

The ALCO functions as the top operational unit for managing the balance sheet within the performance/risk parameters laid down by the BOD. Its objective is to derive the most appropriate strategy for NIB in terms of mix of assets & liabilities given future expectations and potential consequence of interest rate movements, liability constraints, and foreign currency exchange exposure and capital adequacy.

##### Credit Risk Committee (“CRC”)

In our normal business activities there is a need to manage effectively potential credit risk. To address this risk, Credit Risk Committee (CRC) is established under the leadership of the Chief Risk Officer (CRO) of the Bank and membership comprises the President and Senior Management of the Bank. The main objective of the CRC is to ensure effective and proactive management of Credit Risk throughout the Bank in accordance with the Risk Management Framework and related Risk Policies and Procedures. Terms and references of the CRC, which meets on a bi-monthly basis, broadly include the following:

To ensure that all relevant risk policies of the Bank are developed, implemented and are not in conflict with any of the applicable laws and regulations.

To oversee implementation of credit risk related policies and procedures relevant to all business units through review of standard MIS decks.

To ensure that all activities are in compliance with the Prudential Regulations and also with the policies and controls established by the relevant units of the Bank through periodic review of business issues highlighted in internal / external audit reports and SBP Inspection Report.

To review stress testing on portfolio considering the major factors like interest rate sensitivity, inflation, Rupee devaluation, fluctuation in oil prices and /or global meltdown etc.

To review the credit portfolio, primarily through Key Risk Indicators, and to assess:

- quality of the portfolio;
- recovery of remedial accounts;
- variance analysis of actual with plan and forecasts
- portfolio exceptions

To advise business where activities are not aligned with control requirements or risk appetite and to recommend Risk Policies.

### Operational Risk Committee (“ORC”)

In our normal business activities there is a need to effectively manage potential risk arising out of banking operation of the Bank. To address this risk, Operational Risk Committee (ORC) is established under the leadership of the President of the Bank and membership comprises the CRO and Senior Management of the Bank. The main objective of the ORC is to ensure effective and proactive management of Operational Risk throughout the Bank in accordance with the Risk Management Framework and related Risk Policies and Procedures. Terms and references of the ORC, which meets on a monthly basis, broadly include the following:

To ensure operational risk identification and measurement is objective and covers all activities/products/processes of the Bank, and compliant with the banks standards and applicable regulations, and that risk control and risk origination decisions are properly informed.

To develop, maintain and review a consolidated MIS of key operational risks in the Bank in the form of Risk & Control Assessment Matrix.

To monitor all material Operational Risk exposures and key external trends, through KRIs and appropriate management action as per defined thresholds, in accordance with Operational Risk policies and procedures.

To review Ops Loss Data (OLD) and take proactive measures to reduce Operational Losses.

To direct appropriate action in response to material events, risk issues or themes that come to the Committee's attention.

To ensure any areas of potential overlap with another entity or Risk Control Area, Business or Function are notified to the affected entity Risk Control Owner, Business or Function Head.

### Risk Management Organisation at NIB

The Chief Risk Officer (“CRO”) is responsible for enterprise wide risk management and implementation of the overall risk management framework of NIB. In this respect, the CRO has to ensure that the risk organisation structure of NIB is equipped with the best people, policies and processes, which enable it to perform efficiently and effectively.

The CRO is supported by a Chief Operating Officer for Risk responsible for Risk Policies & Procedures, Portfolio Risk and Country Risk Assessment, and three Risk Heads, responsible for Corporate, SME and Consumer Finance businesses respectively and they are responsible for ensuring the implementation of NIB's risk framework, Bank's policies, and Central Bank regulations in their respective domains.

## 41.1 Credit Risk

Credit risk is the risk that a counterparty or customer will be unable to pay amounts in full when due. NIB's main credit exposure arises from the risk of failure by a client or counterparty to meet its contractual obligations. The risks are inherent in loans and bills receivable from non-bank customers, commitments to lend, repurchase agreements, securities borrowing and lending transactions, and contingent liabilities. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. Clean risk at liquidation or settlement risk occurs when items of agreed upon original equal value are not simultaneously exchanged between counterparties and/or when items are released without knowledge that counter-value items have been received by the Bank. Typically the duration is intra-day, overnight/over weekend, or in some situations even longer. The risk is that we deliver but do not receive delivery. In this situation 100% of the principal amount is at risk. The risk may be larger than 100% if in addition there was an adverse price fluctuation between the contract price and the market price. Cross-border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency. Cross-border assets comprise loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, certificates of deposit and other negotiable paper, and formal commitments

where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency. NIB has established limits for cross-border exposure and manages exposures within these limits.

NIB has established an appropriate credit risk environment which is operating under a sound credit-granting process; maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposures.

There is a proper credit delegation matrix for review and approving credit applications. Businesses have no credit approving authority. All credit approvals are accorded by the Credit Officers/Senior Credit Officers in the Risk Management Group. Corporate Credit Risk Management also approves exposure to Financial Institutions and a separate dedicated FI unit, is housed under Corporate & Investment Banking Group (IBG) for this purpose.

The concept of “three initial system” is very much in existence in NIB. Based upon regional considerations and availability of Credit Talent, any initiating unit has to have formal recommendation by the Relationship Manager, his/her Team Leader and Regional Head/Corporate Banking Head / Group Head. The essence here is that the credit proposal must not be left to the sole judgment of one person – rather, the application of minds must be diverse and independent of each other.

Further, in order to measure credit risk, an indigenously developed rating system is followed. This rating system is being continuously fine tuned to address regulatory and global benchmarks.

NIB manages credit risk through:

- Accurate and detailed information about the borrower, cash flows, production, service and operation of the company;
- Insights into the major factors influencing customer attrition and product cancellation;
- Credit and collections treated as a highly people-intensive business; and
- Establishment of acceptable risk levels.

NIB monitors exposure to credit risk through:

Post-disbursement maintenance of accounts through Credit Administration Department (“CAD”) reporting into a Country CAD Head. The Country CAD Head has direct reporting line to the CRO;

Submission of regulatory returns pertaining to reporting of NIB’s portfolio

#### **Impaired financial assets**

Impaired financial assets including loans and debt instruments are those which NIB determines that it is probable that it will not be able to collect all principal and interest due according to the contractual terms of the agreement(s) underlying the financial assets. Financial assets carried at fair value through profit or losses are not assessed for impairment since the measure of fair value reflects their credit qualities. For the monitoring of the credit quality of the financial assets not carried at fair value through profit or loss, NIB follows the guidelines issued by the State Bank of Pakistan. Credit quality is determined based on three pillars: namely business prospect, financial performance and repayment capacity.

#### **Write offs**

NIB’s Write off Policy is laid out in line with the SBP rules. All credit write offs are approved under the approved delegation matrix. Writing off a loan in no way implies that the Bank has given up its claim on a borrower and does not impact the Bank’s ability to legally collect written off credits from the customer(s).

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41.1.1 Segmental Information

41.1.1.1 Segments by class of business

	2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Agriculture, Forestry, Hunting and Fishing	54,142	0.06	2,790,677	3.06	30,571	0.04
Automobile and Transportation Equipment	910,832	0.96	546,754	0.60	129,725	0.17
Cement, Glass and Ceramics	3,057,434	3.22	538,569	0.59	893,776	1.15
Chemicals and Pharmaceuticals	1,506,740	1.59	881,335	0.97	1,906,638	2.45
Construction	757,924	0.80	3,687,540	4.04	1,088,622	1.40
Electronics and Electrical Appliances	1,365,809	1.44	852,754	0.93	763,061	0.98
Engineering	797,607	0.84	621,864	0.68	921,705	1.19
Exports / Imports	2,591,352	2.73	1,187,871	1.30	1,843,071	2.37
Financial	1,050,732	1.11	4,383,102	4.80	44,452,505	57.17
Food and Beverages	18,874,877	19.90	745,543	0.82	5,155,637	6.63
Footwear and Leather Garments	897,252	0.95	279,624	0.31	27,650	0.04
Individuals	4,401,880	4.64	41,632,996	45.60	340,521	0.44
Insurance	-	-	158,118	0.17	-	-
Mining and Quarrying	1,035,569	1.09	300,144	0.33	123,628	0.16
Non Profit Organizations / Trusts	79,900	0.08	3,044,793	3.34	1,900	0.00
Oil and Gas	2,663,594	2.81	4,995,589	5.47	5,401,346	6.95
Paper and Printing	958,074	1.01	679,112	0.74	283,049	0.36
Power, Gas, Water, Sanitary	7,211,662	7.60	1,096,925	1.20	4,298,191	5.53
Services	2,377,779	2.51	3,893,436	4.26	261,695	0.34
Sugar	1,345,875	1.42	108,083	0.12	1,000	0.00
Textile	28,065,192	29.59	1,912,933	2.10	3,075,303	3.96
Transport, Storage and Communication	2,269,012	2.39	3,517,054	3.85	3,274,204	4.21
Wholesale and Retail Trade	5,916,173	6.24	5,926,041	6.49	417,594	0.53
Others	6,668,690	7.02	7,510,377	8.23	3,063,532	3.93
	<u>94,858,101</u>	<u>100.00</u>	<u>91,291,234</u>	<u>100.00</u>	<u>77,754,924</u>	<u>100.00</u>

	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Agriculture, Forestry, Hunting and Fishing	1,412,649	1.67	522,373	0.61	-	-
Automobile and Transportation Equipment	1,071,826	1.27	303,484	0.36	509,041	0.36
Cement, Glass and Ceramics	3,681,480	4.36	314,589	0.37	623,896	0.44
Chemicals and Pharmaceuticals	1,549,328	1.83	1,132,720	1.33	1,422,465	1.00
Construction	747,419	0.88	1,356,196	1.59	1,133,506	0.79
Electronics and Electrical Appliances	1,423,754	1.69	378,021	0.44	183,186	0.13
Engineering	803,083	0.95	358,519	0.42	907,756	0.64
Exports / Imports	2,601,689	3.08	1,242,681	1.45	7,632,261	5.34

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	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Financial	339,481	0.40	1,235,198	1.44	116,443,027	81.48
Food and Beverages	9,281,750	10.99	905,194	1.06	1,095,774	0.77
Footwear and Leather Garments	969,835	1.15	161,793	0.19	16,037	0.01
Individuals	5,225,611	6.19	50,230,839	58.76	350,774	0.25
Insurance	-	-	181,272	0.21	200	0.00
Mining and Quarrying	201,117	0.24	512,451	0.60	97,239	0.07
Non Profit Organizations / Trusts	150,109	0.18	2,970,314	3.47	20,495	0.01
Oil and Gas	356,729	0.42	4,897,690	5.73	3,038	0.00
Paper and Printing	1,667,620	1.97	398,860	0.45	591,285	0.41
Power, Gas, Water and Sanitary	3,317,982	3.93	2,923,427	3.42	677,548	0.47
Services	3,170,753	3.75	2,885,736	3.38	294,068	0.21
Sugar	1,751,338	2.08	15,968	0.02	22,239	0.02
Textile	29,112,151	34.46	1,432,811	1.68	6,420,856	4.49
Transport, Storage and Communication	2,299,449	2.72	2,894,337	3.39	1,436,027	1.00
Wholesale and Retail Trade	6,928,934	8.20	3,563,664	4.17	1,300,123	0.91
Others	6,407,991	7.59	4,670,131	5.46	1,709,111	1.20
	<u>84,472,078</u>	<u>100.00</u>	<u>85,488,268</u>	<u>100.00</u>	<u>142,889,952</u>	<u>100.00</u>

41.1.1.2 Segment by sector

	2012					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	18,195,973	19.18	9,495,310	10.40	10,882,803	14.00
Private	76,662,128	80.82	81,795,923	89.60	66,872,123	86.00
	<u>94,858,101</u>	<u>100.00</u>	<u>91,291,233</u>	<u>100.00</u>	<u>77,754,926</u>	<u>100.00</u>

	2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	6,578,083	7.79	9,414,316	11.01	2,911	0.00
Private	77,893,995	92.21	76,073,952	88.99	142,887,041	100.00
	<u>84,472,078</u>	<u>100.00</u>	<u>85,488,268</u>	<u>100.00</u>	<u>142,889,952</u>	<u>100.00</u>

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
(Rupees '000')				
<b>41.1.1.3 Details of non-performing advances and specific provisions by class of business segment</b>				
Agriculture, Forestry, Hunting and Fishing	22,993	22,993	22,993	15,113
Automobile and Transportation Equipment	565,875	516,742	588,843	515,344
Cement, Glass and Ceramics	1,183,345	822,759	1,277,320	1,081,681
Chemicals and Pharmaceuticals	681,926	327,295	519,527	332,600
Construction	471,019	149,208	482,431	103,144
Electronics and Electrical Appliances	583,200	373,747	703,056	432,233
Engineering	432,748	302,688	424,258	233,381
Financial	129,168	92,628	129,982	96,802
Food and Beverages	1,087,681	652,098	1,217,777	719,393
Footwear and Leather Garments	411,242	337,694	418,458	305,942
Individuals	847,120	357,237	566,960	313,897
Mining and Quarrying	7,477	1,469	33,602	2,117
Oil and Gas	342,487	320,695	327,474	299,634
Paper and Printing	482,753	296,022	561,452	387,008
Power, Gas, Water, Sanitary	397,891	394,076	664,656	459,239
Services	1,469,435	792,777	1,907,961	801,684
Sugar	389,173	202,065	772,799	626,387
Textile	13,973,545	11,200,147	14,675,438	11,761,058
Transport, Storage and Communication	926,055	664,986	888,606	665,971
Wholesale and Retail Trade	3,489,701	2,065,904	3,887,070	1,824,453
Others	5,026,661	3,321,711	4,123,919	2,368,478
	<u>32,921,495</u>	<u>23,214,941</u>	<u>34,194,582</u>	<u>23,345,559</u>

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
(Rupees '000')				
<b>41.1.1.4 Details of non-performing advances and specific provisions by sector</b>				
Public / Government	-	-	-	-
Private	32,921,495	23,214,941	34,194,582	23,345,559
	<u>32,921,495</u>	<u>23,214,941</u>	<u>34,194,582</u>	<u>23,345,559</u>



	2012			
	Profit / (Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees '000')			
<b>41.1.1.5 Geographical Segment Analysis</b>				
Pakistan	145,120	190,609,361	14,013,794	77,754,924
2011				
Pakistan	(3,480,418)	154,793,630	13,676,504	142,889,952

## 41.2 Market Risk

Market risk refers to the potential loss that an entity may be exposed to due to market volatility. It is important for the Bank to put in place an effective market risk management framework to manage its market risk exposures. Market risk arises from all positions in financial instruments held by the Bank (Either in Trading or Banking book) which exposes the Bank to market risk factors namely interest rates, foreign exchange ("FX") rates and equity prices.

Bank has adopted a market risk management structure that commensurate with its size and the nature of its business activities and facilitates effective management oversight and execution of market risk management and control processes.

Currently Bank's risk appetite for market risk is a combination of notional and sensitivity based limits. Following are the regulatory and internal guidelines monitored by Market & Liquidity Risk Unit (MLRU).

- Foreign Exchange Exposure Limit
- Equity Exposure Limit
- Statutory Liquidity & Cash Reserve Requirement
- FX Tenor mismatch
- Dealer Limits
- DV01

NIB also applies a Value-at-Risk (VaR) methodology on test basis to assess the market risk positions held. Currently NIB is using historical simulation model for calculating VaR numbers for FX and ALM book.

### Interest rate risk

The principal risk to which NIB's portfolios are exposed is the risk of losses from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is measured through DV01 and interest rate sensitivity analysis.

#### 41.2.1 Foreign Exchange Risk

NIB has set the following objectives for managing the inherent risk on foreign currency exposures:

Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory/international standards and the Bank's internal guidelines, which are being adopted from regulator and followed vigorously;

Manage appropriate forward mismatch gaps;

Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of marked to market portfolio etc.

NIB takes steps to ensure that foreign currency exposures adhere to regulatory or international standards and NIB's internal guidelines. NIB uses tools such as Foreign Exchange Exposure Limit (FEEL), and FX tenor gaps to monitor FX risk.

2012				
Assets	Liabilities	Off Balance sheet items	Net foreign currency exposure	
(Rupees '000')				
Pakistan Rupee	183,677,405	170,593,786	955,296	14,038,915
United States Dollar	5,955,067	4,510,454	(1,485,512)	(40,899)
Great Britain Pound	287,206	838,101	550,358	(537)
Euro	639,804	636,271	6,850	10,383
Japanese Yen	26,560	5	(25,274)	1,281
Swiss Franc	3,597	874	-	2,723
Others	19,722	16,076	(1,718)	1,928
	190,609,361	176,595,567	-	14,013,794

  

2011				
Assets	Liabilities	Off Balance sheet items	Net foreign currency exposure	
(Rupees '000')				
Pakistan Rupee	147,245,285	135,908,865	1,927,274	13,263,694
United States Dollar	6,944,197	3,820,292	(2,750,296)	373,609
Great Britain Pound	153,964	833,552	679,752	164
Euro	417,779	543,650	143,270	17,399
Japanese Yen	12,560	22	-	12,538
Swiss Franc	1,865	787	-	1,078
Others	17,980	9,958	-	8,022
	154,793,630	141,117,126	-	13,676,504

#### 41.2.2 Equity price risk and Fixed Income rate risk

Equity price risk is the risk to earnings or capital that results from adverse changes in the value of equity related portfolios of NIB. Price risk associated with equities could be systematic and unsystematic.

NIB conducts stress testing analysis over the equity portfolio, by anticipating changes/shocks of -30%, -40% and -50% on the current price of shares within a portfolio, thereby monitoring the effects of the predicted changes in the structure of shares portfolio on the Capital Adequacy Ratio ("CAR"). Further, NIB reviews new products to ensure that market risk aspects are properly quantified and mitigated.

41.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	Total	Exposed to Yield / Interest rate risk										Non-interest bearing financial instruments
		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	Over 10 Years		
(Rupees '000')												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
	7,672,866	-	-	-	-	-	-	-	-	-	-	7,672,866
Cash and balances with treasury banks	960,850	857,108	-	-	-	-	-	-	-	-	-	103,742
Balances with other banks	3,440,910	3,440,910	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	85,386,110	7,020,101	8,631,305	31,446,547	3,409,098	307,004	8,083,063	2,997,934	-	-	-	5,995,255
Investments	71,564,237	13,662,656	9,088,052	687,336	1,153,892	1,063,859	745,194	1,038,857	678,136	-	-	-
Advances	3,271,343	-	941,176	-	-	-	-	-	-	-	-	2,330,167
Other assets	172,296,316	24,980,775	61,883,234	32,133,883	4,562,990	1,370,863	8,828,257	4,036,791	678,136	16,102,030	-	-
	175,761,306	79,597,069	19,001,355	6,165,017	19,837	13,225	22,397	-	-	-	-	33,248,071
	(3,464,990)	(54,616,294)	42,881,879	25,968,866	4,543,153	1,357,638	8,805,860	4,036,791	678,136	(17,146,041)	-	-
<b>On-balance sheet gap</b>	17,478,784	-	-	-	-	-	-	-	-	-	-	-
Non Financial Net Assets	14,013,794	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	17,478,784	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>												
	17,670,541	9,979,092	6,568,119	149,395	-	-	-	-	-	-	-	-
Foreign exchange contracts - purchase	18,716,569	11,884,098	3,099,431	3,733,040	-	-	-	-	-	-	-	-
Foreign exchange contracts - sale	(1,046,028)	(1,905,006)	3,468,688	149,395	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	(1,046,028)	(1,905,006)	3,468,688	149,395	-	-	-	-	-	-	-	-
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>	(56,521,300)	46,350,567	22,734,083	26,118,261	4,543,153	1,357,638	8,805,860	4,036,791	678,136	(17,146,041)	-	-
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>	(56,521,300)	(10,170,733)	(32,904,816)	(6,786,555)	(2,243,402)	(885,764)	7,920,096	11,956,887	12,635,023	(4,511,018)	-	-

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



2011

Effective Yield / Interest rate	Exposed to Yield / Interest rate risk										Non-interest bearing financial instruments
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years	
(Rupees '000')											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
-	7,969,044	-	-	-	-	-	-	-	-	-	7,969,044
0.03%	1,486,830	633,084	-	-	-	-	-	-	-	-	853,746
12.99%	14,666,918	14,666,918	-	-	-	-	-	-	-	-	-
10.82%	49,598,830	752,974	12,809	2,900,451	27,476,993	5,787,308	2,997,890	1,001,623	6,244,466	-	
11.73%	60,844,380	9,814,229	35,122,324	5,099,252	1,405,968	2,798,065	2,419,698	1,073,867	674,790	-	
14.60%	2,803,395	-	98,856	-	-	-	-	-	-	-	2,704,539
	137,369,397	25,867,205	35,233,989	7,989,703	28,882,961	8,585,373	5,417,588	2,075,490	674,790	17,771,795	
<b>Liabilities</b>											
-	1,738,422	-	-	-	-	-	-	-	-	-	1,738,422
11.58%	47,382,031	37,762,782	4,720,052	3,130,867	-	52,996	480,371	412,436	-	-	-
7.54%	85,488,268	12,383,300	35,355,725	4,695,641	6,838,057	189,706	27,486	115	-	-	25,983,943
14.63%	3,994,400	-	3,994,400	-	-	-	-	-	-	-	-
-	2,365,655	-	-	-	-	-	-	-	-	-	2,365,655
	140,968,776	50,146,082	44,070,177	7,826,508	6,838,057	242,702	507,857	412,551	-	30,088,020	
	(3,599,379)	(24,278,877)	(8,836,188)	173,195	22,044,904	8,342,671	4,909,731	1,662,939	674,790	(12,316,225)	
	17,275,883										
	13,676,504										
<b>Off-balance sheet financial instruments</b>											
	56,859,837	15,399,112	23,141,924	17,755,251	563,550	-	-	-	-	-	-
	58,787,111	19,683,105	15,321,080	23,782,926	-	-	-	-	-	-	-
	(1,927,274)	(4,283,993)	7,820,844	(6,027,675)	563,550	-	-	-	-	-	-
	(28,562,870)	(1,015,344)	(1,015,344)	(5,854,480)	22,608,454	8,342,671	4,909,731	1,662,939	674,790	(12,316,225)	
	(28,562,870)	(29,578,214)	(35,432,694)	(4,481,569)	428,162	6,114,782	6,789,572	(5,526,655)			

### 41.3 Liquidity Risk

Liquidity risk is defined as the risk that a Bank, either does not have enough financial resources to meet its obligation and commitments as they fall due or can secure funds at an excessive cost; even when the Bank is solvent. Liquidity risk is due to the difference between the Bank's assets and liabilities generally known as mismatches. Liquidity management is important as the ultimate cost of a lack of liquidity is being out of business.

The liquidity risk policy is formulated keeping in view of the SBP's guidelines on risk management. Basel standards and best practices. NIB maintains its liquidity by keeping a level of liquid assets in such amount which is considered sufficient to anticipate payment of customers' deposits.

The Bank manages its liquidity risk through

- Controlling the cash flow mismatch between on and off balance sheet assets and liabilities;
- 5-Day stress testing on Bank's balance sheet carried out on daily basis assuming deposit run offs
- Maintaining stable and diversified sources of funding;
- Ensuring the Bank has the right asset portfolio mix and sufficient liquid assets on hand in relation to its daily cash flows;
- Certain periodic reports such as tenor maturity gaps and maximum cash outflows (MCO); and
- Stress testing on portfolio as required by local regulator

### 41.3.1 Maturities of Assets and Liabilities - Based on contractual maturity of the Assets and Liabilities of the Bank 2012

	Total	2012										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years		
<b>Assets</b>												
Cash and balances with treasury banks	7,672,866	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	960,850	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,440,910	7,802,179	6,786,584	31,740,465	3,485,579	10,548,007	8,632,732	3,669,150	5,684,050	-	-	
Investments	85,386,110	7,027,364	7,510,709	1,202,947	2,778,574	2,905,765	3,109,647	1,419,595	704,919	-	-	
Advances	71,564,237	45,081,903	73,396	142,601	258,103	156,327	184,373	291,506	1,525,658	-	-	
Operating fixed assets	2,708,498	26,051	82,507	164,951	317,375	290,619	571,018	211,448	-	-	-	
Intangible assets	1,720,424	27,502	82,507	164,951	317,375	290,619	571,018	211,448	-	-	-	
Deferred tax assets	10,881,284	34,264	171,342	471,450	1,431,669	1,861,515	4,890,527	1,955,059	-	-	-	
Other assets	6,274,182	254,807	124,499	1,390,353	1,230,797	73,460	6,941	-	-	-	-	
	190,609,361	64,526,517	14,749,037	35,112,767	9,512,097	15,835,693	17,395,238	7,546,758	7,914,627	-	-	
<b>Liabilities</b>												
Bills payable	2,430,030	-	-	-	-	-	-	-	-	-	-	
Borrowings	76,179,065	6,681,670	4,653,754	81,605	276,978	483,462	6,489	253,710	-	-	-	
Deposits and other accounts	91,291,234	8,326,885	4,071,192	5,225,060	19,837	13,225	22,397	-	-	-	-	
Sub-ordinated loans	3,992,800	-	-	665,336	1,330,672	1,330,664	665,328	-	-	-	-	
Other liabilities	2,702,438	1,155,179	249,320	381,336	2,370	-	-	78,416	-	-	-	
	176,595,567	140,939,244	8,974,266	6,353,337	1,629,857	1,827,351	694,214	332,126	-	-	-	
<b>Net assets</b>	<b>14,013,794</b>	<b>(76,412,727)</b>	<b>5,774,771</b>	<b>28,759,430</b>	<b>7,882,240</b>	<b>14,008,342</b>	<b>16,701,024</b>	<b>7,214,632</b>	<b>7,914,627</b>	-	-	
Share capital	103,028,512											
Reserves	225,889											
Discount on issue of shares	(45,769,623)											
Accumulated loss	(43,862,642)											
Shareholders' equity	13,622,136											
Surplus on revaluation of assets - net	391,658											
	14,013,794											

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7. Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



2011

	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	Over 10 Years
(Rupees '000')										
<b>Assets</b>										
Cash and balances with treasury banks	7,969,044	7,969,044	-	-	-	-	-	-	-	-
Balances with other banks	1,486,830	1,486,830	-	-	-	-	-	-	-	-
Lendings to financial institutions	14,666,918	14,666,918	-	-	-	-	-	-	-	-
Investments	49,598,830	230,353	689,586	852,374	27,585,819	5,974,198	3,080,127	3,399,644	2,315,463	5,467,266
Advances	60,844,380	35,563,691	9,372,863	5,089,252	1,405,967	2,798,065	2,419,698	2,436,187	1,073,867	674,790
Operating fixed assets	2,693,795	20,969	197,700	59,760	104,462	170,630	140,201	182,139	262,771	1,555,163
Intangible assets	2,054,426	30,604	61,188	91,782	163,085	325,419	313,781	575,072	493,495	-
Deferred tax assets	11,017,000	(57,921)	(64,576)	(16,418)	242,370	915,391	1,526,863	3,552,319	4,918,972	-
Other assets	4,462,407	138,134	2,192,489	79,624	1,309,389	665,381	28,011	48,555	824	-
	154,793,630	60,048,622	12,453,250	6,166,374	30,811,092	10,849,084	7,508,681	10,193,916	9,065,392	7,697,219
<b>Liabilities</b>										
Bills payable	1,738,422	1,738,422	-	-	-	-	-	-	-	-
Borrowings	47,382,031	37,762,793	4,720,052	3,130,866	-	52,996	480,371	822,527	412,436	-
Deposits and other accounts	85,488,268	64,942,068	8,780,900	4,685,641	6,838,057	189,706	27,486	14,295	115	-
Sub-ordinated loans	3,994,400	-	800	-	800	666,136	1,330,672	1,995,992	-	-
Other liabilities	2,514,005	1,065,981	925,262	174,293	253,873	14,947	2,370	-	77,279	-
	141,117,126	105,509,254	14,427,014	8,000,800	7,092,730	923,785	1,840,899	2,832,814	489,830	-
<b>Net assets</b>	13,676,504	(45,460,632)	(1,973,764)	(1,834,426)	23,718,362	9,925,299	5,667,782	7,361,102	8,575,562	7,697,219
Share capital	103,028,512									
Reserves	218,276									
Discount on issue of shares	(45,769,623)									
Accumulated Loss	(43,893,095)									
Shareholders' equity	13,584,070									
Surplus on revaluation of assets - net	92,434									
	13,676,504									

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7. Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



## 41.3.2 Maturities of Assets and Liabilities - Based on historical pattern of the Assets and Liabilities of the Bank

2012

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	7,672,866	7,672,866	-	-	-	-	-	-	-	-
Balances with other banks	960,850	960,850	-	-	-	-	-	-	-	-
Lending to financial institutions	3,440,910	3,440,910	-	-	-	-	-	-	-	-
Investments	85,386,110	7,027,364	7,802,179	6,786,584	31,740,465	3,485,579	10,548,007	8,632,732	3,669,150	5,684,050
Advances	71,564,237	16,401,630	12,064,773	15,332,602	16,846,732	2,778,574	2,905,765	3,109,647	1,419,595	704,919
Operating fixed assets	2,708,498	26,061	50,483	73,396	142,601	258,103	156,327	184,373	291,506	1,525,658
Intangible assets	1,720,424	27,502	55,004	82,507	164,951	317,375	290,619	571,018	211,448	-
Deferred tax assets	10,881,284	34,264	65,458	171,342	471,450	1,431,669	1,861,515	4,890,527	1,955,059	-
Other assets	6,274,182	254,807	3,193,325	124,499	1,390,353	1,230,797	73,460	6,941	-	-
	190,609,361	35,846,244	23,231,222	22,570,930	50,756,552	9,512,097	15,835,693	17,395,238	7,546,758	7,914,627
<b>Liabilities</b>										
Bills payable	2,430,030	2,430,030	-	-	-	-	-	-	-	-
Borrowings	76,179,065	63,741,397	6,681,670	4,653,754	81,605	276,978	483,462	6,489	253,710	-
Deposits and other accounts	91,291,234	9,074,516	11,872,222	9,389,196	15,861,068	4,523,714	4,517,102	9,030,152	27,023,264	-
Sub-ordinated loans	3,992,800	-	800	-	665,336	1,330,672	1,330,664	665,328	-	-
Other liabilities	2,702,438	1,155,179	835,817	249,320	381,336	2,370	-	-	78,416	-
	176,595,567	76,401,122	19,390,509	14,292,270	16,989,345	6,133,734	6,331,228	9,701,969	27,355,390	-
<b>Net assets</b>	<b>14,013,794</b>	<b>(40,554,878)</b>	<b>3,840,713</b>	<b>8,278,660</b>	<b>33,767,207</b>	<b>3,378,363</b>	<b>9,504,465</b>	<b>7,693,269</b>	<b>(19,808,632)</b>	<b>7,914,627</b>
Share capital	103,028,512									
Reserves	225,889									
Discount on issue of shares	(45,769,623)									
Accumulated loss	(43,862,642)									
Shareholders' equity	13,622,136									
Surplus on revaluation of assets - net	391,658									
	14,013,794									

Non-contractual assets and liabilities have been profiled by using Core/Non-core Balance Methodology. Core balances are defined as those who are expected to remain in our books for a longer period and thus placed in longer time buckets. Whereas, non-core balances are considered volatile and expected to attrite from our books in the short run.

In order to work out non-core balances, volatility is calculated using standard deviation and scaled for computing respective tenor volatility. Non-core balances for deposits are further placed in time buckets from 1-month till 1 year and core balances are equally proportioned from 2-year till the furthest available time bucket. Similarly, non-core balances for Running Finance are placed in 1-month bucket and core balances are equally distributed in buckets 2-months till 1-year.

# Notes to the Unconsolidated Financial Statements For the year ended December 31, 2012



2011									
	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	Over 10 Years	
	(Rupees '000)								
<b>Assets</b>									
Cash and balances with treasury banks	7,969,044	-	-	-	-	-	-	-	-
Balances with other banks	1,486,830	-	-	-	-	-	-	-	-
Lendings to financial institutions	14,666,918	-	-	-	-	-	-	-	-
Investments	230,353	693,586	862,374	5,974,198	3,080,127	3,399,644	2,315,463	5,467,266	
Advances	11,900,829	9,917,074	5,533,386	2,798,065	2,419,698	2,436,187	1,073,867	674,790	
Operating fixed assets	20,969	197,700	59,760	170,630	140,201	182,139	262,771	1,555,163	
Intangible assets	30,604	61,188	91,782	325,419	313,781	575,072	493,495	-	
Deferred tax assets	(57,921)	(64,576)	(16,418)	915,391	1,526,863	3,552,319	4,918,972	-	
Other assets	138,134	2,192,489	79,624	665,381	28,011	48,555	824	-	
	36,385,760	12,997,461	6,600,508	10,849,084	7,508,681	10,193,916	9,065,392	7,697,219	
<b>Liabilities</b>									
Bills payable	1,738,422	-	-	-	-	-	-	-	-
Borrowings	37,762,783	4,720,052	3,130,866	52,996	480,371	822,527	412,436	-	-
Deposits and other accounts	22,346,311	11,059,569	16,407,362	4,950,229	4,791,056	4,782,219	4,772,392	4,777,503	
Sub-ordinated loans	3,994,400	800	-	666,136	1,330,672	1,995,992	-	-	
Other liabilities	1,065,981	925,262	174,293	14,947	2,370	-	77,279	-	
	62,913,497	16,705,683	19,712,521	5,684,308	6,604,469	7,600,738	5,262,107	4,777,503	
<b>Net assets</b>	<b>(26,527,737)</b>	<b>(3,708,222)</b>	<b>(13,112,013)</b>	<b>5,164,776</b>	<b>904,212</b>	<b>2,593,178</b>	<b>3,803,285</b>	<b>2,919,716</b>	
Share capital	103,028,512								
Reserves	218,276								
Discount on issue of shares	(45,769,623)								
Accumulated Loss	(43,893,095)								
Shareholders' equity	13,584,070								
Surplus on revaluation of assets - net	92,434								
	13,676,504								

The above maturity profile has been prepared in accordance with the historical pattern of non contractual maturities.



#### 41.4 Operational Risk Management

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner.

NIB approach operational risk management from two perspectives to best manage operational risk within the structure of the Bank:

- at the enterprise level to provide independent, integrated management of operational risk across the Bank, and
- at the business and enterprise control function levels to address operational risk in revenue generating and non-revenue generating units.

A sound internal governance structure enhances the effectiveness of NIB's Operational Risk Management and is accomplished at the enterprise level through formal oversight by the Board, the CRO and risk management committees aligned to the Bank's overall risk governance framework and practices. The Operational Risk Committee (ORC) oversees the processes for sound operational risk management and also serves as an escalation point for critical operational risk matters within the Bank. The ORC reports operational risk activities to the Board Risk Management Committee.

Within the Integrated Risk Management Group, the Operational Risk team develops the strategies, policies, controls and monitoring tools for assessing and managing operational risks across the Bank and report results to Operational Risk Committee (ORC) and the Board. The business and support functions are responsible for all the risks within the business line, including operational risks. Operational Risk Management tools, such as Loss Collection & Reporting, Risk and Control Self Assessment and Key Risk Indicators are developed and used to identify measure, mitigate and monitor risks.

#### 42. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on February 20, 2013 by the Board of Directors of the Bank.

**Badar Kazmi**  
President / Chief Executive

**Teo Cheng San, Roland**  
Chairman / Director

**Tejpal Singh Hora**  
Director

**Muhammad Abdullah Yusuf**  
Director

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

(Rupees '000')

S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total		
		Name	NIC No.		Principal	Accrued Mark-up	Others				Total	
1	MUHAMMAD ASIAM FLAT # B 7, 4TH FLOOR, OWIN HEIGHT, GULSHAN-E-JOBAL, BLOCK # 3, KARACHI.	MUHAMMAD ASLAM	42401-6073045-3	MUHAMMAD SALEEM	535	99	-	634	535	99	-	634
2	AGA BAKIR LATIF HNO 312-B PEOPLES COLONY NO 1, FAISALABAD.	AGA BAKIR LATIF	33100-0922028-3	AGA MUZAFAR HUSSAIN KHAN	492	66	-	558	492	66	-	558
3	MANZOOR KHAN HOUSE NO 1 & 2, AREA 1 C, LANDHI NO 02, KARACHI.	MANZOOR KHAN	42201-6320589-1	BALDAR KHAN	667	128	-	795	667	128	-	795
4	AZAD GUL MARLINK ROAD MOHALLAH SHAH FAISALABAD ATTOCK.	AZAD GUL	37101-4851388-9	AURANG ZAIB	674	129	-	803	674	129	-	803
5	MALIK ABID HUSSAIN HOUSE NO 02 MUHALLAH MADINA COLONY, PHULLALI BAZAR HYDERABAD.	MALIK ABID HUSSAIN	41303-1630761-5	MALIK NOOR MUHAMMAD	921	173	-	1,094	921	173	-	1,094
6	MUHAMMAD AMJAD ALI H # B-2687/88, MUHALLA SARAFI BAZZAR, SUKKUR.	MUHAMMAD AMJAD ALI	45504-9206201-9	MUHAMMAD SIDDIQUE	463	102	-	565	463	102	-	565
7	SYED SAMAR ABBAS FLAT NO 339, FEDERAL STATE SECTOR 15-A/5, BUTERZON NORTH KARACHI, KARACHI.	SYED SAMAR ABBAS	42101-0485210-7	SYED DILDAAR HUSSAIN SHAH	591	123	-	714	591	123	-	714
8	MOHAMMAD MOBEEN HOUSE # D-202, BHATTI COLONY, KORANGI CROSSING, KARACHI.	MOHAMMAD MOBEEN	42201-2423435-5	ABDUL RASHEED SHAIKH	531	50	-	581	531	50	-	581
9	ABDUL RAHIM JOHAR FLAT NO.1 FIRST FLOOR HAJI TAUFIQ MANZIL, BANORI TOWN GURJAMANDIR, KARACHI.	ABDUL RAHIM JOHAR	31101-1663240-3	QARI ABDUL GHAFOOR	1,038	169	-	1,207	1,038	169	-	1,207
10	KASHIF RAZA QADRI HOUSE NO 1656-1659 RAFI ROAD, LALKURTI RAWALPINDI.	KASHIF RAZA QADRI	37405-1391534-1	FAIZ MUHAMMAD QADRI	828	239	-	1,067	828	239	-	568
11	MUHAMMAD AMEER AWAN BLOCK-C HOUSE NO. 154/1 SATELLITE TOWN, SARGODHA.	MUHAMMAD AMEER AWAN	39403-6648825-1	MALIK DOST MUHAMMAD	464	47	-	511	464	47	-	511
12	MUHAMMAD ASIF SHARIF HOUSE NO 3609/A SADHU SAM ROAD, OPPOSITE RAILWAY TOWER MULTAN, MULTAN.	MUHAMMAD ASIF SHARIF	36101-0250457-7	MUHAMMAD SHARIF AKHTER	630	118	-	748	630	118	-	748
13	SAJID HUSSAIN HOUSE NO 633 A FAZAL DAD ROAD, SECTOR C 4 POKHAS MIRPUR AK MIRPUR.	SAJID HUSSAIN	81302-2442074-7	BASHIR AHMED	585	110	-	695	585	110	-	695
14	JAGDESH KUMAR FLAT A-13, ALHABIB GARDEN, BLOCK-9, CLIFTON, KARACHI.	JAGDESH KUMAR	43102-0679999-3	RATAN MAL	1,151	216	-	1,367	1,151	216	-	1,367
15	SYED MUSAWER ALI HOUSE NO D-8, BLOCK-4, FEDERAL B AREA, KARACHI.	SYED MUSAWER ALI	42101-4000555-7	SYED BASHIR ALI	1,186	121	-	1,307	1,186	121	-	1,307
16	SHAHID HUSSAIN HOUSE NO 391/C SECTOR 32C KORANGI, KARACHI.	SHAHID HUSSAIN	42201-0726660-7	SABIR HUSSAIN	423	85	-	508	423	85	-	508
17	SHAHID DAR HOUSE NO 10, GROUND FLOOR, PHASE-2, DEFENCE VIEW, KARACHI.	SHAHID DAR	42301-7615687-3	FAIZ ALI	585	110	-	695	585	110	-	695
18	AKMAL HUSSAIN 59-B KACHA FERAZ PUR ROAD, LAHORE.	AKMAL HUSSAIN	35202-2226681-3	CH FAZAL HUSSAIN	926	173	-	1,099	926	173	-	1,099

**Statement showing written-off loans or any other financial relief of  
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S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
					Principal	Mark-up		Total				
19	SYED HAIDER ALI SHAH, HOUSE # C-15, BLOCK-18, F.B. AREA, KARACHI.	SYED HAIDER ALI SHAH	42101-0137850-7	SYED AKHTER ALI SHAH	1,535	564	-	2,099	399	564	-	963
20	MUHAMMAD SHAFIQ HOUSE NO 414, STREET 13, SECTOR H, MANZOOR COLONY, MEHMOODABAD, KARACHI.	MUHAMMAD SHAFIQ	42301-2828015-5	MUHAMMAD BASHIR	509	95	-	604	509	95	-	604
21	ASIF RASHEED H NO 43 AWAN COLONY QASBA METROVILLE BLOCK NO 06 SCHEME NO 40, MANGHOPIR ROAD, MIAN WALI COLONY, ISLAMIA GOTH IQBAL NAGAR, ORANGI TOWN, KARACHI.	ASIF RASHEED	31102-7444475-1	ABDUL RASHEED	828	157	-	985	828	157	-	985
22	MUHAMMAD ASIF SHAIKH ALHATTAI HOUSE, ICAVA GARRISON SCHOOL BRANCH NO 1 CIVIL LINES JHANG SADDAR, JHANG.	MUHAMMAD ASIF SHAIKH	33202-5347032-5	SHEIKH MUHAMMAD AKBAR	540	89	-	629	540	89	-	629
23	IHSAN ULLAH MODEL COLONY WAZIRABAD.	IHSAN ULLAH	34104-2357888-7	MUHAMMAD RASHEED	780	204	-	984	337	204	-	541
24	MUHAMMAD SALEEM SHAHEEN F/2426 HIZARI MOHALLA BUTTO WALI GALI NEAR NABEENA SCHOOL INSIDE KASHMIRI GATE, LAHORE.	MUHAMMAD SALEEM SHAHEEN	35202-0271417-9	MUHAMMAD IQBAL	698	129	-	827	698	129	-	827
25	MUHAMMAD RASHID SHAIKH HOUSE # D38-2645, CHOTKI GITTI URDU BAZAR, HYDERABAD.	MUHAMMAD RASHID SHAIKH	42101-9251013-7	ABDUL RASHEED SHAIKH	507	111	-	618	507	111	-	618
26	WASEEM HOUSE NO L-615, SECTOR NO 2, NORTH KARACHI, KARACHI.	WASEEM	42101-1538040-7	MOHAMMAD SALEEM	652	74	-	726	652	74	-	726
27	MUHAMMAD AKRAM KIYANI HOUSE NO B-156, BLOCK-7, GULISTANE-JOUHAR, KARACHI.	MUHAMMAD AKRAM KIYANI	42201-8037986-3	SARDAR KHAN	759	148	-	907	759	148	-	907
28	MUMTAZ KHAN NIAZI HOUSE NO 2 ALLAHBUKSH COLONY SHAMS ABAD MULTAN NEAR BISMILLAH PCO MULTAN.	MUMTAZ KHAN NIAZI	54400-0136843-5	SAHIB DAD KHAN	566	3	-	569	566	3	-	569
29	NASIR RASHEED HOUSE NO BX 154 A, MOHALLAH SHED R BLOCK, ATTOK.	NASIR RASHEED	37101-6770851-1	ABDUL RASHEED	434	81	-	515	434	81	-	515
30	NAEEM TAHIR A-96/107, SURVEY # 552, MADE ALI, JAFAR E TAYYAR SOCIETY, MALIR, KARACHI.	NAEEM TAHIR	42501-7435492-5	SYED TAHIR HUSSAIN ZAIDI	449	69	-	518	449	69	-	518
31	ZULFIQAR ALI HOUSE 126, SECTOR-D 5 METROVILL SITE TOWN ORANGI TOWN, KARACHI.	ZULFIQAR ALI	42401-7160825-1	GHULAM MUHAMMAD	453	113	-	566	453	113	-	566
32	MUHAMMAD AMJAD HOUSE NO 1667/6, MUHALLAH GHAREEBABAD TAIMOUR ROAD MULTAN.	MUHAMMAD AMJAD	36302-6236066-3	MUHAMMAD AFZAL USMANI	498	49	-	547	498	49	-	547
33	SYED QASIM ALI HOUSE NO A-68, BLOCK-J, NORTH NAZIMABAD, KARACHI.	SYED QASIM ALI	42101-0836742-1	JAFFAR ALI	556	104	-	660	556	104	-	660
34	SYED HAIDAR ABBAS ZAIDI HOUSE NO 572 D 2 BLOCK NO 5, GREEN TOWN, NEAR AMMA SABRA MASJID, LAHORE.	SYED HAIDAR ABBAS ZAIDI	35202-2016157-5	SYED MUZAHIR HUSSAIN ZAIDI	523	114	-	637	523	114	-	637
35	BASHIR AHMED FLAT NO G-14, SHESH MEHAL, BUILDING, BLASIS STREET, HAGANI CHOWK, AFAM BAGH, KARACHI.	BASHIR AHMED	42301-1112532-7	GHULAM FAREED	1,044	210	-	1,254	1,044	210	-	1,254
36	SOHAIL AHMED HOUSE NO C-66, MOHALLA JATT LINE, SADDAR, KARACHI.	SOHAIL AHMED	42000-3716792-5	SAGHIR AHMED	552	87	-	639	552	87	-	639

**Statement showing written-off loans or any other financial relief of  
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S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others					
							Total					
37	FOZIA MINHAJ PLOT NO. 16-A/111, GOLF COURSE ROAD NO.4, NISAR SHAHEED PARK, PHASE-4, D.H.A., KARACHI.	FOZIA MINHAJ	42201-0911495-8	SYED MINHAJ UDDIN ZAFAR	1,258	239	-	1,497	1,258	239	-	1,497
38	MUHAMMAD AMIN SIDDIQUE HOUSE NO R-1, BLOCK B PAKISTAN RAILWAY EMPLOYEE SOCIETY, ADU S.M.C.H.S, KARACHI.	MUHAMMAD AMIN SIDDIQUE	42201-1759107-1	MUHAMMAD SIDDIQUE QASIM	1,242	236	-	1,478	1,242	236	-	1,478
39	ZEESHAN ABDUL QADIR HOUSE NO.195, 40 STREET, BEACH VIEW 3, PHASE-6, KHAYABAN E ITIHAD, D.H.A., KARACHI.	ZEESHAN ABDUL QADIR	42201-3982339-9	ABDUL QADIR MOTIWALA	640	65	-	705	640	65	-	705
40	FARHAN UDDIN HOUSE NO R-636, MUHALA SECTOR 15-A/1, BUFFER ZONE, NORTH KARACHI, KARACHI.	FARHAN UDDIN	42201-0688933-1	BASHEER UDDIN	1,246	251	-	1,497	1,246	251	-	1,497
41	AL-AWAN TRADERS HOUSE # 139, STREET-7, HALI ROAD WESTRIDG-1, RAWALPINDI.	BUSHRA ZAHID	37405-4823216-2	MALIK ZAHID AHMED KHAN	1,569	1,233	-	2,802	869	1,233	-	2,102
42	SHAFQAT HUSSAIN HOUSE # V/276, CHAKLALA MOHALLA BAGHDADI CHAKLALA, RAWALPINDI.	SHAFQAT HUSSAIN	37405-1563458-1	GHULAM HUSSAIN	799	192	-	991	799	192	-	991
43	IMRAN AHMED FAROOQUI HOUSE NO C-175, SECTOR 35/A, GULSHAN-E-HALI, KARACHI.	IMRAN AHMED FAROOQUI	42201-4682090-7	ANEES AHMED FAROOQUI	467	157	-	624	467	157	-	624
44	WAQAR AHMED HOUSE NO 305/34, STREET NO 21, MUHALLA USMANABAD MULLTAN.	WAQAR AHMED	36302-8646462-7	HABIB UDDIN	558	51	-	609	558	51	-	609
45	RAMA HAMID ALI SHAHID STREET NO. 1, AMANAT ALI NEAR HAZWERI MASJID, TAMEER MILLAT ROAD, RAHIM YAR KHAN.	RAMA HAMID ALI	31303-2418319-7	RANA NAZIR AHMED	826	107	-	933	826	107	-	933
46	ABDUL GHANI HOUSE NO D-67, SUPARCO STREET, MAPORA GOTH, KARACHI.	ABDUL GHANI	42000-2382479-3	GHULAM MUHAMMAD	792	189	-	981	792	189	-	981
47	JANDOOOL KHAN HOUSE NO KA-1036, MUSLIM NAGAR SADIQABAD RAWALPINDI.	JANDOOOL KHAN	37405-0377931-9	RAKHMAT WALI KHAN	411	136	-	547	411	136	-	547
48	HAFIZ MUHAMMAD NASEEM KHAN FLAT # C-324, MUHALA UNIQUE CLASSIC BLOCK NO.15, GULISTAN-E-JOHAR, KARACHI.	HAFIZ MUHAMMAD NASEEM KHAN	42000-0457824-5	MUHAMMAD OMER KHAN	655	155	-	810	655	155	-	810
49	NAZ MOHAYU DIN HOUSE NO33, STREET NO 1, BLOCK-X, NEAR MARKET PEOPLES COLONY, KHANEWAL.	NAZ MOHAYU DIN	36103-7334964-5	MUHAMMAD SHARIF	390	125	-	515	390	125	-	515
50	MUHAMMAD SALEEM AHMED HOUSE NO B-358, BLOCK-10, F B AREA, KARACHI.	MUHAMMAD SALEEM AHMED	42101-0588619-5	BASHEER AHMED	838	181	-	1,019	838	181	-	1,019
51	MUHAMMAD JAWAID HOUSE 1573, MEMON COLONY, BLOCK-3, SIDDIQABAD, FEDERAL B AREA, KARACHI.	MUHAMMAD JAWAID	42101-1024729-7	ABDUL GHAFFAR	1,275	298	-	1,573	1,275	298	-	1,573
52	MUHAMMAD AKMAL BLOCK NO.B, HOUSE NO.16, GULSHAN JAWAL COLONY, SARGODHA.	MUHAMMAD AKMAL	38403-2125862-7	BASHARAT ULLAH	412	102	-	514	412	102	-	514
53	RAZA KHALID HOUSE NO B-461, 462 MOHNI BAZAR, NAWABSHAH.	RAZA KHALID	45402-2926353-3	KHALID MEHMOOD	526	123	-	649	526	123	-	649
54	MALIK KHIZER HAYAT HOUSE NO 2/217, MRF COLONY PAC KAMRA ATTOCK.	MALIK KHIZER HAYAT	42301-5785322-5	GHULAM RASOOL MALIK	497	106	-	603	497	106	-	603

(Rupees '000')

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total		
		Name	NIC No.		Principal	Accrued Mark-up	Others				Total	
55	AMJAD ABDUL AZIZ KONCH WALA FLAT # 705, 7TH FLOOR, SUMYA TERRACE, PLOT # 43/3, SHARFABAD, KARACHI.	AMJAD ABDUL AZIZ KONCH WALA	42201-7159258-7	ABDUL AZIZ	712	178	-	890	712	178	-	890
56	MUHAMMAD ALAM HOUSE NO. 476, SECTOR-4, AHSANABAD, SCHEME-33, GULSHAN-E-MAYMAR, KARACHI.	MUHAMMAD ALAM	42101-6655784-3	MOHAMMAD NAWAZ	713	132	-	845	713	132	-	845
57	MUHAMMAD RAFIQUE HOUSE NO. 7, STREET A-5, NEAR WAPDA TOWN, P.G.E.C.H.S. LAHORE.	MUHAMMAD RAFIQUE	35202-4968524-9	CHANNAN DIN	1,069	198	-	1,267	1,069	198	-	1,267
58	IMRAN MUGHAL HOUSE NO.413, MUHALLA CHAKI PARA, MIRPURKHAS.	IMRAN MUGHAL	44103-8313583-9	MIRZA YOSUF	846	171	-	1,017	846	171	-	1,017
59	MIAN GHULAM NABI HOUSE 5, STREET 1, JAMAL PARK SHAHDRA, LAHORE.	MIAN GHULAM NABI	35202-2504333-5	MIAN GHULAM RASOOL	601	120	-	721	601	120	-	721
60	MUHAMMAD JAMIL HOUSE NO.4/191, SHAH FAISAL COLONY NO. 4, KARACHI.	MUHAMMAD JAMIL	42201-0277620-7	IZZAT BAIG	667	122	-	789	667	122	-	789
61	MUBASHAR AHMED QURESHI HOUSE NO.200, NIA MUHALLAH JHELUM.	MUBASHAR AHMED QURESHI	37301-2302961-5	QURESHI MUHAMMAD IQBAL	754	141	-	895	754	141	-	895
62	ROSHAN ALI FLAT # C-9, PRINCE ALI S.KHAN COLONY, PRINCE ALI S.KHAN ROAD, GARDEN EAST, KARACHI.	ROSHAN ALI	42201-4116242-5	GHULAM HUSSAIN	635	115	-	750	635	115	-	750
63	MUHAMMAD UMAR HOUSE NO. B-183, KHUDADAD COLONY, PECHS-1, KARACHI.	MUHAMMAD UMAR	42201-5441577-1	GHULAM NABI	545	101	-	646	545	101	-	646
64	MAZAHER ABBAS H # 67, BLOCK J, GULBERG III, LAHORE.	MAZAHER ABBAS	32203-8006682-9	SHAH NAWAZ KHAN	438	62	-	500	438	62	-	500
65	SOHAIL AHMAD BAIG H # 462 FII BLOCK, JOHAR TOWN, LAHORE.	SOHAIL AHMAD BAIG	91509-0154182-1	MIRZA AHMAD HUSSAIN	647	77	-	724	647	77	-	724
66	INTIKHAB ALAM ABBASI HOUSE # 74, STREET 35-A, SECTOR I-9/4, ISLAMABAD.	INTIKHAB ALAM ABBASI	61101-2021247-1	MUHAMMAD RAZZAQ ABBASI	523	121	-	644	523	121	-	644
67	ATHAR MUHAMMAD SHOKAT FLAT NO. G-104, RUFU LAKE DRIVE, BLOCK-18, GULISTANE-JAUHAR, KARACHI.	ATHAR MUHAMMAD SHOKAT	42000-2152754-1	SHOKAT ALI	520	128	-	648	520	128	-	648
68	ZAEHER AHMED BABER HOUSE 64-A/2, MOHALLAH DEFENCE HOUSING AUTHORITY CANT, LAHORE.	ZAEHER AHMED BABER	35201-1907529-3	MIRZA ANAYAT ULLAH	1,363	315	-	1,678	1,363	315	-	1,678
69	SHEIKH ALI RAZA SHEHBAZ HOUSE 140 STREET MOHLA 7 HALI ROAD WESTRIDGE 1 RAWALPINDI.	SHEIKH ALI RAZA SHEHBAZ	37405-0475555-1	SHEIKH ANAYAT ULLAH	1,047	242	-	1,289	1,047	242	-	1,289
70	SAMI ULLAH HOUSE NO.1568, BEHMANI MUHALLAH, FARMAN DUKANDAR, FRONTIER COLONY-2, ORANGI TOWN, KARACHI.	SAMI ULLAH	42401-6884207-5	MUHAMMAD RAHIM	712	166	-	878	712	166	-	878
71	MALIK MUHAMMAD NAVEED HOUSE NO B III 22 AS 16, ALLAMA IQBAL PARK, CIVIL QUARTER ROAD, SHEIKHPURA.	MALIK MUHAMMAD NAVEED	35404-157547-5	MALIK MUHAMMAD ASLAM	524	58	-	582	524	58	-	582
72	AMAN ULLAH SARHANDI HOUSE # A-7, BN QASIM TOWN, SARHANDI MOHALLA PEER SARHANDI VILLAGE, KARACHI.	AMAN ULLAH SARHANDI	42501-0431047-1	ASAD ULLAH SARHANDI	700	144	-	844	700	144	-	844

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		Name	NIC No.		Principal	Accrued Mark-up	Others				Total	
73	ALLAH RAKHA HOUSE IV 4/22, NAZIMABAD 4, KARACHI.	ALLAH RAKHA	34402-1677282-5	MUHAMMAD SIDDIQUE	627	129	-	756	627	129	-	756
74	FAQIR SYED ZAIN UL ABEDIN FLAT 15-H, 3RD FLOOR, ASKARI-2, CANT, KARACHI.	FAQIR SYED ZAIN UL ABEDIN	42000-5821961-7	FAQIR SYED IMTIAZ UDDIN	451	138	-	589	451	138	-	589
75	ANJUM KHALID BLOCK U STREET NO 15, NEW MULTAN PERAN GHAYAB ROAD HOUSE NO 6 MULTAN.	ANJUM KHALID	36302-8165559-7	KHALID SALEEM	374	130	-	504	374	130	-	504
76	MUHAMMAD FAROOQ HOUSE NO. B-539, ZAMAN TOWN, KORANGI NO. 04, KARACHI.	MUHAMMAD FAROOQ	42201-2869039-1	MUHAMMAD ROSHAN	576	145	-	721	576	145	-	721
77	AMANULLAH KHAN HOUSE NO. MCB/282, WATER SUPPLY NO. 1, GALI MOHALLAH WATER SUPPLY NO. 1, TALAGANG ROAD, CHAKWAL.	AMAN ULLAH KHAN	37201-1618844-9	NISAR AHMED	754	160	-	914	754	160	-	914
78	MUHAMMAD ALI FLAT NO. 414, MUNIR ARCADE, BLOCK-19, GULISTAN-E-JOHAR, KARACHI.	MUHAMMAD ALI	42201-1243710-9	AMEER AHMED HASNI	437	88	-	525	437	88	-	525
79	KHURRAM MASOOD A 31, SAWANA CITY, BLOCK-13, D 3 GULSHAN-E-IQBAL, KARACHI.	KHURRAM MASOOD	42201-6560548-1	ARSHAD MASOOD	776	155	-	931	776	155	-	931
80	ABDUL HAFIZ HOUSE NO F-43-B, F AREA, KORANGI, KARACHI.	ABDUL HAFIZ	42201-9836633-7	MUHAMMAD SHAREEF	793	149	-	942	793	149	-	942
81	JAMIL UR REHMAN HOUSE NO. 10, BEGUM SARFRAZ IQBAL ROAD G-6/4 ISLAMABAD.	JAMIL UR REHMAN	61101-1924186-1	HABIB GUL	1,201	240	-	1,441	1,201	240	-	1,441
82	MUHAMMAD NAWAZ VILL AUJLA KALAN PO GHAKHAR MANDI WAZIRABAD.	MUHAMMAD NAWAZ	34104-2214278-9	REHMAT KHAN	464	84	-	548	464	84	-	548
83	RASHEED TARNAIN P/O DHODIAL TEH & DISTT., MANSEHRA.	RASHEED	13503-4365243-3	AMEER KHAN	635	101	-	736	635	101	-	736
84	T & JS TRADERS 48 A SHAHBAZ BLOCK MUSTAFA TOWN LAHORE.	SHEHZAD KAUSAR SALMA SHEHZAD	35200-1423915-1	GULZAR AHMED KAUSAR	789	157	-	946	789	157	-	946
85	MUHAMMAD ARSHAD HOUSE NO. 264, FAZAL LATEEFABAD TOWN, HYDERABAD DAKHANA, LATEEFABAD.	MUHAMMAD ARSHAD	41303-2873487-5	MUHAMMAD YAQOOB	517	105	-	622	517	105	-	622
86	MUHAMMAD SHAFIQ B VI 313 STREET FAZAL ELLAHI MACHINE MUHALLAH NO 2 JHELUM.	MUHAMMAD SHAFIQ	37301-2336480-5	FAZAL KARIM	455	104	-	559	455	104	-	559
87	SYED WASEEM BARRI HOUSE NO 2 NEAR SABZI MANDI, MUHALLA SHIFFA KHANA HAYANAT, BAHAWALPUR.	SYED WASEEM BARRI	31202-3514095-9	SYED ABDUL BARRI	395	108	-	503	395	108	-	503
88	WALIL ISLAM SHAHEEN HOUSE NO. 264 STREET NO. 8, SECTOR III, AL NOOR COLONY KRL ROAD, ISLAMABAD.	WALIL ISLAM SHAHEEN	37405-4015474-3	ISLAM UD DIN SHAHEEN	542	125	-	667	542	125	-	667
89	SYED REHAN HUSSAIN ZAIDI FLAT NO 4-F, STREET NO 5, ASKARI-4, GULISTAN-E-JAUHAR, KARACHI.	SYED REHAN HUSSAIN ZAIDI	42101-1872282-3	SYED LIAQUAT HUSSAIN ZAID	476	97	-	573	476	97	-	573
90	MUHAMMAD ZAHID H, NO 839, KDA SCHEME 31-B, KORANGI, KARACHI.	MUHAMMAD ZAHID	42301-9023675-5	ABDUL SATTAR	543	122	-	665	543	122	-	665

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(Rupees '000')

S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others				
91	JAM SAIF ALI KHAN JAM HOUSE, H NO. 35, 19TH STREET, KHAYABAN-E-MUJAHID, PHASE-4, D.H.A., KARACHI.	JAM SAIF ALI KHAN	44201-4458771-3	NAWAB JAM ANWAR ALI KHAN	630	123	-	753	123	-	753
92	MUHAMMAD AKHTAR JAVED HOUSE NO 36-A, MODEL TOWN B, NEAR SHAH G POLTRY FORM, BAHAWALPUR.	MUHAMMAD AKHTAR JAVED	31202-06865676-5	RAHEEM BUKSH	451	102	-	553	102	-	553
93	MUHAMMAD MUJITAZ KHASRA NO.320, STREET NO.6 NEW AZZAL TOWN DHOKE KALA KHAN, ABBASIA CHOWK CHAKKALA SCHEME III, RAWALPINDI.	MUHAMMAD MUJITAZ	38402-5504943-5	MUHAMMAD ABDULLAH	793	149	-	942	149	-	942
94	ARIF SAUD HOUSE NO.154, UNIT NO.5, BLOCK D, LATIFABAD, HYDERABAD.	ARIF SAUD	41304-6229583-5	ABDUL SALEEM KHAN	1,001	184	-	1,185	184	-	1,185
95	AALA DAWA KHANA 4-S INDUSTRIAL AREA KOT LAKH PAT LAHORE.	MUHAMMAD SHABBIR	35202-2127582-5	SHEIKH GHULAM MUHAMMAD	-	798	-	798	798	-	798
96	COMPUTER PRODUCTS MEHRAN HEIGHTS, FIRST FLOOR, BLOCK-8, SCHEME-5, CLIFTON, KARACHI.	ABDUL SATTAR SHEIKH	42201-3235777-3	ALLAH BAKSH SHEIKH	-	1,542	-	1,542	1,542	-	1,542
97	MUHAMMAD YOUNAS KHAN HOUSE 431-B STREET 73 YASMEEN HOUSE F-11/1 ISLAMABAD.	MUHAMMAD YOUNAS KHAN	61101-0761641-5	MUHAMMAD YAMEEN KHAN	-	1,802	-	1,802	1,802	-	1,802
98	SYNERGY CORPORATION SUITE # 15, 7TH FLOOR, CENTRAL PLAZA, NEW GARDEN TOWN, LAHORE.	HASAN IKRAM	35202-2534160-1	IKRAM UL HAQ QURESHI	-	2,169	-	2,169	2,169	-	2,169
99	GHULAM FARID CONSTRUCTION CONSULTANT & SOFT WARE DEVELOPERS (PROPRIETOR) GHULAM FARID BHATTI 55 A NEW UNION PARK SAMINABAD STREET NO 4 SAMINABAD LAHORE.	GHULAM FARID BHATTI	35200-1443034-3	NAEEM IQBAL BHATTI	-	1,426	-	1,426	1,426	-	1,426
100	KOTRI PET SERVICE HOUSE NO 93/B, HYDERABAD, BLOCK A, LATEEFABAD 4, HYDERABAD.	MUHAMMAD IMRAN	41304-4599477-7	MUHAMMAD ANWAR	-	1,570	-	1,570	1,570	-	1,570
101	NOORUDDIN C-17, BLOCK-C, NORTH NAZIMABAD, KARACHI.	NOORUDDIN	42101-5810172-5	RAJAB ALI	-	2,582	-	2,582	2,582	-	2,582
102	SHAUKAT MAJEED HOUSE NO.58 ST/MUJALLAH BLOCK-A SATELLITE TOWN SARGODHA.	SHAUKAT MAJEED	38403-2146372-3	ABDUL HAMEED	-	1,141	-	1,141	1,141	-	1,141
103	ZEESHAN KHAN WALEED ENTERPRISE PLOT 202 203, MACCA BASTI SECTOR 4-F O T KARACHI.	ZEESHAN KHAN	42401-5043861-7	NOSHERWAN KHAN	-	1,597	-	1,597	1,597	-	1,597
104	ABDUL JABBAR AM UC 5 H # 6195 ABBASI STREET MUHALA SARFRAZ COLONY HYDERABAD.	ABDUL JABBAR AM	41302-3821399-7	MUHAMMAD IKRAM	-	607	-	607	607	-	607
105	HAJI MANAN 15/1R, BLOCK-2, PECHS MAIN KHALID BIN WALEED ROAD KARACHI.	HAJI MANAN	54201-2455972-7	HAJI SHAH MUHAMMAD	46,453	24,588	-	71,041	1,453	-	26,041
106	HASNAT INTERNATIONAL SHOP # 24 UPPER STORY CHENAB TYRE HOUSE TRUST PLAZA SARGODHA.	SHAKEEL IRSHAD	38403-2615384-7	CHAUDHRY IRSHAD	-	1,466	-	1,466	1,466	-	1,466
107	HUSSAIN ENTERPRISES PRO SYED TABASUM MUNIR SHERAZI UPPER STORY KHAN LAB OPP YET HOSPITAL BLOCK NO 7 KHUSHAB ROAD, SARGODHA.	SYED TABASSUM MUNIR SHERAZI	38403-8492767-3	MUNIR HUSSAIN SHAH	-	500	-	500	500	-	500
108	JAMAL PACKAGE INDUSTRIES HOUSE NO. 1038, KOCHI KHAN, INTERIOR CHAH GATE, POST OFFICE SHAH QABOOL, PESHAWAR.	YOUSUF JAMAL	17301-6356123-5	ZAKRIA KHAN	-	2,311	-	2,311	2,311	-	2,311

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		Name	NIC No.		Principal	Accrued Mark-up	Others				
109	KAMAL ASSOCIATES P.O & VILL ZARAT KAKA SAHIB DIST NOWSHERA.	SYED KAMAL SHAH KAKAKHEL	17201-2225575-9	SYED ANWAR SHAH KAKAKHEL	-	713	-	713	-	-	713
110	KASHIF PERVAIZ JANJUA SARGODHA, WANSOORABAD COLONY, SARGODHA.	KASHIF PERVAIZ JANJUA	38403-5585447-7	PERVAIZ ASLAM JANJUA	-	924	-	924	-	-	924
111	KHAN JEE BUILDR PVT 482-JUMER BLOCK, ALLAMA IQBAL TOWN, LAHORE.	ASHIQ HUSSAIN KHAN	35202-6543180-1	KHAN SIKANDER KHAN	-	507	-	507	-	-	507
112	M ASLAM PERVAIZ 22-C-MOHAFIZ TOWN FAISALABAD ROAD SARGODHA.	M ASLAM PERVAIZ	38403-2405409-7	HAJI MUHAMMAD	-	662	-	662	-	-	662
113	M NAEEM TARIQ HINO TOWER ST 7, SECTOR I-8/1, ISLAMABAD.	M NAEEM TARIQ	38101-0792719-9	MUHAMMAD DEEN	-	557	-	557	-	-	557
114	MALIK SAJJAD HUSSAIN 888 - B - FAISAL TOWN LAHORE.	MALIK SAJJAD HUSSAIN	36202-8149011-7	MALIK SHAH MUHAMMAD KHAN	-	865	-	865	-	-	865
115	MIAN JAMIL SHAH MIAN JAMIL SHAH PESHAWAR ROAD, NOWSHER.	MIAN JAMIL SHAH	17201-4237850-1	MIAN FERDZE SHAH	-	942	-	942	-	-	942
116	MUHAMMAD HUSSAIN CH HOUSE NO.4, SECTOR F-2, MIRPUR.	MUHAMMAD HUSSAIN CH.	81302-1689094-1	FATEH MUHAMMAD CHOULDHARY	-	559	-	559	-	-	559
117	NASEEM AHMAD SIDDIQUI HOUSE NO 95, STREET E-1, GULBERG III, LAHORE.	NASEEM AHMAD SIDDIQUI	35202-5231909-5	BILAL AHMED SIDDIQUI	-	1,844	-	1,844	-	-	1,844
118	NAWAZ JEWELLERS HOUSE C-5-77, GALI ZARGARAN MAIN BAZAR, SHEIKHUPURA.	MUHAMMAD NAWAZ	35404-8480428-3	MUHAMMAD YOUSUF	-	1,139	-	1,139	-	-	1,139
119	OWAIS MOE HZ ENTERPRISES PLOT # 1/D/17, 1ST FLOOR NEAR TOWN OFFICE NAZIMABAD # 2, NEAR TOWN OFFICE LIAQUATABAD KARACHI.	OWAIS MOE	42301-2999290-9	AMANULLAH	-	1,906	-	1,906	-	-	1,906
120	RAJA FARHAT NAWAZ 1 FAISALABAD ROAD, OPP SECONDARY BOARD, SARGODHA.	RAJA FARHAT NAWAZ	38403-5910525-7	RAJA NOSHERWAN	-	1,398	-	1,398	-	-	1,398
121	SHEIKH KAMRAN SADIQ BANGLOW A-99, BLOCK-10, GULSHAN-E-IOBAL, KARACHI.	SHEIKH KAMRAN SADIQ	38403-9465400-9	SHEIKH MUHAMMAD SADIQ	-	3,344	-	3,344	-	-	3,344
122	SIDRAH RICE MILLS MOZA 33/2R FAISALABAD ROAD, OKARA.	IMRAN	35302-6450759-9	MUHAMMAD SHAFI	-	1,199	-	1,199	-	-	1,199
123	SYED NASIR BUKHARI 32-G, SHAENUM CENTRE SHALIMAR LINK ROAD LRH.	SYED NASIR BUKHARI	33100-0598024-9	SYED JAFFAR HUSSAIN SAMDANI	-	687	-	687	-	-	687
124	TAHIR BUILDERS 10-KATVILLAGE SHAMSHEER PHASE-V EXT., SABA COMMERCIAL AREA, D.H.A., KARACHI.	MUHAMMAD TAHIR	42301-5368242-3	ABDUL JABBAR KHAN	-	694	-	694	-	-	694
125	TYRE & TYRE SHOP # 3, SULTAN PLAZA, OLD PASSPORT OFFICE, OPP. NATIONAL BANK OF PAKISTAN MURREE ROAD, RAWALPINDI	RAJA MUHAMMAD SHAFIQ	37405-1915124-5	RAJA ABDUL LATIF	-	502	-	502	-	-	502
126	ZAFO INTERNATIONAL ZAFO INTERNATIONAL 600-A, GUJRAT NAGAR NEW M/A JINNAH ROAD, KARACHI.	SYED NASIR ZAFAR AHMED	42301-0904561-9	SYED ZAFAR AHMED	14,902	10,894	-	25,796	4,502	-	15,396



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		Name	NIC No.		Principal	Accrued Mark-up	Others					
							Total					Total
127	CHEEMA CANE SUPPLIER 279 MADNI PARK CAHK JHUMRA FAISALABAD.	LIAQUAT ALI	33101-5462527-1	GHULAM NABI	-	1,456	-	1,456	-	1,456		
128	JAMA REFRESHMENT HOUSE, SHOP NO 849, JUNCTION OF JAMIA ROAD, BIN QASIM ROAD, NEAR JAMIA CLOTH MARKET, KARACHI.	SALLEEM	42201-7596663-5	JAFFAR ALI	-	1,889	-	1,889	-	1,889		
129	KALEEM JAVED BAKHT ZADA AND ASSOCIATES, OFF NO 908, 9TH FLOOR, UNI SHOPPING CENTRE, ABDULLAH HAROON ROAD, SADDAR, KARACHI.	KALEEM JAVED	36301-0932334-9	SALEEM JAVED	-	881	-	881	-	881		
130	MOHAN LAL MEHRAN OIL MILLS, SITE AREA, TANDO ADAM.	MOHAN LAL	44206-4765200-5	KHAN CHAND	-	902	-	902	-	902		
131	NATIONAL CHEMICAL INDUSTRIES 85-KOTI LAKHPAI, LAHORE.	UMAR ASJAD	35201-7535420-5	ASJAD ALI	14,590	10,588	25,178	2,496	10,588	13,084		
132	SALEEM BROTHERS 02 GRAIN CENTRE, DANDIA BAZAR, KARACHI.	AFTAB-UR-REHMAN	42301-3663707-5	HABIB-UR-REHMAN	-	764	-	764	-	764		
133	SYED UMAIR ALI HOUSE B-196, BLOCK-A, NORTH NAZIMABAD, KARACHI.	SYED UMAIR ALI	42101-1839931-7	SYED TASNEEM PERVAIZ	3,364	584	3,948	500	584	1,084		
134	RANA MUHAMMAD NASEEM HOUSE 8, BLOCK-4, KARIM PARK KACHA RAVI ROAD, LAHORE.	RANA MUHAMMAD NASEEM	35202-7428610-3	MUHAMMAD ARSHAD	430	353	783	189	353	542		
135	SALMAN SIDDIQUI HOUSE 7, GUJSTAN ALI HOUSING SCHEME NEW SHALIMAR COLONY, BOSAN ROAD, MULTAN.	SALMAN SIDDIQUI	36302-9877006-7	FAROOQ AHMED SIDDIQUI	400	358	758	180	358	538		
136	SHAHID AMIN HOUSE NO 12, STREET NO 7, MOHALA FAROOQ GUNJ CHAH MIRAN, LAHORE.	SHAHID AMIN	35202-7527790-1	RIAZ AMIN	316	362	678	139	362	501		
137	ASIF IOBAL HOUSE # 281, STREET # 12, KAMAL-ABAD MOHALLAH KAMALABAD, RAWALPINDI.	ASIF IOBAL	91306-9650601-3	CHAUDHRY MUZAFFAR KHAN	461	323	784	226	323	549		
138	BALLS-BALLS INTL PAKI KOTLI, DASKA ROAD, SIALKOTI.	SHEKH KHALID NAEEM SAMIM ALI KHAN	34603-5669002-3 34603-8724552-9	SHEKH M. AMIN FATIM DAD KHAN	18,584	6,479	25,063	2,584	6,479	9,063		
139	CENTEX INDUSTRIES PLOT NO.8, SECTOR 12-B, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	ABDUL RAUF EDHI	42201-2636192-5	ABA MUHAMMAD EDHI	13,000	6,858	19,858	-	6,858	6,858		
140	GHOUSIA ONG SHADIWAL ROAD, NEAR HARIYANWALA CHOKE, GUJRAT.	MUSHAHID RAZA	34201-0544313-7	AADALAT KHAN	3,375	231	3,606	175	231	406		
141	REHMAN COTTEX OFFICE 3, 3RD FLOOR, AL-MUSTAFA CENTRE, STREET NO.3, MONTGOMERY BAZAR, ISD.	CHAUDHARY ABID UR REHMAN	33100-5321658-9	CHAUDARY SAFDAR REHMAN	3,499	619	4,118	-	619	619		
142	CNC TEXTILE MILLS ROOM NO 9, 1ST FLOOR, BAJWA PLAZA, MODEL TOWN EXTENSION LHR.	RASHID AHMED CHAUDHRY MUHAMMAD MUNIR AKHTAR SAMIA RASHID CHAUDHRY	251-88-186328 153-49-231312 251-88-186329	MUHAMMAD HASSAN CHAUDHRY CHAUDHRY MUHAMMAD HUSSAIN RASHID AHMED CHAUDHRY	-	14,208	14,208	-	14,208	14,208		
143	ELEGANT MERCHANDISING COMPANY 283-E, JOHAR TOWN, LAHORE.	KHAWAJA ARIEF AYUB ASIM ULLAH BUKSH MFS QAMAR AYUB ALLAH BUKSH CHAUDHRY	244-87-359373 270-86-134366	KHAWAJA MUHAMMAD AYUB ALLAH BUKSH CHAUDHRY KHAWAJA MUHAMMAD AYUB CHAUDHRY GHULAM MUHAMMAD	357	1,075	1,432	357	1,075	1,432		

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		Name	NIC No.		Principal	Accrued Mark-up	Others				Total
144	FRONTIER CERAMICS W - 10, INDUSTRIAL ESTATE, HAYATABAD, JAMRUD ROAD, PESHAWAR.	MAJ. GEN. (RTD) JEZHANZEB KHAN MR. SHAMSUL HASSAN MR. SHAKIR ULLAH DURRANI MR. M. FAYYAZ KHAN MR. M. AYUB KHAN MR. RAB NAWAZ	17301-1429719-9 517-39-014383 17101-0271163-3 139-50-090020 155-53-096338 17301-1374370-5	MR. MUGUL BAZ KHAN MR. AFTAB HASSAN (LATE) MR. WAJ. M. ZAMAN KHAN DURRANI MR. MUHAMMAD AKRAM KHAN HAJI HAZRAT KHAN MR. MUHAMMAD KHAN	22,395	-	160	22,555	160	22,555	
145	KHYBER TEXTILE MILLS KBT; NEAR SPRING FIELD HOTEL, THE MALL, ABBOTABAD.	MR. TAJ MUHAMMAD KHANZADA MR. ABUL KHADEM (C.E) CH. HAUDHRY M. FARIM MR. HAJI LAL KHAN MR. ABDUL HAMID KHAN MR. AMANULLAH KHAN JADOON MR. CHAUDHRY M. ELUSAFF	270-14-022753 514-48-050365 121-20-030982 121-20-030982 128-53-093937 121-85-350533 211-85-055572	AJAB KHAN GOHER REHMAN KHAN HAJI BAKHSH HAJI ALI KHAN MR. FIDA MUHAMMAD KHAN GOHER REHMAN KHAN MR. GHULAM HUSSAIN	-	2,737	135	2,872	2,737	135	2,872
146	ASLAM TRADERS 8-A, ASLAM TOY CENTRE, SHAH ALAM MARKET, LAHORE.	CH MANSOOR ASLAM CH MASOOD ASLAM CH MEHMOOD ASLAM CH MASOOD ASLAM	35202-6389175-3 35202-2917807-1 35202-2917808-1 35202-2917851-7	CH MUHAMMAD ASLAM	31,385	7,164	-	38,549	7,164	-	7,733
147	ALIA TEX PLOT # ST-8, SECTOR 16-B, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	SYED QAISER HUSSAIN ZAIDI	42101-1851804-3	SYED ALAMDAR HUSSAIN SHAH	15,622	2,529	18,151	2,622	-	2,529	5,151
148	MASHALLAH TEXTILES DP-7, SECTOR 12-C, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	NAUMAN KHALIL	42101-5738326-5	KHALIL AHMED KHAN	8,365	2,527	10,892	1,065	1,570	-	2,635
149	MEHAR FURNITURE HOUSE FURNITURE MARKET, NEAR AMINFAN, GUJRAT.	ALI AKRAM	34201-6407141-1	MUHAMMAD AKRAM	5,000	60	5,060	-	30	-	30
150	EXQUISITE TEXTILES INDUSTRIES 25/22, SECTORE 12-C, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	SHAHID QUREAISHI	42301-1048570-3	ZAHHEER AHMED QUREAISHI	119,581	48,981	168,562	42,044	48,981	-	91,025
151	KHAIRPUR SUGAR MILLS LTD G-22/JI, KHAIRPUR HOUSE, GIZRI AVENUE, PHASE-IV, D.H.A., KARACHI.	MUHAMMAD MUBEEN JUMANI FAISAL MUBEEN JUMANI MUHAMMAD BUX JUMANI SAHAD MUBEEN JUMANI FARAZ MUBEEN JUMANI AHMED ALI JUMANI	42301-2268880-5 42301-8935339-7 42201-1864240-1 42301-8939898-4 42301-8702762-7 45205-7741446-5	ALLAH WARYYO MUHAMMAD MUBEEN JUMANI IMAMI BUX MUBEEN JUMANI MUHAMMAD MUBEEN JUMANI JUMANI	-	21,031	21,031	-	21,031	-	21,031
152	FAZAL-E-RABBI G-4/B, COURT ROAD, OPP. SINDH ASSEMBLY BLDG. KARACHI.	MUHAMMAD DOCHKI ABUBAKAR DOCHKI USMAN DOCHKI	42301-1963952-5 42301-7444864-5 42301-1335715-3 42000-0554923-9	MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI	74,688	604	75,292	5,000	-	-	5,000
153	AL REHMAT CORPORATION 12KM, MURIDKY ROAD, SHAH KHALID TOWN, LAHORE.	M.BILAL CHEEMA MUHAMMAD ASIF CHEEMA MUHAMMAD AZAM CHEEMA SAJIDA PARVEEN	36502-1225556-9 61101-6346264-5 61101-9802332-7 36501-1768049-8	EHSAN CHEEMA CH M. BAHR CH M. BAHR M. FARHOOQ	7,499	1,060	8,559	-	522	-	522
154	VALANT INTERNATIONAL HOUSE NO.06, STREET NO.08, SULTANPURA, LAHORE.	PAHAT CHAUDHRY	35202-2592254-3	CH. MUHAMMAD HAFEEZ	2,969	908	3,877	-	877	-	877
155	HUSSAINRICE MILL DINGA ROAD,KOT KANA, GUJRAT.	MUKHTAR HUSSAIN	34201-7727861	MUHAMMAD HUSSAIN	-	120	120	-	120	-	120
156	SAWADA KHAN SUN RISE TRADERS, SHOP # 8, BABU PLAZA, SABZI MANDI, RAJA BAZAR, RAWALPINDI.	SAWADA KHAN	21103-7248826-7	KHAN PUR JAAN	390	47	437	-	42	-	42
157	SALEEM & CO A-3, NP-10/16, MULJEE STREET, JODIA BAZAR, KARACHI.	MUHAMMAD SALEEM	42301-4734727-3	SUAL-E-HEEN	4,499	368	4,867	-	185	-	185

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

(Rupees '000')

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others			
158	FIVE-B SPORTING GOODS MFG. CO. NEAR DEFENCE ROAD, KARABAD, SIALKOT.	NASIR SALEEM	34603-2351255-5	MIRZA ATTAULLAH	65,180	2,711	-	67,891	-	467
159	ADNAN ELECTRIC COMPANY 9-RAZA ELECTRIC MARKET 4 - NISTAR ROAD, LAHORE.	MALIK MUHAMMAD ADNAN	35202-5954900-5	MALIK GHULAM NABI	14,937	1,390	-	16,327	-	1,327
160	SALMAN CAPITAL INVESTMENT HEAD OFFICE NO. 202, UZMA ARCADE, BLOCK-7, CLIFTON, KARACHI.	MASUD-UL-HASAN SALMAN MASUD SAHIYAR AMIR	42301-6465842-3 42301-0851960-1 42301-9111477-2	SYED GHULAM MUJTABA MASUD-UL-HASAN MASUD-UL-HASAN	-	614	-	614	-	614
161	INVEST CAPITAL INVESTMENT BANK LIMITED C-30, 4TH FLOOR, JANGI INDUSTRIAL COMMERIAL, PHASE-II EXT., D.H.A., KARACHI.	NUSRAT YAR AHMED MUSHTAQ AHMED CHAUDHRY MUSHTAQ AHMED CHAUDHRY AMMER SAIED REHMAN GHANI FIRASAT ALI BASHIR A-CHOUDHRY	42301-4241881-7 42301-1811666-5 33102-1817722-3 42301-6373132-9 42301-5250481-9 42301-3598846-5 42301-1067986-1	IFTIKHAR AHMED CHAUDHRY MUHAMMAD ISMAIL CHAUDHRY MUHAMMAD SHARIF ANWER SAIED AMJAD HUSSAIN FARMAN ALI KAFAM ELAHI	-	11,508	-	11,508	-	11,508
162	CNC TEXTILES (PVT.) LTD. 88/II, BLOCK J, MODEL TOWN, LAHORE.	RASHID AHMED CHAUDHRY MUHAMMAD MUNIR AKHTAR SAMIA RASHID CHAUDHRY	251-88-186328 153-49-231312 251-88-186329	MUHAMMAD HASSAN CHAUDHRY CHAUDHRY MUHAMMAD HUSSAIN RASHID AHMED CHAUDHRY	153,419	26,127	-	179,546	-	11,919
163	AL-VERA ENTERPRISES (PVT.) LTD. 34-JA GULBERG II, LAHORE.	KISHWAR CHAUDHRY AMIR CHAUDHRY	35202-8612012-2 35202-2843122-5	CHAUDHRY AMIR KHALID CHAUDHRY	101,036	90,973	-	192,009	-	90,973
164	ANMAR TEXTILE MILLS (PVT.) LTD. 18-KM MULTAN ROAD, LAHORE.	KH. BELAL AHMAD SAMEENA BELAL	35202-2969902-7 35200-1448248-4	KH. GHULAM MOHY UDDIN KH. BELAL AHMED	13,005	1,518	-	14,523	-	1,518
165	JAWAD TOWEL FACTORY FACTORY R-177, GOBAL TOWN F B AREA.	REHAN UMER	42201-4922689-3	ARSHAD UMER	12,000	3,523	-	15,523	-	3,523
166	N H WEAVING STREET# 6, GULZAR COLONY, CHAK # 279 R B FAISALABAD.	MIAN NASEER AHMED	33100-2091946-7	ABDUL RASHEED	549	536	-	1,085	-	536
167	HAJI MUHAMMAD ISMAIL MILLS (PVT) LTD. 407, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI.	MUSHTAQ AHMED VOHRA NAJIB MUSHTAQ VOHRA MUHAMMAD SAFRANZ MUHAMMAD IRFAN ABDUL JANAN MOHAMMAD FAROOQ NASIR MUSHTAQ VOHRA	42301-0952156-3 42301-0952156-3 42301-0982471-1 42401-1690010-3 71201-9064945-7 755-89-070602 517-92-219565	HAJI MUHAMMAD ISMAIL MUSHTAQ AHMED VOHRA MUHAMMAD ALI KHUSHAL KHAN QAMARUDDIN RASOOL KHAN MUSHTAQ A. VOHRA	30,726	17,874	-	48,600	-	17,874
168	MOHAMMAD YOUNIS & CO G42, PANORAMA SHOPPING CENTRE, LAHORE.	MUHAMMAD YOUNAS.	35202-2981796-7	MUHAMMAD ISMAIL.	899	-	-	899	-	-
					869,545	380,366	295	1,250,216	899	361,503
										295
										707,302



Consolidated Financial Statements  
For the year ended December 31, 2012

A New Chapter...

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of NIB Bank Limited and its subsidiary companies as at 31 December 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 26 branches, which have been audited by us. We have also expressed separate opinions on the financial statements of NIB Bank Limited and its subsidiary company PICIC Asset Management Company Limited (PICIC AMC) except for PICIC Stock Fund which was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Date: 20 February 2013  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Amir Jamil Abbasi

**NIB Bank Limited**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2012**



	Note	2012	2011
(Rupees '000')			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	7,672,866	7,969,044
Balances with other banks	9	956,809	1,486,560
Lendings to financial institutions	10	3,440,910	14,666,918
Investments	11	83,802,727	47,786,041
Advances	12	71,585,896	60,861,513
Operating fixed assets	13	2,754,051	2,722,863
Intangible assets	14	3,449,976	3,785,755
Deferred tax assets - net	15	10,766,279	10,958,166
Other assets	16	6,425,663	4,588,151
		190,855,177	154,825,011
<b>LIABILITIES</b>			
Bills payable	17	2,430,030	1,738,422
Borrowings	18	76,179,065	47,382,031
Deposits and other accounts	19	91,094,447	85,472,247
Sub-ordinated loans	20	3,992,800	3,994,400
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	21	2,771,728	2,574,241
		176,468,070	141,161,341
<b>NET ASSETS</b>		<u>14,387,107</u>	<u>13,663,670</u>
<b>REPRESENTED BY :</b>			
Share capital	22	103,028,512	103,028,512
Reserves		225,889	218,276
Discount on issue of shares		(45,769,623)	(45,769,623)
Accumulated loss		(43,084,238)	(43,333,909)
Total equity attributable to the equity holders of the Bank		14,400,540	14,143,256
Non-controlling interest		6,371	9
		14,406,911	14,143,265
Deficit on revaluation of assets - net	23	(19,804)	(479,595)
		<u>14,387,107</u>	<u>13,663,670</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director



**NIB Bank Limited**  
**Consolidated Profit and Loss Account**  
**For the year ended December 31, 2012**



	Note	2012	2011
		(Rupees '000')	
Mark-up / Return / Interest earned	25	13,989,306	14,250,121
Mark-up / Return / Interest expensed	26	11,125,821	12,155,613
Net Mark-up / Interest Income		2,863,485	2,094,508
Provision against non-performing loans and advances	12.5	116,533	2,355,074
(Reversal) / Provision for diminution in the value of investments	11.13	(15,184)	178,913
Bad debts written off directly		15,632	15,802
		116,981	2,549,789
Net Mark-up / Interest income after provisions		2,746,504	(455,281)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		1,166,211	1,024,307
Dividend income		105,770	137,055
Income from dealing in foreign currencies		469,247	526,577
Gain on sale of securities - net	27	572,111	273,144
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		3,277	(7,053)
Other income	28	78,874	22,854
Total Non Mark-up / Interest income		2,395,490	1,976,884
		5,141,994	1,521,603
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	5,331,398	4,823,582
Other provisions / write offs		5,239	200,912
Other charges	30	54,142	42,497
Workers welfare fund		6,700	(2,101)
Total Non Mark-up / Interest expense		5,397,479	5,064,890
Share of income of associates	11.11.1	695,973	51,278
Extraordinary / Unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		440,488	(3,492,009)
Taxation - Current	31	97,237	202,619
- Prior years	31	25,000	30,658
- Deferred	31	56,171	(1,657,864)
		178,408	(1,424,587)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		262,080	(2,067,422)
Accumulated loss brought forward		(43,333,909)	(41,009,961)
ACCUMULATED LOSS CARRIED FORWARD		(43,071,829)	(43,077,383)
Profit / (Loss) attributable to:			
Equity shareholders of the Bank		257,284	(2,067,422)
Non-controlling interest		4,796	-
		262,080	(2,067,422)
Basic / diluted Earnings / (Loss) per share (Rupees)	32	0.02	(0.34)

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director

NIB Bank Limited  
 Consolidated Statement of Comprehensive Income  
 For the year ended December 31, 2012



	2012	2011
	(Rupees '000')	
Profit / (loss) after taxation for the period attributable to:		
Equity shareholders of the Bank	257,284	(2,067,422)
Non-controlling interest	4,796	-
<b>Other comprehensive income</b>	-	-
Total comprehensive income for the year	<u>262,080</u>	<u>(2,067,422)</u>

Surplus / deficit on revaluation of 'Available for Sale' securities is presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the Companies Ordinance, 1984, and the State Bank of Pakistan vide its BSD Circular 20 dated August 4, 2000 and BSD Circular 10 dated July 13, 2004.

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director



NIB Bank Limited  
Consolidated Statement of Changes in Equity  
For the year ended December 31, 2012



Attributable to ordinary shareholders of the Bank

	Reserves								Non Controlling Interest	Total
	Capital				Revenue					
	Share capital	Discount on issue of shares	Share premium	Statutory reserve (a)	General reserve	Accumulated loss	Sub Total			
	(Rupees '000')									
<b>Balance as at December 31, 2010</b>	40,437,271	-	8,246,618	212,804	5,472	(41,009,961)	7,892,204	-	7,892,204	
<b>Total comprehensive income / (loss) for the year</b>										
Loss after taxation for the year	-	-	-	-	-	(2,067,422)	(2,067,422)	-	(2,067,422)	
Non-controlling interest	-	-	-	-	-	-	-	9	9	
<b>Transaction with owners, recorded directly in equity</b>										
Issuance of right shares during the year	62,591,241	-	-	-	-	-	62,591,241	-	62,591,241	
Discount on issue of right shares	-	(54,016,241)	-	-	-	-	(54,016,241)	-	(54,016,241)	
Share premium adjusted against share discount	-	8,246,618	(8,246,618)	-	-	-	-	-	-	
Right shares issue cost	-	-	-	-	-	(256,526)	(256,526)	-	(256,526)	
	62,591,241	(45,769,623)	(8,246,618)	-	-	(256,526)	8,318,474	-	8,318,474	
<b>Balance as at December 31, 2011</b>	103,028,512	(45,769,623)	-	212,804	5,472	(43,333,909)	14,143,256	9	14,143,265	
<b>Total comprehensive income / (loss) for the year</b>										
Profit after taxation for the year	-	-	-	-	-	257,284	257,284	4,796	262,080	
Transfer to statutory reserve	-	-	-	7,613	-	(7,613)	-	-	-	
Non-controlling interest	-	-	-	-	-	-	-	1,566	1,566	
<b>Balance as at December 31, 2012</b>	103,028,512	(45,769,623)	-	220,417	5,472	(43,084,238)	14,400,540	6,371	14,406,911	

(a) This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance 1962.

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Badar Kazmi**  
President / Chief Executive

**Teo Cheng San, Roland**  
Chairman / Director

**Tejpal Singh Hora**  
Director

**Muhammad Abdullah Yusuf**  
Director

**NIB Bank Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2012**



	2012	2011
	(Rupees '000')	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	440,488	(3,492,009)
Dividend income	(105,770)	(137,055)
	334,718	(3,629,064)
<b>Adjustments for non-cash items</b>		
Depreciation	236,531	280,538
Amortization	350,661	370,534
Workers welfare fund	6,700	(2,101)
Gain on sale of securities	(572,111)	(273,144)
Gain on sale of operating fixed assets	(17,339)	(2,574)
Provision against non-performing loans and advances	116,533	2,355,074
Bad debts written off directly	15,632	15,802
Fixed assets written off	72,890	-
(Reversal) / Provision for diminution in the value of investments	(15,184)	178,913
Unrealized (gain) / loss on revaluation of investments classified as held-for-trading	(3,277)	7,053
Other provisions / write offs	5,239	200,912
Share of income of associates	(695,973)	(51,278)
	(499,698)	3,079,729
	(164,980)	(549,335)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	11,226,008	(8,237,752)
Net investments in held-for-trading securities	(6,912)	(95,540)
Advances	(10,856,548)	11,351,195
Other assets (excluding advance taxation)	(1,806,803)	541,631
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	691,608	402,929
Borrowings	28,797,034	5,020,097
Deposits and other accounts	5,622,200	(13,639,494)
Other liabilities	191,192	(1,290,521)
	33,692,799	(6,496,790)
Income tax paid	(157,554)	(312,508)
<b>Net cash from / (used in) operating activities</b>	33,535,245	(6,809,298)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Investments in available-for-sale securities	(34,721,052)	2,277,767
Net Investments in held-to-maturity securities	140,258	(22,089)
Net Investments in associates	453,071	376,351
Dividend received	105,140	137,055
Payments for capital work in progress	(241,012)	(191,617)
Acquisition of property and equipment	(129,484)	(62,329)
Acquisition of intangible assets	(580)	(7,834)
Sale proceeds of property and equipment disposed off	32,924	4,103
<b>Net cash (used in) / from investing activities</b>	(34,360,735)	2,511,407

	Note	2012	2011
		(Rupees '000')	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of sub-ordinated loans		(1,600)	(1,600)
Issue of share capital		-	2,222,640
Dividend paid		(405)	(86)
Right shares issue cost		-	(256,526)
Receipt from non-controlling interest		1,566	-
<b>Net cash (used in) / from financing activities</b>		(439)	1,964,428
Net decrease in cash and cash equivalents		(825,929)	(2,333,463)
Cash and cash equivalents at beginning of the year		9,455,604	11,789,067
Cash and cash equivalents at end of the year	33	8,629,675	9,455,604

The annexed notes from 1 to 43 and annexure - 1 form an integral part of these consolidated financial statements.

**Badar Kazmi**  
 President / Chief Executive

**Teo Cheng San, Roland**  
 Chairman / Director

**Tejpal Singh Hora**  
 Director

**Muhammad Abdullah Yusuf**  
 Director

## **1. STATUS AND NATURE OF BUSINESS**

The "Group" consists of:

### **Holding Company**

NIB Bank Limited (the Bank)

NIB Bank Limited "the Bank" is incorporated in Pakistan and its registered office is situated at first floor, Post Mall, F-7 Markaz, Islamabad. The Bank is listed on all the stock exchanges in Pakistan and has 179 branches (December 31, 2011: 179 branches). The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

The Bank is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

### **Subsidiary Companies**

#### *PICIC Asset Management Company Limited (PICIC AMC)*

PICIC AMC is a wholly owned subsidiary of the Bank and is an unquoted public limited company with principal business to carry out investment advisory services and asset management services. The Bank acquired interest in PICIC AMC by virtue of acquisition and amalgamation of Pakistan Industrial Credit and Investment Corporation Limited (PICIC) as of June 30, 2007.

#### *PICIC Stock Fund (PSF)*

The Group maintains 95.39% interest in the PSF. PSF is an open ended mutual fund approved by the Securities and Exchange Commission of Pakistan (SECP) and is listed on the Islamabad Stock Exchange (Guarantee) Limited. The units of the PSF are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the PSF. The investment objective of the Fund is to provide investors a diversified equity portfolio with a primary objective of maximizing risk adjusted returns over longer investment horizon through a combination of capital gains and dividend income.

#### *Financial and Management Services (Private) Limited (FMSL)*

The Group acquired 95.89% interest in FMSL by virtue of acquisition and amalgamation of PICIC.

## **2. BASIS OF PRESENTATION**

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

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

## **3. STATEMENT OF COMPLIANCE**

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

**3.2** SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

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

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of these have not been quantified.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Group.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Group
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments have no impact on financial statements of the Group.

Annual Improvements 2009 – 2011 (effective for annual periods beginning on or after January 1, 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial

statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendments have no impact on financial statements of the Group.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12. The amendments have no impact on financial statements of the Group.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Group.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Group.

#### 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain investments and commitments in respect of forward foreign exchange contracts that are stated at revalued amounts / fair values, staff retirement benefits (Gratuity) which are stated at present value and certain financial assets that are stated net of provisions.

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. 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 are as follows:

##### 5.1 Classification of Investments

###### Held-to-maturity securities

As described in note 6.4, held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. The classification of these securities involves management judgment as to whether the financial assets are held-to-maturity investments.

###### Held-for-trading securities

Investments classified as held-for-trading are those which the Group has acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

### **Available-for-sale securities**

Investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

## **5.2 Impairment**

### **Valuation and impairment of available-for-sale investments**

The Group determines that an available-for-sale equity investment and mutual funds 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. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Provision for diminution in the value of Term Finance Certificates, Bonds, and Sukuks is made as per the Prudential Regulations issued by the SBP.

In case of impairment of available for sale securities, the loss is recognised in the profit and loss account.

### **Impairment of non financial assets (excluding deferred tax and goodwill)**

Non financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on intangible assets (excluding goodwill) is recognized as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognized.

### **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business.

## **5.3 Provision against non-performing advances**

Apart from the provision determined on the basis of time based criteria given in the Prudential Regulations of the SBP, management also applies subjective criteria of classification and accordingly the classification of an advance may be downgraded on the basis of evaluation of the credit worthiness of the borrower, its cash flows, operations in its account and adequacy of security in order to ensure accurate measurement of the provision.

## **5.4 Retirement Benefits**

The key actuarial assumptions concerning the valuation of the defined benefit plan and the sources of estimation are disclosed in note 35.2 to these consolidated financial statements.

## **5.5 Operating fixed assets, depreciation and amortisation**

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



## 5.6 Income Taxes

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

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Bank for the year ended December 31, 2011 and are enumerated as follows:

### 6.1 Business combinations

Business combinations are accounted for using the purchase method. Under this method, identified assets acquired, liabilities and contingent liabilities assumed are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

### 6.2 Revenue recognition

Mark-up / return on performing loans / advances and investments is recognized on time proportionate basis. Where debt securities are purchased at a premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity using the effective interest rate method so as to produce a constant rate of return. Interest or mark-up recovered on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP as amended from time to time.

The financing method is used in accounting for income on finance leases and hire purchase transactions. Under this method, the unearned income, i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortized to income over the term of the lease on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Rental income from assets given on operating lease is recognized on time proportionate basis over the lease period.

Gains / losses on termination of lease contracts, documentation charges and other lease income are recognized as income when they are realized.

Fee, commission and brokerage income is recognized at the time of performance of the service.

Dividend income is recorded when the right to receive the dividend is established.

Management fee is recognized on an accrual basis.

Capital gains / losses arising on sale of investments are included in the profit and loss account in the period in which they arise.

### 6.3 Grants and assistance

In terms of Kreditanstalt für Wiederaufbau (KfW) loan re-lent by the Government of Pakistan (GoP), the Bank was required to bear interest at 11 percent per annum and pay interest to the GoP at 10 percent per annum and transfer the remaining 1 percent per annum margin to a counter part fund to be used by the Bank for financing feasibility surveys, market surveys and similar investigations destined for the preparation of projects.

### 6.4 Investments

Investments of the Group, other than investments in subsidiaries and associates are classified as held-to-maturity, held-for-trading and available-for-sale.



#### **Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold upto maturity.

#### **Held-for-trading**

These securities are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in the portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

#### **Available-for-sale**

These are securities which do not fall under the classification of held-for-trading or held-to-maturity securities.

#### **Initial measurement**

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales of investments are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments.

#### **Subsequent measurement**

##### **Held-to-maturity**

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

##### **Held-for-trading**

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

##### **Available-for-sale**

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the criteria prescribed by the Prudential Regulations issued by the SBP.

#### **Investment in Associates**

Investments in associates are accounted for under the equity method.

### **6.5 Lendings to / borrowings from financial institutions (including repurchase and resale 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 agreement to resale (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. In the case of the continuous funding system, transactions are shown under advances. The difference between sale and repurchase price is treated as mark-up / return expensed whereas difference between purchase and resale price is treated as mark-up / return earned.

Securities purchase with a corresponding commitment to resell at a specified future date are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

## 6.6 Advances

Advances including continuous funding system and net investment in finance lease are stated net of provisions.

### Provisions

Specific and general provisions are made based on an appraisal of the loan portfolio that takes into account Prudential Regulations issued by the State Bank of Pakistan from time to time. Specific provisions are made where the repayment of identified loans is in doubt and reflects an estimate of the amount of loss expected. The general provision is for the inherent risk of losses which are known from experience to be present in any loan portfolio. Provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against advances.

Advances are written off when there is no realistic prospect of recovery.

### Net investment in finance lease

Leases include hire purchase where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset and are classified as finance leases. Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments and any guaranteed residual value less unearned finance income, if any.

## 6.7 Operating fixed assets and depreciation

### Owned

Property and equipment except freehold and leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold and leasehold land is stated at cost.

Depreciation is charged to income applying the straight line method over the estimated useful lives of the assets while taking into account any residual value, at the rates given in Note 13.2 to the consolidated financial statements. In respect of additions and deletions to assets during the year, depreciation is charged from the month of acquisition while depreciation on disposals during the year is charged upto the month of disposal.

Normal repairs and maintenance are charged to the profit and loss account for the year as and when incurred. Major repairs and improvements are capitalized and assets so replaced are retired.

Gains and losses on disposal of property and equipment if any, are taken to the profit and loss account for the year.

### Assets held under Finance Lease

Leasehold land is stated at cost.

Assets held under finance lease are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

#### **Assets held under Operating Lease**

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any.

Repairs and maintenance are charged to the profit and loss account as and when incurred.

#### **Capital work in progress**

These assets are stated at cost. These are transferred to specific assets as and when assets are available for use.

### **6.8 Intangible assets**

Intangible assets include the value of the brand, core deposit relationships, and core overdraft / working capital loan relationships and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the profit and loss account on a straight line basis over the assets' useful lives which are determined using methods that best reflect the pattern of economic benefits. The estimated useful lives are as follows:

Brand	5 years
Core deposit relationships	11 years
Core overdraft / working capital loan relationships	11 years
Management rights	Indefinite life

Management rights were stated at cost less accumulated amortization and impairment losses, if any in PICIC AMC. Amortization was charged on straight line basis over a period of 10 years. The useful life of the management rights has been determined, post-acquisition, to be indefinite.

Computer softwares are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is carried out on the straight line method at the rates given in Note 14 to the consolidated financial statements.

### **6.9 Sub-Ordinated Loans**

Sub-ordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

### **6.10 Staff retirement benefits**

#### **Defined contribution plan**

The Group operates a defined contribution provident fund for all its permanent employees. Equal monthly contributions are made to the fund by both the Group and the employees at the rate of 10% of basic salary.

#### **Defined benefit plan**

The Bank operates an unfunded gratuity scheme covering all eligible employees who have attained the minimum qualifying period of five years. Eligible employees are those employees who have joined the service of the Bank on or before March 31, 2006. Provision is made in accordance with actuarial recommendations. Actuarial valuation is carried out periodically using the "Projected Unit Credit Method".

Actuarial gain / loss is recognized using the 10% corridor approach. Corridor is defined as the greater of 10% of the present value of defined benefit obligations and plan assets.

### 6.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity.

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation in accordance with the prevailing laws for taxation on income earned after taking into consideration tax credits and rebates available and any adjustments to tax payable in respect of previous years.

#### Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences as at the statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the statement of financial position date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group recognizes a deferred tax asset / liability on deficit / surplus on revaluation of securities in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Group recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

### 6.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) 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 quarterly and are adjusted to reflect the current best estimate.

### 6.13 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items relating to such assets and liabilities are also offset and the net amount is reported in the financial statements of the Group.

### 6.14 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared.

### 6.15 Distributions of bonus shares and other appropriations to reserves

The Group recognizes all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares made after the statement of financial position date, in the period in which such appropriations are approved.

### 6.16 Foreign currencies

Transactions in foreign currencies are translated to Rupees at the foreign exchange rates prevailing at the transaction

date. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

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

Assets against which the constituents have exercised their option to transfer exchange risk to the Group and liabilities for which the Group has exercised its option to transfer exchange risk to the Government, are translated at the rates of exchange guaranteed by the Group and the Government, respectively.

Assets, liabilities, commitments and contingent liabilities in respect of Bangladesh are translated at foreign exchange rates approximating those prevailing prior to August 15, 1971.

Exchange gains and losses are included in income currently except net unrealized exchange gain on long-term monetary items which, as a matter of prudence, is carried forward as unrealized gain in view of the uncertainty associated with its realization.

#### **6.17 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

#### **6.18 Financial instruments**

All 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 i.e. 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 directly. Financial assets carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances and certain receivables. Financial liabilities include borrowings, deposits, bills payable and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### **6.19 Derivative financial instruments**

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into and subsequently these instruments are marked to market and changes in fair values are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

#### **6.20 Segment reporting**

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

##### **6.20.1 Business Segments**

###### **Corporate and Investment Banking**

It represents all funded and non funded credit facilities of working capital financing including seasonal finance, trade finance, cash finance, running finance, guarantees and bills of exchange relating to corporate customers, as well as for long term expansion, BMR, Project financing, syndicated financing along with advisory, underwriting, transactional banking, and IPO related activities.

### **Retail**

It represents banking services offered to individuals and small businesses through a retail branch banking and alternate distribution network. These banking services include lending, deposits and distribution of insurance products along with other financial products and services tailored for such customers.

### **Small & Medium Enterprises and Commercial**

It represents all funded and non funded credit facilities, deposit products & transaction services offered by the Bank to small & medium enterprises and commercial businesses operating in the manufacturing, trading, wholesale and service sectors.

### **Treasury**

Treasury manages the asset and liability mix of the Group, and provides customers with products that meet their demands for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risk.

## **6.20.2 Geographical segments**

The Group operates in Pakistan only.

## **6.21 Assets acquired in satisfaction of claims**

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

## **6.22 Deposits**

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

## **6.23 Earnings per share**

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

## **6.24 Fiduciary Assets**

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

## **7. BASIS OF CONSOLIDATION**

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment in subsidiaries held by the holding company is eliminated against the shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

These consolidated financial statements includes the financial statements of NIB Bank Limited and its subsidiary companies - "the Group".

Subsidiary companies are fully consolidated from the date on which more than 50% of the voting rights are transferred to the Group, or the power to control the Company is established and are excluded from consolidation from the date of disposal or when the control is lost.

Non controlling interest represents that part of the net results of operations and of net assets of the subsidiary companies that is not owned by the Group.

Financial and Management Services (Private) Limited has not been consolidated as it is not material and this investment has been fully provided.

## 8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2012	2011
(Rupees '000')			
In hand			
Local currency	8.1	2,023,711	2,236,526
Foreign currencies		297,579	254,442
With State Bank of Pakistan in			
Local currency current accounts	8.2	3,736,944	3,852,169
Foreign currency current account	8.3	291,449	260,843
Foreign currency deposit accounts	8.4	932,339	807,546
With National Bank of Pakistan in local currency current accounts		390,844	557,518
		7,672,866	7,969,044

**8.1** These includes National Prize Bonds of Rs. 6.627 million (2011 : Rs. 6.237 million).

**8.2** The current account is maintained under the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**8.3** This includes special cash reserve at Nil return (2011: Nil) required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme.

**8.4** This represents special cash reserve of 15% required to be maintained with the SBP on deposits held under the new foreign currency accounts scheme at Nil return (2011: Nil) per annum.

## 9. BALANCES WITH OTHER BANKS

In Pakistan			
In current accounts		99,581	853,476
In deposit accounts		120	-
Outside Pakistan in current accounts		857,108	633,084
		956,809	1,486,560

## 10. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	10.2	600,000	195,000
Repurchase agreement lendings (Reverse Repo)	10.3 & 10.4	2,840,910	14,471,918
		3,440,910	14,666,918

### 10.1 Particulars of Lendings

In local currency		3,440,910	14,666,918
In foreign currencies		-	-
		3,440,910	14,666,918

**10.2** These represent unsecured call money lending to a financial institution carrying mark-up rate of 9.00% (2011: 12.25%) per annum and having remaining maturity of two days.

**10.3** These represent repurchase agreement lendings to financial institutions carrying mark-up rates ranging from 7.75% to 10.35% (2011: 11.63% to 13.31%) per annum and having remaining maturities upto twenty five days.



#### 10.4 Securities held as collateral against lendings to financial institutions

	2012			2011		
	Held by Group	Further given as collateral/sold	Total	Held by Group	Further given as collateral/sold	Total
	(Rupees '000')					
Market Treasury Bills	984,963	329,306	1,314,269	5,969,968	7,998,376	13,968,344
Pakistan Investment Bonds	394,409	1,132,232	1,526,641	503,574	–	503,574
	<u>1,379,372</u>	<u>1,461,538</u>	<u>2,840,910</u>	<u>6,473,542</u>	<u>7,998,376</u>	<u>14,471,918</u>

10.4.1 The market value of securities held as collateral against lendings to financial institutions as at December 31, 2012 amounted to Rs. 2,854.713 million (2011: Rs. 14,517.363 million).

Note	2012			2011		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	(Rupees '000')					

#### 11. INVESTMENTS

##### 11.1 (a) Investments by types:

###### Held-for-trading securities

Ordinary shares / certificates in listed companies / modarabas

11.2	121,748	6,184	127,932	87,075	8,465	95,540
	<u>121,748</u>	<u>6,184</u>	<u>127,932</u>	<u>87,075</u>	<u>8,465</u>	<u>95,540</u>

###### Available-for-sale securities

Market Treasury Bills

Pakistan Investment Bonds

GOP Ijara Sukuk Bonds

Defense Savings Certificates

Sukuk Bonds

Cumulative Preference Shares

Ordinary Shares / Certificates in

Listed Companies / Modarabas

Ordinary Shares of Unlisted Companies

Term Finance Certificates

Units / Certificates of Mutual Funds

11.2.1	1,896,778	47,428,597	49,325,375	7,687,909	18,826,953	26,514,862
11.2.1	367,876	12,547,372	12,915,248	2,897,683	6,180,265	9,077,948
11.2.2	9,559,180	–	9,559,180	–	–	–
11.3	–	2,730	2,730	–	2,730	2,730
11.4	502,117	–	502,117	528,774	–	528,774
11.5	80,178	–	80,178	80,178	–	80,178
11.6	167,232	–	167,232	961,085	112,373	1,073,458
11.7	65,872	–	65,872	66,092	–	66,092
11.8 & 11.9	1,961,670	–	1,961,670	2,372,733	–	2,372,733
11.10	–	–	–	13,005	–	13,005
	<u>14,600,903</u>	<u>59,978,699</u>	<u>74,579,602</u>	<u>14,607,459</u>	<u>25,122,321</u>	<u>39,729,780</u>

###### Held-to-maturity securities

Pakistan Investment Bonds

Term Finance Certificates

11.2.1	4,649,177	–	4,649,177	235,980	4,499,632	4,735,612
11.8 & 11.9	43,511	–	43,511	97,334	–	97,334
	<u>4,692,688</u>	<u>–</u>	<u>4,692,688</u>	<u>333,314</u>	<u>4,499,632</u>	<u>4,832,946</u>

###### Associates

11.11	3,969,457	–	3,969,457	3,565,988	–	3,565,988
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###### Subsidiary

11.12	724	–	724	724	–	724
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###### Total investments - Gross

	<u>23,385,520</u>	<u>59,984,883</u>	<u>83,370,403</u>	<u>18,594,560</u>	<u>29,630,418</u>	<u>48,224,978</u>
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Provision for diminution in value of investments

11.13 & 11.14	(137,975)	–	(137,975)	(498,103)	(65,863)	(563,966)
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###### Investments - net of provisions

	<u>23,247,545</u>	<u>59,984,883</u>	<u>83,232,428</u>	<u>18,096,457</u>	<u>29,564,555</u>	<u>47,661,012</u>
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Surplus / (Deficit) on revaluation of held-for-trading securities

	2,675	602	3,277	(5,933)	(1,120)	(7,053)
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Surplus on revaluation of available-for-sale securities

23	150,708	416,314	567,022	55,249	76,833	132,082
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###### Net Investments

	<u>23,400,928</u>	<u>60,401,799</u>	<u>83,802,727</u>	<u>18,145,773</u>	<u>29,640,268</u>	<u>47,786,041</u>
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11.1 (b) Investments by segments:	Note	2012	2011
		(Rupees '000')	
<b>Federal Government Securities</b>			
Market Treasury Bills	11.2.1	49,325,375	26,514,862
Pakistan Investment Bonds	11.2.1	17,564,425	13,813,560
GOP Ijara Sukuk Bonds	11.2.2	9,559,180	-
Defense Savings Certificates	11.2	2,730	2,730
<b>Sukuk Bonds</b>	11.4	502,117	528,774
<b>Cumulative Preference Shares</b>	11.5	80,178	80,178
<b>Fully Paid-up Ordinary Shares &amp; Modaraba certificates</b>			
Listed	11.2 & 11.6	295,164	1,168,998
Unlisted	11.7	65,872	66,092
<b>Term Finance Certificates</b>			
Listed	11.8	1,861,907	2,311,691
Unlisted	11.9	143,274	158,376
<b>Units / Certificates of Mutual Funds</b>	11.10	-	13,005
<b>Associates</b>	11.11	3,969,457	3,565,988
<b>Subsidiary</b>	11.12	724	724
<b>Total investments - Gross</b>		83,370,403	48,224,978
Provision for diminution in value of investments	11.13 & 11.14	(137,975)	(563,966)
<b>Investments - net of provisions</b>		83,232,428	47,661,012
Surplus / ( Deficit) on revaluation of held-for-trading securities		3,277	(7,053)
Surplus / (Deficit) on revaluation of available-for-sale securities	23	567,022	132,082
<b>Net Investments</b>		<u>83,802,727</u>	<u>47,786,041</u>

**11.2** Shares with market value aggregating to Rs. 6.786 million (2011: Rs. 7.345 million) have been pledged with the National Clearing Company Limited of Pakistan (NCCPL) as collateral against trading facility in Stock Exchange.

**11.2.1** Market Treasury Bills and Pakistan Investment Bonds are held with the SBP and are eligible for rediscounting. Market Treasury Bills embody effective yields ranging from 9.00% to 11.60% (2011: 11.92% to 13.35%) with remaining maturities of 10 days to 318 days and Pakistan Investment Bonds carry mark-up ranging from 8% to 12% (2011: 8% to 12% ) per annum on semi-annual basis with remaining maturities of 181 days to 9.55 years. Certain government securities are required to be maintained with the SBP to meet statutory liquidity requirements calculated on the basis of demand and time liabilities.

**11.2.2** GOP Ijara Sukuk currently carry mark-up ranging from 9.3% to 10.4% per annum on semi-annual basis, these securities are repriced semi annually by the State Bank of Pakistan at the start of each half year. The remaining maturities of these securities are of 1 year to 2.7 years.

**11.3** These DSCs of Rs. 2.730 million are pledged as security and carry interest rate at 12.15 % per annum.

**11.4** These Sukuk Bonds of Liberty Power Tech Limited carry mark-up rate of 3 months KIBOR + 300 bps and have an original maturity of 12 years.

### 11.5 Particulars of investment in Cumulative Preference Shares

Investee	Note	Number of Shares held		Total nominal value	
		2012	2011	2012	2011
				(Rupees '000')	
Pak Elektron Limited	11.5.1	2,500,000	2,500,000	25,000	25,000
Fazal Cloth Mills Limited	11.5.2	2,500,000	2,500,000	25,000	25,000
Galaxy Textile Mills Limited	11.5.3	3,017,800	3,017,800	30,178	30,178
				80,178	80,178

**11.5.1** These preference shares carry fixed dividend of 9.5% on cumulative basis payable when and if declared by the Board of Directors. For redemption, the call option can be exercised by PEL up to 100% after three years of the issue date at 1% premium on the issue price.

**11.5.2** These preference shares are redeemable upon the exercise of a call option by the company after completion of three years from the issue date.

**11.5.3** These preference shares are non voting and convertible into ordinary shares after 10 years. These preference shares bear a fixed return at the rate of 5% per annum that will be non cumulative for the first five years and thereafter will be cumulative from year to year.

### 11.6 Particulars of investment in Listed Shares / Certificates

Held-for-trading securities	Number of Shares / Certificates held		Cost of investment	
	2012	2011	2012	2011
			(Rupees '000')	
Allied Bank Limited	–	35,000	–	2,250
Arif Habib Corporation Limited	253,000	–	7,862	–
Attock Cement Pakistan Limited	83,924	–	7,716	–
Attock Petroleum Limited	8,041	–	3,875	–
Aisha Steel Mills Limited	20,000	–	200	–
Bank Alfalah Limited	500,000	–	8,956	–
Cherat Cement Company Limited	119,000	–	4,509	–
D G Khan Cement Company Limited	158,000	–	8,000	–
Engro Corporation Limited	140,000	75,000	15,040	8,081
Engro Foods Limited	58,500	–	4,570	–
Fatima Fertilizer Company Limited	–	380,000	–	8,774
Fauji Fertilizer Bin Qasim Limited	–	33,245	–	1,715
Fauji Fertilizer Company Limited	50,000	50,000	5,763	7,725
Habib Bank Limited	60,926	20,000	7,032	2,360
Kohinoor Energy Limited	86,239	–	1,913	–
Kot Addu Power Company Limited	–	248,000	–	11,335
Lucky Cement Limited	55,000	65,000	7,648	4,932
Lafarge Pakistan Cement Limited	490,000	–	2,740	–
MCB Bank Limited	–	20,500	–	3,231
Nishat Mills Limited	170,000	–	9,997	–
Oil and Gas Development Company Limited	35,000	35,000	6,320	5,369
Pakistan Oilfields Limited	11,700	26,500	4,917	9,422
Pakistan Petroleum Limited	42,625	41,000	6,887	7,252
Pakistan State Oil Company Limited	–	40,000	–	9,335
The Hub Power Company Limited	237,000	277,000	9,771	11,421
United Bank Limited	50,000	40,000	4,216	2,338
Total			127,932	95,540

Notes to the Consolidated Financial Statements  
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	Number of Shares / Certificates held		Cost of investment	
	2012	2011	2012	2011
			(Rupees '000')	
<b>Available-for-sale</b>				
Abbott Laboratories (Pakistan) Limited	–	721,281	–	149,705
Adamjee Insurance Company Limited	–	1,533,330	–	172,304
Agritech Limited	605,138	–	21,180	–
Awan Textile Mills Limited	–	39,000	–	390
Bank Al-Habib Limited	–	390,449	–	10,928
Brother Textile Mills Limited	–	87	–	2
First Fidelity Lease Modaraba	–	1	–	–
First National Bank Modaraba	–	581,880	–	4,946
First Tawakal Modaraba	–	446,774	–	–
Glamour Textile Mills Limited	–	200,000	–	5,016
GlaxoSmithKline Pakistan Limited	–	568,977	–	95,192
Habib Insurance Company Limited	–	*1,613,557	–	83,772
Ibrahim Fibres Limited	–	300	–	5
IGI Insurance Limited	770	–	–	–
Karam Ceramics Limited	–	429,146	–	8,321
KSB Pumps Company Limited	–	111,017	–	20,044
Lafarage Pakistan Cement Limited GDR (formerly Pakistan Cement Limited)	250,000	10,000	2,819	2,819
LTV Capital Modaraba Redeemable Capital	–	*171,473	–	5,573
Millat Tractors Limited	260,892	408,592	97,674	152,971
Mohib Textile Mills Limited	–	5	–	–
Security Investment Bank Limited	–	10	–	–
Sitara Chemical Industries Limited	–	105,126	–	33,640
Tariq Glass Industries Limited	3,213,212	6,349,212	45,559	90,022
Tawakal Garment Limited	–	150,000	–	–
The Hub Power Company Limited	–	7,289,451	–	237,805
Trust Modaraba	–	100	–	1
Yousuf Weaving Mills Limited	–	100	–	2
Total			<u>167,232</u>	<u>1,073,458</u>
Total Listed Shares / Certificates			<u>295,164</u>	<u>1,168,998</u>

Notes to the Consolidated Financial Statements  
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	Note	Percentage of holding	Number of Shares held		Cost of Investment	
			2012	2011	2012	2011
					(Rupees '000')	
<b>11.7 Particulars of Unlisted Shares</b>						
Pakistan Export Finance Guarantee Agency Limited Chief Executive: Syed Mohammad Zaeem	11.7.1	5.26%	568,044	568,044	5,680	5,680
Central Depository Company of Pakistan Limited Chief Executive: Mr. Muhammad Hanif Jakhura	11.7.2	5.00%	3,250,000	3,250,000	5,000	5,000
Crescent Capital Management (Private) Limited Chief Executive: Mr. Mahmood Ahmed	11.7.3	4.88%	100,000	100,000	1,000	1,000
Equity Participation Fund Limited Chief Executive: Mr. S. Shabahat Hussain		-	-	**5,087	-	509
Pakistan Textile City (Private) Limited Chief Executive: Mr. Zaheer A. Hussain	11.7.4	4.00%	5,000,000	5,000,000	50,000	50,000
National Investment Trust Limited Chief Executive: Mr. Wazir Ali Khoja	11.7.5	8.33%	**79,200	**79,200	100	100
Sunbiz (Private) Limited Chief Executive: Mr. Nisar Ahmed	11.7.6	4.65%	10,000	10,000	1,000	1,000
SWIFT Chief Executive: Mr. Lazaro Campos	11.7.7	0.01%	***9	***9	3,092	2,803
					65,872	66,092

**11.7.1** This investment is fully provided in these consolidated financial statements.

**11.7.2** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 109.794 million. (June 30, 2011: Rs. 80.646 million)

**11.7.3** This investment is fully provided in these consolidated financial statements.

**11.7.4** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 33.038 million. (June 30, 2011: Rs. 38.013 million)

**11.7.5** Value of investment, based on the net assets stated in the audited financial statements of investee company as at June 30, 2012 amounts to Rs. 1,110.902 million. (June 30, 2011: Rs. 1,140.827 million)

**11.7.6** This investment is fully provided in these consolidated financial statements.

**11.7.7** Value of investment, based on the net assets stated in the audited financial statements of investee company as at December 31, 2011 amounts to Rs. 3.026 million. (December 31, 2010: Rs. 2.785 million)

	Note	Number of Certificates held		Amortized cost	
		2012	2011	2012	2011
<b>(Rupees '000')</b>					
<b>11.8 Particulars of investment in Listed Term Finance Certificates</b>					
<b>Investee</b>					
Askari Bank Limited		33,184	53,120	167,432	267,238
Azgard Nine Limited		10,000	10,000	16,269	37,509
Bank Alfalah Limited		55,000	60,000	274,670	300,047
Bank AL Habib Limited		–	8,500	–	28,260
Engro Fertilizer Limited (formerly Engro Corporation Limited)		223,438	223,438	1,078,909	1,102,224
Escorts Investment Bank Limited		2,016	2,016	2,014	3,022
Orix Leasing Pakistan Limited		–	76,400	–	63,155
PACE Pakistan Limited		6,000	6,000	29,964	29,964
Pakistan Mobile Communications Limited		24,000	24,000	19,968	59,904
Soneri Bank Limited		6,000	6,000	7,482	22,446
Summit Bank Limited		10,000	10,000	49,977	50,000
Telecard Limited		74,888	74,888	137,454	137,607
United Bank Limited		16,500	45,000	77,768	210,315
				<u>1,861,907</u>	<u>2,311,691</u>

**11.9 Particulars of investment in Unlisted Term Finance Certificates**

Azgard Nine Limited	11.9.1	11,864	–	–	–
Avari Hotels Limited		30,400	30,400	129,070	129,070
New Khan Transport Company (Private) Limited		20,000	20,000	14,204	29,306
				<u>143,274</u>	<u>158,376</u>

**11.9.1** During the year, the Bank received 11,864 Term Finance Certificates of Rs. 5,000 each, having total value of Rs. 59.32 million in respect of overdue mark-up of Azgard Nine Limited. These certificates have been recognised at nil value in the Bank's books as per the requirement of Prudential Regulations, whereby overdue interest on classified advance accounts can only be recognised once this is received in cash.

	Number of Units / Certificates held		Cost of investment	
	2012	2011	2012	2011
<b>(Rupees '000')</b>				
<b>11.10 Particulars of Mutual Funds</b>				
First Dawood Mutual Fund	–	900,000	–	6,975
JS Growth Fund	–	227,410	–	2,911
JS Large Capital Fund	–	64,211	–	3,119
			<u>–</u>	<u>13,005</u>

	Holding	Number of Shares / Units / Certificates held		Total carrying value	
		2012	2011	2012	2011
<b>(Rupees '000')</b>					
<b>11.11</b>	<b>Particulars of investment in associates</b>				
PICIC Investment Fund	34.04%	96,703,821	96,703,821	1,223,718	968,439
PICIC Growth Fund	15.34%	43,482,858	43,482,858	1,199,566	952,068
PICIC Energy Fund	27.17%	27,172,160	27,172,160	298,199	236,701
PICIC Income Fund	48.83%	6,177,815	3,944,000	623,835	397,941
PICIC Cash Fund	27.33%	5,591,468	9,372,114	561,703	940,358
PICIC Insurance Limited	30.00%	10,499,993	10,499,993	62,436	70,481
				<u>3,969,457</u>	<u>3,565,988</u>

**11.11.1** Summarized financial information in respect of associates is set out below:

	<b>2012</b>					
	Total assets	Total liabilities	Net assets	Total revenue	Profit / (loss) for the year / period	Share of profit / (loss) for the year / period
<b>(Rupees '000')</b>						
PICIC Investment Fund	3,823,021	227,621	3,595,400	888,888	767,952	261,377
PICIC Growth Fund	8,189,310	368,370	7,820,940	1,778,557	1,527,531	234,292
PICIC Energy Fund	1,120,769	23,325	1,097,444	337,954	301,329	81,878
PICIC Income Fund	1,287,880	10,355	1,277,525	143,205	119,558	51,373
PICIC Cash Fund	2,065,919	10,598	2,055,321	257,952	219,451	75,098
PICIC Insurance limited	962,082	753,963	208,119	321,774	(26,819)	(8,045)
						<u>695,973</u>



	Number of Shares / Certificates held		Total carrying value	
	2012	2011	2012	2011
<b>(Rupees '000')</b>				
<b>11.12 Particulars of investment in unconsolidated subsidiary</b>				
Financial and Management Services (Private) Limited	**88,850	**88,850	724	724
			<u>724</u>	<u>724</u>

Unless otherwise stated, holdings in modaraba certificates and ordinary shares are of Rs. 10 each.

\* Shares / Modaraba Certificates of Face Value of Rs. 5 each

\*\* Shares / Modaraba Certificates of Face Value of Rs. 100 each

\*\*\* Shares of Face Value of Euro 2,680 each

All Term Finance Certificates are of Original Face Value of Rs. 5,000 each

	2012	2011
	<b>(Rupees '000')</b>	
Opening balance	563,966	474,541
Charge for the year	41,566	200,151
Reversal for the year		
- Unlisted shares	(30,178)	-
- Term Finance Certificates	(26,572)	(21,238)
	(15,184)	178,913
Reversal due to sale / write off	(410,807)	(89,488)
Closing balance	<u>137,975</u>	<u>563,966</u>

<b>11.14 Particulars of provision in respect of type and segment</b>		
Available-for-sale securities		
- Listed shares / Certificates / Units	36,148	432,836
- Unlisted shares	24,642	49,845
- Unlisted Term Finance Certificates	76,461	80,561
	<u>137,251</u>	<u>563,242</u>
Subsidiary	724	724
	<u>137,975</u>	<u>563,966</u>

	2012		2011	
	(Rupees '000')	Rating	(Rupees '000')	Rating
<b>11.15 Quality of Available-for-sale Securities - at Market Value</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	49,469,121	Unrated	26,634,300	Unrated
Pakistan Investment Bonds	13,189,754	Unrated	9,038,705	Unrated
GOP Ijara Sukuk	9,611,019	Unrated	–	Unrated
Defense Savings Certificates	2,730	Unrated	2,730	Unrated
<b>Sukuk Bonds</b>	502,117	Unrated	528,774	Unrated
<b>Cumulative Preference shares</b>				
Pak Elektron Limited	25,000	BBB/A3	25,000	BBB/A3
Fazal Cloth Mills Limited	25,000	A-/A2	25,000	A-/A2
Galaxy Textile Mills Limited	30,178	*	30,178	*
<b>Ordinary shares of Listed Companies</b>				
Abbott Laboratories Pakistan Limited	–	–	71,977	*
Adamjee Insurance Company Limited	–	–	71,315	AA
Agritech Limited	7,062	D	–	–
Bank AL-Habib Limited	–	–	11,140	AA+/A1+
First National Bank Modaraba	–	–	4,160	A+/A-1
GlaxoSmithKline Pakistan Limited	–	–	38,167	*
Habib Insurance Company Limited	–	–	15,894	A+
IGI Insurance Limited	74	AA	–	–
Karam Ceramics Limited	–	–	2,189	*
K.S.B. Pumps Limited	–	–	2,699	*
Lafarge Pakistan Cement Limited (formerly Pakistan Cement Limited)	1,268	*	–	–
Millat Tractors Limited	147,289	*	149,222	*
Sitara Chemicals Industries Limited	–	–	7,590	A+/A-1
Tariq Glass Limited	67,767	*	52,063	*
The Hub Power Company Limited	–	–	249,299	AA+/A1+
<b>Ordinary shares of Unlisted Companies</b>				
Central Depository Company of Pakistan Limited	5,000	*	5,000	*
Crescent Capital Management (Private) Limited	1,000	*	1,000	*
Equity Participation Fund Limited	–	*	509	*
National Investment Trust Limited	100	AM2-	100	AM2
Pakistan Export Finance Guarantee Agency Limited	5,680	*	5,680	*
Pakistan Textile City (Private) Limited	50,000	*	50,000	*
Sun Biz (Private) Limited	1,000	*	1,000	*
SWIFT	3,092	*	2,803	*

	2012		2011	
	(Rupees '000')	Rating	(Rupees '000')	Rating
<b>Units / Certificates of Mutual Funds</b>				
First Dawood Mutual Fund	–	–	1,530	FR 2-STAR / 3-STAR
JS Growth Fund	–	–	1,069	*
JS Large Capital Fund	–	–	2,462	*
<b>Term Finance Certificates</b>				
Askari Bank Limited	181,473	AA-	271,226	AA-
Avari Hotels Limited	129,070	A-	129,070	A- (SO)
Azgard Nine Limited	8,135	D	18,785	D
Bank Alfalah Limited	297,684	AA-	308,454	AA-
Engro Fertilizer Limited (formerly Engro Corporation Limited)	1,043,227	A	1,104,900	AA
Escorts Investment Bank Limited	1,485	BB	2,228	BB
New Khan Transport Company (Private) Limited	14,204	*	29,306	*
Orix Leasing Pakistan Limited	–	–	61,586	AA+
PACE Pakistan Limited	29,964	*	29,964	D
Pakistan Mobile Communication Limited	20,051	AA-	60,066	A+
Summit Bank Limited	47,718	A- (SO)	48,066	A (SO)
Telecard Limited	134,552	D	134,697	D
United Bank Limited	58,661	AA	199,123	AA
	<u>75,110,475</u>		<u>39,429,026</u>	

\* Rating not Available

Notes to the Consolidated Financial Statements  
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	Note	2012	2011
		(Rupees '000')	
<b>12. ADVANCES</b>			
Loans, cash credits, running finance, etc.- in Pakistan	12.1	89,012,593	77,752,719
Net investment in finance lease - in Pakistan	12.3	1,897,676	1,975,733
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		189,544	225,889
Payable outside Pakistan		3,779,947	4,534,870
Advances - Gross		94,879,760	84,489,211
Provision against non-performing advances - Specific	12.4	(23,214,941)	(23,345,559)
- General		(78,923)	(282,139)
	12.5	(23,293,864)	(23,627,698)
Advances - Net of provisions		71,585,896	60,861,513

**12.1** This includes a sum of Rs. 72.337 million (2011: Rs. 72.337 million) representing unrealized exchange gain, which has not been recognised as income and deferred in these consolidated financial statements, in accordance with the policy of the Group, as stated in note 6.16.

**12.2 Particulars of advances**

<b>12.2.1</b> In local currency	90,475,126	79,162,997
In foreign currencies	4,404,634	5,326,214
	94,879,760	84,489,211
<b>12.2.2</b> Short term (up to one year)	80,114,834	71,455,059
Long term (over one year)	14,764,926	13,034,152
	94,879,760	84,489,211

**12.3 Net Investment in Finance Lease**

	2012			Total
	Not later than one year	Later than one and less than five years	Over five years	
(Rupees '000')				
Lease rentals receivable	1,759,480	15,274	-	1,774,754
Residual value	489,195	-	-	489,195
Minimum lease payments	2,248,675	15,274	-	2,263,949
Financial charges for future periods (including income suspended)	(364,675)	(1,598)	-	(366,273)
Present value of minimum lease payments	1,884,000	13,676	-	1,897,676
2011				
Lease rentals receivable	1,835,620	31,545	-	1,867,165
Residual value	530,913	-	-	530,913
Minimum lease payments	2,366,533	31,545	-	2,398,078
Financial charges for future periods (including income suspended)	(419,332)	(3,013)	-	(422,345)
Present value of minimum lease payments	1,947,201	28,532	-	1,975,733

**12.3.1** A major portion of these leases are non performing against which provision of Rs. 1,371.158 million has been held.

Notes to the Consolidated Financial Statements  
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**12.4 Advances include Rs. 32,921.495 million (2011: Rs. 34,194.582 million), which have been placed under non-performing status as detailed below:**

Note	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees '000')									
<b>Category of Classification</b>									
Substandard	2,521,821	-	2,521,821	342,199	-	342,199	342,199	-	342,199
Doubtful	1,949,958	-	1,949,958	519,348	-	519,348	519,348	-	519,348
Loss	28,449,716	-	28,449,716	22,353,394	-	22,353,394	22,353,394	-	22,353,394
	<u>32,921,495</u>	<u>-</u>	<u>32,921,495</u>	<u>23,214,941</u>	<u>-</u>	<u>23,214,941</u>	<u>23,214,941</u>	<u>-</u>	<u>23,214,941</u>
<b>2011</b>									
(Rupees '000')									
<b>Category of Classification</b>									
Substandard	3,163,483	-	3,163,483	604,976	-	604,976	604,976	-	604,976
Doubtful	1,914,497	-	1,914,497	348,750	-	348,750	348,750	-	348,750
Loss	29,116,602	-	29,116,602	22,391,833	-	22,391,833	22,391,833	-	22,391,833
	<u>34,194,582</u>	<u>-</u>	<u>34,194,582</u>	<u>23,345,559</u>	<u>-</u>	<u>23,345,559</u>	<u>23,345,559</u>	<u>-</u>	<u>23,345,559</u>

**12.4.1** Included in the Provision required is an amount of Rs. 410.960 million (2011: Rs. 594.565 million) which represents provision in excess of the requirements of the State Bank of Pakistan.

**12.4.2** In accordance with BSD Circular No. 1 dated October 21, 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances. During the year, total FSV benefit erosion resulted in decrease in profit after tax of Rs. 1,029.071 million. Accordingly, as of December 31, 2012, the accumulated profit after tax of Rs. 4,825.641 million (2011: Rs. 5,854.713 million) shall not be available for payment of cash and stock dividend as required by aforementioned SBP directive.

**12.5 Particulars of provision against non-performing advances**

Note	2012						2011		
	Specific	General	Total	Specific	General	Total			
	(Rupees '000')								
Opening balance	23,345,559	282,139	23,627,698	22,826,463	952,076	23,778,539			
Charge for the year	2,858,015	-	2,858,015	5,754,521	-	5,754,521			
Reversals	(2,538,266)	(203,216)	(2,741,482)	(2,729,510)	(669,937)	(3,399,447)			
	319,749	(203,216)	116,533	3,025,011	(669,937)	2,355,074			
Amounts written off	(450,367)	-	(450,367)	(2,505,915)	-	(2,505,915)			
Closing balance	<u>23,214,941</u>	<u>78,923</u>	<u>23,293,864</u>	<u>23,345,559</u>	<u>282,139</u>	<u>23,627,698</u>			

**12.5.1 Particulars of provision against non-performing advances - currency wise**

In local currency	23,214,941	78,923	23,293,864	23,345,559	282,139	23,627,698
In foreign currencies	-	-	-	-	-	-
	<u>23,214,941</u>	<u>78,923</u>	<u>23,293,864</u>	<u>23,345,559</u>	<u>282,139</u>	<u>23,627,698</u>

	Note	2012	2011
(Rupees '000')			
<b>12.6 Particulars of write offs:</b>			
<b>12.6.1</b> Against provisions		450,367	2,505,915
Directly charged to profit and loss account		15,632	15,802
		<u>465,999</u>	<u>2,521,717</u>
<b>12.6.2</b> Write offs of Rs. 500,000 and above	12.7	345,504	254,056
Write offs of below Rs. 500,000	12.7	120,495	2,267,661
		<u>465,999</u>	<u>2,521,717</u>
<b>12.7 Details of loan write offs of Rs. 500,000 and above</b>			
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 financial relief of five hundred thousand rupees or above allowed to person(s) during the year ended December 31, 2012 is given in Annexure 1. However, this write off does not affect the Bank's right to recover these debts from any of its customers.			
<b>12.8 Particulars of loans and advances to directors, associated companies etc.</b>			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons:			
Balance at the beginning of the year		1,218,120	1,401,728
Additions during the year		673,381	594,180
Repayments during the year		(476,051)	(777,788)
Balance at the end of the year		<u>1,415,450</u>	<u>1,218,120</u>
Debts due by controlled firms, managed modarabas and other related parties.			
Balance at the beginning of the year		24,997	29,797
Loans granted during the year		1,069	85,381
Repayments during the year		(4,115)	(90,181)
Balance at the end of the year		<u>21,951</u>	<u>24,997</u>
<b>13. OPERATING FIXED ASSETS</b>			
Capital work in progress	13.1	128,814	162,308
Property and equipment	13.2	2,625,237	2,560,555
		<u>2,754,051</u>	<u>2,722,863</u>
<b>13.1 Capital work in progress</b>			
Civil works		7,971	1,123
Electrical, office and computer equipment		53,681	154,980
Advances to suppliers and contractors		19,021	-
Advance for computer software		48,141	6,205
		<u>128,814</u>	<u>162,308</u>

# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



## 13.2 Property and Equipment

Particulars	Note	C O S T			DEPRECIATION			Net Book value as at December 31, 2012	Rate of depreciation % per annum	
		As at January 01, 2012	Additions / (deletions) Adjustment (write-offs)	As at December 31, 2012	Accumulated as at January 01, 2012	For the year / (on deletions) Adjustment (write-offs)	Accumulated as at December 31, 2012			
(Rupees '000')										
Freehold land		336,617	-	336,617	-	-	-	336,617		
Leasehold land	13.2.3	1,064,456	-	1,064,456	-	-	15,634	1,048,822		
Buildings on freehold land		584,330	-	584,330	28,565	-	247,258	337,072	5%	
Buildings on leasehold land		158,073	4,500	162,573	7,744	-	48,595	113,978	5%	
Furniture and fixtures		247,270	31,212	233,067	133,135	19,619	125,900	107,167	10%	
		(18,951)	(26,464)		(11,431)		(15,423)			
Electrical, office and computer equipment		1,418,057	235,688	1,337,344	1,135,385	134,329	93	972,538	364,806	10% to 33%
		(75,934)	(240,532)		(68,243)		(229,026)			
Vehicles		53,516	5,239	47,908	35,189	7,382	3	32,109	15,799	20%
		(10,388)	(459)		(10,029)		(436)			
Leasehold Improvements		833,516	110,268	774,426	556,393	38,892	-	473,450	300,976	10%
		(235)	(169,123)		(219)		(121,616)			
		4,695,835	386,907	4,540,721	2,135,280	236,531	96	1,915,484	2,625,237	
		(105,508)			(89,922)					

**13.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 837.893 million (2011: Rs. 949.233 million).

**13.2.2** Carrying amount of temporarily idle property is Rs. 885.609 million (2011: Rs. 891.219 million).

**13.2.3** This includes a plot of land costing Rs. 361 million in Block-6, KDA Scheme-5, Clifton, Karachi (the "Plot"), possession of which was taken by the Bank (formerly PICIC) in April 1983 pursuant to an allotment order by City District Government Karachi ("CDGK") (formerly Karachi Development Authority). All the legal dues in respect of the Plot including Non-utilization Fees have been paid. In 2000, CDGK cancelled the allotment unilaterally based on certain building and construction restrictions. The Bank filed a Civil Suit against CDGK before the High Court of Sindh in respect of the said unilateral cancellation of the allotment. Meanwhile, also in 2000, a dispute arose with KPT in respect of construction of a boundary wall on the Plot by KPT as KPT claimed that the ownership of the land had been reverted to KPT. The said claim by KPT was also challenged by way of Civil Suit before the High Court of Sindh. The High Court of Sindh initially issued restraining orders against CDGK and KPT in the respective suits in respect of cancellation of the allotment of the Plot. Subsequently, both the suits were decided in favor of the Bank. In the suit filed against CDGK, the High Court of Sindh held that the action of cancellation of the allotment by CDGK was improper and void, whereas, in the suit against KPT, the High Court of Sindh held that since allotment in favor of the Bank was valid therefore, KPT had no standing to claim that the ownership of the land had been reverted back to KPT. Both the decisions of the High Court of Sindh are currently being challenged in two separate High Court Appeals by CDGK and KPT and the same are still pending. Furthermore, in November 2008, KPT filed a Civil Suit seeking a declaration from the High Court of Sindh to the effect that the ownership of the Plot had been validly reverted to KPT. At present, the Bank is actively defending the cases.



# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



2011

Particulars	C O S T			DEPRECIATION			Net Book value as at December 31, 2011	Rate of depreciation % per annum
	As at January 01, 2011	Additions / (deletions) Adjustment (write - offs)	As at December 31, 2011	Accumulated as at January 01, 2011	For the year / (on deletions) Adjustment (write-offs)	Accumulated as at December 31, 2011		
				(Rupees '000')				
Freehold land	336,617	-	336,617	-	-	-	336,617	
Leasehold land	1,064,456	-	1,064,456	15,634	-	15,634	1,048,822	
Buildings on freehold land	584,330	-	584,330	189,005	29,688	218,693	365,637	5%
Buildings on leasehold land	158,073	-	158,073	33,190	7,661	40,851	117,222	5%
Furniture and fixtures	242,677	7,911	247,270	112,286	22,481	133,135	114,135	10%
		(2,866)	(452)		(1,587)	(45)		
Electrical, office and computer equipment	1,361,033	62,473	1,418,057	963,450	176,465	1,135,385	282,672	10% to 33%
		(5,449)			(5,250)			
Vehicles	49,959	4,392	53,516	27,889	8,135	35,189	18,327	20%
		(835)			(835)			
Leasehold Improvements	756,810	76,949	833,516	520,476	36,108	556,393	277,123	10%
		(243)			(191)			
	4,553,955	151,725	4,695,835	1,861,930	280,538	2,135,280	2,560,555	
		(452)			(7,863)			

### 13.2.4 Detail of disposal of property and equipment during the year Items individually having cost more than Rs.1 million or net book value exceeding Rs. 0.25 million

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Vehicle	1,002	1,002	-	975	Bid	Zain Motors, Block - 10, Sector B-1, Peco Road, Township Lahore
Vehicle	1,002	1,002	-	852	Bid	Zain Motors, Block - 10, Sector B-1, Peco Road, Township Lahore
Vehicle	1,376	1,376	-	1,224	Bid	Mr. Rehan Methani - H No. D-87/1 Block 7, Clifton, Karachi
Vehicle	1,376	1,376	-	1,210	Bid	Mr. Rehan Methani - H No. D-87/1 Block 7, Clifton, Karachi
Vehicle	969	969	-	934	Bid	M. Ali Akhber - H No. A-171, F.B. Area, Block 12, Karachi
Vehicle	819	492	327	727	Bid	M. Ali Shafi - H No. 37C, 2nd Floor, 24th Commercial Street, Phase II Ext DHA, Karachi
Computer Equipment	1,041	1,041	-	-	Bid	Muhammad Fahim, Jilani Centre, Mezzanine floor, shop 105 IR Enterprises, Main Tower, Kharadar, Karachi
Computer Equipment	810	495	315	647	Negotiation	AMFCO International, 317-318, Ceasars Tower National IT Park, Shahrah-e-Faisal, Karachi

Description	Cost	Accumulated depreciation value (Rupees '000')	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Computer Equipment	773	472	301	618	Negotiation	AMFCO International, 317-318, Ceasars Tower National IT Park, Shahrah-e-Faisal, Karachi
Office Equipment	830	544	286	1,800	Bid	Mr. Abdul Qudoos, Col Godown, Near Ghani Chowrangji, Shershah, Karachi
Office Equipment	4,562	4,562	-	-	Bid	Mr. Abdul Qudoos, Col Godown, Near Ghani Chowrangji, Shershah, Karachi
Office Equipment	1,455	717	738	1,289	Bid	Mr. Abdul Qudoos, Col Godown, Near Ghani Chowrangji, Shershah, Karachi
Office Equipment	615	312	303	530	Bid	Shaukat Ali, 26-37 Y, Walton Road, Lahore
Office Equipment	1,240	540	700	1,222	Bid	Mr. Abdul Qudoos, Col Godown, Near Ghani Chowrangji, Shershah, Karachi
	17,870	14,900	2,970	12,028		
<b>Items individually having cost less than Rs.1 million or net book value not exceeding Rs. 0.25 million</b>						
Computer Equipment	26,865	26,334	531	929		
Furniture and fixtures	18,951	11,431	7,520	6,110		
Leasehold improvements	235	219	16	16		
Office Equipment	37,743	33,226	4,516	11,081		
Vehicles	3,844	3,812	32	2,760		
	87,638	75,022	12,615	20,896		
<b>2012</b>	105,508	89,922	15,585	32,924		
<b>2011</b>	9,393	7,863	1,529	4,103		

#### 14. INTANGIBLE ASSETS

Particulars	2012							
	As at January 01, 2012	As at December 31, 2012	Accumulated as at January 01, 2012	AMORTIZATION / IMPAIRMENT Amortization for the year	Transfers	Accumulated as at December 31, 2012	Net Book Value as at December 31, 2012	Rate of amortization % per annum
	(Rupees '000')							
Core Deposit Relationships	2,489,453	2,489,453	1,018,412	226,314	-	1,244,726	1,244,727	9.09%
Core Overdraft / Working Capital Loan Relationships	124,149	124,149	80,646	6,693	-	87,339	36,810	8.31%
Brand	204,116	204,116	183,705	20,411	-	204,116	-	20%
Computer Software	843,495	858,379	319,423	97,243	-	416,666	441,713	10% to 50%
Management Rights	1,726,726	1,726,726	-	-	-	-	1,726,726	Note 6.8
	5,387,939	5,402,823	1,602,186	350,661	-	1,952,847	3,449,976	

14.1 Included in cost of computer software are fully amortized items still in use having cost of Rs. 105.929 million (2011: Rs. 102.952 million).

Particulars	2011							
	As at January 01, 2011	As at December 31, 2011	Accumulated as at January 01, 2011	AMORTIZATION / IMPAIRMENT Amortization for the year	Transfers	Accumulated as at December 31, 2011	Net Book Value as at December 31, 2011	Rate of amortization % per annum
	(Rupees '000')							
Core Deposit Relationships	2,489,453	2,489,453	792,098	226,314	-	1,018,412	1,471,041	9.09%
Core Overdraft / Working Capital Loan Relationships	124,149	124,149	73,953	6,693	-	80,646	43,503	8.31%
Brand	204,116	204,116	142,883	40,822	-	183,705	20,411	20%
Computer Software	835,662	843,495	223,436	96,705	(720)	319,421	524,074	10% to 50%
Management Rights	1,726,726	1,726,726	-	-	-	-	1,726,726	Note 6.8
	5,380,106	5,387,939	1,232,370	370,534	(720)	1,602,184	3,785,755	

## 14.2 Annual test for impairment

### Intangibles

In the current year, the Group assessed the recoverable amount of core deposit relationships and determined that no impairment loss exists.

	Note	2012	2011
(Rupees '000')			
<b>15. DEFERRED TAX ASSETS</b>			
<b>Deferred debits arising due to:</b>			
Provision against loans and advances		8,432,590	8,880,336
Provision against other receivable		255,121	254,851
Gratuity		—	—
Unused tax losses		4,488,530	3,699,934
Intangibles		8,843	25,911
Excess of tax base of government securities / investments over accounting base		378,894	430,836
		13,563,978	13,291,868
<b>Deferred credits arising due to:</b>			
Excess of accounting base of leased asset over tax base		(159,787)	(140,383)
Accelerated accounting depreciation on owned assets		(798,215)	(732,089)
Fair valuation of subsidiaries and associates		(643,298)	(568,601)
Surplus / (Deficit) on revaluation of securities		(178,403)	(39,648)
Unrealised exchange gains	15.2	(2,377)	(2,377)
Unrealised exchange losses	15.3	(33,604)	(33,604)
		(1,815,684)	(1,516,702)
Deferred tax Assets		11,748,294	11,775,166
Unrecognised deferred tax assets	15.1	(982,015)	(817,000)
Recognised deferred tax assets		10,766,279	10,958,166

**15.1** The deferred tax asset recognised in the books has been restricted to Rs. 10,766 million due to uncertainty of availability of future tax profits for utilization of the un-recognised deferred tax assets. The deductible differences available to the Bank are Rs. 11,748 million. Had these been taken completely, the profit after tax for the year would be higher by Rs. 165 million (2011: Rs. 817 million). Therefore, the accumulated amount of deferred tax asset not recognised as of December 31, 2012 amounted to Rs. 982.015 million.

The management has recorded deferred tax asset based on financial projections indicating realisability of deferred tax asset over a number of future years through reversals as a result of recoveries from borrowers and realisability of remaining deferred tax asset against future taxable profits. The financial projections involve certain key assumptions such as deposits composition, interest rates, growth of deposits and advances, investment returns and potential provision / reversals against assets. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

**15.2** In 1987 and 1989, the Bank (formerly PICIC) exercised its option to avail the exchange risk coverage offered by the Government of Pakistan, Ministry of Finance and Economic Affairs (Economic Affairs Division), through Office Memo 1(16)/50/DM/86 dated July 8, 1987 and 1(12)/50/DM/89 dated June 1, 1989 respectively and, in turn the Bank (formerly PICIC) offered the risk coverage to its Borrowers.

**15.3** The unrealised exchange losses of the Bank (formerly PICIC) as on April 21, 1987, the effective date of exercise of both the options arising on related borrowings as reduced by gains arising on related advances was claimed as loss for tax purposes.

15.4 Movement in temporary differences during the year

	2012			Balance as at December 31, 2012
	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in equity	
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	8,880,336	(447,746)	–	8,432,590
Provision against other receivable	254,851	270	–	255,121
Unused tax losses	3,699,934	788,596	–	4,488,530
Intangibles	25,911	(17,068)	–	8,843
Excess of tax base of government securities / investments over accounting base	430,836	(51,942)	–	378,894
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(140,383)	(19,404)	–	(159,787)
Accelerated accounting depreciation on owned assets	(732,089)	(66,126)	–	(798,215)
Fair valuation of subsidiaries and associates	(568,601)	(74,697)	–	(643,298)
Surplus / (Deficit) on revaluation of securities	(39,648)	(3,039)	(135,716)	(178,403)
Unrealised exchange gains	(2,377)	–	–	(2,377)
Unrealised exchange losses	(33,604)	–	–	(33,604)
Deferred tax assets	11,775,166	108,844	(135,716)	11,748,294
<b>Unrecognised deferred tax assets</b>	<u>(817,000)</u>	<u>(165,015)</u>	<u>–</u>	<u>(982,015)</u>
<b>Recognised deferred tax assets</b>	<u>10,958,166</u>	<u>(56,171)</u>	<u>(135,716)</u>	<u>10,766,279</u>

	2011			Balance as at December 31, 2011
	Balance as at January 01, 2011	Recognised in profit and loss account	Recognised in equity / others	
	(Rupees '000')			
<b>Deferred debits arising due to:</b>				
Provision against loans and advances	7,329,965	1,550,371	–	8,880,336
Provision against other receivables	285,269	(30,418)	–	254,851
Provision against balances with other banks	1,387	(1,387)	–	–
Gratuity	7,488	(7,488)	–	–
Unused tax losses	2,777,890	922,044	–	3,699,934
Intangibles	35,834	(9,923)	–	25,911
Excess of tax base of government securities / investments over accounting base	325,521	105,330	(15)	430,836
<b>Deferred credits arising due to:</b>				
Excess of accounting base of leased asset over tax base	(116,322)	(24,061)	–	(140,383)
Accelerated accounting depreciation on owned assets	(738,372)	6,283	–	(732,089)
Fair valuation of subsidiaries and associates	(532,714)	(35,887)	–	(568,601)
Surplus / (Deficit) on revaluation of securities	55,299	–	(94,947)	(39,648)
Unrealised exchange gains	(2,377)	–	–	(2,377)
Unrealised exchange losses	(33,604)	–	–	(33,604)
Deferred tax assets	9,395,264	2,474,864	(94,962)	11,775,166
<b>Unrecognised deferred tax assets</b>	<u>–</u>	<u>(817,000)</u>	<u>–</u>	<u>(817,000)</u>
<b>Recognised deferred tax assets</b>	<u>9,395,264</u>	<u>1,657,864</u>	<u>(94,962)</u>	<u>10,958,166</u>

	Note	2012	2011
(Rupees '000')			
<b>16. OTHER ASSETS</b>			
Income / mark-up accrued			
Local currency	16.1 & 16.6	2,793,290	2,590,768
Foreign currencies		40,484	24,534
Advances, deposits, advance rent and other prepayments	16.2	505,477	419,875
Advance taxation - net		1,337,019	1,301,702
Non - banking assets acquired in satisfaction of claims	16.3	733,318	701,067
Non - banking assets acquired in satisfaction of claims with buy back option with customer	16.3	512,274	–
Unrealized gain on forward foreign exchange contracts - net		183,808	79,483
Receivable against sale of investments		490	–
Stationery and stamps on hand		1,172	2,009
Advance for purchase of term finance certificates	16.7	1,226,176	383,856
Assets in respect of Bangladesh	16.4	425,409	425,409
Insurance claim		6,518	16,410
Dividend receivable		630	–
Management fee receivable		27,794	18,643
Others		69,389	71,429
		7,863,248	6,035,185
Liabilities in respect of Bangladesh	16.4	(342,416)	(342,416)
Rupee Borrowings from Government of Pakistan in respect of Bangladesh		(82,993)	(82,993)
Provisions held against other assets	16.5	(1,012,176)	(1,021,625)
Other assets - net of provisions		6,425,663	4,588,151

**16.1** This includes Rs. 0.728 million (2011: Rs. 1.024 million) in respect of related parties.

**16.2 Advances, deposits, advance rent and other prepayments**

Advances	41,063	43,515
Deposits	40,139	33,060
Advance rent	296,864	252,635
Prepayments	127,411	90,665
	505,477	419,875

**16.3** Represents cost of land, plant and machinery acquired by the Bank against advances and held for resale. The market value of the subject assets as of December 31, 2012 was Rs. 1,203.436 million (2011: Rs. 611.403 million). Provision of Rs. 102.272 million has been made against difference between cost and fair value. The above mentioned values include properties having market value of Rs. 534.733 million acquired through settlement agreements, where the settlement agreement signed with borrowers entails a buy back option.

**16.4** All the assets and liabilities as of November 30, 1971 clearly identifiable as being in or in respect of the areas now under Bangladesh and referred to above were segregated as of that date and in such segregation, for purposes of conversion of foreign currency amounts, generally speaking, the parity rates ruling prior to August 15, 1971 were used, and all income accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings in 1971 was eliminated. Subsequently, consequent to the assuming by Bangladesh of certain foreign currency loan obligations as of July 1, 1974, including amounts previously identified by the Bank (formerly PICIC) as its foreign currency liabilities in respect of Bangladesh, such amounts were eliminated from the books of the Bank (formerly PICIC) by reducing an equivalent sum from its related foreign assets in that area.

Arising from advices received from the lenders and as a result of diversion of shipments and of the meeting of certain contingent liabilities, there have been certain modifications to the foreign currency advances relating to Bangladesh. Furthermore, the difference between the actual amount of rupees required to remit maturities of foreign currency borrowings in respect of Bangladesh and the figures at which they appeared in the books and the interest paid to foreign lenders has been treated as increasing the rupee assets in that area.

The Government of Pakistan, while initially agreeing to provide the rupee finance required for discharging current maturities of foreign currency borrowings and interest related to Bangladesh, did not accept any responsibility for PICIC's assets in that area. However, following an agreement reached between PICIC and the Government of Pakistan during 1976, the Government has agreed that it would continue to provide the funds for servicing PICIC's foreign currency liabilities relating to Bangladesh and has further agreed that an amount equivalent to the rupee assets in Bangladesh financed from PICIC's own funds not exceeding Rs. 82 million would be deemed to have been allocated out of the rupee loans by the Government and that such allocated amount together with the rupee finance being provided by the Government including any interest thereon would not be recovered from PICIC until such time as PICIC recovers the related assets from Bangladesh and only to the extent of such recovery.

Accordingly, such allocated amounts, together with the rupee finance being provided by the Government for discharging the current maturities of foreign currency borrowings (including the interest and charges thereon and any exchange difference between the final rupee payment and the amount at which the liability, commitment or contingent liability as appearing in the books relating to Bangladesh) have been treated as liabilities in respect of Bangladesh. Further, in view of the aforesaid agreement no interest is being accrued on the allocated amount of rupee loans or in respect of the rupee finance provided by the Government related to PICIC's assets in Bangladesh nor is it considered necessary to provide for any loss that may arise in respect of PICIC's assets in Bangladesh.

	2012	2011
	(Rupees '000')	
<b>16.5 Particulars of provisions held against other assets</b>		
Opening balance	1,021,625	890,883
Charge for the year	3,892	192,211
Reversals	(3,500)	(15,610)
Write offs	(9,841)	(45,859)
Closing balance	<u>1,012,176</u>	<u>1,021,625</u>

**16.6** This includes a sum of Rs. 30.466 million (2011: Rs. 30.466 million) representing unrealised exchange gain, which has not been recognised as income and deferred in the financial statements, in accordance with the policy of the Bank, as stated in note 6.16.

**16.7** This includes Rs. 941.176 million in respect of advance paid by the Bank for purchase of Term Finance Certificates of Pakistan Mobile Communication Limited (PMCL). As per agreed repayment schedule mark-up has been received from PMCL which have been recorded as mark-up income of the Bank. The TFC issuance is in process and is expected to complete in first half of 2013, upon issuance of the certificates this advance will be reclassified as Investments.

	2012	2011
	(Rupees '000')	
<b>17. BILLS PAYABLE</b>		
In Pakistan	2,336,274	1,660,205
Outside Pakistan	93,756	78,217
	<u>2,430,030</u>	<u>1,738,422</u>
<b>18. BORROWINGS</b>		
In Pakistan	75,941,423	47,262,148
Outside Pakistan	237,642	119,883
	<u>76,179,065</u>	<u>47,382,031</u>



	Note	2012	2011
(Rupees '000')			
<b>18.1 Particulars of borrowings with respect to currencies</b>			
In local currency		75,941,423	47,262,148
In foreign currencies		237,642	119,883
		76,179,065	47,382,031
<b>18.2 Details of borrowings - secured / unsecured</b>			
<b>Secured</b>			
Borrowings from SBP under			
Export Refinance Scheme	18.3	9,074,523	8,122,798
Long Term Financing Facility	18.4	123,182	416,857
Long Term Finance for Export Oriented Projects	18.5	817,911	1,197,381
Repurchase agreement borrowings	18.6	61,763,521	37,350,826
<b>Unsecured</b>			
Call borrowings	18.7	4,000,000	12,000
Overdrawn nostro accounts		237,642	119,883
Foreign borrowings payable in local currency	18.8	162,286	162,286
		76,179,065	47,382,031

**18.3** Borrowings from SBP under Export Refinance Scheme are subject to mark-up at rate of 8.5% to 10% (2011: 10%) per annum maturing within six months.

**18.4** Borrowings from SBP under Long Term Financing Facility (LTFF) are subject to mark up ranging from 6.50% to 8.60% (2011: 6.50% to 8.20%) per annum with remaining maturity upto six years.

**18.5** Borrowings from SBP under Long Term Finance for Export Oriented Projects are subject to mark up ranging from 4.90% to 5.00% (2011: 4.90% to 5.00%) per annum with remaining maturity upto three and half years.

**18.6** These borrowings are subject to mark-up at rates ranging from 7.75% to 8.85% (2011: 11.63% to 11.90%) per annum with remaining maturing upto four days. Government securities have been given as collateral against these borrowings.

**18.7** These borrowings are subject to mark-up at rates ranging from 8% to 9.75% (2011: 11.25%) per annum with remaining maturity upto forty nine days.

**18.8** The Government of Pakistan (GoP) has claimed an amount of Rs. 162.286 million in respect of liabilities against German credit representing principal amount of loan and Rs. 45.444 million as interest thereon till June 30, 2006. The principal amount has been accounted for and shown as payable to the GoP whereas interest has been accounted for in Other Liabilities (note 20). However, the Bank is contending that any amount of principal and interest is payable to the GoP only when recovered from the related sub-borrowers, who have availed the German credit. This also includes unrealized exchange loss of Rs. 96.011 million (2011: Rs. 96.011 million) which has been netted off against unrealized exchange gain (note 15) as it is payable when recovered from sub-borrowers, who have availed the related German credit.

	2012	2011
(Rupees '000')		
<b>19. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	24,859,849	32,769,500
Savings deposits	33,574,896	26,112,772
Current accounts - Non remunerative	27,784,055	25,169,484
Margin accounts	749,733	568,088
<b>Financial institutions</b>		
Remunerative deposits	3,872,124	606,032
Non-remunerative deposits	253,790	246,371
	91,094,447	85,472,247



	2012	2011	
	(Rupees '000')		
<b>19.1 Particulars of deposits</b>			
In local currency	85,427,091	80,468,716	
In foreign currencies	5,667,356	5,003,531	
	91,094,447	85,472,247	
<b>20. SUB-ORDINATED LOANS</b>			
<b>Term Finance Certificates - Quoted, Unsecured</b>	3,992,800	3,994,400	
<b>Mark-up</b>	Floating (no floor, no cap) rate of return at Base Rate + 1.15% [The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR")]		
<b>Subordination</b>	The TFCs are subordinated to all other indebtedness of the Bank including deposits		
<b>Issue Date</b>	March 5, 2008		
<b>Issue Amount</b>	Rs. 4,000 million		
<b>Rating</b>	A+ (A plus)		
<b>Tenor</b>	8 years from the Issue Date		
<b>Redemption</b>	Ten equal semi-annual instalments of 0.02% of the Issue Amount for the first sixty months followed by six equal semi-annual instalments of 16.63% of the Issue Amount from the sixty-sixth month onwards		
<b>Maturity</b>	March 5, 2016		
<b>Call Option</b>	The Bank can also exercise a Call Option or a Partial Call Option after obtaining written approval from the State Bank of Pakistan at any time after a period of sixty months from the Issue Date		
	<b>Note</b>		
		<b>2012</b>	
		<b>2011</b>	
		(Rupees '000')	
<b>21. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in:			
Local currency		696,488	817,085
Foreign currencies		1,914	4,571
Unearned income on inland bills		776	-
Accrued expenses		774,906	638,781
Insurance premium payable		33,002	33,143
Advance from lessees		252,242	155,343
Unclaimed dividend		44,560	44,965
Borrowing from Government of Pakistan		2,095	2,095
Branch adjustment account		68,742	23,333
Security and other deposits		25,846	25,846
Payable to IBRD - Managed Fund		68,220	68,220
Payable against purchase of investments		-	2,198
Payable to Workers Welfare Fund		22,672	15,972
Payable to defined benefit plan	35.5	78,652	77,515
Security deposits against lease		486,655	528,493
Others		214,958	136,681
		2,771,728	2,574,241

## 22. SHARE CAPITAL

### 22.1 Authorized

2012	2011		2012	2011
Number of shares			(Rupees '000')	
12,000,000,000	12,000,000,000	Ordinary shares of Rs. 10 each	120,000,000	120,000,000

### 22.2 Issued, subscribed and paid up

Fully paid up ordinary shares of Rs. 10 each

3,278,902,659	3,278,902,659	Fully paid in cash	32,789,027	32,789,027
764,824,417	764,824,417	Issued for consideration other than cash (under schemes of amalgamation)	7,648,244	7,648,244
6,259,124,088	6,259,124,088	Issuance of shares on discount	62,591,241	62,591,241
10,302,851,164	10,302,851,164		103,028,512	103,028,512

**22.2.1** The holding Company Bugis Investments (Mauritius) Pte. Limited holds 9,132,728,598 (2011: 9,132,728,598) ordinary shares.

(Number of shares)

### 22.2.2 Reconciliation of number of ordinary shares of Rs. 10 each

At the beginning of the year	10,302,851,164	4,043,727,076
Right issue during the year at discount	-	6,259,124,088
At the end of the year	10,302,851,164	10,302,851,164

2012  
2011  
(Rupees '000')

## 23. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET

### Deficit on revaluation of available-for-sale securities

Market Treasury Bills	143,747	119,439
Pakistan Investment Bonds	274,507	(39,243)
Term Finance Certificates	4,553	24,738
GOP Ijara Sukuk	51,840	-
Mutual Funds	-	1,263
Investment in Shares of Listed Companies	92,375	25,885
	567,022	132,082
Share of deficit on revaluation of securities of associates	(411,462)	(572,029)
	155,560	(439,947)
Related deferred tax asset / (liability)	(175,364)	(39,648)
	(19,804)	(479,595)

24. CONTINGENCIES AND COMMITMENTS	2012	2011
	(Rupees '000')	
<b>24.1 Direct credit substitutes</b>		
<b>Contingent liability in respect of guarantees given favouring:</b>		
Government	-	-
Financial Institutions	2,200	-
Others	-	-
	2,200	-
<b>24.2 Transaction-related contingent liabilities / commitments</b>		
<b>Guarantees given in favour of:</b>		
Government	13,226,815	10,782,678
Financial Institutions	-	92,000
Others	796,509	514,510
	14,023,324	11,389,188
<b>24.3 Trade-related contingent liabilities</b>		
Letters of credit	20,248,003	11,720,785
Acceptances	3,055,764	2,253,467
	23,303,767	13,974,252
<b>24.4 Other Contingencies</b>		
Claims against the Bank not acknowledged as debts	266,133	266,133
<b>24.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	1,292,340	1,034,140
<p>The Bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is ultimately withdrawn except commitments mentioned above.</p>		
<b>24.6 Commitments in respect of forward exchange contracts</b>		
Purchase	17,670,541	56,859,837
Sale	18,716,569	58,787,111
	36,387,110	115,646,948
<b>24.7 Commitments for the acquisition of operating fixed assets</b>	65,530	44,008
<b>24.8 Commitments with respect to Government Securities</b>		
Purchase	513,980	487,600
Sale	1,900,540	47,683
<b>24.9</b>		
<p>The income tax returns of NIB Bank Limited have been filed up to and including tax year 2012 relevant to the financial year ended December 31, 2011. The tax authorities have made certain disallowances including additions on account of proration of expenses against dividends and capital gains, disallowances of interest and administrative expenses and renovation expenses incurred on rented premises (allowed historically) pertaining to tax years 2003</p>		

through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. These disallowances may result in additional tax aggregating to Rs. 1,370 million (2011: 1,370 million), which the management of the Bank in discussion with their tax consultants believes to be unjustified and not in accordance with the true interpretation of the law.

Appeals filed against orders are pending at various appellate forums. Management is confident that the eventual outcome of the cases will be in favour of the Bank.

**24.10** A penalty of Rs. 700 million was imposed by the Competition Commission of Pakistan (“the Commission”) on all the member banks utilizing the 1 link Switch on account of uncompetitive behavior and imposing of uniform charges on cash withdrawal for off network ATM transactions. The Bank’s share in this penalty is Rs. 50 million. The concerned banks filed a constitutional petition before the High Court of Sindh, which has suspended the order of the Commission. Consequently an appeal was filed with the Competition Appellate Tribunal which has also suspended the order of the Commission till the conclusion of the hearing of the appeal. The management in consultation with external legal counsel that represents the Bank, is confident that they have strong grounds to contest this penalty and they consider that the case will be decided in the favour of the Bank.

**24.11** In PICIC AMC tax returns for tax years 2005 to 2009 disallowance was made for dividend income of Rs.36 million claimed as exempt income, the Company has appealed on this matter with the relevant authorities.

	<b>2012</b>	<b>2011</b>
	<b>(Rupees ‘000’)</b>	
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	6,872,364	7,718,970
On investments in:		
Head-for-trading securities	251,971	–
Available-for-sale securities	5,782,836	4,980,398
Held-to-maturity securities	461,316	463,751
On deposits with financial institutions	892	5,073
On securities purchased under resale agreements	569,679	989,740
On call money lendings	50,248	92,189
	<u>13,989,306</u>	<u>14,250,121</u>
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits and other accounts	5,100,444	6,937,345
Securities sold under repurchase agreements	4,208,158	3,023,491
Other short term borrowings	1,214,083	1,506,903
Long term borrowings	603,136	687,874
	<u>11,125,821</u>	<u>12,155,613</u>
<b>27. GAIN ON SALE OF SECURITIES</b>		
Market Treasury Bills	116,194	163,928
Pakistan Investment Bonds	188,666	29,846
Term Finance Certificates	18,942	6,378
Ordinary shares of Listed Companies	216,650	8,924
Units / Certificates of Mutual Funds	6,866	43,612
Sukuk	24,793	20,456
	<u>572,111</u>	<u>273,144</u>

	Note	2012	2011
		(Rupees '000')	
<b>28. OTHER INCOME</b>			
Gain on disposal of property and equipment		17,339	2,574
Service charges		3,957	7,007
Rent		7,688	3,274
Gain on trading liabilities		4,322	–
Recovery against written off Assets		25,553	–
Recovery against Branch relocation		4,000	–
Recovery from insurance company against loss of assets		13,592	–
Recovery against charges		–	9,999
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed - net		2,423	–
		<u>78,874</u>	<u>22,854</u>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		2,468,429	2,123,187
Charge for defined benefit plan	35.4	16,902	25,633
Contribution to defined contribution plan		92,268	83,552
Non-executive directors' fees, allowances and other expenses		8,866	10,547
Brokerage and commission		27,525	52,190
Rent, taxes, insurance, electricity, etc.		888,489	886,309
Legal and professional charges		153,797	70,683
Communication		183,834	163,215
Repairs and maintenance		331,650	281,306
Stationery and printing		79,133	69,174
Advertisement and publicity		32,760	70,885
Fees and subscriptions		92,525	84,077
Auditor's remuneration	29.1	12,741	9,335
Depreciation	13.2	236,531	280,538
Amortization	14	350,661	370,534
Travelling, conveyance and vehicles running		55,880	34,156
Security services		128,637	120,188
Fixed assets written off		72,890	–
Others		97,880	88,073
		<u>5,331,398</u>	<u>4,823,582</u>
<b>29.1 Auditors' remuneration</b>			
Audit fee including fee for branch audit		5,463	5,057
Audit fee of consolidated financial statements		750	750
Review fee		1,100	1,100
Special certifications and sundry advisory services		4,752	1,752
Out-of-pocket expenses		676	676
		<u>12,741</u>	<u>9,335</u>
<b>29.2</b> No donation was paid during the year in which any of the Directors or their spouses have any interest.			
<b>30. OTHER CHARGES</b>			
Penalties of the State Bank of Pakistan		23,760	56,122
Operational Loss / (Recovery)		30,382	(13,625)
		<u>54,142</u>	<u>42,497</u>

	Note	2012	2011
		(Rupees '000')	
<b>31. TAXATION</b>			
For the year			
Current		97,237	202,619
Prior years	31.2	25,000	30,658
Deferred		56,171	(1,657,864)
		<u>178,408</u>	<u>(1,424,587)</u>
<b>31.1 Relationship between tax expense and accounting profit</b>			
Accounting profit / (loss) for the year		440,488	(3,492,009)
Tax @ 35% of above		154,171	(1,222,203)
SBP penalty not tax deductible		8,316	19,643
Adjustment in respect of tax at reduced rates		(239,165)	5,651
Unrecorded deferred tax asset due to uncertainty over availability of future tax profits		168,168	817,000
General provision reversal not recognized for tax purposes		(71,126)	(234,478)
Minimum tax based on turnover independent of loss		82,054	163,978
Tax charge for prior year		25,000	30,658
Consumer & SME provision in excess of 5% booked in June 2011 instead of December 2010		-	(1,085,172)
Effect of exempt income		-	(41,322)
Others		50,990	121,658
Tax charge / (credit) as reported		<u>178,408</u>	<u>(1,424,587)</u>
<b>31.2</b> This represent payment of Rs. 25 million made to Azad Jammu & Kashmir (AJK) tax authorities in respect of demand raised against the AJK branches.			
<b>32. BASIC / DILUTED EARNINGS / (LOSS) PER SHARE</b>			
Profit / (Loss) after taxation (Rs. in '000')		257,284	(2,067,422)
Weighted average number of ordinary shares outstanding during the year (in '000')		10,302,851	5,998,632
Profit / (Loss) per share - basic / diluted (Rupees)		0.02	(0.34)
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	7,672,866	7,969,044
Balances with other banks	9	956,809	1,486,560
		<u>8,629,675</u>	<u>9,455,604</u>
<b>34. STAFF STRENGTH</b>			
		<b>(Numbers)</b>	
Permanent		2,475	2,338
Temporary / on contractual basis		39	34
Group's own staff strength at the end of the year		2,514	2,372
Outsourced		320	346
Total staff strength		<u>2,834</u>	<u>2,718</u>

### 35. DEFINED BENEFIT PLAN

**35.1** The benefits under the gratuity scheme are payable in lump sum on retirement at the age of 60 years or earlier cessation of services. The benefit is equal to one month's last drawn basic salary for each year of confirmed service, subject to a minimum of five years of service.

#### 35.2 Principal actuarial assumptions

The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2012 using the "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	Gratuity	
	2012	2011
- Valuation discount rate	12.0%	13.0%
- Salary increase rate	11.0%	12.0%
- Mortality rate	Based on LIC 1994-96 Ultimate Mortality table	Based on LIC 1975-79 Ultimate Mortality table
- Withdrawal rate	Heavy (double of moderate) Age - Wise withdrawal rates	

	Note	2012	2011	2010	2009	2008
(Rupees '000')						
<b>35.3 Reconciliation of (receivable from) / payable to defined benefit plan</b>						
Present value of defined benefit obligations	35.6	63,588	71,098	79,459	81,502	58,963
Unrecognized prior service cost		-	-	-	-	1,630
Net actuarial gains/(loss) not recognized		14,828	6,181	(3,344)	(7,771)	(3,536)
Net liability		78,416	77,279	76,115	73,731	57,057
<b>35.4 (Income) / charge for defined benefit plan</b>						
Current service cost		8,557	11,626	14,660	13,962	10,922
Software project expense capitalized		-	-	-	(829)	-
Interest cost		8,345	11,568	10,067	6,398	3,834
Actuarial (gain) recognized		-	-	-	-	(303)
Amortisation of prior service cost		-	-	-	(1,630)	(1,631)
		16,902	23,194	24,727	17,901	12,822
<b>35.5 Movement in balance (receivable) / payable</b>						
Opening balance		77,279	76,115	73,731	57,057	(32,128)
Adjustment		-	1,386	-	-	-
Expense recognized		16,902	23,194	24,727	17,901	12,822
Software project expense capitalized		-	-	-	829	-
Benefits paid to outgoing members		(15,765)	(23,416)	(22,343)	(2,056)	(271)
		78,416	77,279	76,115	73,731	(19,577)
Assumed on amalgamation		-	-	-	-	76,634
Closing balance		78,416	77,279	76,115	73,731	57,057
<b>35.6 Summary of valuation results for the current and previous periods</b>						
Present value of defined benefit obligations		63,588	71,098	79,459	81,502	58,963
Fair value of plan assets		-	-	-	-	-
Deficit		63,588	71,098	79,459	81,502	58,963
Experience (gain) / loss on obligation		(8,647)	(8,139)	(4,427)	4,235	10,559

	2012	2011
	(Rupees '000')	
<b>35.7 Reconciliation of present value of defined benefit obligations</b>		
Opening balance	71,098	79,459
Current service cost	8,557	11,626
Interest cost	8,345	11,568
Benefits paid	(15,765)	(23,416)
Actuarial loss on obligations	(8,647)	(8,139)
Closing balance	<u>63,588</u>	<u>71,098</u>

**35.8 Expected contribution for the next one year**

The Group provides for gratuity as per the actuary's expected charge for the next one year. Based on actuarial advice, management estimates that the charge in respect of the defined benefit plan for the year ending December 31, 2013 would be Rs. 14.843 million.

**36. DEFINED CONTRIBUTION PLAN**

The Group has established a provident fund scheme administered by the Board of Trustees for all permanent employees. Equal monthly contributions are made to the fund by both the Bank and the employees at the rate of 10% of basic salary.

**37. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees '000')					
Fees	–	–	8,866	8,952	–	–
Managerial remuneration	40,610	24,726	–	–	590,539	480,725
Charge for defined benefit plan	–	2,924	–	–	9,747	9,711
Contribution to defined contribution plan	3,379	2,192	–	–	50,144	43,986
Rent and house maintenance	14,918	5,850	–	–	195,435	159,706
Utilities	2,761	1,671	–	–	55,838	45,630
Others	12,856	30,205	287	–	257,264	272,648
	<u>74,524</u>	<u>67,568</u>	<u>9,153</u>	<u>8,952</u>	<u>1,158,967</u>	<u>1,012,406</u>
Number of persons	<u>*3</u>	<u>*3</u>	<u>7</u>	<u>7</u>	<u>611</u>	<u>526</u>

\*Includes interim President and Chief Executive Officer for 6 days in 2012 and 15 days in 2011.

The Presidents / Chief Executives are provided with travel, medical insurance, security arrangements and reimbursements of household utilities, as per terms of their employment.

Certain Executives of PICIC AMC are provided with free use of Company maintained cars. The Chief Executive of PICIC AMC has also been provided with a house loan and vehicle loan, duly approved by the SECP.

Directors fees represents fees paid to certain non executive directors of the Bank and no further benefits are paid to executive and non executive directors.



### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 38.1 On-balance sheet financial instruments

	2012		2011	
	Book value	Fair value	Book value	Fair value
	(Rupees '000')			
<b>Assets</b>				
Cash and balances with treasury banks	7,672,866	7,672,866	7,969,044	7,969,044
Balances with other banks	956,809	956,809	1,486,560	1,486,560
Lendings to financial institutions	3,440,910	3,441,040	14,666,918	14,669,815
Investments	83,802,727	83,848,745	47,786,041	47,233,525
Advances	71,585,896	71,585,896	60,861,513	60,861,513
Other assets	3,307,153	3,307,153	2,826,196	2,826,196
	<u>170,766,361</u>	<u>170,812,509</u>	<u>135,596,272</u>	<u>135,046,653</u>
<b>Liabilities</b>				
Bills payable	2,430,030	2,430,030	1,738,422	1,738,422
Borrowings	76,179,065	76,192,062	47,382,031	47,382,076
Deposits and other accounts	91,094,447	91,094,447	85,472,247	85,472,247
Sub-ordinated loans	3,992,800	4,002,822	3,994,400	3,914,796
Other liabilities	1,918,479	1,918,479	2,414,227	2,414,227
	<u>175,614,821</u>	<u>175,637,840</u>	<u>141,001,327</u>	<u>140,921,768</u>

#### 38.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>17,670,541</u>	<u>17,695,724</u>	<u>56,859,837</u>	<u>57,548,407</u>
Forward sale of foreign exchange	<u>18,716,569</u>	<u>18,702,296</u>	<u>58,787,111</u>	<u>59,591,144</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Fair values of held-to-maturity securities, sub-ordinated loans and investment in quoted associates have been stated at market values.

Fair value of unquoted equity securities have been stated at the lower of cost and Net Assets Value as per the latest available audited financial statements.

Except for investment in unquoted subsidiaries, fixed term advances of over one year, staff loans and fixed term deposits of over one year, the fair value of other on balance sheet financial assets and liabilities are not significantly different from their book value as these assets and liabilities are either short term in nature or are frequently re-priced.

The fair value of unquoted subsidiaries, fixed term advances, staff loans, fixed term deposits, other assets and other liabilities cannot be calculated with sufficient reliability due to non-availability of relevant active markets for similar assets and liabilities.

# Notes to the Consolidated Financial Statements

## For the year ended December 31, 2012



### 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Group comprises the Bank, Asset Management Company and PICIC Stock Fund. The Bank is organised into reportable segments as disclosed in note 6.20.1 of the annual consolidated financial statements. These segments are managed by respective segment heads and the results of these segments are regularly reviewed by the Group's President / Chief Executive. Segment performance is reviewed on the basis of various factors including profit before taxation. The performance of the Asset Management Company and PICIC Stock Fund is included in Head Office / Others.

Transactions between reportable segments are carried out on an arms length basis.

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

	For the Year ended December 31, 2012					
	Corporate and Investment Banking	Small & Medium Enterprises and Commercial	Retail	Treasury	Head Office / Other	*Adjustments
	(Rupees '000')					
Net Interest Income	(274,288)	(607,080)	3,464,176	180,528	100,149	-
Non Funded Income including share of income of associates	473,418	139,389	418,294	995,393	1,064,969	-
Net Interest and non mark-up Income	199,130	(467,691)	3,882,470	1,175,921	1,165,118	-
Total expenses including provisions (excluding Impairment)	248,294	684,872	4,158,465	229,192	208,821	-
Impairment against Investment	(42,632)	-	-	4,975	22,473	-
Total expenses including provisions	205,662	684,872	4,158,465	234,167	231,294	-
Segment Net income/ (loss) before tax	(6,532)	(1,152,563)	(275,995)	941,754	933,824	-
Segment Return on net assets (ROA) (%)	(0.02%)	(5.67%)	(0.44%)	1.22%	-	N/A
Segment Cost of funds (%)	10.04%	6.74%	5.45%	11.52%	-	N/A
	For the Year ended December 31, 2011					
Net Interest Income	(605,465)	(621,777)	3,515,414	(387,463)	193,799	-
Non Funded Income including share of income of associates	374,158	135,492	350,450	839,833	328,229	-
Net Interest and non mark-up Income	(231,307)	(486,285)	3,865,864	452,370	522,028	-
Total expenses including provisions (excluding Impairment)	799,676	886,360	5,405,275	173,981	170,474	-
Impairment against Investment	52,703	-	-	118,721	7,489	-
Total expenses including provisions	852,379	886,360	5,405,275	292,702	177,963	-
Segment Net income/ (loss) before tax	(1,083,686)	(1,372,645)	(1,539,411)	159,668	344,065	-
Segment Return on net assets (ROA) (%)	(1.69%)	(3.84%)	(1.22%)	0.19%	-	N/A
Segment Cost of funds (%)	11.97%	6.76%	6.62%	13.44%	-	N/A
	As at December 31, 2012					
Segment Assets (Gross)	74,436,950	28,055,858	83,903,677	75,683,089	8,862,297	(56,792,830)
Segment Non Performing Loans	16,898,687	12,565,891	3,193,076	-	263,841	-
Segment Provision against advances (including general provisions)	13,819,614	7,839,657	1,421,070	-	213,523	-
Segment Assets (Net)	60,617,336	20,216,201	82,482,607	75,683,089	8,648,774	(56,792,830)
Segment Liabilities	58,188,964	19,568,333	80,760,809	74,638,327	104,467	(56,792,830)
	As at December 31, 2011					
Segment Assets (Gross)	56,637,592	30,116,978	83,809,168	53,507,148	10,400,733	(56,018,910)
Segment Non Performing Loans	18,006,713	12,234,822	3,725,523	-	227,524	-
Segment Provision against advances (including general provisions)	14,965,673	6,876,818	1,589,256	-	195,951	-
Segment Assets (Net)	41,671,919	23,240,160	82,219,912	53,507,148	10,204,782	(56,018,910)
Segment Liabilities	40,802,879	22,740,530	80,501,374	53,091,254	44,214	(56,018,910)

\* The respective segment assets and liabilities incorporate intersegment lending and borrowing, with appropriate transfer pricing. The adjustments column eliminates intersegment lending and borrowing.

**40. RELATED PARTY TRANSACTIONS**

The Group has related party transactions with its holding company (refer note 1), unconsolidated subsidiary, (refer note 11.12), associated undertakings (refer note 11.11), employee benefit plans (refer note 35), and its key management personnel.

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties except for staff loans which are on discounted rates as per industry practice.

The detail of transactions with related parties is given below:

	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(Rupees '000')										
<b>40.1 Balances outstanding as at the year end</b>										
<b>Advances</b>										
At the beginning of the year	-	-	-	-	-	-	136,387	119,711	24,997	29,797
Addition during the year	-	-	-	-	-	-	91,608	58,669	1,069	85,381
Repaid during the year	-	-	-	-	-	-	(72,423)	(41,993)	(4,115)	(90,181)
At the end of the year	-	-	-	-	-	-	155,572	136,387	21,951	24,997
<b>Deposits</b>										
At the beginning of the year	42,653	58,350	-	-	298,751	543,226	42,772	23,898	106,047	308,875
Deposits during the year	904	12	-	-	22,039,707	29,676,785	347,655	274,917	1,219,657	7,558,714
Exchange difference	926	1,042	-	-	-	-	1,893	-	7,910	4,099
Withdrawal during the year	(11,660)	(16,751)	-	-	(21,727,142)	(29,921,260)	(356,593)	(256,043)	(1,262,248)	(7,765,641)
At the end of the year	32,823	42,653	-	-	611,316	298,751	35,727	42,772	71,366	106,047
<b>Investment in shares / mutual funds - cost</b>										
At the beginning of the year	-	-	724	724	3,565,988	4,102,774	-	-	158,886	151,815
Investments made during the year	-	-	-	-	4,942,867	4,439,221	-	-	18,987	145,740
Investments sold during the year	-	-	-	-	(5,222,099)	(4,389,000)	-	-	(158,886)	(138,669)
Equity accounting method adjustments	-	-	-	-	682,701	(587,007)	-	-	-	-
At the end of the year	-	-	724	724	3,969,457	3,565,988	-	-	18,987	158,886
<b>Investment in Term Finance Certificates-cost</b>										
At the end of the year	-	-	-	-	-	-	-	-	1,078,909	1,102,224
<b>Receivables</b>										
At the end of the year	171	626	-	-	29,094	23,677	-	-	-	928
<b>Payables</b>										
At the end of the year	-	-	-	-	-	-	-	-	6,772	354
<b>Brokerage payable</b>										
At the end of the year	-	-	-	-	-	-	-	-	-	49

	Holding company		Unconsolidated subsidiary		Associates		Key management personnel		Other related parties	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<b>Insurance premium payable</b>										
At the end of the year	-	-	-	-	-	4,691	-	-	-	-
<b>40.2 Income / expense for the year</b>										
Mark-up / return / interest earned on advances	-	-	-	-	-	-	5,372	5,676	3,384	2,296
Mark-up / return / interest expensed on deposits	-	-	-	-	56,693	126,254	1,133	659	6,582	85,788
Mark-up / Return / Interest earned on Term Finance Certificates	-	-	-	-	-	-	-	-	153,293	171,638
Dividend income from shares / mutual funds	-	-	-	-	173,839	426,572	-	-	2,885	3,657
Brokerage expense	-	-	-	-	-	-	-	-	-	1,482
Directors remuneration	-	-	-	-	-	-	-	-	8,866	8,952
Directors travelling expense	5,732	2,834	-	-	-	-	-	-	804	127
Insurance premium expense	-	-	-	-	2,138	2,112	-	-	-	-
Remuneration to key management personnel	-	-	-	-	-	-	286,537	171,537	-	-
Contribution to Provident Fund	-	-	-	-	-	-	-	-	91,970	85,285
Mark-up expense on sub-ordinated loans	-	-	-	-	-	-	-	-	-	3,703
Management fee earned	-	-	-	-	274,613	267,660	-	-	-	-

## 41. CAPITAL-ASSESSMENT AND ADEQUACY

### 41.1 Scope of Application

Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk. The current requirement for CAR is 10% as per BSD Circular No. 07 dated April 15, 2009.

### 41.2 Capital Structure

The Group's regulatory capital base comprises of:

- (a) Tier 1 capital which includes share capital, reserves and accumulated losses/unappropriated profit
- (b) Tier 2 capital which consists of subordinated debt (subject to 50% of eligible Tier 1 capital), revaluation reserves (subject to 45% of balance in revaluation reserve) and general provision for loan losses (subject to 1.25% of Risk Weighted Asset)

The issued, subscribed and paid-up capital of the Bank was Rs. 103,028.512 million as at December 31, 2012, comprising of 10,302,851,164 shares of Rs. 10 each.

The subordinated debt amounting to Rs. 3,992.800 million represents unsecured TFCs of the Bank. The amount raised through the issue contributed towards the Bank's Tier II capital for Minimum Capital Requirement as per the guidelines of SBP.

Details of the Group's regulatory capital are as under:

	2012	2011
	(Rupees '000')	
<b>Tier I Capital</b>		
Fully paid-up capital	103,028,512	103,028,512
Minority interest	6,371	9
Share premium	(45,769,623)	(45,769,623)
Statutory and general reserves	225,889	218,276
Accumulated loss	(43,084,238)	(43,333,909)
	<u>14,406,911</u>	<u>14,143,265</u>
Less:		
Intangibles	3,498,116	3,785,754
Deficit on account of revaluation of investments held in AFS category	19,804	479,595
Other deductions (representing 50% of significant associates)	792,177	637,811
<b>Total Tier I Capital</b>	<u>10,096,814</u>	<u>9,240,105</u>
<b>Tier II Capital</b>		
Sub-ordinated debt (up to 50% of total Tier I Capital)	2,395,680	3,195,520
General Provision for loan losses (subject to 1.25% of Total Risk Weighted Assets)	78,923	282,139
Less:		
Other deductions (representing 50% of significant associates)	792,177	637,811
<b>Total Tier II Capital</b>	<u>1,682,426</u>	<u>2,839,848</u>
Total Regulatory Capital Base (a)	<u><u>11,779,240</u></u>	<u><u>12,079,953</u></u>

### 41.3 Capital Adequacy

The purpose of capital management at the Group is to ensure efficient utilization of capital in relation to business requirements, growth, risk appetite, shareholders' returns and expectations.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions, regulatory requirements and the risk profile of its activities. In order to maintain or adjust the capital structure, the Bank may issue capital / Tier II securities.

The Group's capital adequacy ratio as at December 31, 2012 was 12.14% compared to the minimum regulatory requirement of 10%. The Bank ensures adherence to SBP's requirements by monitoring its capital adequacy on a regular basis.

Banking operations are categorized as either Trading book or Banking book, and Risk-Weighted Assets are determined according to SBP requirements that seek to reflect the varying levels of risk attached to Bank's On and Off-balance sheet exposures.

Collateral, if any, is used as an outflow adjustment. Risk weights notified are applied to Net Adjusted Exposure.

Cash and near Cash collateral includes Government of Pakistan Securities, Shares listed on the stock exchanges, Cash and Cash equivalents (deposits / margins, lien on deposits).

The Group has complied with all regulatory capital requirements as at the reporting date.

The capital requirement for the Bank as per the major risk categories is indicated below:

	Capital Requirements		Risk Weighted Assets	
	2012	2011	2012	2011
	(Rupees '000')			
<b>Credit Risk</b>				
Corporate	3,834,507	2,951,635	38,345,072	29,516,351
Sovereign	8,158	3,252	81,580	32,522
Retail	471,456	906,121	4,714,556	9,061,214
Banks	456,004	463,919	4,560,037	4,639,188
Equity Investments	148,173	301,439	1,481,728	3,014,390
Public sector Entities	117,499	23,069	1,174,992	230,685
Past Due Loans	1,035,368	1,140,635	10,353,682	11,406,353
Claims against Residential Mortgage	58,756	58,914	587,560	589,140
Investments in premises, plant and equipment and all other fixed assets	270,591	275,193	2,705,909	2,751,930
Other assets	1,464,793	1,282,182	14,647,928	12,821,825
Off Balance Sheet Market Related Exposures	11,669	82,312	116,686	823,124
	<u>7,876,974</u>	<u>7,488,671</u>	<u>78,769,730</u>	<u>74,886,722</u>
<b>Market Risk</b>				
Interest Rate Risk	874,388	666,044	8,743,878	6,660,436
Equity Position Risk	-	46,848	-	468,481
Foreign Exchange Risk	4,351	4,908	43,511	49,081
	<u>878,739</u>	<u>717,800</u>	<u>8,787,389</u>	<u>7,177,998</u>
<b>Operational Risk</b>	948,203	1,088,282	9,482,034	10,882,821
<b>TOTAL</b>	<u><b>9,703,916</b></u>	<u><b>9,294,753</b></u>	<u><b>97,039,153</b></u>	<u><b>92,947,541</b></u>
	(b)			
<b>Capital Adequacy Ratio</b>			<b>2012</b>	<b>2011</b>
			(Rupees '000')	
Total eligible regulatory capital held			11,779,240	12,079,956
Total Risk Weighted Assets			97,039,153	92,947,541
Capital Adequacy Ratio	(a) / (b)		<u><b>12.14%</b></u>	<u><b>13.00%</b></u>

#### 41.4 Types of Exposures and ECAs used

The Group uses external ratings from either local or foreign rating agencies. The Group has obtained ratings from websites of External Credit Assessment Institutions (ECAIs) and followed the SBP rating grade for mapping.

Exposures	JCR-VIS	PACRA	Fitch	Moody's	Standard & Poor
Corporate	✓	✓	-	-	-
Sovereign	-	-	-	-	-
Retail	-	-	-	-	-
Banks	✓	✓	✓	✓	✓

#### 41.5 Credit exposure subject to Standardized Approach

Exposure	2012			
	(Rupees '000')			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	3,901,132	1,020,450	2,880,682
Corporate	2	2,416,064	-	2,416,064
Corporate	3,4	1,533	-	1,533
Corporate	5,6	723,889	100	723,789
Corporate	Unrated	37,850,227	2,368,187	35,482,040
<b>Retail</b>		7,130,372	844,298	6,286,074
<b>Banks</b>				
- Over 3 Months	1	942,708	-	942,708
- Over 3 Months	2,3	3,384,282	-	3,384,282
- Over 3 Months	4,5	1,494,930	-	1,494,930
- Over 3 Months	Unrated	772,817	-	772,817
- Maturity Upto and under 3 Months in FCY	1,2,3	1,920,835	-	1,920,835
- Maturity Upto and under 3 Months in FCY	4,5	30,597	-	30,597
- Maturity Upto and under 3 Months in FCY	6	2,518	-	2,518
- Maturity Upto and under 3 Months in FCY	Unrated	987,757	-	987,757
- Maturity Upto and under 3 Months in PKR	1	1,842,447	856,337	986,110
<b>Public Sector Entities</b>	1	2,709,251	-	2,709,251
	Unrated	1,273,714	7,430	1,266,284
<b>Sovereigns</b>		28,177,011	16,395,860	11,781,151
<b>Unrated</b>		32,547,910	-	32,547,910
<b>Total</b>		<u>128,109,994</u>	<u>21,492,662</u>	<u>106,617,332</u>

## 42. RISK MANAGEMENT

The risk management framework of NIB is approved by the Board of Directors (“BOD”) and implemented by the senior management. The Bank’s risk management policies are established to identify and analyze the risks faced by the Bank, to set standard and appropriate risk limits and controls to ensure quality of portfolio and credit process. Risk management policies are reviewed annually to reflect changes in economic environment, market conditions and products offerings. The BOD sets forth the vision and strategy of NIB and has entrusted the monitoring to the Board’s Risk Management Committee (“BRMC”), which is an oversight committee and meets at least quarterly. Findings of the BRMC are escalated to the BOD. Terms and references of BRMC are documented and duly approved by the BOD and broadly includes oversight responsibility at the highest level under the Risk Management Governance Framework.

The BRMC has three sub-committees, namely the Asset Liability Committee (“ALCO”), the Credit Risk Committee (“CRC”) and the Operational Risk Committee (“ORC”), to identify, manage and monitor risks.

### **Asset Liability Committee (“ALCO”)**

The ALCO functions as the top operational unit for managing the balance sheet within the performance/risk parameters laid down by the BOD. Its objective is to derive the most appropriate strategy for the Bank in terms of mix of assets & liabilities given future expectations and potential consequence of interest rate movements, liability constraints, and foreign currency exchange exposure and capital adequacy.

### **Credit Risk Committee (“CRC”)**

In our normal business activities there is a need to manage effectively potential credit risk. To address this risk, Credit Risk Committee (CRC) is established under the leadership of the Chief Risk Officer (CRO) of the Bank and membership comprises the President and Senior Management of the Bank. The main objective of the CRC is to ensure effective and proactive management of Credit Risk throughout the Bank in accordance with the Risk Management Framework and related Risk Policies and Procedures. Terms and references of the CRC, which meets on a bi-monthly basis, broadly include the following:

To ensure that all relevant risk policies of the Bank are developed, implemented and are not in conflict with any of the applicable laws and regulations.

To oversee implementation of risk policies and procedures relevant to all business units through review of standard MIS decks.

To ensure that all activities are in compliance with the Prudential Regulations and also with the policies and controls established by the relevant units of the Bank through periodic review of business issues highlighted in internal / external audit reports and SBP Inspection Report.

To review stress testing on portfolio considering the major factors like interest rate sensitivity, inflation, Rupee devaluation, fluctuation in oil prices and/or global meltdown etc.

To review the credit portfolio, primarily through Key Risk Indicators, and to assess:

- quality of the portfolio;
- recovery of remedial accounts;
- variance analysis of actual with plan and forecasts
- portfolio exceptions

To advise business where activities are not aligned with control requirements or risk appetite and to recommend Risk Policies.

### **Operational Risk Committee (“ORC”)**

In our normal business activities there is a need to effectively manage potential risk arising out of banking operation of the Bank. To address this risk, Operational Risk Committee (ORC) is established under the leadership of the President of the Bank and membership comprises the CRO and Senior Management of the Bank. The main objective of the ORC is to ensure effective and proactive management of Operational Risk throughout the Bank in accordance with the Risk Management Framework and related Risk Policies and Procedures. Terms and references of the ORC, which meets on a monthly basis, broadly include the following:



To ensure operational risk identification and measurement is objective and covers all activities/products/processes of the Bank, and compliant with the Banks standards and applicable regulations, and that risk control and risk origination decisions are properly informed.

To develop, maintain and review a consolidated MIS of key operational risks in the Bank in the form of Risk & Control Assessment Matrix.

To monitor all material Operational Risk exposures and key external trends, through KRIs and appropriate management action as per defined thresholds, in accordance with Operational Risk policies and procedures.

To review Ops Loss Data (OLD) and take proactive measures to reduce Operational Losses.

To direct appropriate action in response to material events, risk issues or themes that come to the Committee's attention.

To ensure any areas of potential overlap with another entity or Risk Control Area, Business or Function are notified to the affected entity Risk Control Owner, Business or Function Head.

### **Risk Management Organization at the Group**

The Chief Risk Officer ("CRO") is responsible for enterprise wide risk management and implementation of the overall risk management framework of NIB. In this respect, the CRO has to ensure that the risk organization structure of NIB is equipped with the best people, policies and processes, which enable it to perform efficiently and effectively.

The CRO is supported by a Chief Operating Officer for Risk responsible for Risk Policies & Procedures, Portfolio Risk and Country Risk Assessment, and three Risk Heads, responsible for Corporate, SME and Consumer Finance businesses respectively and they are responsible for ensuring the implementation of NIB's risk framework, Bank's policies, and Central Bank regulations in their respective domains.

#### **42.1 Credit Risk**

Credit risk is the risk that a counterparty or customer will be unable to pay amounts in full when due. NIB's main credit exposure arises from the risk of failure by a client or counterparty to meet its contractual obligations. The risks are inherent in loans and bills receivable from non-bank customers, commitments to lend, repurchase agreements, securities borrowing and lending transactions, and contingent liabilities. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. Clean risk at liquidation or settlement risk occurs when items of agreed upon original equal value are not simultaneously exchanged between counterparties and/or when items are released without knowledge that counter-value items have been received by the Bank. Typically the duration is intra-day, overnight/over weekend, or in some situations even longer. The risk is that we deliver but do not receive delivery. In this situation 100% of the principal amount is at risk. The risk may be larger than 100% if in addition there was an adverse price fluctuation between the contract price and the market price. Cross-border risk is the risk that we will be unable to obtain payment from our customers or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency. Cross-border assets comprise loans and advances, interest-bearing deposits with other banks, trade and other bills, acceptances, amounts receivable under finance leases, certificates of deposit and other negotiable paper, and formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency. NIB has established limits for cross-border exposure and manages exposures within these limits.

NIB has established an appropriate credit risk environment which is operating under a sound credit-granting process; maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposures.

There is a proper credit delegation matrix for review and approving credit applications. Businesses have no credit approving authority. All credit approvals are accorded by the Credit Officers/Senior Credit Officers in the Risk Management. The Bank Corporate Credit Risk Management also approves exposure to Financial Institutions and a separate dedicated FI unit, is housed under Corporate & Investment Banking Group (IBG) for this purpose.

There is a proper credit delegation matrix for review and approving credit applications. Businesses have no credit approving authority. All credit approvals are accorded by the Credit Officers/ Senior Credit Officers in the Risk Management Group.

The concept of “three initial system” is very much in existence in NIB. Based upon regional considerations and availability of Credit Talent, any initiating unit has to have formal recommendation by the Relationship Manager, his/her Team Leader and Regional Head/Corporate Banking Head/The Bank Head. The essence here is that the credit proposal must not be left to the sole judgment of one person – rather, the application of minds must be diverse and independent of each other.

Further, in order to measure credit risk, an indigenously developed rating system is followed. This rating system is being continuously fine tuned to address regulatory and global benchmarks.

The Bank manages credit risk through:

- Accurate and detailed information about the borrower, cash flows, production, service and operation of the company;
- Insights into the major factors influencing customer attrition and product cancellation;
- Credit and collections treated as a highly people-intensive business; and
- Establishment of acceptable risk levels.

*NIB manages credit risk through:*

Post-disbursement maintenance of accounts through Credit Administration Department (“CAD”) reporting into a Country CAD Head. The Country CAD Head has direct reporting line to the CRO;

Submission of regulatory returns pertaining to reporting of NIB’s portfolio.

#### **Impaired financial assets**

Impaired financial assets including loans and debt instruments are those which NIB determines that it is probable that it will not be able to collect all principal and interest due according to the contractual terms of the agreement(s) underlying the financial assets. Financial assets carried at fair value through profit or losses are not assessed for impairment since the measure of fair value reflects their credit qualities. For the monitoring of the credit quality of the financial assets not carried at fair value through profit or loss, NIB follows the guidelines issued by the State Bank of Pakistan. Credit quality is determined based on three pillars: namely business prospect, financial performance and repayment capacity.

#### **Write offs**

NIB’s Write off Policy is laid out in line with the SBP rules. All credit write offs are approved under the approved delegation matrix. Writing off a loan in no way implies that the Bank has given up its claim on a borrower and does not impact the Bank’s ability to legally collect written off credits from the customer(s).

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42.1.1 Segmental Information

42.1.1.1 Segments by class of business

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Agriculture, Forestry, Hunting and Fishing	54,142	0.06	2,790,677	3.06	30,571	0.04
Automobile and Transportation Equipment	910,832	0.96	546,754	0.60	129,725	0.17
Cement, Glass and Ceramics	3,057,434	3.22	538,569	0.59	893,776	1.15
Chemicals and Pharmaceuticals	1,506,740	1.59	881,335	0.97	1,906,638	2.45
Construction	757,924	0.80	3,687,540	4.05	1,088,622	1.40
Electronics and Electrical Appliances	1,365,809	1.44	852,754	0.94	763,061	0.98
Engineering	797,607	0.84	621,864	0.68	921,705	1.19
Exports / Imports	2,591,352	2.73	1,187,871	1.30	1,843,071	2.37
Financial	1,050,732	1.11	4,186,315	4.60	44,452,505	57.17
Food and Beverages	18,874,877	19.89	745,543	0.82	5,155,637	6.63
Footwear and Leather Garments	897,252	0.95	279,624	0.31	27,650	0.04
Individuals	4,423,539	4.66	41,632,996	45.70	340,521	0.44
Insurance	-	-	158,118	0.17	-	-
Mining and Quarrying	1,035,569	1.09	300,144	0.33	123,628	0.16
Non Profit Organizations / Trusts	79,900	0.08	3,044,793	3.34	1,900	0.00
Oil and Gas	2,663,594	2.81	4,995,589	5.48	5,401,346	6.95
Paper and Printing	958,074	1.01	679,112	0.75	283,049	0.36
Power, Gas, Water, Sanitary	7,211,662	7.60	1,096,925	1.20	4,298,191	5.53
Services	2,377,779	2.51	3,893,436	4.27	261,695	0.34
Sugar	1,345,875	1.42	108,083	0.12	1,000	0.00
Textile	28,065,192	29.58	1,912,933	2.10	3,075,303	3.96
Transport, Storage and Communication	2,269,012	2.39	3,517,054	3.86	3,274,204	4.21
Wholesale and Retail Trade	5,916,173	6.24	5,926,041	6.51	417,594	0.54
Others	6,668,690	7.02	7,510,377	8.24	3,063,532	3.92
	<u>94,879,760</u>	<u>100.00</u>	<u>91,094,447</u>	<u>100.00</u>	<u>77,754,924</u>	<u>100.00</u>
	2011					
Agriculture, Forestry, Hunting and Fishing	1,412,649	1.67	522,373	0.61	-	-
Automobile and Transportation Equipment	1,071,826	1.27	303,484	0.36	509,041	0.36
Cement, Glass and Ceramics	3,681,480	4.36	314,589	0.37	623,896	0.44
Chemicals and Pharmaceuticals	1,549,328	1.83	1,132,720	1.33	1,422,465	1.00
Construction	747,419	0.88	1,356,196	1.59	1,133,506	0.79
Electronics and Electrical Appliances	1,423,754	1.69	378,021	0.43	183,186	0.13
Engineering	803,083	0.95	358,519	0.42	907,756	0.64
Exports / Imports	2,601,689	3.08	1,242,681	1.45	7,632,261	5.34
Financial	339,481	0.40	1,219,177	1.43	116,443,027	81.49
Food and Beverages	9,281,750	10.99	905,194	1.06	1,095,774	0.77
Footwear and Leather Garments	969,835	1.15	161,793	0.19	16,037	0.01
Individuals	5,242,744	6.21	50,230,839	58.77	350,774	0.25
Insurance	-	-	181,272	0.20	200	0.00
Mining and Quarrying	201,117	0.24	512,451	0.60	97,239	0.07
Non Profit Organizations / Trusts	150,109	0.18	2,970,314	3.48	20,495	0.01
Oil and Gas	356,729	0.42	4,897,690	5.73	3,038	0.00
Paper and Printing	1,667,620	1.97	398,860	0.47	591,285	0.41
Power, Gas, Water, Sanitary	3,317,982	3.93	2,923,427	3.42	677,548	0.47
Services	3,170,753	3.75	2,885,736	3.38	294,068	0.21
Sugar	1,751,338	2.07	15,968	0.02	22,239	0.02
Textile	29,112,151	34.46	1,432,811	1.68	6,420,856	4.49
Transport, Storage and Communication	2,299,449	2.72	2,894,337	3.39	1,436,027	1.00
Wholesale and Retail Trade	6,928,934	8.20	3,563,664	4.17	1,300,123	0.90
Others	6,407,991	7.58	4,670,131	5.45	1,709,111	1.20
	<u>84,489,211</u>	<u>100.00</u>	<u>85,472,247</u>	<u>100.00</u>	<u>142,889,952</u>	<u>100.00</u>

#### 42.1.1.2 Segment by sector

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees '000')	Percent	(Rupees '000')	Percent	(Rupees '000')	Percent
Public / Government	18,195,973	19.18	9,495,310	10.40	10,882,803	14.00
Private	76,683,787	80.82	81,599,137	89.60	66,872,121	86.00
	<u>94,879,760</u>	<u>100.00</u>	<u>91,094,447</u>	<u>100.00</u>	<u>77,754,924</u>	<u>100.00</u>
	2011					
Public / Government	6,578,083	7.79	9,414,316	11.01	2,911	0.00
Private	77,911,128	92.21	76,057,931	88.99	142,887,041	100.00
	<u>84,489,211</u>	<u>100.00</u>	<u>85,472,247</u>	<u>100.00</u>	<u>142,889,952</u>	<u>100.00</u>

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

	2012		2011	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees '000')			
Agriculture, Forestry, Hunting and Fishing	22,993	22,993	22,993	15,113
Automobile and Transportation Equipment	565,875	516,742	588,843	515,344
Cement, Glass and Ceramics	1,183,345	822,759	1,277,320	1,081,681
Chemicals and Pharmaceuticals	681,926	327,295	519,527	332,600
Construction	471,019	149,208	482,431	103,144
Electronics and Electrical Appliances	583,200	373,747	703,056	432,233
Engineering	432,748	302,688	424,258	233,381
Financial	129,168	92,628	129,982	96,802
Food and Beverages	1,087,681	652,098	1,217,777	719,393
Footwear and Leather Garments	411,242	337,694	418,458	305,942
Individuals	847,120	357,237	566,960	313,897
Mining and Quarrying	7,477	1,469	33,602	2,117
Oil and Gas	342,487	320,695	327,474	299,634
Paper and Printing	482,753	296,022	561,452	387,008
Power, Gas, Water, Sanitary	397,891	394,076	664,656	459,239
Services	1,469,435	792,777	1,907,961	801,684
Sugar	389,173	202,065	772,799	626,387
Textile	13,973,545	11,200,147	14,675,438	11,761,058
Transport, Storage and Communication	926,055	664,986	888,606	665,971
Wholesale and Retail Trade	3,489,701	2,065,904	3,887,070	1,824,453
Others	5,026,661	3,321,711	4,123,919	2,368,478
	<u>32,921,495</u>	<u>23,214,941</u>	<u>34,194,582</u>	<u>23,345,559</u>

#### 42.1.1.4 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	32,921,495	23,214,941	34,194,582	23,345,559
	<u>32,921,495</u>	<u>23,214,941</u>	<u>34,194,582</u>	<u>23,345,559</u>

42.1.1.5 Geographical Segment Analysis	2012			
	Profit / (loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees '000')			
Pakistan	440,488	190,855,177	14,387,107	77,754,924
	2011			
Pakistan	(3,492,009)	154,825,011	13,663,670	142,889,952

## 42.2 Market Risk

Market risk refers to the potential loss that an entity may be exposed to due to market volatility. It is important for the Bank to put in place an effective market risk management framework to manage its market risk exposures. Market risk arises from all positions in financial instruments held by the bank (Either in Trading or Banking book) which exposes the Bank to market risk factors namely interest rates, foreign exchange ("FX") rates and equity prices.

The Bank has adopted a market risk management structure that commensurate with its size and the nature of its business activities and facilitates effective management oversight and execution of market risk management and control processes.

Currently bank's risk appetite for market risk is a combination of notional and sensitivity based limits. Following are the regulatory and internal guidelines monitored by Market & Liquidity Risk Unit (MLRU):

- Foreign Exchange Exposure Limit
- Equity Exposure Limit
- Statutory Liquidity & Cash Reserve Requirement
- FX Tenor mismatch
- Dealer Limits
- DV01

NIB also applies a Value-at-Risk (VaR) methodology on test basis to assess the market risk positions held. Currently the Bank is using historical simulation model for calculating VaR numbers for FX and ALM book.

### Interest rate risk

The principal risk to which NIB's portfolios are exposed is the risk of losses from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is measured through DV01 and interest rate sensitivity analysis.

#### 42.2.1 Foreign Exchange Risk

NIB has set the following objectives for managing the inherent risk on foreign currency exposures:

Maximize profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory/international standards and the Bank's internal guidelines, which are being adopted from regulator and followed vigorously;

Manage appropriate forward mismatch gaps;

Usage of different tools to manage the inherent risk of product and market, such as compliance of credit limit, monitoring of foreign exchange exposure limit, review of marked to market portfolio etc.

NIB takes steps to ensure that foreign currency exposures adhere to regulatory or international standards and NIB's internal guidelines. NIB uses tools such as Foreign Exchange Exposure Limit (FEEL), and FX tenor gaps to monitor FX risk.

2012				
Assets	Liabilities	Off balance sheet items	Net foreign currency exposure	
(Rupees '000')				
Pakistan Rupee	183,923,221	170,466,289	955,296	14,412,228
United States Dollar	5,955,067	4,510,454	(1,485,512)	(40,899)
Great Britain Pound	287,206	838,101	550,358	(537)
Euro	639,804	636,271	6,850	10,383
Japanese Yen	26,560	5	(25,274)	1,281
Swiss Franc	3,597	874	-	2,723
Others	19,722	16,076	(1,718)	1,928
	190,855,177	176,468,070	-	14,387,107
	190,855,177	176,468,070	-	14,387,107

  

2011				
Assets	Liabilities	Off balance sheet items	Net foreign currency exposure	
(Rupees '000')				
Pakistan Rupee	147,276,666	135,953,080	1,927,274	13,250,860
United States Dollar	6,944,197	3,820,292	(2,750,296)	373,609
Great Britain Pound	153,964	833,552	679,752	164
Euro	417,779	543,650	143,270	17,399
Japanese Yen	12,560	22	-	12,538
Swiss Franc	1,865	787	-	1,078
Others	17,980	9,958	-	8,022
	154,825,011	141,161,341	-	13,663,670
	154,825,011	141,161,341	-	13,663,670

#### 42.2.2 Equity price risk and Fixed Income rate risk

Equity price risk is the risk to earnings or capital that results from adverse changes in the value of equity related portfolios of the Group. Price risk associated with equities could be systematic and unsystematic.

The Group conducts stress testing analysis over the equity portfolio, by anticipating changes/shocks of -30%, -40% and -50% on the current price of shares within a portfolio, thereby monitoring the effects of the predicted changes in the structure of shares portfolio on the Capital Adequacy Ratio ("CAR"). Further, NIB reviews new products to ensure that market risk aspects are properly quantified and mitigated.

#### 42.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

2012

Effective Yield / Interest rate	Exposed to Yield / Interest rate risk										Not Exposed to Yield / Interest rate 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	Over 10 Years		
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
-	7,672,866	-	-	-	-	-	-	-	-	-	-	7,672,866
0.07%	956,809	857,234	-	-	-	-	-	-	-	-	-	99,575
11.30%	3,440,910	3,440,910	-	-	-	-	-	-	-	-	-	-
10.31%	83,802,727	7,020,101	17,495,803	8,631,305	31,446,547	3,409,098	307,004	8,083,063	2,997,934	-	-	4,411,872
10.96%	71,585,896	13,663,123	43,447,189	9,089,453	690,138	1,156,412	1,064,112	745,194	1,038,857	691,418	-	-
14.62%	3,307,153	-	941,176	-	-	-	-	-	-	-	-	2,365,977
	170,766,361	24,981,368	61,884,168	17,720,758	32,136,685	4,565,510	1,371,116	8,828,257	4,036,791	691,418	-	14,550,290
<b>Liabilities</b>												
-	2,430,030	-	-	-	-	-	-	-	-	-	-	2,430,030
10.39%	76,179,065	63,741,399	6,681,670	4,653,753	939,957	-	-	-	-	-	-	162,286
6.02%	91,094,447	15,658,883	8,326,885	33,040,582	5,225,060	19,837	13,225	22,397	-	-	-	28,787,578
12.85%	3,992,800	-	3,992,800	-	-	-	-	-	-	-	-	-
-	1,918,479	-	-	-	-	-	-	-	-	-	-	1,918,479
	175,614,821	79,400,282	19,001,355	37,694,335	6,165,017	19,837	13,225	22,397	-	-	-	33,298,373
<b>On-balance sheet gap</b>	<b>(4,848,460)</b>	<b>(54,418,914)</b>	<b>42,882,813</b>	<b>(19,973,577)</b>	<b>25,971,668</b>	<b>4,545,673</b>	<b>1,357,891</b>	<b>8,805,860</b>	<b>4,036,791</b>	<b>691,418</b>	<b>(18,748,083)</b>	
Non Financial Net Assets												
9,538,647												
Total Net Assets												
14,387,107												
<b>Off-balance sheet financial instruments</b>												
	17,670,541	9,979,092	6,568,119	973,935	149,395	-	-	-	-	-	-	-
	18,716,569	11,884,098	3,099,431	3,733,040	-	-	-	-	-	-	-	-
	(1,046,028)	(1,905,006)	3,468,688	(2,759,105)	149,395	-	-	-	-	-	-	-
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(56,323,920)</b>	<b>46,351,501</b>	<b>(22,732,682)</b>	<b>26,121,063</b>	<b>4,545,673</b>	<b>1,357,891</b>	<b>8,805,860</b>	<b>4,036,791</b>	<b>691,418</b>	<b>(18,748,083)</b>		
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>	<b>(56,323,920)</b>	<b>(9,972,419)</b>	<b>(32,705,101)</b>	<b>(6,584,038)</b>	<b>(2,038,365)</b>	<b>(680,474)</b>	<b>8,125,386</b>	<b>12,162,177</b>	<b>12,853,595</b>	<b>(5,894,488)</b>		



# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



2011

Effective Yield / Interest rate	Exposed to Yield / Interest rate risk										Not Exposed to Yield / Interest rate 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	Over 10 Years		
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
-	7,969,044	-	-	-	-	-	-	-	-	-	-	7,969,044
0.03%	1,486,560	633,084	-	-	-	-	-	-	-	-	-	853,476
12.99%	14,666,918	14,666,918	-	-	-	-	-	-	-	-	-	-
10.82%	47,786,041	752,974	12,809	2,900,451	27,476,993	5,787,308	2,997,890	2,424,316	1,001,623	-	-	4,431,677
11.73%	60,861,513	9,814,266	35,122,399	5,099,365	1,406,197	2,798,537	2,420,189	2,437,230	1,088,540	-	-	-
14.60%	2,826,196	-	98,856	-	-	-	-	-	-	-	-	2,727,340
	135,596,272	25,867,242	35,234,064	7,999,816	28,883,190	8,585,845	5,418,079	4,861,546	2,090,163	674,790	-	15,981,537
<b>Liabilities</b>												
-	1,738,422	-	-	-	-	-	-	-	-	-	-	1,738,422
11.58%	47,382,031	37,762,762	4,720,052	3,130,867	-	52,996	480,371	822,527	412,436	-	-	-
7.54%	85,472,247	12,367,279	35,355,725	4,695,641	6,838,057	189,706	27,486	14,295	115	-	-	25,983,943
14.63%	3,994,400	-	3,994,400	-	-	-	-	-	-	-	-	-
-	2,414,227	-	-	-	-	-	-	-	-	-	-	2,414,227
	141,001,327	50,130,061	44,070,177	7,826,508	6,838,057	242,702	507,857	836,822	412,551	-	-	30,136,592
	(5,405,055)	(24,262,819)	(8,836,113)	173,308	22,045,133	8,343,143	4,910,222	4,024,724	1,677,612	674,790	-	(14,155,055)
	19,068,725	-	-	-	-	-	-	-	-	-	-	-
	13,663,670	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>												
	56,859,837	15,399,112	23,141,924	17,755,251	563,550	-	-	-	-	-	-	-
	58,787,111	19,683,105	15,321,080	23,782,926	-	-	-	-	-	-	-	-
	(1,927,274)	(4,283,993)	7,820,844	(6,027,675)	563,550	-	-	-	-	-	-	-
	(28,546,812)	(1,015,269)	(5,854,367)	(22,608,683)	8,343,143	4,910,222	4,024,724	1,677,612	674,790	-	-	(14,155,055)
	(28,546,812)	(29,562,081)	(85,416,448)	(12,807,765)	(4,464,622)	445,600	4,470,324	6,147,936	6,822,726	-	-	(7,332,329)

### 42.3 Liquidity Risk

Liquidity risk is defined as the risk that a Bank, either does not have enough financial resources to meet its obligation and commitments as they fall due or can secure funds at an excessive cost; even when the Bank is solvent. Liquidity risk is due to the difference between the Bank's assets and liabilities generally known as mismatches. Liquidity management is important as the ultimate cost of a lack of liquidity is being out of business.

The liquidity risk policy is formulated keeping in view of the SBP's guidelines on risk management, Basel standards and best practices. The Group maintains its liquidity by keeping a level of liquid assets in such amount which is considered sufficient to anticipate payment of customers' deposits.



The Group manages its liquidity risk through:

- Controlling the cash flow mismatch between on and off balance sheet assets and liabilities;
- 5-Day stress testing on bank's balance sheet carried out on daily basis assuming deposit run offs
- Maintaining stable and diversified sources of funding;
- Ensuring the Bank has the right asset portfolio mix and sufficient liquid assets on hand in relation to its daily cash flows;
- Certain periodic reports such as tenor maturity gaps and maximum cash outflows (MCO); and
- Stress testing on portfolio as required by local regulator

**42.3.1 Maturities of Assets and Liabilities - Based on contractual maturity of the Assets and Liabilities of the Group**  
2012

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
(Rupees '000')										
<b>Assets</b>										
Cash and balances with treasury banks	7,672,866	7,672,866	-	-	-	-	-	-	-	-
Balances with other banks	956,809	952,675	-	-	4,134	-	-	-	-	-
Lendings to financial institutions	3,440,910	3,440,910	-	-	-	-	-	-	-	-
Investments	83,802,727	9,343,878	7,933,388	6,786,584	31,740,465	3,495,579	10,548,007	8,632,732	3,669,150	1,652,944
Advances	71,585,896	45,082,370	6,851,112	7,512,110	1,205,749	2,781,094	2,906,018	3,109,647	1,419,595	718,201
Operating fixed assets	2,754,051	26,522	65,090	74,836	145,481	263,863	162,087	195,893	294,621	1,525,658
Intangible assets	3,449,976	27,502	55,004	82,507	164,951	317,375	293,445	571,018	211,448	1,726,726
Deferred tax assets	10,766,279	34,264	65,458	171,342	360,910	1,427,204	1,861,515	4,890,527	1,955,059	-
Other assets	6,425,663	283,123	3,195,211	124,499	1,502,614	1,235,545	73,460	11,211	-	-
	190,855,177	66,864,110	18,165,263	14,751,878	35,124,304	9,520,660	15,844,532	17,411,028	7,549,873	5,623,529
<b>Liabilities</b>										
Bills payable	2,430,030	2,430,030	-	-	-	-	-	-	-	-
Borrowings	76,179,065	63,741,397	6,681,670	4,653,754	81,605	276,978	483,462	6,489	253,710	-
Deposits and other accounts	91,094,447	73,415,851	8,326,885	4,071,192	5,225,060	19,837	13,225	22,397	-	-
Sub-ordinated loans	3,992,800	-	800	-	665,336	1,330,672	1,330,664	665,328	-	-
Other liabilities	2,771,728	1,165,574	871,474	249,320	382,601	24,343	-	-	78,416	-
	176,468,070	140,752,852	15,880,829	8,974,266	6,354,602	1,651,830	1,827,351	694,214	332,126	-
<b>Net assets</b>	14,387,107	(73,888,742)	2,284,434	5,777,612	28,769,702	7,868,830	14,017,181	16,716,814	7,217,747	5,623,529
Share capital	103,028,512									
Reserves	225,889									
Discount on issue of shares	(45,769,623)									
Accumulated loss	(43,084,238)									
Total equity attributable to the equity holders of the Bank	14,400,540									
Non-controlling interest	6,371									
Deficit on revaluation of assets-net	(19,804)									
	14,387,107									

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



2011

	(Rupees '000')								
	Over 1 to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
<b>Assets</b>									
Cash and balances with treasury banks	7,969,044	-	-	-	-	-	-	-	-
Balances with other banks	1,486,560	-	-	-	-	-	-	-	-
Lendings to financial institutions	14,666,918	-	-	-	-	-	-	-	-
Investments	47,786,041	693,586	852,374	27,585,819	5,974,198	3,080,127	3,399,644	2,315,463	2,399,506
Advances	60,861,513	9,372,938	5,099,365	1,406,196	2,798,537	2,420,189	2,437,230	1,076,871	686,459
Operating fixed assets	2,722,863	198,486	60,939	106,821	175,348	144,920	189,145	270,688	1,555,163
Intangible assets	3,785,755	82,461	123,690	226,902	326,953	315,316	575,072	493,495	1,600,626
Deferred tax assets	10,958,166	(64,576)	(16,418)	183,536	915,391	1,526,863	3,552,319	4,918,972	-
Other assets	4,588,151	2,202,507	85,299	1,311,619	772,413	28,011	48,555	824	-
	154,825,011	12,485,402	6,205,249	30,820,893	10,962,840	7,515,426	10,201,965	9,076,313	6,241,754
<b>Liabilities</b>									
Bills payable	1,738,422	-	-	-	-	-	-	-	-
Borrowings	47,382,031	4,720,052	3,130,866	-	52,996	480,371	822,527	412,436	-
Deposits and other accounts	85,472,247	8,780,900	4,695,641	6,838,057	189,706	27,486	14,295	115	-
Sub-ordinated loans	3,994,400	800	-	800	666,136	1,330,672	1,995,992	-	-
Other liabilities	2,574,241	931,975	206,400	253,873	35,335	2,370	-	77,279	-
	141,161,341	14,433,727	8,032,907	7,092,730	944,173	1,840,899	2,832,814	489,830	-
<b>Net assets</b>	13,663,670	(1,948,325)	(1,827,658)	23,728,163	10,018,667	5,674,527	7,369,151	8,586,483	6,241,754
Share capital	103,028,512								
Reserves	218,276								
Discount on issue of shares	(45,769,623)								
Accumulated loss	(43,333,909)								
Total equity attributable to the equity holders of the Bank	14,143,256								
Non-controlling interest	9								
Deficit on revaluation of assets-net	(479,595)								
	13,663,670								

The above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity upto one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a period of one month to three years.

# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



## 42.3.2 Maturities of Assets and Liabilities - Based on historical pattern of the Assets and Liabilities of the Group

2012

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
----- (Rupees '000') -----										
<b>Assets</b>										
Cash and balances with treasury banks	7,672,866	7,672,866	-	-	-	-	-	-	-	-
Balances with other banks	956,809	952,675	-	-	4,134	-	-	-	-	-
Lending to financial institutions	3,440,910	3,440,910	-	-	-	-	-	-	-	-
Investments	83,802,727	9,343,878	7,933,388	6,786,584	31,740,465	3,495,579	10,548,007	8,632,732	3,669,150	1,652,944
Advances	71,585,896	16,402,097	12,065,707	15,334,003	16,849,534	2,781,094	2,906,018	3,109,647	1,419,595	718,201
Operating fixed assets	2,754,051	26,522	65,090	74,836	145,481	263,863	162,087	195,893	294,621	1,525,658
Intangible assets	3,449,976	27,502	55,004	82,507	164,951	317,375	293,445	571,018	211,448	1,726,726
Deferred tax assets	10,766,279	34,264	65,458	171,342	360,910	1,427,204	1,861,515	4,890,527	1,955,059	-
Other assets	6,425,663	283,123	3,195,211	124,499	1,502,614	1,235,545	73,460	11,211	-	-
	190,855,177	38,183,837	23,379,858	22,573,771	50,768,089	9,520,660	15,844,532	17,411,028	7,549,873	5,623,529
<b>Liabilities</b>										
Bills payable	2,430,030	2,430,030	-	-	-	-	-	-	-	-
Borrowings	76,179,065	63,741,397	6,681,670	4,653,754	81,605	276,978	483,462	6,489	253,710	-
Deposits and other accounts	91,094,447	8,877,729	11,872,222	9,389,196	15,861,088	4,523,714	4,517,102	9,030,152	27,023,264	-
Sub-ordinated loans	3,992,800	-	800	-	665,336	1,330,672	1,330,664	665,328	-	-
Other liabilities	2,771,728	1,165,574	871,474	249,320	382,601	24,343	-	-	78,416	-
	176,468,070	76,214,730	19,426,166	14,292,270	16,990,610	6,155,707	6,331,228	9,701,969	27,355,390	-
<b>Net assets</b>	14,387,107	(38,030,893)	3,953,692	8,281,501	33,777,479	3,364,953	9,513,304	7,709,059	(19,805,517)	5,623,529
Share capital	103,028,512									
Reserves	225,889									
Discount on issue of shares	(45,769,623)									
Accumulated loss	(43,084,238)									
Total equity attributable to the equity holders of the Bank	14,400,540									
Non-controlling interest	6,371									
Deficit on revaluation of assets - net	14,406,911									
	(19,804)									
	14,387,107									

Non-contractual assets and liabilities have been profiled by using Core/Non-core Balance Methodology. Core balances are defined as those who are expected to remain in our books for a longer period and thus placed in longer time buckets. Whereas, non-core balances are considered volatile and expected to attrite from our books in the short run.

In order to work out non-core balances, volatility is calculated using standard deviation and scaled for computing respective tenor volatility. Non-core balances for deposits are further placed in time buckets from 1-month till 1 year and core balances are equally proportioned from 2-year till the furthest available time bucket. Similarly, non-core balances for Running Finance are placed in 1-month bucket and core balances are equally distributed in buckets 2-months till 1-year.

# Notes to the Consolidated Financial Statements For the year ended December 31, 2012



2011

(Rupees '000')

	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	Over 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	7,969,044	-	-	-	-	-	-	-	-	-
Balances with other banks	1,486,560	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	14,666,918	-	-	-	-	-	-	-	-	-
Investments	47,786,041	1,485,324	693,586	852,374	27,585,819	5,974,198	3,080,127	3,399,644	2,315,463	2,399,506
Advances	60,861,513	11,900,866	9,917,149	5,533,499	24,090,713	2,798,537	2,420,189	2,437,230	1,076,871	686,459
Operating fixed assets	2,722,863	21,353	198,486	60,939	106,821	175,348	144,920	189,145	270,688	1,555,163
Intangible assets	3,785,755	41,240	82,461	123,690	226,902	326,953	315,316	575,072	493,495	1,600,626
Deferred tax assets	10,958,166	(57,921)	(64,576)	(16,418)	183,536	915,391	1,526,863	3,552,319	4,918,972	-
Other assets	4,588,151	138,923	2,202,507	85,299	1,311,619	772,413	28,011	48,555	824	-
	154,825,011	37,652,307	13,029,613	6,639,383	53,505,410	10,962,840	7,515,426	10,201,965	9,076,313	6,241,754
<b>Liabilities</b>										
Bills payable	1,738,422	1,738,422	-	-	-	-	-	-	-	-
Borrowings	47,382,031	37,762,783	4,720,062	3,130,866	-	52,996	480,371	822,527	412,436	-
Deposits and other accounts	85,472,247	22,330,290	11,059,569	16,407,362	11,601,627	4,950,229	4,791,056	4,782,219	4,772,392	4,777,503
Sub-ordinated loans	3,994,400	-	800	-	800	666,136	1,330,672	1,995,992	-	-
Other liabilities	2,574,241	1,067,009	931,975	206,400	253,873	35,335	2,370	-	77,279	-
	141,161,341	62,898,504	16,712,396	19,744,628	11,856,300	5,704,696	6,604,469	7,600,738	5,262,107	4,777,503
<b>Net assets</b>	13,663,670	(25,246,197)	(3,682,783)	(13,105,245)	41,649,110	5,258,144	910,957	2,601,227	3,814,206	1,464,251
Share capital	103,028,512									
Reserves	218,276									
Discount on issue of shares	(45,769,623)									
Accumulated loss	(43,333,909)									
Total equity attributable to the equity holders of the bank	14,143,256									
Advance against proposed rights issue	9									
	14,143,265									
Deficit on revaluation of assets - net	(479,595)									
	13,663,670									

The above maturity profile has been prepared in accordance with the historical pattern of non contractual maturities.

#### 42.4 Operational Risk Management

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner.

NIB approach operational risk management from two perspectives to best manage operational risk within the structure of the Bank.

- at the enterprise level to provide independent, integrated management of operational risk across the Bank, and
- at the business and enterprise control function levels to address operational risk in revenue generating and non-revenue generating units.

A sound internal governance structure enhances the effectiveness of NIB's Operational Risk Management and is accomplished at the enterprise level through formal oversight by the Board, the CRO and risk management committees aligned to the Bank's overall risk governance framework and practices. The Operational Risk Committee (ORC) oversees the processes for sound operational risk management and also serves as an escalation point for critical operational risk matters within the Bank. The ORC reports operational risk activities to the Board Risk Management Committee.

Within the Integrated Risk Management Group, the Operational Risk team develops the strategies, policies, controls and monitoring tools for assessing and managing operational risks across the Bank and report results to Operational Risk Committee (ORC) and the Board. The business and support functions are responsible for all the risks within the business line, including operational risks. Operational Risk Management tools, such as Loss Collection & Reporting, Risk and Control Self Assessment and Key Risk Indicators are developed and used to identify measure, mitigate and monitor risks.

#### 43. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 20, 2013 by the Board of Directors of the Bank.

**Badar Kazmi**  
President / Chief Executive

**Teo Cheng San, Roland**  
Chairman / Director

**Tejpal Singh Hora**  
Director

**Muhammad Abdullah Yusuf**  
Director

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of Individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Principal	Accrued Mark-up	Total				
							Others				Total
1	MUHAMMAD ASLAMI FLAT # B-7, 4TH FLOOR, OWN HEIGHT, GULSHANE-IQBAL, BLOCK # 3, KARACHI.	MUHAMMAD ASLAM	42401-6073046-3	MUHAMMAD SALEEM	535	99	535	99	-	634	
2	AGA BAKI/LATIF H/O 312/B, PEOPLES COLONY NO. 1, FAISALABAD.	AGA BAKI/LATIF	33100-0922028-3	AGA MUZAFAR HUSSAIN KHAN	492	66	492	66	-	558	
3	MANZOOR KHAN HOUSE NO 1 & 2, AREA 1 C, LANDHI NO 02, KARACHI.	MANZOOR KHAN	42201-6320589-1	BALDAR KHAN	667	128	667	128	-	795	
4	AZAD GUL MARI LINK ROAD MOHALLAH SHAH FAISALABAD ATTOCK.	AZAD GUL	37101-4851388-9	AURANG ZAIB	674	129	674	129	-	803	
5	MALIK ABID HUSSAIN HOUSE NO 02 MUHALLAH MADINA COLONY, PHULLALIBAZAR HYDERABAD.	MALIK ABID HUSSAIN	41303-1630761-5	MALIK NOOR MUHAMMAD	921	173	921	173	-	1,094	
6	MUHAMMAD AMJAD ALI H # B-2887/88, MUHALLA SARAFI BAZZAR, SUJUKUR.	MUHAMMAD AMJAD ALI	45504-9206201-9	MUHAMMAD SIDDIQUE	463	102	463	102	-	565	
7	SYED SAMAR ABBAS FLAT NO A-3/9 AL ERAM STATE SECTOR 15-A/5, BUFFERZON NORTH KARACHI, KARACHI.	SYED SAMAR ABBAS	42101-0485210-7	SYED DILDAR HUSSAIN SHAH	591	123	591	123	-	714	
8	MOHAMMAD MOBEEN HOUSE # D-202, BHATTI COLONY, KORANGI CROSSING, KARACHI.	MOHAMMAD MOBEEN	42201-2423436-5	ABDUL RASHEED SHAIKH	531	50	531	50	-	581	
9	ABDUL RAHIM JOHAR FLAT NO 1 FIRST FLOOR HAJI TALUFIQ MANZIL, BANORI TOWN GURUMANDIR, KARACHI.	ABDUL RAHIM JOHAR	31101-1666340-3	QARI ABDUL GHAFUOR	1,038	169	1,038	169	-	1,207	
10	KASHIF RAZA QADRI HOUSE NO 1656-1659 RAFI ROAD, LALKURTI RAWALPINDI.	KASHIF RAZA QADRI	37405-1391534-1	FAIZ MUHAMMAD QADRI	828	239	828	239	-	568	
11	MUHAMMAD AMEER AWAN BLOCK-C HOUSE NO:154/1 SATELLITE TOWN, SARGODHA.	MUHAMMAD AMEER AWAN	38403-6648825-1	MALIK DOST MUHAMMAD	464	47	464	47	-	511	
12	MUHAMMAD ASIF SHARIF HOUSE NO 3683/A SAMUI, SAM ROAD OPPOSITE RAILWAY TOWER MULTAN, MULTAN.	MUHAMMAD ASIF SHARIF	36101-0250457-7	MUHAMMAD SHARIF AKHTER	630	118	630	118	-	748	
13	SAJID HUSSAIN HOUSE NO 633 A FAZAL DAD ROAD SECTOR C 4 PO KHAS MIRPUR AK MIRPUR.	SAJID HUSSAIN	81302-2442074-7	BASHIR AHMED	585	110	585	110	-	695	
14	JAGDESH KUMAR FLAT A-13, AL HABIB GARDEN, BLOCK-9, CLIFTON, KARACHI.	JAGDESH KUMAR	43102-0679999-3	RATAN MAL	1,151	216	1,151	216	-	1,367	
15	SYED MUSAWER ALI HOUSE NO D-8, BLOCK-4, FEDERAL B AREA, KARACHI.	SYED MUSAWER ALI	42101-4000555-7	SYED BASHIR ALI	1,186	121	1,186	121	-	1,307	
16	SHAHID HUSSAIN HOUSE NO 391/C SECTOR 32/C KORANGI, KARACHI.	SHAHID HUSSAIN	42201-0726660-7	SABIR HUSSAIN	423	85	423	85	-	508	
17	SHAHID DAR HOUSE NO E-10, GROUND FLOOR, PHASE-2, DEFENCE VIEW, KARACHI.	SHAHID DAR	42301-7615567-3	FAIZ ALI	585	110	585	110	-	695	
18	AKMAL HUSSAIN 59-B KACHA FERROZ PUR ROAD, LAHORE.	AKMAL HUSSAIN	35202-2226681-3	CH FAZAL HUSSAIN	926	173	926	173	-	1,099	

**Statement showing written-off loans or any other financial relief of  
five hundred thousand rupees or above provided  
during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of individual / partners / directors		NIC No.	Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interests/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.			Principal	Accrued Mark-up	Others					
								Total					Total
19	SYED HAIDER ALI SHAH HOUSE # C-15, BLOCK-18, F.B. AREA, KARACHI.	SYED HAIDER ALI SHAH	42101-0137850-7	1,535	564	-	2,099	399	564	-	963		
20	MUHAMMAD SHAFIQ HOUSE NO 414, STREET 13, SECTOR H, MANZOOR COLONY, MEHMOODABAD, KARACHI.	MUHAMMAD SHAFIQ	42301-2828015-5	509	95	-	604	509	95	-	604		
21	ASIF RASHEED H.NO 43, AWAN COLONY QASBA METROVILLE BLOCK NO.06 SCHEME NO.40, MANGHOPIR ROAD, MIAN WALI COLONY, ISLAMIA GOTH IQBAL NAGAR, ORANGI TOWN, KARACHI.	ASIF RASHEED	31102-7444475-1	828	157	-	985	828	157	-	985		
22	MUHAMMAD ASIF SHIEKH ALHAYAT HOUSE, NEAR GARRISON SCHOOL BRANCH NO 1 CIVIL LINES JHANG SADDAR, JHANG.	MUHAMMAD ASIF SHIEKH	33202-5347032-5	540	89	-	629	540	89	-	629		
23	IHSAN ULLAH MODEL COLONY WAZIRABAD.	IHSAN ULLAH	34104-2357868-7	780	204	-	984	337	204	-	541		
24	MUHAMMAD SALEEM SHAHEEN F/2426 WAZIR MOHALLA BUTO WALI GALI NEAR NABEENA SCHOOL INSIDE KASHMIRI GATE, LAHORE.	MUHAMMAD SALEEM SHAHEEN	35202-0271417-9	698	129	-	827	698	129	-	827		
25	MUHAMMAD RASHID SHAIKH HOUSE # D/36-2845, CHOTKI GITTI URDU BAZAR, HYDERABAD.	MUHAMMAD RASHID SHAIKH	42101-9251013-7	507	111	-	618	507	111	-	618		
26	WASEEM HOUSE NO L-615, SECTOR NO 2, NORTH KARACHI, KARACHI.	WASEEM	42101-1538040-7	652	74	-	726	652	74	-	726		
27	MUHAMMAD AKRAM KIYANI HOUSE NO B-156, BLOCK-7, GULISTAN-E-JOUHAR, KARACHI.	MUHAMMAD AKRAM KIYANI	42201-8037986-3	759	148	-	907	759	148	-	907		
28	MUMTAZ KHAN NIAZI HOUSE NO 2 ALI AH BUKSH COLONY SHAMS ABAD MULTAN NEAR BISMILLAH PCO MULTAN.	MUMTAZ KHAN NIAZI	54400-0136643-5	566	3	-	569	566	3	-	569		
29	NASIR RASHEED HOUSE NO BX 154 A MOHALLAH SHED R BLOCK, ATTOCK.	NASIR RASHEED	37101-6770851-1	434	81	-	515	434	81	-	515		
30	NAEEM TAHIR A-98707, SURVEY # 552, NADE ALI, JAFAR E TAYYAR SOCIETY, MALIR, KARACHI.	NAEEM TAHIR	42501-7435492-5	449	69	-	518	449	69	-	518		
31	ZULFIQAR ALI HOUSE 126 SECTOR-D 5 METROVILL SITE TOWN ORANGI TOWN, KARACHI.	ZULFIQAR ALI	42401-7160825-1	453	113	-	566	453	113	-	566		
32	MUHAMMAD AMJAD HOUSE NO 1661/6, MUHALLAH GHAREEBABAD TAIMOUR ROAD MULTAN.	MUHAMMAD AMJAD	36302-6256066-3	498	49	-	547	498	49	-	547		
33	SYED QASIM ALI HOUSE NO A-89, BLOCK-J, NORTH NAZIMABAD, KARACHI.	SYED QASIM ALI	42101-0836742-1	556	104	-	660	556	104	-	660		
34	SYED HAIDAR ABBAS ZAIDI SITE NO 377A, BLOCK NO 5, GREEN TOWN, NEAR FARMIA SABRA MASJID, LAHORE.	SYED HAIDAR ABBAS ZAIDI	35202-2016157-5	523	114	-	637	523	114	-	637		
35	BASHIR AHMED FLAT NO G-14, SHESH MEHAL BUILDING, BLASIS STREET HAQANI CHOWK, ARAM BAGH, KARACHI.	BASHIR AHMED	42301-1112532-7	1,044	210	-	1,254	1,044	210	-	1,254		
36	SOHAIL AHMED HOUSE NO C-66, MOHALLA JATT LINE, SADDAR, KARACHI.	SOHAIL AHMED	42000-3716792-5	552	87	-	639	552	87	-	639		

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Total					
							Others	Total				
37	FOZIA MINHAJ, HOUSE NO R-636, GOLF COURSE ROAD NO.4, PHASE-4, D.H.A., KARACHI. NISAR SHARIFED PARK, PHASE-4, D.H.A., KARACHI.	FOZIA MINHAJ	42201-0911495-8	SYED MINHAJ UDDIN ZAFAR	1,258	239	-	1,497	1,258	239	-	1,497
38	MUHAMMAD AMIN SIDDIQUE HOUSE NO R-17 BLOCK B PAKISTAN RAILWAY EMPLOYEE SOCIETY, ADJ S.M.C.H.S, KARACHI.	MUHAMMAD AMIN SIDDIQUE	42201-1759107-1	MUHAMMAD SIDDIQUE QASIM	1,242	236	-	1,478	1,242	236	-	1,478
39	ZEESHAN ABDUL QADIR HOUSE NO.195, 40 STREET, BEACH VIEW 3, PHASE-6, KHAYABAN E ITHAD, D.H.A., KARACHI.	ZEESHAN ABDUL QADIR	42201-3982339-9	ABDUL QADIR MOTIWALA	640	65	-	705	640	65	-	705
40	FARHAN UDDIN HOUSE NO R-636, MUHALA SECTOR 15-A/1, BUFFER ZONE, NORTH KARACHI, KARACHI.	FARHAN UDDIN	42201-0683933-1	BASHEER UDDIN	1,246	251	-	1,497	1,246	251	-	1,497
41	AL-AWAN TRADERS HOUSE # 139 STREET-7, HALI ROAD WESTRIDG-1, RAWALPINDI.	BUSHRA ZAHID	37405-4823216-2	MALIK ZAHID AHMED KHAN	1,569	1,233	-	2,802	869	1,233	-	2,102
42	SHAFQAT HUSSAIN HOUSE # V/276, CHAKLALA MOHALLA BAGHDADI CHAKLALA, RAWALPINDI.	SHAFQAT HUSSAIN	37405-1563458-1	GHULAM HUSSAIN	799	192	-	991	799	192	-	991
43	IMRAN AHMED FAROOQUI HOUSE NO C-175, SECTOR 35/A, GULSHANE-HALI, KARACHI.	IMRAN AHMED FAROOQUI	42201-4682090-7	ANEES AHMED FAROOQUI	467	157	-	624	467	157	-	624
44	WAQAR AHMED HOUSE NO 362/34, STREET NO.21, MUHALLA USMANABAD MULTAN.	WAQAR AHMED	36302-8645642-7	HABIB UDDIN	558	51	-	609	558	51	-	609
45	RANA HAMID ALI SHAHID STREET NO 1, AMANAT ALI NEAR HAZWERI MASJID, TAMEER MILLAT ROAD, RAHIM YAR KHAN.	RANA HAMID ALI	31303-2418319-7	RANA NAZIR AHMED	826	107	-	933	826	107	-	933
46	ABDUL GHANI HOUSE NO D-67, SUPARCO STREET, MARORA GOTH, KARACHI.	ABDUL GHANI	42000-2382479-3	GHULAM MUHAMMAD	792	189	-	981	792	189	-	981
47	JANDOOOL KHAN HOUSE NO KA-1036, MUSLIM NAGAR SADIQABAD RAWALPINDI.	JANDOOOL KHAN	37405-0377931-9	RAKHMAT WALI KHAN	411	136	-	547	411	136	-	547
48	HAFIZ MUHAMMAD NASEEM KHAN FLAT # C-324, MUHALA UNIQE CLASSIC BLOCK NO.15, GULISTAN-E-JOHAR, KARACHI.	HAFIZ MUHAMMAD NASEEM KHAN	42000-0457824-5	MUHAMMAD OMER KHAN	655	155	-	810	655	155	-	810
49	NAZ MOHAYU DIN HOUSE NO33, STREET NO 1, BLOCK-X, NEAR MARKET PEOPLES COLONY, KHANEWAL.	NAZ MOHAYU DIN	36103-7334964-5	MUHAMMAD SHARIF	390	125	-	515	390	125	-	515
50	MUHAMMAD SALEEM AHMED HOUSE NO B-358, BLOCK-10, F B AREA, KARACHI.	MUHAMMAD SALEEM AHMED	42101-0588619-5	BASHEER AHMED	838	181	-	1,019	838	181	-	1,019
51	MUHAMMAD JAWAID HOUSE #573, MEMON COLONY, BLOCK-3, SIDDIQIABAD, FEDERAL B AREA, KARACHI.	MUHAMMAD JAWAID	42101-1024729-7	ABDUL GHAFAR	1,275	298	-	1,573	1,275	298	-	1,573
52	MUHAMMAD AKMAL BLOCK NO.B, HOUSE NO.16, GULSHAN JAMAL COLONY, SARGODHA.	MUHAMMAD AKMAL	38403-2125862-7	BASHARAT ULLAH	412	102	-	514	412	102	-	514
53	RAZA KHALID HOUSE NO B-461,462 MOHNI BAZAR, NAWABSHAH.	RAZA KHALID	45402-2926353-3	KHALID MEHMOOD	526	123	-	649	526	123	-	649
54	MALIK KHIZER HAYAT HOUSE NO 2217, MRF COLONY PAC KAMIRA ATTOCK.	MALIK KHIZER HAYAT	42301-5785322-5	GHULAM RASOOL MALIK	497	106	-	603	497	106	-	603



**Statement showing written-off loans or any other financial relief of  
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(Rupees '000')

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		Name	NIC No.		Principal	Accrued Mark-up	Others	Total				
55	AMIAD ABDUL AZIZ KONCH WALA FLAT # 705, 7TH FLOOR, SUMYA TERRACE, PLOT # 43/3, SHARFABAD, KARACHI.	AMIAD ABDUL AZIZ KONCH WALA	42201-7159258-7	ABDUL AZIZ	712	178	-	890	712	178	-	890
56	MUHAMMAD ALAM HOUSE NO A-476, SECTOR-4, AHSANABAD, SCHEME-33, GULSHAN-E-MAYMAR, KARACHI.	MUHAMMAD ALAM	42101-665578+3	MOHAMMAD NAWAZ	713	132	-	845	713	132	-	845
57	MUHAMMAD RAFIQUE HOUSE NO 7, STREET A-5, NEAR WAPDA TOWN, P.G.E.C.H.S., LAHORE.	MUHAMMAD RAFIQUE	35202-4068524+9	CHANNAN DIN	1,069	198	-	1,267	1,069	198	-	1,267
58	IMRAN MUGHAL HOUSE NO 413, MUHALLA CHAKI PARA, MIRPURKHAS.	IMRAN MUGHAL	44103-8313583+9	MIRZA YUSUF	846	171	-	1,017	846	171	-	1,017
59	MIAN GHULAM NABI HOUSE 5, STREET 1, JAMAL PARK SHAHRA, LAHORE.	MIAN GHULAM NABI	35202-2504333-5	MIAN GHULAM RASOOL	601	120	-	721	601	120	-	721
60	MUHAMMAD JAMIL HOUSE NO 4191, SHAH FAISAL COLONY NO.4, KARACHI.	MUHAMMAD JAMIL	42201-0277620-7	IZZAT BAIG	667	122	-	789	667	122	-	789
61	MUBASHAR AHMED QURESHI HOUSE NO 200, NIA MUHALLAH JHELUM.	MUBASHAR AHMED QURESHI	37301-2302981+5	QURESHI MUHAMMAD IQBAL	754	141	-	895	754	141	-	895
62	ROSHAN ALI FLAT # C-9, PRINCE ALI S KHAN COLONY, PRINCE ALI S KHAN ROAD, GARDEN EAST, KARACHI.	ROSHAN ALI	42201-4116242-5	GHULAM HUSSAIN	635	115	-	750	635	115	-	750
63	MUHAMMAD UMAR HOUSE NO B-188, KHUDDADAD COLONY, PECHS-1, KARACHI.	MUHAMMAD UMAR	42201-5441577-1	GHULAM NABI	545	101	-	646	545	101	-	646
64	MAZAHAR ABBAS H # 67, BLOCK J, GULBERG III, LAHORE.	MAZAHAR ABBAS	32203-8806682-9	SHAH NAWAZ KHAN	438	62	-	500	438	62	-	500
65	SOHAIL AHMAD BAIG H # 462 FITBLOCK, JOHAR TOWN, LAHORE.	SOHAIL AHMAD BAIG	91509-0154182-1	MIRZA AHMAD HUSSAIN	647	77	-	724	647	77	-	724
66	INTIKHAB ALAM ABBASI HOUSE # 74, STREET 35-A, SECTOR I-9/4, ISLAMABAD.	INTIKHAB ALAM ABBASI	61101-2021247-1	MUHAMMAD RAZZAQ ABBASI	523	121	-	644	523	121	-	644
67	ATHAR MUHAMMAD SHOKAT FLAT NO. G-104, RUFILAKE DRIVE, BLOCK-1B, GULISTAN-E-JAUHAR, KARACHI.	ATHAR MUHAMMAD SHOKAT	42000-2152754-1	SHOKAT ALI	520	128	-	648	520	128	-	648
68	ZAHAEER AHMED BABER HOUSE 66-A/2, MOHALLAH DEFENCE HOUSING AUTHORITY CANT, LAHORE.	ZAHAEER AHMED BABER	35201-1907529-3	MIRZA ANAYAT ALLAH	1,363	315	-	1,678	1,363	315	-	1,678
69	SHEIKH ALI RAZA SHEHBAZ HOUSE 140 STREET MOHLA 7 HALI ROAD WESTRIDGE 1 RAWALPINDI.	SHEIKH ALI RAZA SHEHBAZ	37405-0475555-1	SHEIKH ANAYAT ULLAH	1,047	242	-	1,289	1,047	242	-	1,289
70	SAMI ULLAH H. NO 1385, REHMANI MUHALLAH, FARMAN DUKANDAR, FRONTIER COLONY-2, ORANGI TOWN, KARACHI.	SAMI ULLAH	42401-6884207-5	MUHAMMAD RAHIM	712	166	-	878	712	166	-	878
71	MALIK MUHAMMAD NAVEED HOUSE NO B II 22/AS 16, ALLAMA IQBAL PARK, CIVIL QUARTER ROAD, SHEKHUPURA.	MALIK MUHAMMAD NAVEED	35404-1575747-5	MALIK MUHAMMAD ASLAM	524	58	-	582	524	58	-	582
72	AMAN ULLAH SARHANDI HOUSE # A-7, BIN QASIM TOWN, SARHANDI MOHALLA PEER SARHANDI VILLAGE, KARACHI.	AMAN ULLAH SARHANDI	42501-0431047-1	ASAD ULLAH SARHANDI	700	144	-	844	700	144	-	844

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		Name	NIC No.		Principal	Accrued Markup	Others					Total
							Principal	Others				
73	ALLAH RAKHA HOUSE IV 4/22, NAZIMABAD 4, KARACHI.			MUHAMMAD SIDDIQUE	627	129	-	756	627	129	-	756
74	FAQIR SYED ZAIN UL ABEEDIN FLAT 15-H, 3RD FLOOR, ASKARI-2, CANT, KARACHI.			FAQIR SYED IMTIAZ UDDIN	451	138	-	589	451	138	-	589
75	ANJUM KHALID BLOCK U, STREET NO 15, NEW MULTAN PERAN GHAYAB ROAD HOUSE NO 6 MULTAN.			KHALID SALEEM	374	130	-	504	374	130	-	504
76	MUHAMMAD FAROOQ HOUSE NO. B-539, ZAMAN TOWN, KORANGI NO. 04, KARACHI.			MUHAMMAD FAROOQ	576	145	-	721	576	145	-	721
77	AMAN ULLAH KHAN HOUSE NO. MCB 202 WATER SUPPLY NO. 1 GALLI MOHALLAH WATER SUPPLY NO. 1, TALAGANG ROAD, CHAKWAL.			AMAN ULLAH KHAN	754	160	-	914	754	160	-	914
78	MUHAMMAD ALI FLAT NO. 414, MUNIR ARCADE, BLOCK-19, GULISTAN-E-JOHAR, KARACHI.			MUHAMMAD ALI	437	88	-	525	437	88	-	525
79	KHURRAM MASOOD D 3 SHAFANA C/10, BLOCK-19, D 3 GULISTAN-E-JOBAL, KARACHI.			KHURRAM MASOOD	776	155	-	931	776	155	-	931
80	ABDUL HAFIZ HOUSE NO F-43-B, F AREA, KORANGI, KARACHI.			ABDUL HAFIZ	793	149	-	942	793	149	-	942
81	JAMIL UR REHMAN HOUSE NO. 10, BEGUM SARFRAZ IQBAL ROAD G-6/4 ISLAMABAD.			JAMIL UR REHMAN	1,201	240	-	1,441	1,201	240	-	1,441
82	MUHAMMAD NAWAZ VILLI ALI KALAN PO GHAKHAR MANDI WAZIRABAD.			MUHAMMAD NAWAZ	464	84	-	548	464	84	-	548
83	RASHEED TARNAIN P/O DHODIAL, TEH & DISTT., MANSEHRA.			RASHEED	635	101	-	736	635	101	-	736
84	T & JS TRADERS 48 A SHAHBAZ BLOCK MUSTAFA TOWN LAHORE.			SHEHZAD KAUSAR SALMA SHEHZAD	789	157	-	946	789	157	-	946
85	MUHAMMAD ARSHAD HOUSE NO A-76, MIR FAZAL LATEEFABAD TOWN, HYDERABAD DAKHANA, LATEEFABAD.			MUHAMMAD ARSHAD	517	105	-	622	517	105	-	622
86	MUHAMMAD SHAFIQ BVI 313 STREET FAZAL ELLAHI MACHINE MUJALLAH NO 2 JHELUM.			MUHAMMAD SHAFIQ	455	104	-	559	455	104	-	559
87	SYED WASEEM BARRI HOUSE NO 1 NEAR SARZI MANDI MUJALLA SHIFFA KHANA HAYATAT, BAHAWALPUR.			SYED WASEEM BARRI	395	108	-	503	395	108	-	503
88	WALI UL ISLAM SHAHEEN HOUSE NO. 264, STREET NO. 8, SECTOR III, AL NOOR COLONY KRL ROAD, ISLAMABAD.			WALI UL ISLAM SHAHEEN	542	125	-	667	542	125	-	667
89	SYED REHAN HUSSAIN ZAIDI FLAT NO 4-F, STREET NO 5, ASKARI-4, GULISTAN-E-JAUHAR, KARACHI.			SYED REHAN HUSSAIN ZAIDI	476	97	-	573	476	97	-	573
90	MUHAMMAD ZAHID H/NO 889, KDA SCHEME 31-B, KORANGI, KARACHI.			MUHAMMAD ZAHID	543	122	-	665	543	122	-	665

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91	JAM SAIF ALI KHAN, JAM HOUSE H NO 36, 19TH STREET, KHAYABAN-E-MUJAHID, PHASE-4, D.H.A., KARACHI.	JAM SAIF ALI KHAN	44201-4458771-3	NAWAB JAM ANWAR ALI KHAN	630	123	-	753	630	123	-	753
92	MUHAMMAD AKHTAR JAVED HOUSE NO 36-A, MODEL TOWN B, NEAR SHAH G POLTRY FORM, BAHAWALPUR.	MUHAMMAD AKHTAR JAVED	31202-0685676-5	RAHEEM BUKSH	451	102	-	553	451	102	-	553
93	MUHAMMAD MUMTAZ KHASRA NO 320, STREET NO 6 NEW AFZAL TOWN DHOKE KALA KHAN, ABBASIA CHOWK, CHAKLALA SCHEME III, RAWALPINDI.	MUHAMMAD MUMTAZ	38402-5504943-5	MUHAMMAD ABDULLAH	793	149	-	942	793	149	-	942
94	ARIF SAUD HOUSE NO. 154, UNIT NO 5, BLOCK D, LATIFABAD, HYDERABAD.	ARIF SAUD	41304-6229589-5	ABDUL SALEEM KHAN	1,001	184	-	1,185	1,001	184	-	1,185
95	AALA DAWA KHANA 4-S INDUSTRIAL AREA KOT LAKH PAT LAHORE.	MUHAMMAD SHABBIIR	35202-2127582-5	SHEIKH GHULAM MUHAMMAD	-	798	-	798	-	798	-	798
96	COMPUTER PRODUCTS MEHRAN HEIGHTS, FIRST FLOOR, BLOCK-8, SCHEME-5, CLIFTON, KARACHI.	ABDUL SATTAR SHEIKH	42201-3235777-3	ALLAH BAKSH SHEIKH	-	1,542	-	1,542	-	1,542	-	1,542
97	MUHAMMAD YOUNAS KHAN HOUSE NO 3B STREET 73 YASMEEN HOUSE F-1/11 ISLAMABAD.	MUHAMMAD YOUNAS KHAN	61101-0761641-5	MUHAMMAD YAMEEN KHAN	-	1,802	-	1,802	-	1,802	-	1,802
98	SYNERGY CORPORATION SUITE # 15, 7TH FLOOR, CENTRAL PLAZA, NEW GARDEN TOWN, LAHORE.	HASAN IKRAM	35202-2534160-1	IKRAM UL-HAQ OURESHI	-	2,169	-	2,169	-	2,169	-	2,169
99	GHULAM FARID CONSTRUCTION CONSULTANT & SOFT WARE DEVELOPERS (PROPRIETOR) GHULAM FARID BHATTI 53 A NEW UNION PARK SAMINABAD STREET NO 4 SAMINABAD LAHORE.	GHULAM FARID BHATTI	35200-1443034-3	NAEEM IQBAL BHATTI	-	1,426	-	1,426	-	1,426	-	1,426
100	KOTRI PBT SERVICE HOUSE NO 99/B, HYDERABAD, BLOCK A, LATEEFABAD 4, HYDERABAD.	MUHAMMAD IMRAN	41304-4599477-7	MUHAMMAD ANWAR	-	1,570	-	1,570	-	1,570	-	1,570
101	NOORUDDIN C-17, BLOCK-C, NORTH NAZIMABAD, KARACHI.	NOORUDDIN	42101-5810172-5	RAJAB ALI	-	2,582	-	2,582	-	2,582	-	2,582
102	SHAIKAT MAJEED HOUSE NO.58 S7/MUHALLAH BLOCK-A SATELLITE TOWN SARGODHA.	SHAIKAT MAJEED	38403-2146372-3	ABDUL HAMEED	-	1,141	-	1,141	-	1,141	-	1,141
103	ZEESHAN KHAN VALLED LE FERRESE, PLOT 202 203, MACCA BASTI SECTION 4-P O T KARACHI.	ZEESHAN KHAN	42401-5043861-7	NOSSHERWAN KHAN	-	1,597	-	1,597	-	1,597	-	1,597
104	ABDUL JABBAR A/M UC 5 H # 6195 ABBASI STREET MUHALA SARFRAZ COLONY HYDERABAD.	ABDUL JABBAR A/M	41302-3821399-7	MUHAMMAD IKRAM	-	607	-	607	-	607	-	607
105	HAJI MANAN 15/1F, BLOCK-2, PECHS MAIN KHALID BIN WALLEED ROAD KARACHI.	HAJI MANAN	54201-2455972-7	HAJI SHAH MUHAMMAD	46,453	24,588	-	71,041	1,453	24,588	-	26,041
106	HASNAT INTERNATIONAL SHOP #24 UPPER STORY CHENAB TYRE HOUSE TRUST PLAZA SARGODHA.	SHAKEEL IRSHAD	38403-2615384-7	CHAUDHRY IRSHAD	-	1,466	-	1,466	-	1,466	-	1,466
107	HUSSAIN ENTERPRISES PRO SYED TABASSUM MUNIR SHERAZI UPPER STORY KHAN LAB OPP VET HOSPITAL BLOCK NO 7 KHUSHAB ROAD, SARGODHA.	SYED TABASSUM MUNIR SHERAZI	38403-8492767-3	MUNIR HUSSAIN SHAH	-	500	-	500	-	500	-	500
108	JAMAL PACKAGE INDUSTRIES HOUSE NO. 1038, KOCHI KHAN, INTERIOR CHAH GATE, POST OFFICE SHAH GABOOL, PESHAWAR.	YOUSUF JAWAL	17301-6356123-5	ZAKRIA KHAN	-	2,311	-	2,311	-	2,311	-	2,311

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						Others	Total			
109	KAMAL ASSOCIATES P.O & VILL ZARAT KAKA SAHIB DISTT NOWSHERA.	SYED KAMAL SHAH KAKAKHEL	17201-2225575-9	SYED ANWAR SHAH KAKAKHEL	-	713	-	713	-	713
110	KASHIF PERVAIZ JANJUA 95-A, MANSOORABAD COLONY, SARGODHA.	KASHIF PERVAIZ JANJUA	38403-5585447-7	PERVAIZ ASLAM JANJUA	-	924	-	924	-	924
111	KHAN JEE BUILD R PVT 482-UMER BLOCK, ALLAMA IQBAL TOWN, LAHORE.	ASHIQ HUSSAIN KHAN	35202-5543180-1	KHAN SIKANDER KHAN	-	507	-	507	-	507
112	M.ASLAM PERVAIZ 22-AMOHAZ TOWN FAISALABAD ROAD SARGODHA.	M.ASLAM PERVAIZ	38403-2405409-7	HAJI MUHAMMAD	-	662	-	662	-	662
113	M.NAEEM TARIQ H.NO.75, ST.7, SECTOR I-8/1, ISLAMABAD.	M.NAEEM TARIQ	38101-0792719-9	MUHAMMAD DEEN	-	557	-	557	-	557
114	MALIK SAJJAD HUSSAIN 888 - B-FAISAL TOWN LAHORE.	MALIK SAJJAD HUSSAIN	36202-8149011-7	MALIK SHAH MUHAMMAD KHAN	-	865	-	865	-	865
115	MIAN JAMIL SHAH MIAN JAMIL SHAH PESHAWAR ROAD, NOWSHER.	MIAN JAMIL SHAH	17201-4237850-1	MIAN FEROEZE SHAH	-	942	-	942	-	942
116	MUHAMMAD HUSSAIN CH HOUSE NO.4, SECTOR F-2, MIRPUR.	MUHAMMAD HUSSAIN CH.	81302-1689094-1	FATEH MUHAMMAD CHOUDHARY	-	559	-	559	-	559
117	NASEEM AHMAD SIDDIQUI HOUSE NO 95, STREET E-1, GULBERG III, LAHORE.	NASEEM AHMAD SIDDIQUI	35202-5231909-5	BILAL AHMED SIDDIQUI	-	1,844	-	1,844	-	1,844
118	NAWAZ JEWELLERS HOUSE 6-S-77, GALI ZARGARAN MAIN BAZAR, SHEIKHUPURA.	MUHAMMAD NAWAZ	35404-8480428-3	MUHAMMAD YOUSUF	-	1,139	-	1,139	-	1,139
119	OWAIS MOE HZ ENTERPRISES PLOT # I-I/D 117, 1ST FLOOR, NEAR TOWN OFFICE NAZIMABAD # 2, NEAR TOWN OFFICE IJAQUATABAD KARACHI.	OWAIS MOE	42301-2999290-9	AMANULLAH	-	1,906	-	1,906	-	1,906
120	RAJA FARHAT NAWAZ 1 FAISALABAD ROAD, OPP SECONDARY BOARD, SARGODHA.	RAJA FARHAT NAWAZ	38403-5910525-7	RAJA NOSHERWAN	-	1,398	-	1,398	-	1,398
121	SHEIKH KAMRAN SADIQ BANGLOW A-99, BLOCK-10, GULSHAN-E-IQBAL, KARACHI.	SHEIKH KAMRAN SADIQ	38403-9465400-9	SHEIKH MUHAMMAD SADIQ	-	3,344	-	3,344	-	3,344
122	SIDRAH RICE MILLS MOZA, 33/2R FAISALABAD ROAD, OKARA.	IMRAN	35302-6450759-9	MUHAMMAD SHAFI	-	1,199	-	1,199	-	1,199
123	SYED NASIR BUKHARI S-Z-G, SHAGNUM CENTRE SHALIMAR LINK ROAD LRH.	SYED NASIR BUKHARI	33100-0598024-9	SYED JAFFAR HUSSAIN SAMDANI	-	687	-	687	-	687
124	TAHIR BUILDERS I-C, KHAYABAN-E-SHAMSHIHEER, PHASE-V EXT., SABA COMMERCIAL AREA, D.H.A., KARACHI.	MUHAMMAD TAHIR	42301-5368242-3	ABDUL JABBAR KHAN	-	694	-	694	-	694
125	TYRE & TYRE SHOP # 3, SULTAN PLAZA, OLD PASSPORT OFFICE, OPP. NATIONAL BANK OF PAKISTAN MURREE ROAD, RAWALPINDI.	RAJA MUHAMMAD SHAFIQ	37405-1915124-5	RAJA ABDUL LATIF	-	502	-	502	-	502
126	ZAFQ INTERNATIONAL ZAFQ INTERNATIONAL 600-A, GUJRAT NAGAR NEW M/A JINNAH ROAD, KARACHI.	SYED NASIR ZAFAR AHMED	42301-0904561-9	SYED ZAFAR AHMED	14,902	10,894	-	25,796	4,502	15,396

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127	CHEMA CANE SUPPLIER, 279 MADNI PARK CAHK JHUMPA FAISALABAD.	LIQAUAT ALI	33101-5462527-1	GHULAM NABI	-	1,456	-	-	1,456	-	1,456
128	JAMA REFRESHMENT HOUSE, SHOP NO 849, JUNCTION ROBBIN ROAD MUHAMMAD BIN QASIM ROAD, NEAR JAMA CLOTH MARKET, KARACHI.	SALEEM	42201-7595663-5	JAFFAR ALI	-	1,889	-	-	1,889	-	1,889
129	KALEEM JAVED BANKI ZADRA AND ASSOCIATES, OFF NO. 908, 9TH FLOOR, JUNIOR SHOPPING CENTRE, ABDULLAH HAROON ROAD, SAUDHARI, KARACHI.	KALEEM JAVED	36301-0932334-9	SALEEM JAVED	-	881	-	-	881	-	881
130	MOHAN LAL MEHRAN OIL MILLS, SITE AREA, TANDO ADAM.	MOHAN LAL	44206-4765200-5	KHAN CHAND	-	902	-	-	902	-	902
131	NATIONAL CHEMICAL INDUSTRIES 95-F KOT LAKHPAT, LAHORE.	UMAR ASJAD	35201-7535420-5	ASJAD ALI	14,590	10,588	-	2,496	10,588	-	13,084
132	SALEEM BROTHERS 02 GRAIN CENTRE, DANDIA BAZAR, KARACHI.	AFTAB-UR-REHMAN	42301-3663707-5	HABIB-UR-REHMAN	-	764	-	-	764	-	764
133	SYED UMAIR ALI HOUSE B-198, BLOCK-A, NORTH NAZIMABAD, KARACHI.	SYED UMAIR ALI	42101-1839831-7	SYED TASNEEM PERVAIZ	3,364	584	-	500	584	-	1,084
134	RANA MUHAMMAD NASEEM HOUSE 8, BLOCK-4, KARIM PARK KACHA RAVI ROAD, LAHORE.	RANA MUHAMMAD NASEEM	35202-7426610-3	MUHAMMAD ARSHAD	430	353	-	189	353	-	542
135	SALMAN SIDDIQUI HOUSE 7, GULISTAN ALI HOUSING SCHEME NEW SHALIMAR COLONY, BOSAN ROAD, MULTAN.	SALMAN SIDDIQUI	36302-9877006-7	FAROOQ AHMED SIDDIQUI	400	358	-	180	358	-	538
136	SHAHID AMIN HOUSE NO 12, STREET NO. 7, MOHALA FAROOQ GUNJ CHAH MIRAN, LAHORE.	SHAHID AMIN	35202-7527790-1	RIAZ AMIN	316	362	-	139	362	-	501
137	ASIF IOBAL HOUSE # 261, STREET # 12, KAMALABAD MOHALLAH KAMALABAD, RAWALPINDI.	ASIF IOBAL	91306-9650601-3	CHAUDHRY MUZAFFAR KHAN	461	323	-	226	323	-	549
138	BALLS-N-BALLS INTL PAKKI KOTLI, DASKA ROAD, SIALKOT.	SHEIKH KHALID NAEEM SAMIM ALI KHAN	34603-3566902-3 34603-8724552-9	SHEIKH M. AMIN FAHIM DAD KHAN	18,584	6,479	-	2,584	6,479	-	9,063
139	CENTEX INDUSTRIES PLOT NO. 8, SECTOR 12, B, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	ABDUL RAUF EDHI	42201-2636192-5	ABA MUHAMMAD EDHI	13,000	6,858	-	-	6,858	-	6,858
140	GHOUSIA CNG SHADIWAL ROAD, NEAR HARIYANWALA CHOKE, GUJRAT.	MUSAHAID RAZA	34201-0544913-7	AADALAT KHAN	3,975	231	-	175	231	-	406
141	REHMAN COTTEX OFFICE 3, 3RD FLOOR, AL-MUSTAFA CENTRE, STREET NO 3, MONTGOMERY BAZAR, FSD.	CHAUDHARY ABID UR REHMAN	33100-5321659-9	CHAUDARY SAFDAR REHMAN	3,489	619	-	-	619	-	619
142	CNC TEXTILE MILLS ROOM NO. 9, 1ST FLOOR, BAUMIA PLAZA, MODEL TOWN EXTENSION LHR.	RASHID AHMED CHAUDHRY MUHAMMAD MUNIR AKHTAR SAMIA RASHID CHAUDHRY	251-88-186328 153-49-231312 251-88-186329	MUHAMMAD HASSAN CHAUDHRY CHAUDHRY MUHAMMAD HUSSAIN RASHID AHMED CHAUDHRY	-	14,208	-	-	14,208	-	14,208
143	ELEGANT MERCHANDISING COMPANY 263 E. JOHAR TOWN, LAHORE.	KHAWAJA ARIEF AYUB ASIM LULLAH BUKSH MFS QAMAR AYUB ALLAH BUKSH CHAUDHRY	244-87-359373 270-86-134366	KHAWAJA MUHAMMAD AYUB ALLAH BUKSH CHAUDHRY KHAWAJA MUHAMMAD AYUB CHAUDHRY GHULAM MUHAMMAD	357	1,075	-	357	1,075	-	1,432

**Statement showing written-off loans or any other financial relief of  
five hundred thousand rupees or above provided  
during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments			Principal written off	Interest/ Mark-up written off	Other Financial Relief	Total	
		Name	NIC No.		Accrued Mark-up	Others	Total					
		(Rupees '000')										
144	FRONTIER CERAMICS W-10, INDUSTRIAL ESTATE, HAYATABAD, JAMRUD ROAD, PESHAWAR.	MAJ. GEN. (RTD) JEHAZEB KHAN MR. SHAMSUL HASSAN MR. SHAKIR ULLAH DURRANI MR. AYUB KHAN MR. ABUL KALAM MR. RAB NAWAZ	17301-1429719-9 517-39-014383 17101-0271163-3 151-03-08030 155-53-04636 17301-1374370-9	MR. MUGUL BAZ KHAN MR. AFTAB HASSAN (LATE) MR. MALI M. ZAMAN KHAN (DURRANI) MR. MUGUL BAZ KHAN MR. MUHAMMAD KHAN	22,395	-	160	22,555	-	160	22,555	
145	KHYBER TEXTILE MILLS K-241, NEAR SPRING FIELD HOTEL, THE MALL, ABBOTABAD.	MR. TAL MUHAMMAD KHANZADA MR. FARID M. JADOON (C/E) CHAUDHRY ABDUL KARIM MR. HAJI LAL KHAN MR. ABDUL HAMID KHAN MR. AMANULLAH KHAN JADOON MR. CHAUDHRY M. EUSAFF	270-14-022753 514-43-055336 270-10-080452 121-20-030580 128-33-093937 121-85-350533 211-85-055572	AJAB KHAN GOHER REHMAN KHAN CH. M. BAK-HASH HAJI ALI KHAN MR. FIDA MOHAMMAD KHAN GOHER REHMAN KHAN MR. GHULAM HUSSAIN	-	2,737	135	2,872	-	135	2,872	
146	ASLAM TRADERS 8-A, ASLAM TOY CENTRE, SHAH ALAM MARKET, LAHORE.	CH. MANSOOR ASLAM CH. MASOOD ASLAM CH. MEHMOOD ASLAM CH. MASOOD ASLAM	35202-6389175-3 35202-2917807-1 35202-2917806-1 35202-2917851-7	CH. MOHAMMAD ASLAM	31,385	7,164	-	38,549	569	7,164	-	7,733
147	ALIA TEX PLOT # ST-8, SECTOR 16-B, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	SYED OASER HUSSAIN ZAIDI	42101-1851804-3	SYED ALAMDAR HUSSAIN SHAH	15,622	2,529	-	18,151	2,622	-	-	5,151
148	MASHALLAH TEXTILES DP-7, SECTOR 12-C, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	NAUMAN KHALIL	42101-5738326-5	KHALIL AHMED KHAN	8,365	2,527	-	10,892	1,065	-	-	2,635
149	MEHAR FURNITURE HOUSE FURNITURE MARKET, NEAR AMIN FAN, GUJRAT.	ALI AKRAM	34201-6407141-1	MUHAMMAD AKRAM	5,000	60	-	5,060	-	30	-	30
150	EXQUISITE TEXTILES INDUSTRIES 23/22, SECTORE 12-C, NORTH KARACHI INDUSTRIAL AREA, KARACHI.	SHAHID QUREAISHI	42301-1048570-3	ZAHHEER AHMED QUREAISHI	119,581	48,981	-	168,562	42,044	-	-	91,025
151	KHAIRPUR SUGAR MILLS LTD. G-22/JIL KHAIRPUR HOUSE, GIZRI AVENUE, PHASE-IV, D.H.A., KARACHI.	MUHAMMAD MUBEEN JUMANI FASAL MUBEEN JUMANI MUHAMMAD BUX JUMANI QAMAR MUBEEN FAHAD MUBEEN JUMANI FARAZ MUBEEN JUMANI AHMED ALI JUMANI	42301-2926880-5 42301-8935339-7 42201-1864240-1 42301-8833854-4 42301-8670988-5 42301-8702762-7 45205-7741446-5	ALLAH WARYYO MUHAMMAD MUBEEN JUMANI IMAM BUX MUBEEN MUHAMMAD MUBEEN JUMANI JUMANI	-	21,031	-	21,031	-	21,031	-	21,031
152	FAZAL-E-RABBI G-4/B, COURT ROAD, OPP. SINDH ASSEMBLY BLDG. KARACHI.	MUHAMMAD DOCHKI ABUBAKAR DOCHKI USMAN DOCHKI UMAR DOCHKI	42301-1963052-5 42301-7444864-5 42301-1335715-3 42000-0654923-9	MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI MUHAMMAD ZAKARIA DOCHKI	74,688	604	-	75,292	5,000	-	-	5,000
153	AL REHMAT CORPORATION 12/M, MURIDKI ROAD, SHAH KHALID TOWN, LAHORE.	MUBIL AL CHEEMA MUHAMMAD ASIF CHEEMA MUHAMMAD AZAM CHEEMA SAJIDA PARVEEN	36509-1295656-9 51101-6346284-5 61101-9802382-7 36501-1768049-8	EHSAN CHEEMA CH. M. BAHR CH. M. BAHR M. FAROOQ	7,499	1,060	-	8,559	-	522	-	522
154	VALIANT INTERNATIONAL HOUSE NO 06, STREET NO 08, SULTANPURA, LAHORE.	RAHAT CHAUDHRY	35202-2592254-3	CH. MUHAMMAD HAFEEZ	2,969	908	-	3,877	-	877	-	877
155	HUSSAIN RICE MILL DINGA ROAD, KOT KANA, GUJRAT.	MUKHTAR HUSSAIN	34201-77278861	MUHAMMAD HUSSAIN	-	120	-	120	-	120	-	120
156	SAWADA KHAN SUNRISE TRADERS, SHOP #8, BABU PLAZA, SABZI MANDI, RAJA BAZAR, RAWALPINDI.	SAWADA KHAN	21103-7248826-7	KHAN PUR JUAN	390	47	-	437	-	42	-	42
157	SALEEM & CO A-3, NP, 10/16, MULJEE STREET, JODIA BAZAR, KARACHI.	MUHAMMAD SALEEM	42301-4734727-3	SUJAL-E-HEEN	4,499	368	-	4,867	-	185	-	185

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2012**

S.No.	Name & Address of borrower	Name of individual / partners / directors		Father's / Husband's Name	Outstanding Liabilities Before Adjustments				Interest/ Mark-up written off	Other Financial Relief	Total
		Name	NIC No.		Principal	Accrued Mark-up	Others	Total			
158	FIVE-B SPORTING GOODS MFG. CO. NEAR DEFENCE ROAD, KARMABAD, SIALKOT.	NASIR SALEEM	34603-2351255-5	MIRZA ATTAULLAH	65,180	2,711	-	67,891	467	-	467
159	ADNAN ELECTRIC COMPANY 9-RAZA ELECTRIC MARKET 4 - NISTAR ROAD, LAHORE.	MALIK MUHAMMAD ADNAN	35202-5954900-5	MALIK GHULAM NABI	14,937	1,390	-	16,327	1,327	-	1,327
160	SALMAN CAPITAL INVESTMENT HEAD OFFICE NO. 202, UZMA ARCADE, BLOCK-7, CLIFTON, KARACHI.	MASUD-UL-HASAN SALIMAN MASUD SAHIL YAR AMIR	42301-6465842-3 42301-0851960-1 42301-9111477-2	SYED GHULAM MUJTABA MASUD-UL-HASAN MASUD-UL-HASAN	-	614	-	614	614	-	614
161	INVEST CAPITAL INVESTMENT BANK LIMITED (FORMERLY AL-ZAMIN LEASING) C-3-C, 12TH LANE, IITEHAD COMMERCIAL, PHASE-II EXT., D.H.A., KARACHI.	NUSRAT YAR AHMED SAEED IQBAL CHAUDHRY MUHAMMAD ZAHID AMMER SAEED REHMAN GHANI FRASAT ALI BASHIR A CHOUDHRY	42301-4241881-7 35201-1444866-5 33102-1817745-5 42301-6373132-9 42301-5250481-9 42301-3598846-5 42301-1067986-1	IFTIKHAR AHMED CHAUDHRY MUHAMMAD IQBAL CHAUDHRY MUHAMMAD SHARIF ANWER SAEED ANJAD HUSSAIN FARWAN ALI KARAM ELAHI	-	11,508	-	11,508	11,508	-	11,508
162	CNC TEXTILES (PVT.) LTD. 88/II, BLOCK J, MODEL TOWN, LAHORE.	RASHID AHMED CHAUDHRY MUHAMMAD MUNIR AKHTAR SAMIA RASHID CHAUDHRY	251-88-186328 153-49-231312 251-88-186329	MUHAMMAD HASSAN CHAUDHRY CHAUDHRY MUHAMMAD HUSSAIN RASHID AHMED CHAUDHRY	153,419	26,127	-	179,546	53,419	-	65,338
163	ALYERA ENTERPRISES (PVT.) LTD. 34/L/A GULBERG III, LAHORE.	KISHWAR CHAUDHRY AMIR CHAUDHRY	35202-8612012-2 35202-2843122-5	CHAUDHRY AMIR KHALID CHAUDHRY	101,036	90,973	-	192,009	90,973	-	192,009
164	AMMAR TEXTILE MILLS (PVT.) LTD. 18-K M MULTAN ROAD, LAHORE.	KH. BELAL AHMAD SAMEENA BELAL	35202-2969002-7 35200-1448248-4	KH. GHULAM MOHY UDDIN KH. BELAL AHMED	13,005	1,518	-	14,523	8,005	1,518	9,523
165	JAWAD TOWEL FACTORY FACTORY R-177, GOBAL TOWN F B AREA.	REHAN UMER	42201-4922689-3	AFRSHAD UMER	12,000	3,523	-	15,523	12,000	3,523	15,523
166	N.H.WEAVING SHREE # 6, GULI ZAR COLONY, CHAK # 279 RB FAISALABAD.	MIAN NASEER AHMED	33100-2091946-7	ABDUL RASHEED	549	536	-	1,085	550	536	1,086
167	HAJI MUHAMMAD ISMAIL MILLS (PVT) LTD. 407 - COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI.	MUSHTAQ AHMED VOHRA NAJEEB MUSHTAQ VOHRA MUHAMMAD SARFRAZ MUHAMMAD IRFAN ABDUL JANAN MOHAMMAD FAROOQ NASIR MUSHTAQ VOHRA	42301-0952156-3 42301-0952156-9 42301-0882471-1 42401-1690010-3 71201-9064945-7 755-89-070602 517-92-219565	HAJI MUHAMMAD ISMAIL MUSHTAQ AHMED VOHRA MUHAMMAD ALI KHUSHAL KHAN QAMARUDDIN RASOOL KHAN MUSHTAQ A. VOHRA	30,726	17,874	-	48,600	20,207	17,874	38,081
168	MUHAMMAD YOUNIS & CO G/42 PANORAMA SHOPPING CENTRE, LAHORE.	MUHAMMAD YOUNAS.	35202-2981796-7	MUHAMMAD ISMAIL.	899	-	-	899	899	-	899
					869,545	380,366	295	1,250,206	345,504	361,503	295,707,302

# FINANCIAL AND MANAGEMENT SERVICES (PRIVATE) LIMITED

The Bank has not consolidated the financial statements of Financial & Management Services (Private) Limited (“FMSL”) – subsidiary, as the investment is fully provided for. The Bank has also received relaxation from Securities and Exchange Commission of Pakistan (SECP) of the requirements of Section 237 of the Companies Ordinance, 1984 through SECP letter EMD/233/654/2002 dated December 04, 2012.

As per the requirements of the SECP, enclosed herein are the financial highlights of FMSL for the year ended December 31, 2011 and the Auditors' opinion.

Annual financial statements of FMSL would be available for inspection at Registered Office of the Bank and would also be available to the members on request, without any cost.



We have audited the annexed balance sheet of **Financial and Management Services (Private) Limited** ("the Company") as at 31 December 2011 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, for the year then ended 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 Company's Management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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 auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984 (XLVII of 1984);
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, 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 Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

## Auditors' Report to the Members

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements which states that the Board of directors of the Company in their meeting dated 25 March 2009 and decided to place the Company on dormant status and future regulatory expenses (including audit fee) of the Company will be borne by the Holding Company. Our opinion is not qualified in respect of this matter.

Date: 6 April 2012  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mazhar Saleem

Financial and Management Services (Private) Limited  
 Balance Sheet  
 As at December 31, 2011



	2011	2010
	(Rupees '000')	
<b>CURRENT ASSETS</b>		
Other receivables	57	57
<b>TOTAL ASSETS</b>	<u>57</u>	<u>57</u>
<b>SHARE CAPITAL</b>		
<b>Authorised share capital</b>		
300,000 ordinary shares of Rs.100 each	<u>30,000</u>	<u>30,000</u>
Issued, subscribed and paid-up capital	9,265	9,265
Accumulated loss	<u>(9,208)</u>	<u>(9,208)</u>
<b>TOTAL EQUITY</b>	<u>57</u>	<u>57</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>57</u>	<u>57</u>
Contingencies and commitments		

**Imran Butt**  
 Chief Executive

**Yameen Kerai**  
 Director

Financial and Management Services (Private) Limited  
Profit and Loss Account  
For the year ended December 31, 2011



	2011	2010
	(Rupees '000')	
Administrative expenses	-	-
Other income	-	-
<b>Operating profit / (loss) before tax</b>	-	-
Provision for taxation	-	-
<b>Profit / (loss) after tax</b>	-	-

**Imran Butt**  
Chief Executive

**Yameen Kerai**  
Director

# Pattern of Shareholding as at December 31, 2012



Number of Shareholders	Shareholdings		Shares held	Percentage
	From	To		
1539	1	100	60,447	0.0006
3332	101	500	1,166,754	0.0113
3676	501	1,000	3,210,745	0.0312
10214	1,001	5,000	29,813,356	0.2894
3043	5,001	10,000	24,086,229	0.2338
4080	10,001	50,000	100,069,356	0.9713
870	50,001	100,000	66,599,572	0.6464
471	100,001	200,000	68,111,156	0.6611
157	200,001	300,000	39,094,987	0.3795
98	300,001	400,000	34,474,546	0.3346
61	400,001	500,000	28,517,128	0.2768
29	500,001	600,000	16,045,805	0.1557
30	600,001	700,000	19,034,221	0.1847
18	700,001	800,000	13,629,674	0.1323
14	800,001	900,000	11,854,657	0.1151
28	900,001	1,000,000	27,539,197	0.2673
88	1,000,001	5,000,000	177,395,353	1.7218
12	5,000,001	10,000,000	94,963,507	0.9217
3	10,000,001	15,000,000	38,620,190	0.3748
2	15,000,001	20,000,000	33,884,169	0.3289
2	20,000,001	25,000,000	47,690,832	0.4629
2	25,000,001	30,000,000	57,945,050	0.5624
1	30,000,001	50,000,000	32,460,451	0.3151
1	50,000,001	250,000,000	203,855,184	1.9786
1	250,000,001	3,000,000,000	9,132,728,598	88.6427
<b>27,772</b>			<b>10,302,851,164</b>	<b>100.0000</b>

## Pattern of Shareholding as at December 31, 2012

### Categories of Shareholders

Category	Number of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	–	–	–
Associated Companies, Undertakings and Related Parties	1	9,132,728,598	88.64
NIT, ICP & IDBP/ICP	4	23,226,450	0.23
Banks, Development Financial Institutions, Non Banking Financial Institutions	29	56,642,945	0.54
Insurance Companies	15	2,803,489	0.03
Modarabas and Mutual Funds	19	5,836,686	0.06
Public Sector Companies & Corporations	5	232,583,422	2.26
Executives / Employees	24	1,308,415	0.01
Foreign Companies	65	61,463,799	0.60
Shareholders holding 5% or more [excluding Bugis Investments (Mauritius) Pte Limited]	–	–	–
General Public (including local & foreign individuals)	27,383	685,661,862	6.65
Others	227	100,595,498	0.98
<b>Total</b>	<b>27,772</b>	<b>10,302,851,164</b>	<b>100.00</b>

### Details of Pattern of Shareholding

S. No.	Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
1	Associated Companies, Undertakings and related parties Bugis Investments (Mauritius) Pte Ltd.	1	9,132,728,598	88.64
2	NIT & ICP National Investment Trust Limited Investment Corporation of Pakistan IDBP/ICP	1 2 1	23,112,032 13,516 100,902	0.23
3	Directors, CEO and their spouses and minor children	–	–	0.00
4	Executives/Employees	24	1,308,415	0.01
5	Public Sector Companies and Corporations	5	232,583,422	2.26
6	Foreign Companies	65	61,463,799	0.60
7	Banks, Development Financial Institutions, Non-banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	63	65,283,120	0.63
8	General Public (including local & foreign individual)	27,383	685,661,862	6.65
9	Others	227	100,595,498	0.98
	<b>Total</b>	<b>27,772</b>	<b>10,302,851,164</b>	<b>100.00</b>

**Details of Modaraba / Mutual Funds**

S.No.	Name of Modaraba / Mutual Funds	Number of Shares Held
1	CDC - TRUSTEE AKD INDEX TRACKER FUND	374,836
2	CDC - TRUSTEE AKD OPPORTUNITY FUND	823,471
3	FIRST ELITE CAPITAL MODARABA	11,150
4	FIRST EQUITY MODARABA	225,000
5	FIRST FIDELITY LEASING MODARABA	6,630
6	FIRST INTERFUND MODARABA	289
7	FIRST TRI STAR MODARABA	6
8	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	4,372,955
9	GOLDEN ARROW SELECTED STOCKS FUND LTD.	2,127
10	GUARDIAN MODARABA	4,471
11	INDUSTRIAL CAPITAL MODARABA	575
12	LONG TERM VENTURE CAPITAL MODARABA ( UNDER LIQUIDATION )	431
13	ASIAN STOCK FUND LTD.	575
14	SAFEWAY MUTUAL FUND LIMITED	1,812
15	PRUDENTIAL STOCK FUND LTD.	4,223
16	PRUDENTIAL STOCKS FUNDS LIMITED	3,367
17	SAFEWAY FUND ( PVT ) LTD.	1,965
18	SAFEWAY MUTUAL FUND LTD.	651
19	UNICAP MODARABA	2,152

**Trade in the shares by Executives:**

S.No.	Name of Executives	Purchase	Sale
1	A. Fawad Hashmi	125,000	0
2	Muhammad Irfan Qureshi	425,000	0

**Proxy Form**

I/We \_\_\_\_\_ S/o,D/o,W/o \_\_\_\_\_  
of \_\_\_\_\_  
(full address) being a member of NIB Bank Limited and holder of shares as per Registered Folio No. \_\_\_\_\_ and / or CDC Participant I.D. No. \_\_\_\_\_ and Account No. \_\_\_\_\_ do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (full address) or failing him/her \_\_\_\_\_ of \_\_\_\_\_ (full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 10th Annual General Meeting of NIB Bank Limited scheduled to be held on Friday, the 29th March 2013 at 3.00 pm at ICAP Auditorium, Institute of Chartered Accountants of Pakistan (ICAP) Building, G-10/4, Mauve Area, Islamabad and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Witnesses :

1. \_\_\_\_\_  
Name :  
CNIC No. :  
Address :

\_\_\_\_\_  
Signature of Member(s)  
on Rs. 5/- Revenue Stamp

2. \_\_\_\_\_  
Name:  
CNIC No. :  
Address :

**NOTE:** A member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as proxy (except for a Corporation) unless he / she is entitled to be present and vote in his / her own right.

Proxies, in order to be valid, must be complete in all respects and be received at the Head Office of the Bank not later than 48 hours before the meeting.





**NIB Bank Limited**

Registered Office:

First Floor, Post Mall, F-7 Markaz, Islamabad

Head Office:

PNSC Building, M.T. Khan Road, Karachi - Pakistan.

UAN : +92 21 111-333-111 [www.nibpk.com](http://www.nibpk.com)