

**DISCOVERING POSSIBILITIES**



**ANNUAL REPORT 2012**

**Summit  Bank**

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# CORPORATE INFORMATION



## Board of Directors.

Mr. Naseer Abdulla Hussian Lootha  
Chairman

Mr. Husain Lawai  
President and CEO

Mr. Nasim Beg  
Director

Mr. Asadullah Khawaja  
Director

Mr. M. Farid Uddin  
Director

Dr. Ahmed Khalil Mohammah Samea Al Mutawa  
Director

Mr. Shehryar Faruque  
Director

## Audit Committee

Mr. Asadullah Khawaja  
Chairman

Mr. Nasim Beg  
Member

Mr. Shehryar Faruque  
Member

## Risk Management Committee

Mr. Nasim Beg  
Chairman

Mr. Asadullah Khawaja  
Member

Mr. Husain Lawai  
Member

## Human Resource (HR) Committee

Mr. Shehryar Faruque  
Chairman

Mr. Nasim Beg  
Member

Mr. Asadullah Khawaja  
Member

Mr. Husain Lawai  
Member

## Chief Financial Officer

Mr. Aziz Adil

## Company Secretary

Mr. Muhammad Siddique Memon

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Legal Advisors

Liaquat Merchant Associates

## Head Office

Arif Habib Centre, 23 M.T Khan Road  
Karachi-74000. Pakistan  
UAN: (021) 111-124-725  
Fax: 021 32435736

## Registered Office

Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan

## Share Registrar

Technology Trade (Pvt) Ltd  
Dagia House, 241-C, Block 2, PECHS  
off Shahrah-e-Qaideen, Karachi-74000, Pakistan  
Tel: (021) 34391316-7  
Fax: (021) 34391318

## Entity Ratings

Rated by JCR-VIS  
Medium to Long term "A-"  
Short Term "A-2"

**Email** : info@summitbank.com.pk

**website** : www.summitbank.com.pk

**Toll Free** : 0800-24365



# VISION

To be the preferred provider of financial products & services to the markets.



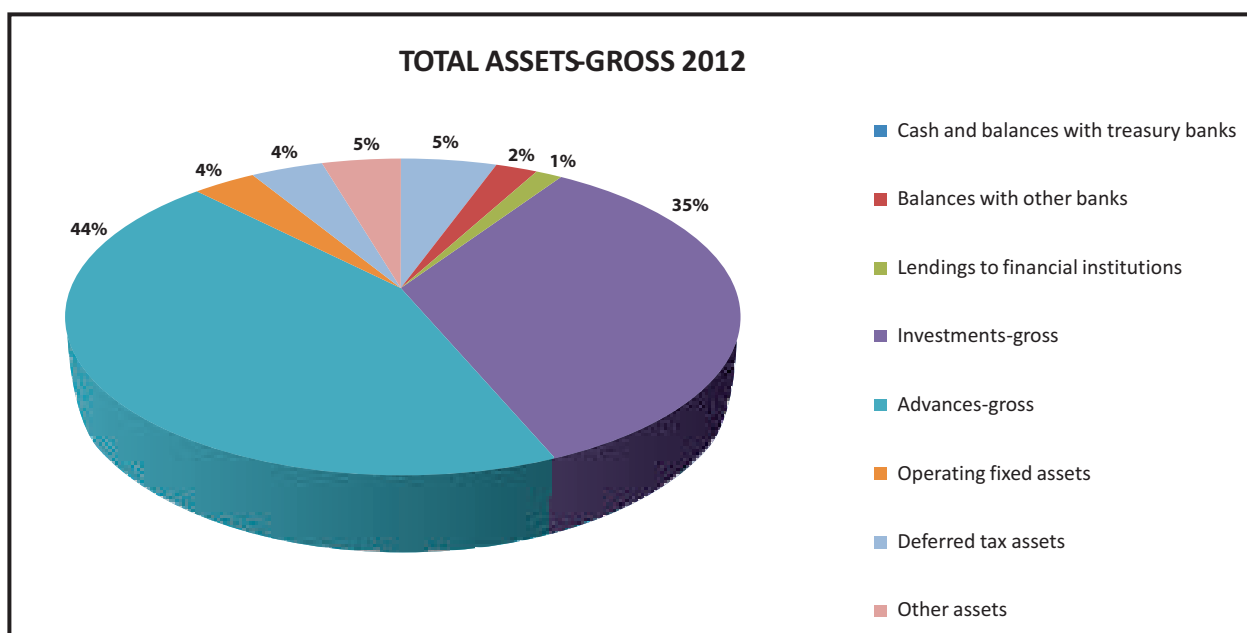
# MISSION

- To be a financial institution based on Trust, Integrity and Good Governance.
- To deliver financial solutions to our customers.
- To provide equal opportunities & professional working environment to our employees.
- To provide fair return to our shareholders on their investment.
- To serve the community at large.
- To discharge corporate social responsibility.



## KEY OPERATING AND FINANCIAL DATA

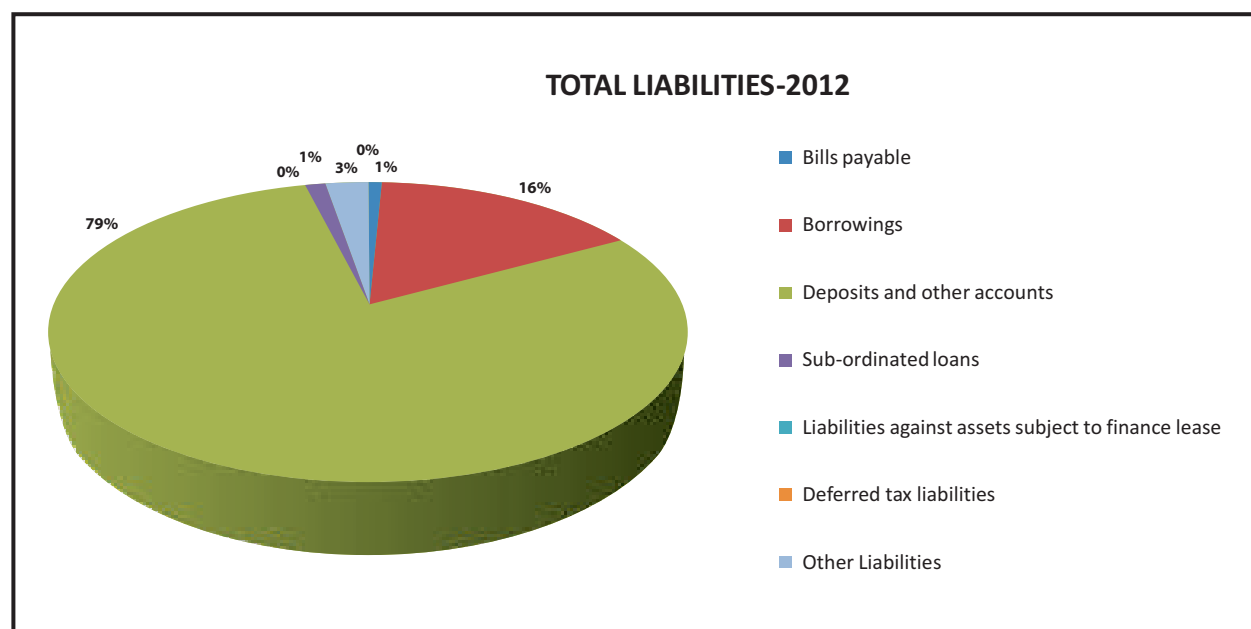
DECEMBER 31	Rupees in Million					
	2007	2008	2009	2010	2011	2012
	Restated*					
<b>ASSETS</b>						
Cash and balances with treasury banks	754	1,350	1,924	4,048	6,118	<b>8,110</b>
Balances with other banks	53	66	724	338	1,426	<b>3,601</b>
Lendings to financial institutions	2,856	200	1,434	-	1,070	<b>2,039</b>
Investments-gross	5,441	5,576	12,690	21,341	37,634	<b>51,117</b>
Advances-gross	8,158	16,510	21,072	44,495	68,399	<b>64,942</b>
Operating fixed assets	597	928	1,571	2,690	6,071	<b>5,385</b>
Deferred tax assets	-	361	381	3,203	6,298	<b>6,042</b>
Other assets	448	1,070	1,189	2,717	6,231	<b>6,897</b>
<b>Total assets-gross</b>	<b>18,307</b>	<b>26,061</b>	<b>40,985</b>	<b>78,832</b>	<b>133,247</b>	<b>148,132</b>
Provision against non performing advances	(129)	(752)	(2,568)	(5,724)	(12,381)	<b>(12,393)</b>
(Provision) / Surplus/ (Deficit) on revaluation of investments	(33)	(482)	(244)	(840)	(1,365)	<b>(1,172)</b>
Provision held against other assets	(24)	(24)	-	-	(153)	<b>(182)</b>
<b>Total provisions</b>	<b>(186)</b>	<b>(1,258)</b>	<b>(2,812)</b>	<b>(6,564)</b>	<b>(13,899)</b>	<b>(13,747)</b>
<b>TOTAL ASSETS-NET OF PROVISIONS</b>	<b>18,121</b>	<b>24,803</b>	<b>38,173</b>	<b>72,269</b>	<b>119,348</b>	<b>134,385</b>



\* Numbers represents merged position of Mybank with and into Summit Bank Limited from April 01, 2011.

## KEY OPERATING AND FINANCIAL DATA

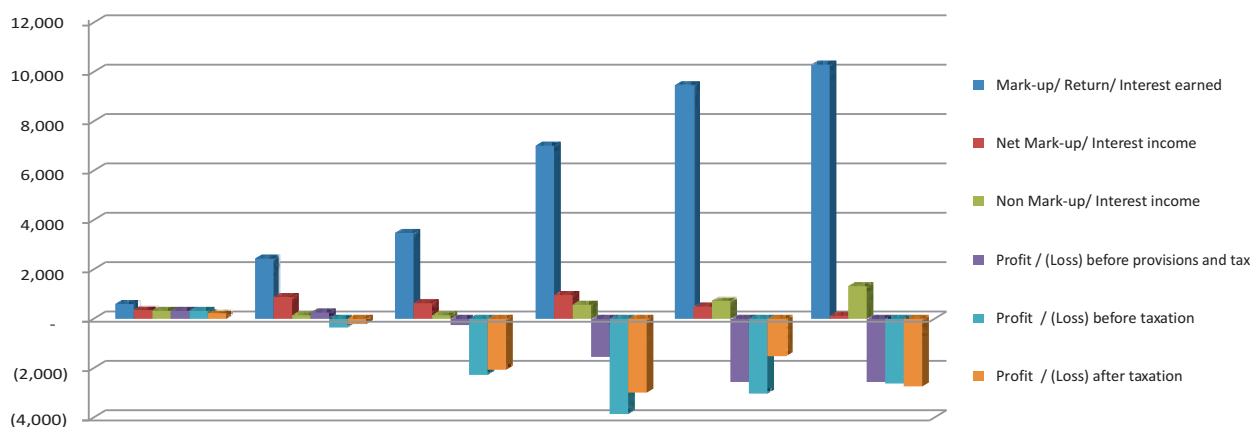
DECEMBER 31	Rupees in Million					
	2007	2008	2009	2010	2011	2012
					Restated*	
<b>LIABILITIES</b>						
Bills payable	384	76	213	357	901	<b>1,654</b>
Borrowings	1,749	1,870	1,555	5,257	18,563	<b>28,900</b>
Deposits and other accounts	9,465	16,617	31,307	61,608	89,700	<b>96,916</b>
Sub-ordinated loans	-	-	-	-	1,500	<b>1,499</b>
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Deferred tax liabilities	40	-	-	-	-	-
Other Liabilities	182	420	1,044	1,673	2,911	<b>2,352</b>
<b>Total liabilities</b>	<b>11,820</b>	<b>18,983</b>	<b>34,119</b>	<b>68,896</b>	<b>113,574</b>	<b>131,323</b>
<b>NET ASSETS</b>	<b>6,301</b>	<b>5,820</b>	<b>4,054</b>	<b>3,373</b>	<b>5,774</b>	<b>3,063</b>
<b>REPRESENTED BY</b>						
<b>EQUITY</b>						
Share capital	4,500	5,000	5,000	7,251	10,780	<b>10,780</b>
Share premium	1,500	1,000	1,000	1,000	1,000	<b>1,000</b>
Discount on Issue of Shares	-	-	-	-	(1,297)	<b>(1,297)</b>
Statutory reserves	65	65	65	65	65	<b>65</b>
General reserves	66	250	-	-	-	-
Merger reserves	-	-	-	(2,400)	(1,579)	<b>(1,579)</b>
Unappropriated profit	193	(182)	(1,999)	(2,322)	(3,392)	<b>(6,071)</b>
<b>Total equity</b>	<b>6,324</b>	<b>6,133</b>	<b>4,066</b>	<b>3,594</b>	<b>5,576</b>	<b>2,897</b>
<b>(Deficit) / Surplus on revaluation of assets-net</b>	<b>(23)</b>	<b>(313)</b>	<b>(12)</b>	<b>(221)</b>	<b>198</b>	<b>166</b>



\* Numbers represents merged position of Mybank with and into Summit Bank Limited from April 01, 2011.

## KEY OPERATING AND FINANCIAL DATA

DECEMBER 31	Rupees in Million					
	2007	2008	2009	2010	2011	2012
					Restated*	
<b>RESULTS OF OPERATIONS</b>						
Mark-up/ Return/ Interest earned	618	2,472	3,514	7,071	9,552	<b>10,265</b>
Mark-up/ Return/ Interest expensed	252	1,586	2,878	6,102	9,021	<b>10,138</b>
Net Mark-up/ Interest income	366	886	636	968	531	<b>127</b>
Net Mark-up/ Interest income after provisions	366	263	(1,181)	(969)	(108)	<b>54</b>
Non Mark-up/ Interest income	346	167	196	582	732	<b>1,377</b>
Non Mark-up/ Interest expense	385	777	1,077	3,095	3,871	<b>3,997</b>
Profit / (Loss) before provisions and tax	327	276	(245)	(1,545)	(2,608)	<b>(2,493)</b>
Provision against non performing loans and advances and direct write off	-	(623)	(1,817)	(1,937)	(639)	<b>(73)</b>
Provision for diminution in the value of investments	-	-	(224)	(393)	39	<b>41</b>
Profit / (Loss) before taxation	327	(347)	(2,286)	(3,875)	(3,208)	<b>(2,525)</b>
Taxation	97	(156)	(219)	(857)	(1,999)	<b>209</b>
Profit / (Loss) after taxation	230	(191)	(2,067)	(3,018)	(1,209)	<b>(2,734)</b>



DECEMBER 31	Rupees in Million					
	2007	2008	2009	2010	2011	2012
					Restated	
<b>FINANCIAL RATIOS</b>						
Return on equity (ROE)	3.64%	-3.11%	-50.84%	-83.98%	-21.69%	<b>-94.38%</b>
Return on assets (ROA)	1.27%	-0.77%	-5.41%	-5.41%	-1.01%	<b>-2.03%</b>
Profit / (Loss) before tax ratio	52.91%	-14.04%	-65.05%	-54.81%	-33.59%	<b>-24.60%</b>
Gross spread ratio	59.22%	35.84%	18.10%	13.70%	5.56%	<b>1.24%</b>
Advances to deposits ratio-Gross	86.19%	99.36%	67.31%	72.22%	76.25%	<b>67.01%</b>
Advances to deposits ratio-Net	84.83%	94.83%	59.10%	62.93%	62.45%	<b>54.22%</b>
Income to expenses ratio (times)	1.51	0.88	0.62	0.66	0.76	<b>0.82</b>
Cost to revenue ratio	66.08%	89.54%	106.60%	120.19%	125.36%	<b>121.41%</b>
Total assets to shareholders' funds (times)	2.87	4.04	9.39	20.11	21.40	<b>46.39</b>
NPL ratio	1.57%	16.32%	23.81%	25.61%	16.66%	<b>34.39%</b>
Capital adequacy ratio	45.03%	20.85%	9.83%	5.35%	7.52%	<b>4.42%</b>
<b>SHARE INFORMATION</b>						
Weighted average number of shares outstanding	401.78	500.00	500.00	541.13	914,892	<b>1,077,980</b>
Earning/ (Loss) per share (Rupee)	0.65	(0.38)	(4.13)	(5.58)	(1.17)	<b>(2.54)</b>
Market value of shares	13,500	2,765	3,350	2,763	1,854	<b>3,202</b>
Price earning ratio (PE)	58.70	(14.48)	(1.62)	(0.92)	(1.53)	<b>(1.17)</b>
Book value per share	14.00	11.64	8.11	4.65	5.36	<b>2.84</b>
<b>NON FINANCIAL INFORMATION</b>						
Non performing loans (NPL) (Rs. in mn)	128	2,694	5,017	11,397	11,397	<b>22,335</b>
Number of employees	319	541	615	1,340	1,655	<b>2,461</b>
Number of branches	12	33	40	85	165	<b>186</b>

\* Numbers represents merged position of Mybank with and into Summit Bank Limited from April 01, 2011.

## DIRECTORS' REPORT

### FOR THE YEAR ENDED DECEMBER 31, 2012

On behalf of the Board of Directors, I present herewith the Annual Report along with the audited accounts and auditor's report thereon of the Summit Bank Limited for the year ended December 31, 2012.

#### Performance Review

The summarized financial highlights of the Bank for the period under review are:

	December 31, 2012	December 31, 2011 Restated
	Rupees in '000'	
Operating loss before provisions and diminution in value of investments	(2,492,536)	(2,607,845)
Provisions against non-performing loans and advances - net	(33,639)	(637,099)
Reversal for diminution in the value of investments	41,004	38,879
Bad-debts written off directly	(39,745)	(2,253)
Loss before tax	(2,524,916)	(3,208,318)
Taxation (charge)/ reversal	(209,240)	1,999,050
Loss after tax	(2,734,156)	(1,209,268)
Basic and diluted loss per share	(2.54)	(1.17)

The Bank sustained a pre-tax loss of Rs.2,524 million as compared to preceding year of Rs.3,208 million the significant decrease in loss is due to Bank's implementation of stronger credit and collection processes and new risk organizational structure post successful merger of three banks.

Despite multiple challenges and several policy initiatives, the Bank also remained focused and continued its efforts for recoveries against non-performing loans (NPLs) which yielded in reversal of Rs. 1.906 billion of Provisions against NPLs giving a net impact of Rs. 32.384 million charges to Profit & Loss during the current year as against Rs. 640.866 Million last year. The management is confident that in year 2013, it will recover substantial amount from classified accounts during the year 2011 and 2012. Insha Allah, the bank is poised to declare maiden profit for the year 2013.

Following a cautious lending strategy during the year, the bank managed to reduce its lending portfolio to Rs. 52.549 billion at the end of 2012 as compared to Rs. 56.018 billion as at December 31, 2011. The management considers it prudent to invest the new funds generated from new deposit and recovery from NPL in Market Treasury Bills. As such, the Investments portfolio of the bank shows the steep rise to Rs. 49.945 billion as on December 31, 2012 from Rs. 36.268 billion on December 31, 2011, which demonstrates the Bank's prudent strategy of maintaining high liquidity and investing in SLR eligible securities.

Although the bank remained focused on reducing the cost of its deposits and was able to effectively bring it down to 7.28% during the year 2012 as compared to 9.49% in the previous year, it still managed to register a healthy growth of 8% in deposits translating into Rs. 96.916 billion as at December 31, 2012 as compared to Rs. 89.670 billion at the end of year 2011. In addition to that the Bank also managed to improve the overall mix of deposits thereby increasing the low cost CASA deposit base to Rs. 52.483 billion as compared to Rs. 46.698 billion in the comparative period showing a growth of 12.39%. In doing so, the Bank was also able to shed high cost big tickets deposits and replaced them with low cost small tickets core deposits.

Notwithstanding to Bank's successful efforts in reducing the cost of deposits, the net interest margin remained under stress at Rs. 127.326 million as compared to Rs. 531.189 million in year 2011 due to classification of advances. The management has put in place strategy to improve net interest margin by increasing the yield on its credit portfolio during 2013.

Despite achieving the healthy growth in deposit base together with opening of additional 21 branches during the year under review the bank has been successful in curtailing Administrative Expenses for the current year to Rs. 3.958 billion compared to Rs. 3.815 billion translating into the increase of less than 4%. Thus the bank is poised to reap the benefits of synergies of operations following the mergers of three banks in coming years too.

### **Economic Review**

Pakistan's economy faces many challenges on several fronts including political wrangling, low levels of credit availed by the private sector coupled with declining foreign investment, which led to slow down the economic growth resulting in non-achievement of set economic targets for the year. The persistent energy shortages have affected the utilization of productive capacity of the economy. Decline in foreign exchange reserves is causing pressure on exchange rate of Pak Rupee. A depreciating currency is also affecting the size of the outstanding external debt in rupee terms as well as playing a major hurdle in inflow of Foreign Direct Investment (FDI) in the country. This stressed external position has implications for the rest of the economy. As a result of the foregoing the economy witnessed GDP growth of 3.7% during the year 2012 as compared to 4.2% target set for the same period.

In the current challenging situation the State Bank of Pakistan (SBP), as a policy measure to boost the investment and uplift the economy, continued its strategy of reducing policy Discount Rate which was brought down from 12% to 9.5% during the year under review.

### **Fiscal Policy**

The major impact of fiscal policy is escalation in expenditures, primarily driven by the increase in debt servicing, subsidies and development spending, which played a major role in pushing up the budget deficit to 6.5 percent of GDP. The revenue side also contributed to this deficit, as the non-realization of envisaged receipts from the auction of 3G licenses and delay in Coalition Support Fund Payment overshadowed the healthy growth in tax collections. With the drying up of external sources of funding, the burden of financing the deficit fell on domestic sources. This heavy reliance on costly domestic borrowing, in the face of a high budget deficit, has unfavorable implications for the sustainability of Pakistan's public debt.

### **Banking Sector Overview**

Pakistan banking sector has endured testing period in recent years, plagued by higher NPLs coupled with declining margins. The continuous monetary easing and a weaker loan take up by the private sector will affect the profitability of the banking industry in the years to come.

Cumulative cut in policy rate during the current year of 250 bps have resulted in outstanding loan rates to decline, while SBP's decision to increase minimum return on PLS savings accounts have kept the deposit rates relatively stable but in light of current interest rate scenario a bit on a higher side, adding pressure on banking spreads.

Due to low appetite of the private sector, banks enhanced their stake in Government securities, which resulted in lower yields. This consequently led to reduced investment income contribution towards the interest earned by the bank.

Other impediments to private sector loan growth apart from weak business conditions is the high amount of borrowing by the Government, escalating energy crisis coupled with deteriorating law and order situation and the expanding fiscal gap. Going into the future we expect the curtailment in borrowing as a result of fiscal tightening due to strict conditions under the new IMF program, expected in third quarter of 2013. Reduced Government borrowing will leave room for commercial banks disburse credit to the private sector which yield higher return compared to Government Securities.

### **Business and Branch Network**

The Bank is now operating with the network of 186 branches spread all over the country offering a wide range of products and services to its customers and the community at large.

With an aim to strengthen its base with respect to fee based income, the bank enhanced its focus towards Bancassurance, Home Remittance and Electronic Services Segment(s) in the year under review. Bancassurance Segment was further strengthened with the valuable addition of another Business Partner Jubilee Life Insurance which placed the bank to leverage upon the unique and diversified products portfolio of both the Business Partners.

The Bank strongly believes and focuses in placing the best-in-class technology platform to improve customer experiences, internal controls and overall efficiency of the Bank. During the year 2012, the Bank focused on upgrading the IT infrastructure to ensure best IT services and meet the future requirement. The Bank also achieved the implementation of latest IT Security Standards and emerging technologies of Virtualization of Server Machines and Cloud Computing to improve the IT security, efficiency, manageability and high availability of IT services and lower the TCO (Total Cost of Ownership) of IT Platform.

The Bank is also committed to exploit the technology platform in the area of electronic services and payment systems. The Bank has the network of total 173 ATMs depicting the remarkable growth of 48% while the electronic transactions through ATMs, Mobile Phones, and Internet Banking have given phenomenal growth of 215% in year 2012. The new technology-driven G2P (Government-to-Persons) services are also announced for Benazir Income Support Program to join hands with the Government of Pakistan for poverty alleviation. The Bank would continue to explore new avenues and offer new innovative electronic services and payment systems to its valued customers in year 2013 onwards.

### **New Products and Services- 2012**

The Bank successfully launched a new innovative current account product in Pakistan. A current account that offers all the benefits of a current account plus health covers for the account holders in case of hospitalization up to Rs. 250,000. Many new account holders opened their accounts to avail the benefit of free health cover across Pakistan.

In addition to new products, the bank introduced a concept of Sunday Branch Banking last year by declaring one of its Karachi Branches to remain open seven days a week from 9 am to 11 pm. Our customers located around, highly appreciate the initiative of our bank and are using banking services even on Sundays and till late in night on weekdays.

Investors Portfolio Services were introduced as a part of new services to our customers during the year so that the High Net worth Customers can invest in Market Treasury Bills and Pakistan Investment Bonds.

### **Islamic Banking**

Islamic Banking is currently the fastest growing segment of the banking industry. Recognizing its importance and need the Bank, during the year under review, started the planning phase to launch its own Islamic Banking Operations which is now complete and has been formally approved by the board. Subject to regulatory approvals, the Bank, Insha Allah, will start its Islamic Banking Group during 2013, through dedicated branches across the country offering Shariah compliant products and services to its customers.

### **Minimum Capital, Issuance of Preference Shares**

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks to Rs.10 billion that is to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) as of December 31, 2012 of the Bank was Rs.9 billion. The paid up capital of the Bank as of December 31, 2012 amounts to Rs. 10.780 billion while the reserves and accumulated losses on the date are Rs. 1.812 billion and Rs. 6.071 billion respectively. The SBP extended the timeline for meeting the minimum capital requirement for year 2012 of Rs. 9 billion till June 30, 2013.

The Bank in order to comply with the above shortfall in meeting the regulatory capital requirement announced the book closure dates for issuance of listed, convertible, perpetual, irredeemable, non-cumulative preference shares amounting to Rs. 2.155 billion. In this respect, SBP vide its letter no. BPRD/BAID/649/2422/2013 dated March 01, 2013 has granted in-principle approval to the Bank for the issuance of said preference shares. The said preference shares will be issued well before June 30, 2013.

The Board of Directors of the Bank also approved injection of further Capital of Rs. 5 billion before the end of 2013, from domestic and international market, subject to all regulatory approvals. The additional increase in the Capital of the Bank will exceed Minimum Capital Requirement of State Bank of Pakistan by end 2013.



### Deferred Tax

The Bank has an aggregate amount of deferred tax asset of Rs.6.042 billion which represents management's best estimate of the probable benefits expected to be realised in future years. The management of the Bank has prepared a seven year business plan on the basis of certain key assumptions which has been approved by the Board of Directors of the Bank. Based on the results of the projections and sensitivity analysis carried out, the management is confident that the Bank will be able to achieve the profits projected in the business plan and consequently the recorded deferred tax asset will be fully realised in future.

### Credit Rating

The medium to long-term rating of the Bank rated by JCR-VIS, credit rating Company, is 'A-' whereas short-term rating of the Bank is 'A-2' with a 'Stable' outlook.

### Future Outlook

The bank has ambitious but realistic plans for the future; it intends to focus on widening and diversifying its customer base, introduce new and innovative products/services including tailored services to meet specific needs of the individual clients. The bank will continue to provide and improve its technological base and introduce the state-of-the-art banking products and solutions. It will also further improve its existing e-banking services to facilitate its customers.

The new products in the pipeline that will be offered during the year are Young Bee Saving Account for children and teenagers and Pre Paid Debit Cards to replace use of cash for day to day needs. Gold Saving Account is scheduled to be introduced this year to offer alternative saving scheme to our customers who would like to accumulate gold as saving subject to approval of regulatory authorities.

In order to boost Home Remittance Business, the bank will introduce new customized saving products to Overseas Pakistan catering to their needs for house financing loans and personal loans of their near and dear ones in Pakistan.

The Bank also intends to make investment in Asset Management Company in the year 2013. Currently the Bank has a brokerage house as a wholly owned subsidiary and this new venture in the Asset Management Business will create new opportunities for the Bank.

With current wider branch network and synergies emanating from the mergers of three banks,, the bank has capacity and capability achieve its long term strategic goals and objectives- Sustainable Deposit and Business Growth, Improving and diversifying revenue streams, Improving Yield on its credit and investment portfolio and Strengthen Risk Management. The bank will continue to provide the state-of-the-art banking products and innovative services particularly e-banking to its customers.

The Bank is committed to observance and adoption of internationally accepted best practices of Corporate Governance and intends to further improve its current practices of Corporate Governance

### Loss per share

Basic and diluted loss per share has been disclosed in Note 33.

### Pattern of Shareholding

The pattern of Shareholding is annexed to the financial statements.

### Corporate and Financial reporting framework

The Directors confirm compliance with the Code of Corporate Governance issued by the SECP and feel pleasure to give the following statement in respect of the Code:



- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures there from having a material impact on the financials have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Key financial and operating data for the last six years is available in the annual report.
- Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2012 is:
  - o Staff Provident FundRs. 447.995 million
  - o Staff Gratuity FundRs. 99.483 million
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.

### Board Meetings

The number of Board meetings held during the year ended December 31, 2012 was five (5) and attendance therein by the Directors was as below:

S.NO.	NAME	MEETINGS ATTENDED
1	Mr. Nasser Abdulla Hussain Lootah	4
2	Mr. Husain Lawai (President & CEO)	5
3	Mr. Nasim Beg	5
4	Mr. Asadullah Khawaja	5
5	Mr. M. Farid Uddin	1
6	Dr. Ahmed Khalil Mohammad Samea Al Mutawa*	0
7	Mr. Shehryar Faruque	2

\* He resigned as director and his resignation is accepted by the board of directors at its 51st Meeting, held on March 05, 2013 and Mr. Muhammad Zahir Esmail is co-opted subject to compliance of regulatory requirements and approval of State Bank of Pakistan.

### Risk Management

Risk management is an integral part of the Bank's strategic decision making process which ensures that the Bank's corporate objectives are consistent with the appropriate risk return trade-off. The Bank's risk management philosophy is that all risks taken must be identified, measured, monitored and managed with in an efficient risk management framework and that return must commensurate with the risk taken.

The Board of Directors has the overall responsibility of determining the type and level of business risks that the Bank undertakes in achieving its corporate objectives. The Board has delegated to various Committees the authority to formulate, review and approve policies on monitoring and managing risk exposures. The major policy decisions and proposals on risk exposures approved by these Committees are subject to review by the Risk Management Committee of the Board (RMCB). The Board has appointed the RMCB to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that risk management process is in place and functioning.

The various Committees comprise of senior executives of the Bank who meet regularly to deliberate on matters relating to risk exposures in the areas under their respective supervision.

In order to strengthen credit risk management, Bank has updated its credit policy and procedural manual as well as updating its credit risk rating models. Bank is in process of implementing a vendor developed credit model for effective management and monitoring of its credit portfolio.

During the year, RMCB approved framework for managing the operational risk. Accordingly, Operational Risk Management Department is preparing to start collection of operational loss data, development and implementation of the Key Risk Indicators (KRIs) and Risk & Control Self Assessments (RCSAs) for the purpose of identifying and controlling the risk losses.

Going forward, the Bank intends to further strengthen the risk management function by making some structural changes and allocating additional resources to this area.

**Statement on internal control**

The Bank's internal controls system has been designed to achieve operational efficiency along with ensuring legal and statutory compliance and the accuracy of financial reporting.

It is the responsibility of the Bank's management to establish and maintain an adequate and effective Internal Control System. In this regard, Management has adopted following specific strategies duly endorsed by the Board of Directors:

- An independent Internal Audit Division reporting directly to the Audit Committee of the Board of Directors is effectively functioning.
- Compliance Division is working to ensure adherence to Laws, Regulations, and Code of ethics with a strong emphasis on KYC & AML.
- An Internal Control Unit has been established to oversee financial and operational controls, accounting system and reporting structures to ensure their adequacy and effectiveness.
- The Statement of Ethics and Business Practices has been signed and adopted by the Directors and the employees of the Bank.
- A portfolio of policies approved by the Board, are continuously updated based on the needs and requirements.
- Management responds promptly to the observations & recommendations made by the Bank's Auditors for improvements in the internal control system.
- A number of Board and Management Committees are functioning to ensure adequate communication and control.

The Bank has adopted internationally accepted COSO-Integrated Framework, while a reputable advisory firm has been appointed to provide services on implementation of SBP guidelines on Internal Controls over Financial Reporting.

In order to ensure consistency in the process of compliance with the SBP guidelines the Bank has followed a structured roadmap as stated by SBP. Accordingly, the Bank has completed a detailed documentation of bank-wide processes and controls, together with a comprehensive gap analysis of the control design and subsequent development of remediation plans for the identified gaps. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

As required by the SBP, special review of work performed on all completed stages of the Bank's Internal Control Program was conducted by the Bank's External Auditors and the Long Form Report furnished to the management was submitted to the SBP on November 30, 2012 after approval of the Audit Committee of the Board.

Based on the above results achieved from internal and external reviews conducted during the year, the management considers that the existing Internal Control system is adequate and effective.

### **Corporate Social Responsibility**

The Bank being renowned by its slogan of "Committed to you" remained focused towards community and human capital development initiatives. The Bank believes such endeavors are healthy contributions towards the community at large. During the year the Bank had been actively pursuing such goals by sponsoring in events such as:

- Annual fund raising of Shaukat Khanum Memorial Trust for the betterment of cancer inflicted patients, and,
- Roots Millennium Schools for inspiration and entrepreneurial of today's youth.

The Bank also has an on-going in-house internship program for the professional development of young aspiring students and thereby fostering a strong relationship early in the career of such individuals the Bank believes that the rewards will far exceed the expectations.

### **Subsidiary**

The Bank has 100% shareholding in Summit Capital (Private) Limited.

### **Appreciation and Acknowledgment**

I would like to appreciate the efforts of our Regulators and Government of Pakistan and in particular the Ministry of Finance and the State Bank of Pakistan for developing and strengthening the banking and financial service industry through improved regulatory and governance framework.

I would like to take this opportunity to also thank on behalf of the Board and Management of the Summit Bank Limited, the customers and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors.

On Behalf of the Board of Directors

**Husain Lawai**  
President & CEO

Karachi  
March 07, 2013

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Statement is being presented to comply with Code of Corporate Governance contained in Prudential Regulation No. G-1 for Corporate / Commercial banking issued by the State Bank of Pakistan (SBP), responsibilities of the Board of Directors advised vide SBP BSD Circular No. 15 dated June 13, 2002 and the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board has two sponsor directors, one executive director and four independent / non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this bank.
3. All the resident directors of the Bank are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the year.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees of the Bank and has ensured that appropriate steps have been taken to disseminate it throughout the bank along with supporting policies and procedures.
6. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s)
7. The Bank has developed a vision/mission statement, overall corporate strategy and significant policies, which are periodically renewed and updated. A complete record of particulars of significant policies along with the dates on which they were approved or amended is maintained.
8. All the powers of the Board have been duly exercised and the Board has taken decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & CEO, executive directors have been taken by the Board.
9. The Board consists of senior qualified bankers, some of whom are already directors on board of other companies. The election of Directors is due in March end 2013 and the Board will have an orientation course for Directors sometime in the year 2013 under the Code of Corporate Governance. Mr. Shehyar Farooque, Director of the bank has undertaken the Certification Course of "The Board Development Series" from Pakistan Institute of Corporate Governance.
10. The meetings of the Board were presided over by the Chairman and, in his leave of absence, any Director chairs the said Board meeting as proposed by the Board Members. The Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. The CFO and a new appointment of CFO was made during the year. The Company Secretary has also resigned and another Company Secretary was appointed by the Board during the year, including their remuneration and terms and conditions of employment.
12. The Directors on the Board of the Bank are individuals of repute and integrity with vast diversified experience of the financial and corporate affairs. They are also directors in other listed companies and are well conversant with the local laws and practices.

13. The Director's report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.
14. The Board has formed an Human Resource (HR) Committee. It comprises of four members of whom two are Independent Directors including its Chairman, one non-Executive Director and one Executive Director.
15. The 'closed period' prior to the announcement of interim /final results, and business decisions, which may materially affect the market price of bank securities, was determined and intimated to directors, employees and stock exchange(s).
16. The financial statements of the Bank were duly endorsed by the CEO and CFO before approval of the Board.
17. The directors, CEO, and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholdings.
18. The Bank has complied with all the corporate and financial reporting requirements of the Code.
19. The Board has formed an audit committee. It comprises of three members, one of them is non-Executive Director and two Independent Directors including the Chairman of the Committee who is Independent Director.
20. 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 Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
21. The Board has set-up an effective internal audit function. The staff of Internal Audit Department is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
22. 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.
23. The statutory auditors or the persons associated with them have not been appointed to provide services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
25. We confirm that all other material principles contained in the Code have been complied.

**Husain Lawai**  
President & CEO

Karachi  
March 07, 2013

## AUDITORS REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012 prepared by the Board of Directors of Summit Bank Limited (the Bank) to comply with the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Bank is listed.

The responsibility for compliance with the Code 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 reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's 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, the Listing Regulations require the Bank to place before the Board of Directors for their consideration and approval 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code for the year ended 31 December 2012.

### Chartered Accountants

**Audit Engagement Partner:** Shabbir Yunus

Karachi

March 07, 2013

## AUDITORS' REPORT TO THE MEMBERS ON FINANCIAL STATEMENTS OF SUMMIT BANK LIMITED

We have audited the annexed statement of financial position of **Summit Bank Limited** (the Bank) as at **31 December 2012** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, 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 twenty 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 the 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 case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as disclosed in notes 5.1 to the accompanying financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2012 and its true balance of the loss, its comprehensive loss, 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.

We draw attention to the following matters:

- (i) note 1.5 to the accompanying financial statements, which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan (SBP) and the management's future plans and actions in relation thereto. The said note also indicates the existence of material uncertainties with respect to the recapitalisation of the Bank and, consequently, its sustainability in future. Further, the SBP has advised the Bank to submit a capital enhancement plan for meeting the 2012 regulatory capital requirement which the management intends to do so in due course;
- (ii) note 14 to the accompanying financial statements relating to deferred tax asset amounting to Rs.6,041.513 (2011: Rs.6,298.059) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an effect on the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of these matters.

**Chartered Accountants**

**Audit Engagement Partner:** Shabbir Yunus

Karachi

March 07, 2013



# Financial Statements

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	December 31, 2012	December 31, 2011 (Restated - note 6)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks	8	8,110,185	6,117,986
Balances with other banks	9	3,600,977	1,426,353
Lendings to financial institutions	10	2,038,500	1,069,757
Investments	11	49,945,062	36,268,904
Advances	12	52,549,154	56,017,664
Operating fixed assets	13	5,385,336	6,071,432
Deferred tax assets - net	14	6,041,513	6,298,059
Other assets	15	6,714,468	6,078,178
		<b>134,385,195</b>	119,348,333
<b>LIABILITIES</b>			
Bills payable	16	1,654,302	900,750
Borrowings	17	28,900,432	18,562,616
Deposits and other accounts	18	96,916,430	89,699,819
Sub-ordinated loans	19	1,499,310	1,500,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	20	2,352,046	2,911,099
		<b>131,322,520</b>	113,574,284
<b>NET ASSETS</b>		<b>3,062,675</b>	5,774,049
<b>REPRESENTED BY</b>			
Share capital	21	10,779,796	10,779,796
Reserves	22	(1,811,675)	(1,811,675)
Accumulated losses		(6,071,210)	(3,392,192)
		<b>2,896,911</b>	5,575,929
Surplus on revaluation of assets - net of deferred tax	23	165,764	198,120
		<b>3,062,675</b>	5,774,049
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes from 1 to 45 and Annexure-1 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
President &  
Chief Executive

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Director

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Director

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Director

## UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	25	10,265,092	9,552,362
Mark-up / return / interest expensed	26	(10,137,766)	(9,021,173)
Net mark-up / interest income		<b>127,326</b>	531,189
Provision against non-performing loans and advances - net	12.3.1	(33,639)	(637,099)
Reversal for diminution in the value of investments	11.14	41,004	38,879
Bad debts written off directly	12.4.1	(39,745)	(2,253)
		<b>(32,380)</b>	(600,473)
Net mark-up / interest income / (loss) after provisions		<b>94,946</b>	(69,284)
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		620,220	444,483
Dividend income		141,826	100,120
Gain from dealing in foreign currencies		387,904	165,894
Gain / (loss) on sale of securities - net	27	339,444	(47,972)
Loss on disposal of operating fixed assets	13.2.3	(209,649)	(12,430)
Unrealised loss on revaluation of investments classified as held-for-trading - net	11.17	(5)	(5,337)
Other income	28	97,360	87,147
Total non-mark-up / interest income		<b>1,377,100</b>	731,905
		<b>1,472,046</b>	662,621
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	(3,958,079)	(3,815,856)
Other provisions / write-offs	30	(29,800)	(35,729)
Other charges	31	(9,083)	(19,354)
Total non-mark-up / interest expenses		<b>(3,996,962)</b>	(3,870,939)
		<b>(2,524,916)</b>	(3,208,318)
Extra ordinary / unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		<b>(2,524,916)</b>	(3,208,318)
<b>Taxation</b>	32		
Current		(76,717)	(107,310)
Prior years		-	-
Deferred		(132,523)	2,106,360
		<b>(209,240)</b>	1,999,050
<b>LOSS AFTER TAXATION</b>		<b>(2,734,156)</b>	(1,209,268)
<b>Attributable to:</b>			
Non-controlling interests		-	(135,582)
Owners of the parent		<b>(2,734,156)</b>	(1,073,686)
		<b>(2,734,156)</b>	(1,209,268)
<b>Loss per share - basic (Rupees)</b>	33	<b>(2.54)</b>	(1.17)

The annexed notes from 1 to 45 and Annexure-1 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
President &  
Chief Executive

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Director

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Director

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Director

## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>Loss after taxation</b>	<b>(2,734,156)</b>	(1,073,686)
Other comprehensive income	-	-
<b>Comprehensive loss transferred to equity</b>	<b><u>(2,734,156)</u></b>	<b><u>(1,073,686)</u></b>

Surplus / (deficit) on revaluation of 'Available-for-sale securities' and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and the Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 45 and Annexure-1 form an integral part of these unconsolidated financial statements.

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President &  
Chief Executive

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Director

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Director

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Director

## UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(2,524,916)	(3,208,318)
Less: Dividend income	(141,826)	(100,120)
	(2,666,742)	(3,308,438)
<b>Adjustments:</b>		
Depreciation	525,337	488,608
Amortisation of intangible assets and deferred cost	99,653	93,295
Provision against non-performing loans and advances - net	33,639	637,099
Advances directly written off	39,745	2,253
Other provisions / write offs	29,800	35,729
Reversal of provision in the value of investments	(41,004)	(38,879)
Unrealised loss on revaluation of investments in held-for-trading securities - net	5	5,337
Gain on disposal of non-banking assets	(4,976)	-
Loss on disposal of operating fixed assets	209,649	12,430
	891,848	1,235,872
	(1,774,894)	(2,072,566)
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(968,743)	(124,173)
Net realisations / (investments) in 'held-for-trading' securities	28,214	(2,957)
Advances - net	3,395,126	2,458,166
Other assets (excluding advance taxation) - net	(626,563)	(756,451)
	1,828,034	1,574,585
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	753,552	67,920
Borrowings from financial institutions	10,336,209	8,023,349
Deposits and other accounts	7,216,611	10,810
Other liabilities	(559,053)	754,610
	17,747,319	8,856,689
	17,800,459	8,358,708
Income tax paid	(163,275)	(28,044)
<b>Net cash flows from operating activities</b>	17,637,184	8,330,664
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(14,281,325)	(6,528,719)
Net realisation / (investments) in 'held to maturity' securities	669,918	(845,667)
(Investment in) / proceeds on disposal of associate	(34,998)	37,200
Dividend received	141,826	100,120
Cash paid for acquisition of MyBank Limited	-	(2,163,861)
Investment in operating fixed assets	(461,549)	(1,567,020)
Sale proceeds of property and equipment - disposed off	318,350	118,648
Sale proceeds of non-banking assets - disposed off	176,500	-
<b>Net cash used in investing activities</b>	(13,471,278)	(10,849,299)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts on issue of right shares	-	1,450,132
(Payments) / receipts of subordinated loan	(690)	1,500,000
<b>Net cash flows (used in) / from financing activities</b>	(690)	2,950,132
Increase in cash and cash equivalents	4,165,216	431,497
Cash and cash equivalents acquired on acquisition	-	2,687,623
Cash and cash equivalents at beginning of the year	7,504,682	4,385,562
<b>Cash and cash equivalents at end of the year</b>	11,669,898	7,504,682

Note

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The annexed notes from 1 to 45 and Annexure-1 form an integral part of these unconsolidated financial statements.

\_\_\_\_\_  
President &  
Chief Executive

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Director

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Director

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Director

## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital reserves			Revenue reserves		Non-controlling interest	Total
	Share capital	Discount on issue of shares	Reserve arising on statutory reserve amalgamation	Other reserve	Accumulated losses		
<b>Balance as at January 01, 2011</b>	7,250,660	-	64,828	(2,399,878)	(2,321,584)	3,594,026	3,594,026
Non-controlling interest arising on acquisition	-	-	-	-	-	1,737,961	1,737,961
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	3,078	-	3,078
Issuance of right shares during the year	1,450,132	-	-	-	-	-	1,450,132
Comprehensive loss transferred to equity during the year ended December 31, 2011 - restated (note 6)	-	-	-	-	(1,073,686)	(135,582)	(1,209,268)
Issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 6.1)	2,079,004	(1,297,298)	-	820,673	-	1,602,379	(1,602,379)
<b>Balance as at December 31, 2011 - restated (note 6)</b>	<b>10,779,796</b>	<b>(1,297,298)</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>(3,392,192)</b>	<b>5,575,929</b>	<b>5,575,929</b>
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation and disposal - net of deferred tax	-	-	-	-	55,138	-	55,138
Comprehensive loss transferred to equity during the year ended December 31, 2012	-	-	-	-	(2,734,156)	-	(2,734,156)
<b>Balance as at December 31, 2012</b>	<b>10,779,796</b>	<b>(1,297,298)</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>(6,071,210)</b>	<b>2,896,911</b>	<b>2,896,911</b>

The annexed notes from 1 to 45 and Annexure-1 form an integral part of these unconsolidated financial statements.

President &  
Chief Executive

Director

Director

Director

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.
- 1.2 The Bank is principally engaged in the business of banking through its 186 branches [2011: 165 Branches (after amalgamation of Atlas Bank Limited and MyBank Limited having 40 branches and 80 Branches respectively)] in Pakistan as defined in the Banking Companies Ordinance, 1962. The medium to long-term rating of the Bank rated by JCR-VIS, credit rating company, is 'A-' whereas short-term rating of the Bank is 'A-2' with a Stable outlook.
- 1.3 During the year ended 31 December 2010, Suroor Investments Limited (SIL or Sponsors), a company incorporated in Mauritius, acquired 59.4% shareholding and consequently, SIL become the parent company of the Bank. Further, under a scheme of amalgamation (the scheme), at the close of business on December 31, 2010, Atlas Bank Limited (ATBL) was merged with and into Summit Bank Limited.
- 1.4 During the previous year, the Bank acquired controlling interest (51% holding) in My Bank Limited (MBL) on April 01, 2011. Accordingly, MBL became a subsidiary of the Bank upon acquisition of controlling interest. Furthermore, in 2011, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, by virtue of which MBL has been merged with and into the Bank at the close of business on June 30, 2011 upon acquisition of non-controlling interest through issue of Ordinary Shares of the Bank (refer note 6 for details).
- 1.5 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion and Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2012 and 2013, respectively. Further, vide its aforesaid Circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. The paid up capital of the Bank (net of losses) as of December 31, 2012 amounted to Rs.2,832.083 million and CAR, as disclosed in note 42.3, remained below the prescribed level of 10%.

In view of the above shortfall in meeting the regulatory capital requirements and the financial condition of the Bank, the management and sponsors of the Bank have taken the following steps:

- The Bank plans to issue listed convertible, perpetual, irredeemable, non-cumulative preference shares up to Rs.2.155 billion. In this respect, SBP vide its letter No. BPRD/BAID/649/2422/2013 dated 01 March 2013 has granted in-principle approval to the Bank for the issuance of said preference shares, subject to compliance with certain conditions conveyed vide SBP letters No. BSD/BAID/649/1862/2013 dated February 15, 2013 and BSD/BAID/649/2251/2013 dated February 26, 2013. The Bank will have to approach SBP for final approval after completion of all the relevant legal and regulatory formalities. The management believes that the said preference shares would be issued within first half of the year 2013.
- The Bank intends to raise further capital through its sponsors to meet the regulatory capital requirements and a commitment to this effect from the sponsors has been obtained.
- The management of the Bank has prepared financial projections for a period of seven years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2016 and, hence, it has been assumed that necessary relaxation in this regard will be available from the SBP in the future.

Subsequent to the year end, SBP vide its letter number BPRD/BAID/649/2424/2013 dated March 01, 2013 has

allowed the Bank extension in meeting the MCR and CAR requirement till June 30, 2013 and has advised the Bank to submit a Board approved capital enhancement plan for meeting the regulatory capital requirement of MCR and CAR, within one week of holding the next Board Meeting.

Based on the above, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue its business in the foreseeable future and therefore, have prepared these financial statements on a going concern basis. In making such assessments, the Board has taken into account the material uncertainties with respect to events or conditions that may impact the recapitalisation plan of the Bank and, consequently, its sustainability in the future.

## 2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2 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 comprises of purchase of goods by banks from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3 Items included in unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupees, which is the Bank's functional currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

## 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 State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.
- 3.2 International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008 are not applicable to banking companies in Pakistan. 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 prescribed by the SBP through various circulars.
- 3.3 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 7 – Financial Instruments : Disclosures – (Amendments) – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income	July 01, 2012
IAS 19 – Employee Benefits – (Revised)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Bank expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Bank's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits' as described below:

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Bank is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Bank's accounting policy related to recognition of actuarial gains and losses (refer to note 5.12 to the financial statements) to recognise actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is estimated as under:

	<b>Rupees</b>
Net increase / (decrease) in employees' benefit liability	<b>(1,469,985)</b>
Net increase / (decrease) in other comprehensive income	<b>926,139</b>
Net increase / (decrease) in profit for the year	<b>543,846</b>

**Improvements to IFRS**

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Bank's expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

**4. BASIS OF MEASUREMENT**

These unconsolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year except as described below in note 5.1:

**5.1 New and amended standards and interpretations**

The Bank has adopted the following amendments to IFRSs which became effective during the current year:

IFRS 7 – Financial Instruments: Disclosures -  
Enhanced De-recognition Disclosure Requirements (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

**5.2 Cash and cash equivalents**

For the purpose of cash flow statements, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

**5.3 Lendings to / borrowings from financial and other institutions**

The Bank enters into transactions of borrowings (re-purchase) from and lending (reverse re-purchase) to financial and other institutions, at contracted rates for a specified period of time. These are recorded as under:

**Repurchase agreement borrowings**

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for

investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up expense and is accrued over the period of the repo agreement.

#### **Repurchase agreement lendings**

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up earned and is accrued over the period of the reverse repo agreement.

Securities purchased are not recognised in the unconsolidated 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.

### **5.4 Investments**

Investments of the Bank, other than investments in subsidiaries and associates, are classified as held-for-trading, held to maturity and available-for-sale. The management determines the appropriate classification of its investments at the time of purchase.

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

These are securities which 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 portfolio in which a pattern of short-term profit taking exists.

#### **Held to maturity**

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

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

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

#### **Initial measurement**

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held-for-trading, the acquisition cost associated with the investments.

#### **Subsequent measurement**

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

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

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

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

### **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 is taken to the profit and loss account when actually realised 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. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited unconsolidated financial statements. A decline in the carrying value is charged to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

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 ageing criteria prescribed by the Prudential Regulations issued by the SBP.

### **Investments 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 recognised as it arises provided the increased carrying value does not exceed cost.

Gain and losses arising on sale of investments during the year are taken to the profit and loss account.

## **5.5 Advances**

Advances are stated net of general and specific provisions. The specific and general provisions for advances are made in accordance with the requirements of Prudential Regulations and other directives issued by the State Bank of Pakistan and are charged to the profit and loss account. Non-performing loans and advances in respect of which the Bank does not expect any recoveries in future years are written off.

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

## **5.6 Operating fixed assets and depreciation**

### **Owned**

Property and equipment, other than leasehold land (which is not depreciated) and capital work in progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses, if any.

Depreciation is calculated by the Bank using the straight line method to write down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 13.2 to the unconsolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in the profit and loss account in the year when asset is derecognised.

#### **Assets held under operating leases**

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any. Repairs and maintenance are charged to profit and loss account as and when incurred.

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

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortised using the straight line method at the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed of.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### **Goodwill**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account.

### **5.7 Subordinated loans**

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

**5.8 Assets acquired in satisfaction of claims**

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

**5.9 Impairment**

The carrying amounts of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account.

**5.10 Staff retirement and other benefits**

**Defined contribution plan**

The Bank operates defined contribution provident fund for all its permanent employees. Equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 8.33% of basic salary.

**Defined benefit scheme**

The Bank operates an funded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of five years. Provision is made to meet the cost of such gratuity benefits on the basis of actuarial recommendations and are charged to income currently. The actuarial valuations are periodically carried out using the 'Projected Unit Credit Method'.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date.

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs as at December 31, 2010.

Upon amalgamation of the Bank with the ATBL, the said scheme / plan been terminated and the net liability has been included in the funded plan of the Bank.

The Bank also maintains an approved funded gratuity scheme for Ex-MyBank employees. Contribution to the said fund has been discontinued since 2002. However, the fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balance upon completion of or termination from the employment of the Bank.

**Employees' compensated absences**

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date.

## 5.11 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of tax after taking with applicable tax credits, rebates and exemptions available, if any. The charge for current tax also include adjustments where considered necessary, relating to prior years which arise from assessments finalised during the year.

### Deferred

Deferred tax is recognised on all major temporary differences, tax credits and unused tax losses 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. Deferred tax is calculated at the rates that are expected to apply to the periods when the differences will reverse, based on tax rates that have been enacted or substantially enacted at the statement of financial position date.

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

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes".

## 5.12 Deposits

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

## 5.13 Provisions

Provisions are recognised 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 at each statement of financial position date and are adjusted to reflect the current best estimate.

## 5.14 Foreign currencies

### Foreign currency transactions and translations

Transactions in foreign currencies are translated into rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupees terms at the rates of exchange ruling on the statement of financial position date. Forward foreign exchange contracts are valued at forward rates determined with reference to their respective maturities.

### Translation gains and losses

Translation gains and losses are included in the profit and loss account.

## 5.15 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

### 5.16 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria are used for revenue recognition:

#### Advances and investments

Mark-up / return on regular loans / advances and investments is recognised on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account over the remaining period using effective interest method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.

Dividend income is recognised when the Bank's right to receive the dividend is established.

Gain and loss on sale of investments are recognised in the profit and loss account.

#### Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases if any, is recognised on receipt basis.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income on receipts basis.

#### Fees, brokerage and commission

Fees, brokerage and commission on letters of credit / guarantees and others are generally recognised on an accrual basis.

### 5.17 Off setting

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

### 5.18 Financial instruments

#### Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain other receivables, borrowings from financial institutions, deposits and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

#### Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques.



All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

### 5.19 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segment. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional structure and the guidance of SBP. The Bank comprises of the following main business segments:

#### Business segments

- **Corporate finance**

This includes underwriting, securitisation, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

- **Trading and sales**

This segment undertakes the Bank's treasury, money market and capital market activities.

- **Retail banking**

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and to the agricultural sector. It includes loans, deposits and other transactions with retail customers.

- **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

- **Payment and settlement**

This includes payments and collections, funds transfer, clearing and settlement with the customers.

- **Geographical segments**

The Bank conducts all its operations in Pakistan.

## 6. BUSINESS COMBINATION - Restatement of prior year figures

As stated in note 1.4, the Bank acquired the majority shareholding of 51% in MyBank Limited (MBL) for cash consideration of Rs.2,163.861 million on the acquisition date of April 01, 2011 and, hence, MBL became a subsidiary of the Bank at that date. The Bank accounted for the same by applying acquisition method of accounting as prescribed by the International Financial Reporting Standard 3, "Business Combination".

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition, the management was in the process of carrying out a detailed exercise for the identification and valuation of assets acquired (including intangible assets) for the purpose of the initial accounting for the acquisition. According to the requirements of IFRS 3, if the initial accounting for a business combination remains incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts for the items for which the accounting is incomplete. Such provisional values shall be adjusted retrospectively within a period of one year from the acquisition date to reflect the results of the valuation and information that existed as of acquisition date. Accordingly, pending the completion of the detailed exercise for valuation of the acquired net assets as referred above, the Bank reported provisional amounts for the assets acquired including the goodwill in respect of the amalgamation in the annual audited financial statements for the year ended December 31, 2011.

The fair valuation exercise for assets and liabilities acquired has now been completed by the management with the assistance of an independent valuer and the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books has been finalised in the current year and accounted for in the financial statements.

A reconciliation between the provisional amounts and final values as at March 31, 2011 in respect of the acquisition is as under:

Note	* Provisional amounts as at the date of acquisition	Fair value adjustments recognised	Final adjusted amounts as at the date of acquisition
	----- (Rupees in '000) -----		
<b>Assets</b>			
Cash and balances with treasury banks	2,206,669	-	2,206,669
Balances with other banks	480,954	-	480,954
Lendings to financial institutions	945,584	-	945,584
Investments	7,510,462	(56,727)	7,453,735
Advances	21,512,969	(1,168,976)	20,343,993
Operating fixed assets	2,167,248	713,702	2,880,950
Deferred tax assets	1,475,793	(328,270)	1,147,523
Other assets	2,005,186	364,871	2,370,057
<b>Total assets</b>	<b>38,304,865</b>	<b>(475,400)</b>	<b>37,829,465</b>
<b>Liabilities</b>			
Bills payable	475,537	-	475,537
Borrowings	5,282,024	-	5,282,024
Deposits and other accounts	28,026,796	54,663	28,081,459
Other liabilities	443,586	-	443,586
<b>Total liabilities</b>	<b>34,227,943</b>	<b>54,663</b>	<b>34,282,606</b>
<b>Net assets</b>	<b>4,076,922</b>	<b>(530,063)</b>	<b>3,546,859</b>
Cash consideration paid [270,482,625			
Ordinary shares @ Rs.8 each	1.4	2,163,861	-
Proportionate share of non-controlling interest (49% of net assets)	6.1	1,997,692	(259,731)
		4,161,553	(259,731)
Intangible assets recognised on acquisition	6.2	-	353,712
Goodwill arising on acquisition		84,631	(83,380)

\* Balances taken from the published financial statements of MBL for the quarter ended March 31, 2011.

### 6.1 Acquisition of non-controlling interest

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Bank, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance).

On the effective date of amalgamation (i.e. close of business on June 30, 2011), the Bank acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL (see note 1.4). The fair value of these shares (based on the published quoted price at that date) amounted to Rs.781.706 million. The excess of the fair value of the shares issued over the adjusted balance of the NCI amounting to Rs.820.673 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

	Note	2012 (Rupees in '000)
<b>6.2 Intangible assets recognised on acquisition</b>		
Core deposits	6.2.1	209,874
Brand name	6.2.2	143,838
		<b>353,712</b>

**6.2.1** The intangible asset comprises of core deposits of Ex-Mybank and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than borrowing from money market.

Valuations of core deposits rests on the premise that the acquired customer relationships provide a stream of future benefits to the acquirer. These benefits last until the deposit relationship terminates.

The fair value of this identifiable intangible asset has been determined using discounted cash flow method, by an independent valuer.

**6.2.2** This intangible asset represents Bank's ability to attract new customers and generate superior returns from existing customers due to Brand recognition.

The fair value of this intangible asset has been determined using relief from royalty method by an independent valuer. The management estimates that the benefits from usage of Brand will be available to the Bank for next 10 years.

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

In the process of applying the Bank's accounting policies, as described in note 5, the management has made the following estimates and judgments which are significant to the financial statements:

- classification of investments (note 5.4);
- determining the residual values and useful lives of property and equipment (note 5.6);
- impairment (note 5.9);
- accounting for post employment benefits (note 5.10);
- recognition of taxation and deferred tax (note 5.11);
- provisions (note 5.4, 5.5 and 5.13); and
- intangible assets and deferred tax recognised on acquisition (note 6).

## 8. CASH AND BALANCES WITH TREASURY BANKS

In hand	Note	December 31, 2012	December 31, 2011
----- (Rupees in '000) -----			
Local currency		2,429,191	1,706,605
Foreign currencies		281,730	152,957
		<b>2,710,921</b>	1,859,562
<b>National Prize Bonds</b>		<b>12,602</b>	3,749
<b>With State Bank of Pakistan in</b>			
Local currency current account	8.1	3,471,876	3,191,429
Foreign currency current account	8.2	38,357	12,451
Foreign currency deposit account			
- Non-remunerative	8.3	243,846	202,378
- Remunerative	8.4	731,537	607,133
		<b>4,485,616</b>	4,013,391
<b>With National Bank of Pakistan in</b>			
Local currency current account		901,046	241,284
		<b>8,110,185</b>	6,117,986

- 8.1** Deposits are maintained with SBP to comply with its requirement issued from time to time.
- 8.2** This represents US Dollar Settlement account maintained with SBP.
- 8.3** This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.
- 8.4** This represents foreign currency special cash reserve account maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. These deposits currently carry no mark-up (December 31, 2011: 0%).

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>9. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		<b>123,073</b>	159,763
Outside Pakistan			
On current accounts		<b>3,363,220</b>	1,194,907
On deposit accounts	9.1	<b>114,684</b>	71,683
		<b>3,600,977</b>	1,426,353

- 9.1** These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.6% to 3% (2011: 0%) per annum receivable on maturity.

**10. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lending	10.2	<b>200,000</b>	300,000
Repurchase agreement lendings (reverse repo)	10.3 & 10.4	<b>1,838,500</b>	269,757
Certificate of investment		-	500,000
		<b>2,038,500</b>	1,069,757

**10.1 Particulars of lendings**

In local currency		<b>2,038,500</b>	1,069,757
In foreign currencies		-	-
		<b>2,038,500</b>	1,069,757

- 10.2** This represents call lending to a financial institution carrying mark-up at the rate of 9.75% (December 31, 2011: 12.60% to 12.65%) per annum and is maturing from January 18, 2013.

- 10.3** These are secured against underlying securities, having fair value of Rs.1,872 million (December 31, 2011: Rs.263 million). These carry mark-up ranging from 7.75% to 12.50% (December 31, 2011: 12.75%) per annum and maturing latest by January 24, 2013.

Note	December 31, 2012			December 31, 2011		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
<b>10.4 Securities held as collateral against lendings to financial institutions</b>						
Treasury Bills	1,287,667	-	1,287,667	-	-	-
Pakistan Investment Bonds	288,833	-	288,833	269,757	-	269,757
Listed Ordinary shares	262,000	-	262,000	-	-	-
	<b>1,838,500</b>	<b>-</b>	<b>1,838,500</b>	<b>269,757</b>	<b>-</b>	<b>269,757</b>

## 11. INVESTMENTS

### 11.1 Investments by types:

#### Held-for-trading securities

Listed Ordinary shares	11.4	6,125	-	6,125	39,671	-	39,671
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#### Available-for-sale securities

Market Treasury Bills	11.3	17,297,902	22,778,000	40,075,902	15,781,443	13,937,057	29,718,500
Pakistan Investment Bonds	11.3	1,157,294	2,537,191	3,694,485	1,289,099	-	1,289,099
Listed Ordinary shares	11.4	2,376,774	-	2,376,774	1,541,937	-	1,541,937
Preference shares	11.7	107,941	-	107,941	37,500	-	37,500
Unlisted Ordinary shares	11.5	1,000	-	1,000	41,000	-	41,000
Units of open ended mutual funds	11.6	1,063,363	-	1,063,363	1,125,000	-	1,125,000
Units of closed ended mutual funds	11.6	-	-	-	58,000	-	58,000
Term Finance Certificates - listed	11.8	395,502	44,919	440,421	514,230	44,937	559,167
Term Finance Certificates - unlisted	11.9	1,425,727	-	1,425,727	637,146	-	637,146
Sukuk Bonds	11.10	905,085	-	905,085	931,869	-	931,869
		<b>24,730,588</b>	<b>25,360,110</b>	<b>50,090,698</b>	<b>21,957,224</b>	<b>13,981,994</b>	<b>35,939,218</b>

#### Held to maturity

Pakistan Investment Bonds	11.3	588,070	-	588,070	1,257,988	-	1,257,988
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#### Associate

Unlisted Ordinary shares	11.11	34,998	-	34,998	-	-	-
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#### Subsidiary

Unlisted Ordinary shares	11.12	396,942	-	396,942	396,942	-	396,942
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#### Investment at cost

		<b>25,756,723</b>	<b>25,360,110</b>	<b>51,116,833</b>	<b>23,651,825</b>	<b>13,981,994</b>	<b>37,633,819</b>
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Less: Provision for diminution in value

of investments	11.14	(1,017,824)	-	(1,017,824)	(1,058,828)	-	(1,058,828)
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#### Investments - net of provisions

		<b>24,738,899</b>	<b>25,360,110</b>	<b>50,099,009</b>	<b>22,592,997</b>	<b>13,981,994</b>	<b>36,574,991</b>
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Deficit on revaluation of held-for-trading securities	11.17	(5)	-	(5)	(5,337)	-	(5,337)
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Surplus / (deficit) on revaluation of							
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available-for-sale securities	23.2	(442,743)	288,801	(153,942)	(286,078)	(14,672)	(300,750)
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#### Total investments

		<b>24,296,151</b>	<b>25,648,911</b>	<b>49,945,062</b>	<b>22,301,582</b>	<b>13,967,322</b>	<b>36,268,904</b>
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		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>11.2 Investments by segments:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	11.3	<b>40,075,902</b>	29,718,500
- Pakistan Investment Bonds	11.3	<b>4,282,555</b>	2,547,087
<b>Fully paid-up Ordinary Shares / Units / Certificates:</b>			
- Listed companies	11.4	<b>2,382,899</b>	1,581,608
- Unlisted companies	11.5	<b>1,000</b>	41,000
- Mutual funds - open end	11.6	<b>1,063,363</b>	1,125,000
- Mutual funds - closed end	11.6	-	58,000
<b>Preference Shares</b>	11.7	<b>107,941</b>	37,500
<b>Term Finance Certificates and Bonds</b>			
- Listed Term Finance Certificates	11.8	<b>440,421</b>	559,167
- Unlisted Term Finance Certificates	11.9	<b>1,425,727</b>	637,146
- Sukuk Bonds	11.10	<b>905,085</b>	931,869
<b>Investment in associate</b>	11.11	<b>34,998</b>	-
<b>Investment in subsidiary</b>	11.12	<b>396,942</b>	396,942
<b>Total investment at cost</b>		<b>51,116,833</b>	37,633,819
Less: Provision for diminution in value of investments	11.14	<b>(1,017,824)</b>	(1,058,828)
<b>Investments - net of provisions</b>		<b>50,099,009</b>	36,574,991
Deficit on revaluation of held-for-trading securities	11.17	<b>(5)</b>	(5,337)
Deficit on revaluation of available-for-sale securities	23.2	<b>(153,942)</b>	(300,750)
<b>Total investments</b>		<b>49,945,062</b>	36,268,904

**11.3** Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9% to 11.92% (December 31, 2011: 11.79% to 13.88%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 8% to 13% (December 31, 2011: 4.25% to 12.72%) per annum on semi-annual basis and will mature within 9 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

In previous year, after obtaining necessary approval from the SBP, the Bank transferred Pakistan Investment Bonds acquired from Atlas Bank Limited aggregating to Rs.959.803 million from available-for-sale category to held to maturity. At year end, Pakistan Investment Bonds amounting to Rs.152.145 million are still held by the Bank.

## 11.4 Particulars of investments in Ordinary shares - listed

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
<b>Held-for-trading securities</b>					
D.G. Khan Cement Company Limited	60,000	161,765	10	3,292	3,497
Engro Fertilizers Limited	-	10,000	10	-	1,465
National Bank of Pakistan Limited	-	317,252	10	-	15,701
Pakistan State Oil Company Limited	-	60,005	10	-	14,918
Pakistan Telecommunication Company Limited	164,000	-	10	2,833	-
United Bank Limited	-	70,000	10	-	4,090
				<b>6,125</b>	<b>39,671</b>
<b>Available-for-sale securities</b>					
Agriotech Limited	37,975,034	7,635,703	10	1,104,183	114,612
Allied Bank Limited	-	25,000	10	-	1,624
Arif Habib Corporation Limited, a related party	4,624,546	5,280,859	10	130,472	139,369
Askari Bank Limited	44,717	4,056,276	10	1,295	135,095
Attock Refinery Limited	-	25,000	10	-	2,978
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Bank Alfalah Limited	200,000	-	10	3,289	-
D.G. Khan Cement Company Limited	240,000	470,000	10	13,059	25,574
Engro Corporation Limited	286,100	20,000	10	28,184	2,808
Fatima Fertilizer Company Limited, a related party	-	6,000,000	10	-	130,050
Fauji Fertilizer Bin Qasim Limited	85,000	-	10	3,206	-
Fauji Fertilizer Company Limited	50,000	-	10	5,886	-
First Capital Securities Corporation Limited	11,308,000	11,308,000	10	94,846	94,846
Hum Network Limited	-	39,000	10	-	906
Ibrahim Fibres Limited	-	149,390	10	-	8,317
Javedan Corporation Limited, a related party	3,915,318	3,915,318	10	372,400	235,037
Lucky Cement Limited	-	192,950	10	-	15,754
MCB Bank Limited	-	20,000	10	-	3,993
National Bank of Pakistan Limited	407,500	-	10	19,871	-
Nishat Power Limited	400,000	400,000	10	4,004	4,004
Nishat Mills Limited	165,000	-	10	10,585	-
Oil and Gas Development Company Limited	-	10,000	10	-	1,544
Pak Elektron Limited	299,723	299,723	10	12,500	12,500
Pak Suzuki Motors Company Limited	-	115,000	10	-	13,248
Pakistan Oilfields Limited	-	25,000	10	-	8,969
Pakistan Petroleum Limited	80,000	-	10	14,307	-
Pakistan State Oil Company Limited	50,100	-	10	11,722	-
Pakistan Telecommunication Company Limited	50,000	100,000	10	1,011	1,191
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Sui Northern Gas Pipelines Limited	-	58,800	10	-	1,825
Sui Southern Gas Company Limited	13,125,000	13,125,000	10	281,532	281,532
Tariq Glass Industries Limited	4,175,000	5,329,704	10	66,806	66,668
Thatta Cement Company Limited, a related party	8,462,835	8,462,835	10	174,829	174,829
Wateen Telecom Limited	695,000	4,882,813	10	6,950	48,827
				<b>2,376,774</b>	<b>1,541,937</b>
				<b>2,382,899</b>	<b>1,581,608</b>

**11.5 Particulars of investment in other**

**Ordinary shares - unlisted**

Name of companies	Number of units / certificates held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
<b>Arabian Sea Country Club Limited</b>	100,000	100,000	10	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2011: 1.29%) Net asset value per share was Rs.8.72 as at June 30, 2012 based on audited financial statements (June 30, 2011: Rs.7.90 based on audited financial statements)					
<b>Atlas Asset Management Limited</b>	-	3,000,000	10	-	30,000
Chief Executive Officer: Mr. M. Habib-ur-Rehman Percentage holding Nil (December 31, 2010: 12%)					
<b>Khushhali Bank Limited</b>	-	1,000,000	10	-	10,000
Chief Executive Officer: Mr. Ghalib Nishtar Percentage holding Nil (December 31, 2011: 0.6%)					
				<b>1,000</b>	<b>41,000</b>

**11.6 Particulars of investment in mutual funds**

Name of companies	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
<b>Mutual fund (open end)</b>					
National Investment Trust - Equity Fund	22,931,376	21,573,388	50	1,038,363	1,000,000
Pakistan Capital Protected Fund	-	11,059,617	10	-	100,000
AKD Cash Fund	533,585	500,000	10	25,000	25,000
				<b>1,063,363</b>	<b>1,125,000</b>
<b>Mutual fund (closed end)</b>					
Golden Arrow Selected Stocks Fund Limited	-	20,000,000	5	-	58,000
				-	58,000



**11.7 Particulars of investments in preference shares**

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
<b>Pak Elektron Limited</b>	<b>3,750,000</b>	3,750,000	10	<b>37,500</b>	37,500
Rate of preference dividend: 9.5% - cumulative					
Terms of redemption: Redeemable after 6 years of date of issue					
Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year.					
<b>Javedan Corporation Limited</b>	<b>7,044,100</b>	-	10	<b>70,441</b>	-
Rate of preference dividend: 12% - cumulative					
Terms of conversion: Conversion option to be exercised at the option of the holder					
<b>Aisha Steel Mills Limited*</b>	<b>408,300</b>	-	10	-	-
Rate of preference dividend: 6M KIBOR+3% - cumulative					
Terms of conversion: Conversion option to be exercised any time					
				<b>107,941</b>	<b>37,500</b>

\* These preference shares were received as a specie dividend from Arif Habib Corporation Limited, a related party.

**11.8 Particulars of investment in listed Term Finance Certificates - face value of Rs.5,000 each**

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Allied Bank Limited</b>	6 months KIBOR plus 1.90%	Semi-annually	<b>114,453</b>	114,422
22,975 (December 31, 2011: 22,975) certificates Chief Executive Officer: Mr. Khalid A. Sherwani				
		<b>Balance c/f</b>	<b>114,453</b>	114,422

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>114,453</b>	114,422
<b>United Bank Limited</b> 16,000 (December 31, 2011: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	6 months KIBOR plus 0.85%	Semi-annually	<b>24,526</b>	61,022
<b>Engro Fertilizers Limited</b> 5,000 (December 31, 2011: 20,000) certificates Chief Executive Officer: Mr. Ruhail Muhammad	6 months KIBOR plus 1.55%	Semi-annually	<b>24,756</b>	24,699
<b>NIB Bank Limited</b> 25,400 (December 31, 2011: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	6 months KIBOR plus 1.15%	Semi-annually	<b>126,771</b>	126,822
<b>Askari Bank Limited - 2nd issue (unsecured)</b> 6,990 (December 31, 2011: 6,990) certificates Chief Executive Officer: Mr. M. R. Mehkari	6 months KIBOR plus 1.50%	Semi-annually	<b>34,852</b>	34,866
<b>Azgard Nine Limited</b> 56,280 (December 31, 2011: 22,000) certificates Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	<b>35,792</b>	82,388
<b>Bank Alfalah Limited - 3rd issue (unsecured)</b> 2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Atif Bajwa	6 months KIBOR plus 1.50%	Semi-annually	<b>6,649</b>	9,977
<b>Bank Al-Habib Limited - 1st issue (unsecured)</b> Nil (December 31, 2011: 3,480) certificates Chief Executive Officer: Mr. Abbas D. Habib	6 months KIBOR plus 1.50% (floor of 3.5% per annum and cap of 9.5% per annum)	Semi-annually	-	11,570
		<b>Balance c/f</b>	<b>367,799</b>	465,766

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>367,799</b>	465,766
<b>Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue</b>	Cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds plus 2.75% with 12.00% per annum as floor and 15.75% per annum as ceiling	Semi-annually	<b>10,000</b>	10,000
2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Basheer Ahmed Chowdry				
<b>Escorts Investment Bank Limited</b>	6 months KIBOR plus 2.50% (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	<b>4,996</b>	7,494
5,000 (December 31, 2011: 5,000) certificates Chief Executive Officer: Ms. Shazia Bashir				
<b>Jahangir Siddiqui &amp; Company Limited - 4th issue</b>	6 months KIBOR plus 2.50%	Semi-annually	-	12,478
Nil (December 31, 2011: 5,000) certificates Chief Executive Officer: Mr. Suleman Lalani				
<b>Pakistan Mobile Communication Limited</b>	6 months KIBOR plus 2.85%	Semi-annually	<b>1,664</b>	4,992
2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Rashid Naseer Khan				
<b>Telecard Limited</b>	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	<b>48,696</b>	48,749
26,530 (December 31, 2011: 26,530) certificates Chief Executive Officer: Syed Aamir Hussain				
<b>Trust Investment Bank Limited - 3rd issue</b>	6 months KIBOR plus 1.85%	Semi-annually	<b>7,266</b>	9,688
3,877 (December 31, 2011: 3,877) certificates Chief Executive Officer: Mr. Shahid Iqbal				
			<b>440,421</b>	559,167

**11.9 Particulars of investment in unlisted Term Finance Certificates - face value of Rs.5,000 each**

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Agritech Limited</b> 100,000 (December 31, 2011: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	6 months KIBOR plus 1.75%	Semi-annually	<b>499,586</b>	499,586
<b>Dewan Farooq Spinning Mills Limited</b> Nil (December 31, 2011: 5,000) certificates Maturity date: June 20, 2010 Chief Executive Officer: Mr. Dewan Abdul Baqi Farooqi	6 months KIBOR plus 3.75%	Semi-annually	-	6,250
<b>Avari Hotels Limited</b> 5,000 (December 31, 2011: 5,000) certificates Maturity date: November 1, 2016 Chief Executive Officer: Mr. Byram D. Avari	6 months KIBOR plus 3.25%	Semi-annually	<b>21,229</b>	21,229
<b>Bunny's Limited</b> 10,000 (December 31, 2011: 10,000) certificates Maturity date: November 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq	6 months KIBOR plus 2.5%	Semi-annually	<b>50,000</b>	50,000
<b>Flying Board &amp; Paper Products Limited</b> 5,000 (December 31, 2011: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood	6 months KIBOR plus 1.5%	Semi-annually	<b>25,000</b>	25,000
<b>Gharibwal Cement Limited</b> 5,000 (December 31, 2011: 5,000) certificates Maturity date: July 17, 2011 Chief Executive Officer: Mr. Muhammad Tousif Peracha	6 months KIBOR plus 3.0%	Semi-annually	<b>24,980</b>	24,980
<b>Balance c/f</b>			<b>620,795</b>	627,045

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>620,795</b>	627,045
<b>Security Leasing Corporation Limited</b> 2,000 (December 31, 2011: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Muhammad Khalid Ali	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	<b>1,845</b>	2,187
<b>Orix Leasing Pakistan Limited</b> 100 (December 31, 2011: 100) certificates Maturity date: January 15, 2013 Chief Executive Officer: Mr. Teizoon Kisat	6 months KIBOR plus 1.40%	Semi-annually	<b>1,667</b>	5,000
<b>New Khan Transport Company (Private) Limited</b> Nil (December 31, 2011: 10) certificates Maturity date: October 13, 2013 Chief Executive Officer: Mr. Sheikh Muhammad Ashraf	6 months KIBOR plus 3% with 8.50% per annum as floor and no ceiling	Monthly	-	2,914
<b>Parthenon (Private) Limited</b> 160,284 (December 31, 2011: Nil) certificate Maturity date: January 31, 2018 Chief Executive Officer: Mr Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	<b>801,420</b>	-
			<b>1,425,727</b>	<b>637,146</b>

**11.10 Particulars of investment in Sukuk Bonds - face value of Rs.5,000 each**

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Arzoo Textile Mills Limited</b> 40,000 (December 31, 2011: 40,000) certificates Maturity date: April 15, 2014 Chief Executive Officer: Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 year and 1.75% for year 3 onwards	Semi-annually	<b>200,000</b>	200,000
		<b>Balance c/f</b>	<b>200,000</b>	200,000

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>200,000</b>	200,000
<b>Pak Elektron Limited</b> 40,000 (December 31, 2011: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	3 months Kibor plus 1.0%	Quarterly	<b>200,000</b>	200,000
<b>Liberty Power Tech Limited</b> 100,000 (December 31, 2011: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	3 months Kibor plus 3.0%	Quarterly	<b>505,085</b>	531,869
			<b>905,085</b>	<b>931,869</b>

**11.11 Particulars of investment in associate**

Name of companies	Number of units / certificates held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----				
<b>Ordinary shares - unlisted</b>					
<b>Avanza Solutions (Private) Limited</b> Chief Executive Officer: Mr. Mahmood Kapurwala Percentage holding 30% Book value per share is Rs.24.57 as at December 31, 2011 based on audited financial statements.	<b>620,314</b>	-	10	<b>34,998</b>	-
				<b>34,998</b>	-

**11.12 Particulars of investment in subsidiary**

<b>Summit Capital (Private) Limited - unlisted</b> Chief Executive Officer: Mr. Rahat Saeed Percentage holding 100% (December 31, 2011: 100%) Book value per share is Rs.7.05 as at December 31, 2012 (December 31, 2011: Rs.6.50) based on audited financial statements	<b>30,000,000</b>	30,000,000	10	<b>396,942</b>	396,942
				<b>396,942</b>	<b>396,942</b>

**11.13 Quality of available-for-sale securities**

	Note	Ratings		Market values	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
----- (Rupees in '000) -----					
<b>Market Treasury Bills</b>	11.13.1	<b>Unrated</b>	Unrated	<b>40,139,387</b>	29,711,050
<b>Pakistan Investment Bonds</b>	11.13.1	<b>Unrated</b>	Unrated	<b>3,978,154</b>	2,543,591
<b>Listed Ordinary shares</b>	11.13.2				
Agritech Limited		<b>D</b>	D	<b>443,169</b>	117,284
Allied Bank Limited		<b>A1+, AA+</b>	A1+, AA+	-	1,347
Arif Habib Corporation Limited - a related party		<b>Unrated</b>	Unrated	<b>111,544</b>	136,827
Askari Bank Limited		<b>A1+, AA</b>	A1+, AA	<b>770</b>	40,684
Attock Refinery Limited		<b>A1+, AA</b>	A1+, AA	-	2,691
Azgard Nine Limited		<b>D</b>	D	<b>4,045</b>	1,425
Bank Alfalah Limited		<b>A1+, AA</b>	NA	<b>3,364</b>	-
D.G. Khan Cement Company Limited		<b>Unrated</b>	Unrated	<b>13,099</b>	12,022
Engro Corporation Limited		<b>A1, A</b>	A1+, AA	<b>26,333</b>	1,854
Fatima Fertilizer Company Limited		<b>A1, A+</b>	A1, A	-	137,520
Fauji Fertilizer Bin Qasim Limited		<b>Unrated</b>	NA	<b>3,280</b>	-
Fauji Fertilizer Company Limited		<b>Unrated</b>	NA	<b>5,857</b>	-
First Capital Securities Corporation Limited		<b>Unrated</b>	Unrated	<b>41,387</b>	21,033
Hum Network Limited		<b>A1, A+</b>	A1, A	-	1,551
Ibrahim Fibres Limited		<b>A1+, AA-</b>	A1+, AA-	-	4,040
Javedan Corporation Limited		<b>A1+, AA-</b>	Unrated	<b>372,308</b>	248,623
Lucky Cement Limited		<b>Unrated</b>	Unrated	-	14,479
MCB Bank Limited		<b>A1+, AA+</b>	A1+, AA+	-	2,692
National Bank of Pakistan Limited		<b>A1+, AAA</b>	A1+, AAA	<b>20,126</b>	-
Nishat Mills Limited		<b>A1+, AA-</b>	NA	<b>10,535</b>	-
Nishat Power Limited		<b>A1, A+</b>	A1+, AA-	<b>7,800</b>	5,180
Oil and Gas Development Company Limited		<b>A1+, AAA</b>	AAA, A1+	-	1,516
Pak Suzuki Motors Company Limited		<b>Unrated</b>	Unrated	-	6,788
Pakistan Oilfields Limited		<b>Unrated</b>	Unrated	-	8,661
Pakistan Petroleum Limited		<b>Unrated</b>	NA	<b>14,143</b>	-
Pakistan State Oil Company Limited		<b>A1+, AA+</b>	A1+, AA+	<b>11,634</b>	13,634
Pakistan Telecommunication Company Limited		<b>Unrated</b>	Unrated	<b>868</b>	1,039
Pak Elektron Limited		<b>Unrated</b>	A2, A-	<b>3,225</b>	1,046
SME Leasing Limited		<b>A3, BBB-</b>	A3, BBB+	<b>6,768</b>	3,158
Sui Northern Gas Pipe Line Limited		<b>A1+, AA</b>	A1+, AA	-	924
Sui Southern Gas Company Limited		<b>A1+, AA-</b>	A1+, AA-	<b>269,194</b>	253,181
Tariq Glass Industries Limited		<b>Unrated</b>	Unrated	<b>88,051</b>	43,704
Thatta Cement Company Limited - a related party		<b>Unrated</b>	Unrated	<b>211,571</b>	200,992
United Bank Limited		<b>A1+, AA+</b>	A1+, AA+	-	3,667
Wateen Telecom Limited		<b>Unrated</b>	Unrated	<b>2,071</b>	8,740
				<b>1,671,142</b>	1,296,302
<b>Unlisted Ordinary shares</b>	11.13.2				
Arabian Sea Country Club Limited		<b>Unrated</b>	Unrated	<b>1,000</b>	1,000
Atlas Asset Management Limited		<b>AM2-</b>	AM3-	-	30,000
Khushhali Bank Limited		<b>Unrated</b>	Unrated	-	10,000
				<b>1,000</b>	41,000
<b>Preference shares</b>					
Pak Elektron Limited		<b>Unrated</b>	Unrated	<b>37,500</b>	37,500
Javedan Corporation Limited		<b>Unrated</b>	Unrated	<b>98,547</b>	-
Aisha Steel Mills Limited		<b>Unrated</b>	Unrated	<b>4,099</b>	-
				<b>136,047</b>	37,500
		<b>Balance c/f</b>		<b>45,925,730</b>	33,629,443

Note	Ratings		Market values	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		Balance b/f	45,925,730	33,629,443
<b>Mutual fund units - open end</b>	11.13.2			
AKD Cash Fund	AA+(f)	AA+(f)	26,857	25,000
National Investment Trust Units	Unrated	Unrated	761,092	593,923
Pakistan Capital Protected Fund	NA	Unrated	-	100,000
			<b>787,949</b>	718,923
<b>Mutual fund units - closed end</b>	11.13.2			
Golden Arrow Selected Stocks Fund Limited	NA	2-Star	-	54,200
			-	54,200
<b>Term Finance Certificates - listed</b>				
Allied Bank Limited	AA	AA-	116,663	114,902
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)	Unrated	C	9,549	9,549
Askari Bank Limited	AA-	AA-	35,171	34,715
Azgard Nine Limited	D	D	33,645	77,444
Bank Alfalah Limited	AA-	AA-	6,686	9,942
Bank Al-Habib Limited	AA	AA	-	10,503
Engro Fertilizers Limited	A	AA	24,334	24,463
Escorts Investment Bank Limited	BB	BB	3,684	5,526
Jahangir Siddiqui & Co. Limited	AA+	AA	-	12,555
NIB Bank Limited	A+	A+	127,090	124,295
Pakistan Mobile Communications Limited	AA-	A+	1,671	5,006
Telecard Limited	Unrated	D	36,521	36,562
Trust Investment Bank Limited	Unrated	BBB	5,450	9,299
United Bank Limited	AA	AA	25,505	59,540
			<b>425,969</b>	534,301
<b>Term Finance Certificates - unlisted</b>				
Agritech Limited	D	D	374,690	374,690
Avari Hotels Limited	A-	A-	20,490	20,260
Bunny's Limited	Unrated	Unrated	37,500	25,000
Dewan Farooq Spinning Mills Limited	Unrated	Unrated	-	6,250
Flying Board & Paper Products Limited	Unrated	Unrated	25,000	25,000
Gharibwal Cement Limited	D	D	24,980	24,980
New Khan Transport (Private) Company Limited	Unrated	Unrated	-	2,914
Orix Leasing Pakistan Limited	AA+	AA+	1,667	5,029
Parthenon (Private) Limited	Unrated	Unrated	801,420	-
Security Leasing Corporation Limited	Unrated	Unrated	1,297	1,538
			<b>1,287,044</b>	485,661
<b>Sukuk Bonds</b>				
Arzoo Textile Mills Limited	Unrated	Unrated	200,000	200,000
Liberty Power Tech Limited	A+	AA	505,085	531,869
Pak Elektron Limited	Unrated	A-	200,000	182,932
			<b>905,085</b>	914,801
		<b>Total</b>	<b>49,331,777</b>	<b>36,337,329</b>

11.13.1 These are Government of Pakistan guaranteed securities.

11.13.2 Ratings for these equity securities / units represents 'Entity Ratings'.



- 11.13.3** Securities have been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR -VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.

	December 31, 2012	December 31, 2011
Note	----- (Rupees in '000) -----	
<b>11.14</b>	<b>Particulars of provision</b>	
	1,058,828	500,060
	-	597,647
	133,680	213,430
	(174,684)	(252,309)
	(41,004)	(38,879)
Closing balance	1,017,824	1,058,828
11.15		

**11.15** **Particulars of provision in respect of type and segment**

**Available-for-sale securities**

Ordinary shares of listed companies	188,136	285,175
Ordinary shares of unlisted companies	1,000	4,210
Mutual fund units	337,527	337,527
Term Finance Certificates - listed	40,947	25,000
Term Finance Certificates - unlisted	102,442	59,144
Sukuk Bonds	150,000	150,000
<b>Subsidiary</b>	197,772	197,772
	1,017,824	1,058,828
11.16		

- 11.16** The Bank has tested the investment in its subsidiary for impairment by comparing the recoverable value to the carrying value.

For Summit Capital (Private) Limited (SCPL), the recoverable value was determined using a value in use (VIU) calculation using cash flow projections based on financial projections prepared by the management of SCPL for the forecast period.

The pre-tax discount rate of 26.2% (2011: 26.6%) is used for determining the VIU of SCPL, which reflects SCPL management's estimate of the cost of equity applicable to SCPL. The cost of equity has been calculated using the Capital Asset Pricing Model (CAPM). Parameters used in the CAPM calculation are based on published third party data.

**11.17** **(Deficit) / Surplus on revaluation of held-for-trading securities**

D.G. Khan Cement Company Limited	(17)	(419)
Engro Fertilizers Limited	-	(538)
National Bank of Pakistan Limited	-	(2,673)
Pakistan Telecommunication Company Limited	12	-
Pakistan State Oil Company Limited	-	(1,284)
United Bank Limited	-	(423)
	(5)	(5,337)

**11.18** The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-1857 dated February 15, 2013 has permitted banks to maintain provision against classified Term Finance Certificates issued by Azgard Nine Limited and Agritech Limited, at 10% of the exposure and 10% of the deficit on revaluation on Ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investment include Rs.3.420 million, Rs.27.462 million and Rs.65.270 million (2011: Rs.Nil) against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively. The provision against these exposures amounting to Rs.9.067 million, Rs.269.432 million and Rs.587.433 million against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively, have not be recorded in these financial statements based upon the above relaxation from SBP.

	Note	December 31, 2012	December 31, 2011
----- (Rupees in '000) -----			
<b>12. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		<b>61,675,373</b>	65,076,030
Net investment in finance lease - in Pakistan	12.2	<b>285,014</b>	372,747
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		<b>1,713,160</b>	2,208,614
Payable outside Pakistan		<b>1,268,910</b>	741,682
		<b>2,982,070</b>	2,950,296
Advances - gross		<b>64,942,457</b>	68,399,073
Provision against non-performing advances	12.3.1	<b>(12,393,303)</b>	(12,381,409)
Advances - net of provision		<b>52,549,154</b>	56,017,664

**12.1 Particulars of advances**

<b>12.1.1</b> In local currency	<b>63,451,658</b>	67,522,081
In foreign currencies	<b>1,490,799</b>	876,992
	<b>64,942,457</b>	68,399,073
<b>12.1.2</b> Short-term (upto one year)	<b>56,056,410</b>	58,643,970
Long-term (over one year)	<b>8,886,047</b>	9,755,103
	<b>64,942,457</b>	68,399,073

**12.2 Net investment in finance lease - in Pakistan**

	December 31, 2012				December 31, 2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- (Rupees in '000) -----								
Lease rentals receivable	95,670	168,088	-	263,758	118,440	235,962	-	354,402
Residual value	46,485	16,599	-	63,084	69,004	15,492	-	84,496
Minimum lease payments	142,155	184,687	-	326,842	187,444	251,454	-	438,898
Financial charges for future periods	(11,893)	(29,935)	-	(41,828)	(13,243)	(52,908)	-	(66,151)
Present value of minimum lease payments	130,262	154,752	-	285,014	174,201	198,546	-	372,747

**12.3** Advances include Rs.23,409.947 million (December 31, 2011: Rs.22,417.723 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Substandard	915,923	227,787	227,787	1,974,120	760,341	760,341
Doubtful	3,889,308	780,251	780,251	3,986,610	1,179,640	1,179,640
Loss	18,604,716	11,382,777	11,382,777	16,456,993	10,440,195	10,440,195
	<b>23,409,947</b>	<b>12,390,815</b>	<b>12,390,815</b>	<b>22,417,723</b>	<b>12,380,176</b>	<b>12,380,176</b>

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

	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	12,380,176	1,233	12,381,409	5,719,514	4,430	5,723,944
Provision against non-performing advances of subsidiary at the date of acquisition	-	-	-	6,092,489	570	6,093,059
Charge for the year	1,938,087	1,255	1,939,342	2,855,538	-	2,855,538
Reversals	(1,905,703)	-	(1,905,703)	(2,214,672)	(3,767)	(2,218,439)
	<b>32,384</b>	<b>1,255</b>	<b>33,639</b>	<b>640,866</b>	<b>(3,767)</b>	<b>637,099</b>
Amount written off	(21,745)	-	(21,745)	(72,693)	-	(72,693)
Closing balance	<b>12,390,815</b>	<b>2,488</b>	<b>12,393,303</b>	<b>12,380,176</b>	<b>1,233</b>	<b>12,381,409</b>

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

	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409
In foreign currencies	-	-	-	-	-	-
	<b>12,390,815</b>	<b>2,488</b>	<b>12,393,303</b>	<b>12,380,176</b>	<b>1,233</b>	<b>12,381,409</b>

**12.3.3** The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs.7,515 million (December 31, 2011: Rs.8,653 million). Further, the Bank has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan. The aggregate amount of such benefit amounted to Rs.1,385 million as at year end which includes Rs.456.220 million in respect of Agritech Limited.

The FSV and exemptions benefit recognised will not be available for the distribution of cash and stock dividend to shareholders.

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>12.4 Particulars of write offs</b>		
<b>12.4.1</b> Against provisions	21,745	72,693
Directly charged to profit and loss account	39,745	2,253
	61,490	74,946
<b>12.4.2</b> Write offs of Rs.500,000 and above	57,820	71,348
Write offs of below Rs.500,000	3,670	3,598
	61,490	74,946

**12.5 Details of write off of Rs.500,000 and above**

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs.500,000 or above allowed to persons during the year ended December 31, 2012 is given in Annexure I.

12.6 Particulars of loans and advances to Directors, Associated Companies, etc.	December 31, 2012	December 31, 2011
	(Restated - note 6)	
	----- (Rupees in '000) -----	
<b>Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons</b>	Note	
Balance at beginning of the year	1,079,498	447,849
Loans granted during the year	512,930	869,513
Repayments during the year	(395,312)	(237,864)
Balance at end of the year	1,197,116	1,079,498
<b>Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members</b>		
Balance at beginning of the year	107,967	151,126
Loans granted during the year	765,820	1,374,807
Repayments during the year	(763,512)	(1,417,966)
Balance at end of the year	110,275	107,967
<b>Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties</b>		
Balance at beginning of the year	18,000	18,000
Loans granted during the year	-	-
Repayments during the year	(18,000)	-
Balance at end of the year	-	18,000
	1,307,391	1,205,465

**13. OPERATING FIXED ASSETS**

Capital work-in-progress	13.1	330,579	302,576
Property and equipment	13.2	4,671,543	5,303,101
Intangible assets	13.3	383,214	465,755
		5,385,336	6,071,432
<b>13.1 Capital work-in-progress</b>			
Civil works		198,059	186,616
Advances to suppliers and contractors		37,210	20,650
Advances against computer software		123,165	123,165
Less: Provision thereagainst		(27,855)	(27,855)
		95,310	95,310
		330,579	302,576

### 13.2 Property and equipment

Category of classification	Note	December 31, 2012										
		COST				ACCUMULATED DEPRECIATION				Net book value at		Rate of depreciation
		At January 01, 2012	Additions	(Deletions) / write off **	At December 31, 2012	At January 01, 2012	Charge for the year	(Deletion) / write off **	At December 31, 2012	December 31, 2012	%	
(Rupees in '000)												
Leasehold land	13.2.2	1,373,447	-	(470,775)	902,672	-	-	-	-	902,672	-	
Building on leasehold land	13.2.2	3,012,137	125	(46,753)	2,965,509	686,870	150,315	(10,185)	827,000	2,138,509	5%	
Building improvements	13.2.1 & 13.2.2	1,076,709	123,969	(7,013)	1,192,982	256,917	113,602	(3,026)	367,094	825,888	10%	
				(683)**				(399)**				
Furniture and fixtures	13.2.1	371,754	40,086	(5,370)	406,426	125,236	38,643	(3,426)	160,444	245,982	10% - 15%	
				(44)**				(9)**				
Electrical, office and computer equipment	13.2.1	1,282,949	192,071	(39,006)	1,435,789	775,692	205,972	(26,568)	955,022	480,767	20% - 30%	
				(225)**				(74)**				
Vehicles		123,226	65,997	(24,608)	164,615	92,406	16,805	(22,321)	86,890	77,725	20%	
				-				-				
<b>December 31, 2012</b>		<b>7,240,222</b>	<b>422,248</b>	<b>(593,525)</b>	<b>7,067,993</b>	<b>1,937,121</b>	<b>525,337</b>	<b>(65,526)</b>	<b>2,396,450</b>	<b>4,671,543</b>		
				<b>(952)**</b>				<b>(482)**</b>				

13.2.1 Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.668 million (December 31, 2011: Rs.321 million).

#### 13.2.2 Revaluation of properties

In 2011, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.488 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2012 would have been as follows:

	December 31, 2012
	-- (Rupees in '000) --
Leasehold land	715,853
Buildings on leasehold land	1,863,232
Buildings improvements	814,679

Category of classification	December 31, 2011 (Restated - note 6)											
	COST					ACCUMULATED DEPRECIATION					Net book value at	Rate of depreciation
	At January 01, 2011	Additions / Assets acquired on amalgamation *	Adjustments arising due to revaluation of assets	(Deletions) / transfers ** / write off ***	At December 31, 2011	At January 01, 2011	Charge / On assets acquired on amalgamation *	Adjustments arising due to revaluation of assets	(Deletion) / transfers ** / write off ***	At December 31, 2011	December 31, 2011	
(Rupees in '000)												
Leasehold land	261,130	-	220,919	-	1,373,447	-	-	-	-	-	1,373,447	-
		891,398 *	-	-								
Building on leasehold land	701,730	16,855	390,168	-	3,012,137	69,490	108,848	90,478	-	686,870	2,325,267	5%
		1,903,384 *	-	-			418,054 *	-	-			
Building improvements	818,575	152,673	18,458	(76,217)	1,076,709	148,676	87,859	5,249	(21,887)	256,917	819,792	10%
		238,933 *	-	(36,405)**			55,864 *	-	(8,470)**			
				(39,308)***				-	(10,374)***			
Furniture and fixtures	533,347	34,630	-	(35,488)	371,754	119,161	40,631	-	(15,437)	125,236	246,518	10% - 15%
		104,830 *	-	(264,307)**			44,840 *	-	(63,535)**			
				(1,258)***				-	(424)***			
Electrical, office and computer equipment	583,727	97,220	-	(55,708)	1,282,949	278,367	230,826	-	(23,650)	775,692	507,257	20% - 30%
		358,650 *	-	300,089**			217,021 *	-	73,684**			
				(1,029)***				-	(556)***			
Vehicles	70,450	2,943	-	(67,874)	123,226	37,903	19,161	-	(43,235)	92,406	30,820	20%
		117,705 *	-	2**			80,590 *	-	(2,013)**			
<b>December 31, 2011</b>	<b>2,968,959</b>	<b>304,321</b>	<b>629,545</b>	<b>(235,287)</b>	<b>7,240,222</b>	<b>653,597</b>	<b>487,325</b>	<b>95,727</b>	<b>(104,209)</b>	<b>1,937,121</b>	<b>5,303,101</b>	
		<b>3,614,900 *</b>		<b>(621)**</b>			<b>816,369 *</b>	<b>-</b>	<b>(334)**</b>			
				<b>(41,595)***</b>				<b>-</b>	<b>(11,354)***</b>			

\*\* Transfers include transfer to intangible assets.

### 13.2.3 Disposal of property and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	----- (Rupees in '000) -----						
<b>Leasehold land</b>							
01 Marla 177 sq.ft House No. F-1208, Mohalla Sateen, Lahore	44,525	-	44,525	62,349	17,824	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Lahore
Plot No. 133, 12th East Street, Phase-1, DHA, Karachi	426,250	-	426,250	198,932	(227,318)	Tender	Mr. Zakaria Usman, Karachi
<b>Building on leasehold land</b>							
01 Marla 177 sq.ft House No. F-1208 Mohalla Sateen, Lahore	3,979	1,118	2,861	3,276	415	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Lahore
Building on Plot No. 133, 12th East Street, Phase-1 DHA, Karachi	42,774	9,067	33,707	16,068	(17,639)	Tender	Mr. Zakaria Usman, Karachi
<b>Building improvements</b>							
Building renovations	2,401	1,599	802	511	(291)	Negotiation	Mr. Gul Akber, Karachi
Building renovations	3,002	610	2,392	2,471	79	Negotiation	M/s. Sindh Bank Limited
Building renovations	737	250	487	1,174	687	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	873	567	306	56	(250)	Negotiation	Various
<b>Furniture and fixtures</b>							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	5,370	3,426	1,944	1,121	(823)	Negotiation	Various
<b>Electrical, office and computer equipment</b>							
Generators	26,031	15,676	10,355	11,804	1,449	Negotiation	M/s. Mars Engineering, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	12,235	10,210	2,025	2,617	592	Negotiation	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	673	620	53	176	123	Bank's Policy	Various Employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	67	62	5	27	22	Scrapped	Various
<b>Vehicles</b>							
Honda Civic VTI Oriol	2,140	285	1,855	1,875	20	Bank's Policy	Syed Asif - Executive
Honda Accord	1,788	1,788	-	886	886	Bank's Policy	Syed Imran Ali - Executive
Honda Civic VTI Prosmatic	1,372	1,372	-	800	800	Auction	Mr. Waqas Ahmed Khan, Karachi
Mitsubishi Lancer	1,059	900	159	722	563	Auction	Mr. Rehan Mahmood, Karachi
Honda EXI	1,069	1,069	-	958	958	Auction	Syed Riaz Ahmed, Karachi
Honda Accord	2,785	2,641	144	2,050	1,906	Auction	Muhammad Nasir Khan, Karachi
Honda Civic VTI Oriol	1,269	1,269	-	736	736	Auction	Mr. Syed Imran, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	634	529	105	533	428	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	5,906	5,882	24	3,316	3,292	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	6,586	6,586	-	5,892	5,892	Auction	Various
	<u>593,525</u>	<u>65,526</u>	<u>527,999</u>	<u>318,350</u>	<u>(209,649)</u>		
<b>Details of write offs</b>							
Building improvements	683	399	284	-	(284)		
Furniture and fixtures	44	9	35	-	(35)		
Electrical, office and computer equipment	225	74	151	-	(151)		
	<u>952</u>	<u>482</u>	<u>470</u>	<u>-</u>	<u>(470)</u>		

### 13.3 Intangible assets

Category of classification	December 31, 2012							Net book value at December 31, 2012	Rate of amortisation
	COST			ACCUMULATED AMORTISATION					
	At January 01, 2012	Additions	At December 31, 2012	At January 01, 2012	For the year	At December 31, 2012			
	(Rupees in '000)							%	
Computer software	378,949	17,112	396,061	240,377	64,282	304,659	91,402	20 - 30	
Core deposits	209,874	-	209,874	15,741	20,987	36,728	173,146	10%	
Brand name	143,838	-	143,838	10,788	14,384	25,172	118,666	10%	
<b>December 31, 2012</b>	<b>732,661</b>	<b>17,112</b>	<b>749,773</b>	<b>266,906</b>	<b>99,653</b>	<b>366,559</b>	<b>383,214</b>		

Category of classification	December 31, 2011 (Restated - note 6)							Net book value at December 31, 2011	Rate of amortisation
	COST			ACCUMULATED AMORTISATION					
	At January 01, 2011	Additions / transfer / assets acquired on amalgamation *	At December 31, 2011	At January 01, 2011	For the year / transfer / on assets acquired on amalgamation *	At December 31, 2011			
	(Rupees in '000)							%	
Computer software	249,427	11,401 621 * 117,500 **	378,949	133,464	61,792 334 * 44,787 **	240,377	138,572	20 - 30	
Core deposits	-	209,874	209,874	-	15,741	15,741	194,133	10%	
Brand name	-	143,838	143,838	-	10,788	10,788	133,050	10%	
<b>December 31, 2011</b>	<b>249,427</b>	<b>365,113</b> 621 * 117,500 **	<b>732,661</b>	<b>133,464</b>	<b>88,321</b> 334 * 44,787 **	<b>266,906</b>	<b>465,755</b>		

### 14. DEFERRED TAX ASSETS - net

December 31, 2012      December 31, 2011  
 Note      ----- (Rupees in '000) -----

#### Deferred debits arising in respect of:

Deficit on revaluation of available-for-sale securities  
 Deficit on revaluation of held to maturity  
 Provision against non performing loans  
 Provision for gratuity  
 Provision for compensated absences  
 Provision against other assets  
 Unused tax losses  
 Provision for diminution in the value of investments  
 Unrealised loss on revaluation of investments - held-for-trading

-	77,644
-	19,855
<b>2,354,472</b>	2,357,247
-	36,023
<b>43,164</b>	42,994
<b>63,743</b>	45,821
<b>4,022,092</b>	4,053,007
<b>356,238</b>	370,590
-	1,868
<b>6,839,709</b>	7,005,049

#### Deferred credits arising in respect of:

Surplus on revaluation of fixed assets  
 Surplus on revaluation of available-for-sale securities  
 Difference between accounting and tax written down values

<b>(102,038)</b>	(107,857)
<b>(52,196)</b>	-
<b>(643,962)</b>	(599,133)
<b>(798,196)</b>	(706,990)
<b>6,041,513</b>	6,298,059

14.2

- 14.1** As at December 31, 2012, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs.2,605.062 million (December 31, 2011: Rs.2,904.734 million). However, the management has recognised the above benefit only to the extent of Rs.2,354.472 million (December 31, 2011: Rs.2,357.247 million) based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period (see note 14.2 below).

**14.2** The Bank has an aggregate amount of deferred tax asset of Rs.6,042 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Bank has prepared a seven years' business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the business plan and, consequently, the recorded deferred tax asset will be fully realised in the future.

	December 31, 2012	December 31, 2011
Note	----- (Rupees in '000) -----	
<b>15. OTHER ASSETS</b>		
Income / mark-up accrued in local currency	<b>1,874,557</b>	2,047,508
Income / mark-up accrued in foreign currency	<b>1,939</b>	753
Advances, deposits, advance rent and other prepayments	15.1 <b>516,538</b>	508,630
Non banking assets acquired	15.2 &	
in satisfaction of claims	15.3 <b>3,383,224</b>	2,918,421
Advance taxation - net of provision	<b>475,070</b>	388,512
Receivable from Arif Habib Investments Limited, a related party	<b>11</b>	11
Receivable from Suroor Investments Limited, the parent company	15.4 <b>27,000</b>	27,000
Stationery and stamps on hand	<b>10,620</b>	10,737
Receivable against sale of property and equipment	<b>90</b>	16,327
Commission receivable on guarantee	<b>9,880</b>	9,880
Receivable from other banks against clearing and settlement	<b>50,284</b>	68,843
Unrealised gain on forward foreign exchange contracts	<b>39,512</b>	-
Commission receivable on home remittance	15.5 <b>247,385</b>	-
Others	<b>260,482</b>	234,350
	<b>6,896,592</b>	6,230,972
Less: Provision held against other assets	15.6 <b>(182,124)</b>	(152,794)
	<b>6,714,468</b>	6,078,178

**15.1** This includes an amount of Rs.34.430 million (December 31, 2011: Rs.34.430) million representing consideration deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited (Judgment Debtor), in auction proceedings. The confirmation of sale of the property was challenged by the Judgment Debtor in the Honourable Lahore High Court. Subsequently, the case was transferred to Islamabad High Court. After hearing the appeal, Islamabad High Court passed the order on December 01, 2008 and directed the Judgment Debtor to deposit the decreed money in the Court within 90 days failing which the sale of land would be confirmed in favour of the Bank. The Judgment Debtor failed to deposit the amount as directed by Court and, hence, the sale of property stands confirmed.

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>15.2</b> Market value of non banking assets acquired in satisfaction of claims	<b>3,618,220</b>	3,106,776

**15.3** During the year 2009, the Bank acquired properties as consideration from a borrower against the loans and advances amounting to Rs.976 million and incurred transfer cost of Rs.86 million thereon. The said borrower had an option to re-purchase such properties within two years, which expired in 2011. However, the said borrower has filed a suit before the Honorable High Court of Sindh and the Court has issued an order restraining creation of any third party charge against such properties till the disposal of the case.



- 15.4** This represents amount receivable in respect of sale of 5.4 million Ordinary shares of MyBank Limited, held by the Bank.
- 15.5** This represents commission receivable from the State Bank of Pakistan in respect of home remittances channelled through the Bank as per agreement entered with the SBP.

		December 31, 2012	December 31, 2011
		----- (Rupees in '000) -----	
<b>15.6 Provision held against other assets</b>	<b>Note</b>		
Opening balance		152,794	130,796
Provision against other assets of subsidiary at the date of acquisition		-	7,656
Charge for the year	30	29,330	14,342
		<b>182,124</b>	<b>152,794</b>
<b>16. BILLS PAYABLE</b>			
In Pakistan		1,654,302	900,750
Outside Pakistan		-	-
		<b>1,654,302</b>	<b>900,750</b>
<b>17. BORROWINGS</b>			
In Pakistan		28,859,168	18,522,959
Outside Pakistan		41,264	39,657
		<b>28,900,432</b>	<b>18,562,616</b>
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		28,859,168	18,522,959
In foreign currencies		41,264	39,657
		<b>28,900,432</b>	<b>18,562,616</b>
<b>17.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Export refinance scheme	17.2.1	3,191,400	4,284,957
Long-term financing of export oriented projects	17.2.2	89,273	123,755
Long-term financing facility	17.2.3	2,705	4,629
Repurchase agreement borrowings (repo)	17.2.4	25,575,790	13,909,618
		<b>28,859,168</b>	<b>18,322,959</b>
<b>Unsecured</b>			
Overdrawn nostro accounts		41,264	39,657
Call borrowings		-	200,000
		<b>41,264</b>	<b>239,657</b>
		<b>28,900,432</b>	<b>18,562,616</b>

**17.2.1** These are secured against promissory notes, export documents and undertakings by the Bank granting the right to SBP to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The effective mark-up rate on these borrowings ranges from 8.5% to 10% (December 31, 2011: 10%) per annum, payable on quarterly basis.

**17.2.2** These carry mark-up rate ranging from 6.5% to 8.8% (2011: 6.5% to 8.6%) per annum payable on quarterly basis.

**17.2.3** These carry mark-up rate of 5% (2011: 5%) per annum payable on quarterly basis.

**17.2.4** These represent borrowings from various financial institutions at mark-up rate ranging from 7.45% to 8.97% (December 31, 2011: 11.62% to 11.90%) per annum, maturing upto January 04, 2013. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.25,315 million (December 31, 2011: Rs.13,937 million) have been given as collateral against these borrowings (see note 11).

<b>18. DEPOSITS AND OTHER ACCOUNTS</b>	<b>Note</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
		----- (Rupees in '000) -----	
<b>Customers</b>			
Fixed deposits		<b>36,804,444</b>	34,756,400
Savings deposits		<b>31,070,072</b>	24,940,852
Current accounts - non-remunerative		<b>19,168,420</b>	13,031,012
Margin accounts		<b>1,580,182</b>	1,680,617
		<b>88,623,118</b>	74,408,881
<b>Financial institutions</b>			
Non-remunerative deposits		<b>381,725</b>	70,784
Remunerative deposits		<b>7,911,587</b>	15,220,154
		<b>8,293,312</b>	15,290,938
		<b>96,916,430</b>	89,699,819
<b>18.1 Particulars of deposits</b>			
In local currency		<b>92,266,570</b>	85,719,259
In foreign currencies		<b>4,649,860</b>	3,980,560
		<b>96,916,430</b>	89,699,819
<b>19. SUB-ORDINATED LOAN</b>			
Term Finance Certificate, Unquoted, Unsecured	19.1	<b>1,499,310</b>	1,500,000

**19.1** During the year, in October 2011, the Bank issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtedness of the Bank including the deposits. The terms and conditions for the issue are as under:

Mark-up	: Base rate (6 months KIBOR - ask side) plus 325 bps
Issue date	: October 27, 2011
Rating	: A
Tenor	: 7 years
Redemption	: 0.30% of the issued amount in the first 78 months and the remaining 99.70% of the issued amount in the 84th month
Maturity	: October 26, 2018

20. OTHER LIABILITIES	Note	December 31, 2012	December 31, 2011 (Restated - note 6)
		----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,466,144	2,153,761
Mark-up / return / interest payable in foreign currency		12,802	5,881
Payable to Bangladesh Bank	20.1	41,389	41,389
Payable to Rupali Bank - Bangladesh, a related party	20.2	16,293	16,293
Payable to vendors / creditors		87,108	106,652
Provision for compensated absences		123,326	122,839
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		5,015	7,228
Branch adjustment account		17	-
Security deposits		75,571	91,557
Accrued expenses		148,676	89,682
Payable to brokers		12,432	-
Unrealised loss on forward exchange contracts		-	7,483
Payable to defined benefit plan	36	23,601	102,924
Withholding taxes and government levies payable		12,776	2,798
Payable to other banks against clearing and settlement		14,857	13,695
Unclaimed dividend		2,213	2,213
Unearned income	20.3	46,798	58,488
Commission payable on home remittances	20.4	157,132	-
Others		85,733	68,053
		<b>2,352,046</b>	<b>2,911,099</b>

**20.1** This represents mark-up payable to Bangladesh Bank upto June 2006 on Fixed Deposit Receipts (FDR) maintained with the Bank.

**20.2** This represents amount payable in respect of share of Head office expenses of Ex-Rupali Bank Limited - Karachi Branch.

**20.3** This represents unearned income mainly pertaining to local and foreign bills discounting.

**20.4** This represents commission payable to the foreign currency dealers in respect of home remittances channelled through the Bank as per agreement entered into by the Bank with them.

## 21. SHARE CAPITAL

### 21.1 Authorised capital

December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
Number of Shares			----- (Rupees in '000) -----	
<b>1,500,000,000</b>	1,100,000,000	Ordinary shares of Rs.10 each	<b>15,000,000</b>	11,000,000

### 21.2 Issued, subscribed and paid-up capital

<b>573,513,200</b>	573,513,200	Ordinary shares of Rs.10 each Fully paid in cash	<b>5,735,132</b>	5,735,132
<b>454,466,382</b>	454,466,382	Issued for consideration other than cash	<b>4,544,664</b>	4,544,664
<b>50,000,000</b>	50,000,000	Issued as bonus shares	<b>500,000</b>	500,000
<b>1,077,979,582</b>	1,077,979,582		<b>10,779,796</b>	10,779,796

**21.3** As at December 31, 2012, Suroor Investments Limited (SIL), parent company, Arif Habib Corporation Limited and Rupali Bank Limited, Bangladesh, a related party held 554,680,393 (51.46%), 1,119,355 (0.10%) and 32,777,450 (3.04%) [December 31, 2011: 553,569,293 (51.35%), 38,012,574 (3.53%) and 32,777,450 (3.04%)] Ordinary shares in the Bank, respectively.

		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>22. RESERVES</b>			
Share premium		1,000,000	1,000,000
Statutory reserve		64,828	64,828
Discount on issue of shares		(1,297,298)	(1,297,298)
Reserve arising on amalgamation		(1,579,205)	(1,579,205)
		<u>(1,811,675)</u>	<u>(1,811,675)</u>
<b>23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
<b>Surplus / (deficit) arising on revaluation of assets - net of tax:</b>			
Operating fixed assets	23.1	371,902	421,226
Available-for-sale securities	23.2	(206,138)	(223,106)
		<u>165,764</u>	<u>198,120</u>
<b>23.1 Surplus on revaluation of operating fixed assets</b>			
Balance as at January 01		529,083	-
Surplus recorded during the year		-	533,819
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		(11,499)	(3,078)
- Disposal of property		(37,448)	-
- Related deferred tax liability		(6,191)	(1,658)
		<u>(55,138)</u>	<u>(4,736)</u>
		473,945	529,083
Less: Related deferred tax liability on:			
- Revaluation as at January 01		(107,857)	-
- Revaluation carried out during the year		-	(109,515)
- Disposal of property		(377)	-
- Incremental depreciation		6,191	1,658
		<u>(102,043)</u>	<u>(107,857)</u>
		<u>371,902</u>	<u>421,226</u>
<b>23.2 Deficit on revaluation of available-for-sale securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		63,485	(7,450)
Pakistan Investment Bonds		283,670	(39,269)
<b>Fully paid-up shares / units</b>			
Listed companies shares		(486,417)	(24,630)
Open end mutual fund units		62,113	(60,981)
<b>Term Finance Certificates and Bonds</b>			
Term finance certificates		(59,725)	(151,352)
Sukuks		(17,068)	(17,068)
Total deficit on revaluation of securities		<u>(153,942)</u>	<u>(300,750)</u>
Related deferred tax (liability) / asset		<u>(52,196)</u>	<u>77,644</u>
		<u>(206,138)</u>	<u>(223,106)</u>

**24. CONTINGENCIES AND COMMITMENTS**

December 31,      December 31,  
2012                      2011  
----- (Rupees in '000) -----

**24.1 Direct credit substitutes**

Including guarantees and standby letters of credit serving as financial guarantees for loans and securities

Government	-	668,995
Financial institutions	400,000	400,000
Others	403,873	287,983
	<b>803,873</b>	<b>1,356,978</b>

**24.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring**

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:

Government	3,254,100	8,675,547
Banking companies and other financial institutions	372,074	4,290
Others	3,763,472	1,083,355
	<b>7,389,646</b>	<b>9,763,192</b>

**24.3 Trade-related contingent liabilities**

Letters of credit  
Acceptances

	6,196,252	6,996,529
	1,157,134	1,534,857
	<b>7,353,386</b>	<b>8,531,386</b>

**24.4 Other contingencies - claims against Bank not acknowledged as debts**

	<b>9,723,708</b>	7,295,849
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**24.5 Contingent asset**

There was no contingent asset as at December 31, 2012 (December 31, 2011: Nil).

**24.6 Commitments in respect of forward lending**

Forward documentary bills  
Commitments to extend credit

	2,834,502	2,462,779
	9,805,740	11,381,725
	<b>12,640,242</b>	<b>13,844,504</b>

**24.7 Commitments in respect of forward exchange contracts**

Purchase  
Sale

	7,633,493	5,487,145
	8,836,456	4,214,578
	<b>16,469,950</b>	<b>9,701,723</b>

**24.8 Commitments for capital expenditure**

Civil works (at branches)

	<b>32,488</b>	24,920
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**24.9 Commitments in respect of purchase of rupee traveller cheques**

	<b>1,210</b>	1,210
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**24.10** For tax-related contingencies, refer notes 32.2 to 32.7.

**24.11 Other contingencies**

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Bank started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the Court. Subsequently, the Bank moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Bank's favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Bank has filed an execution application in the Court. In this regard, provision of Rs.20.798 million has been retained in the financial statements as a matter of prudence against the claim receivable.

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>		
<b>On loans and advances to:</b>		
Customers	6,322,752	6,748,981
<b>On investments in:</b>		
Available-for-sale securities	3,687,558	2,640,003
Held to maturity securities	102,396	101,603
<b>On lendings to financial institutions</b>	145,762	50,991
<b>On deposits with financial institutions</b>	6,624	10,784
	<b>10,265,092</b>	<b>9,552,362</b>
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits and other accounts	7,399,409	7,577,226
Securities sold under repurchase agreements	2,002,702	890,667
Other short-term borrowings	351,671	362,778
Sub-ordinated loan	222,993	47,624
Swap cost on foreign currency transactions	160,991	142,878
	<b>10,137,766</b>	<b>9,021,173</b>

		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>27. GAIN / (LOSS) ON SALE OF SECURITIES - net</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills		47,403	92,995
- Pakistan Investment Bonds		19,014	9,283
- Ijarah Sukuk Bonds		-	(219)
Listed Ordinary shares		221,560	40,268
Unlisted Ordinary shares		20,606	-
Mutual Funds Units		30,861	(204,083)
Term Finance Certificates		-	13,784
		<b>339,444</b>	<b>(47,972)</b>
<b>28. OTHER INCOME</b>			
Bad debts recovered		7,518	5,060
Account maintenance and other relevant charges		59,709	62,110
Recovery of expenses from customers		17,293	15,530
Rent of property / locker	28.1	7,864	4,447
Gain on sale of non-banking assets		4,976	-
		<b>97,360</b>	<b>87,147</b>
<b>28.1</b>	This includes income from related party amounting to Rs.1.350 million.		
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		1,459,802	1,381,438
Charge for defined benefit plan - gratuity	36.1.3	29,446	44,766
Contribution to defined contribution scheme	36.2	51,297	41,614
Non-executive directors' fees, allowances and other expenses		1,121	675
Brokerage and commission		12,196	11,282
Rent, taxes, insurance and electricity, etc.		831,965	738,746
Legal and professional		55,729	103,549
Fees and subscription		123,878	134,797
Repairs and maintenance		111,894	102,587
Communications		155,348	124,071
Stationery and printing		70,961	61,554
Advertisement and publicity		68,825	186,550
Travelling and conveyance		135,966	118,868
Education and training		1,468	835
Entertainment		30,192	22,367
Security services and charges		125,236	92,121
Auditors' remuneration	29.1	9,517	7,737
Depreciation	13.2	525,337	488,608
Amortisation	13.3	99,653	93,295
Others		58,248	60,396
		<b>3,958,079</b>	<b>3,815,856</b>

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>29.1 Auditors' remuneration</b>			
Audit fee		2,500	2,500
Certifications, special audit, half yearly review and sundry advisory services		4,775	4,975
Tax services		1,000	-
Out of pocket expenses		1,242	262
		<b>9,517</b>	<b>7,737</b>
<b>30. OTHER PROVISIONS / WRITE OFFS</b>			
Fixed assets written off		470	30,241
Provision against other assets	15.6	29,330	5,488
		<b>29,800</b>	<b>35,729</b>
<b>31. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		121	8,933
Bank charges		8,962	10,421
		<b>9,083</b>	<b>19,354</b>
<b>32. TAXATION</b>			
For the year			
Current		76,717	107,310
Deferred		132,523	(2,106,360)
		<b>209,240</b>	<b>(1,999,050)</b>
For prior year		-	-
		<b>209,240</b>	<b>(1,999,050)</b>

**32.1** The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as income of the Bank is subject to minimum tax under provisions of section 113 of the Income Tax Ordinance, 2001.

**32.2** In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges against exempt income for the said years. The Bank filed an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR(A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well while deciding the matter.

The revised assessments have not been made by the tax department and, accordingly, no tax liability in respect thereof exists at the statement of financial position date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgment of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.



- 32.3** In respect of the tax assessments of ATBL relating to tax years 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangibles and deferred cost. In relation to tax year 2003, the Bank filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Bank. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of the aforesaid issue. In respect of tax year 2004 the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs.238.72 million. The management of the Bank is confident about the favourable outcome of the appeals and, hence, no adjustment with regard to the above matters has been made in the financial statements.
- 32.4** For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.270.374 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made have been maintained against which second appeal before the ATIR has been filed. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Bank not requiring further tax provision.
- 32.5** With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has filed an appeal before the ATIR, where the matter is awaiting hearing.
- 32.6** With respect to the assessment of tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Bank has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.
- 32.7** With respect to the assessment of SBL in the tax years 2009 to 2011, the Taxation Officer has amended the deemed assessment under section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances aggregating to Rs.1,034.360 million. The Bank has filed an appeal with the CIR(A) and expects a favourable outcome of the same. Accordingly, provision against disallowances aggregating to Rs.28.927 million has not been made in the financial statements of the Bank.

### 33. LOSS PER SHARE - BASIC

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
Loss for the year	<u>(2,734,156)</u>	<u>(1,073,686)</u>
	----- (Number of shares) -----	
Weighted average number of Ordinary shares	<u>1,077,979,582</u>	<u>914,892,005</u>
	----- (Rupees) -----	
Loss per share - basic	<u>(2.54)</u>	<u>(1.17)</u>

		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>34. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	8	8,110,185	6,117,986
Balances with other banks	9	3,600,977	1,426,353
Overdrawn nostro accounts	17.2	(41,264)	(39,657)
		<b>11,669,898</b>	<b>7,504,682</b>

		----- (Number) -----	
<b>35. STAFF STRENGTH</b>			
Permanent		1,912	1,286
Contractual basis		170	156
Bank's own staff strength at end of the year		<b>2,082</b>	<b>1,442</b>
Outsourced		379	213
Total staff strength		<b>2,461</b>	<b>1,655</b>

		----- (Rupees in '000) -----	
<b>36. DEFINED BENEFIT AND CONTRIBUTION SCHEMES</b>			
Defined benefit scheme (funded)	36.1	23,601	102,924
Defined contribution scheme (funded)	36.2	51,297	41,614
Compensated absences	36.3	123,326	122,839

#### 36.1 Defined benefit plan

The Bank maintains a funded gratuity scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier cessation of services in lump sum. During the year, the Bank has converted its unfunded scheme into funded scheme. 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. The actuarial valuation of the funded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2012 using "Projected Unit Credit Method".

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. Upon amalgamation of the Bank with the ATBL, the said scheme has been terminated and net liability has been included in the unfunded plan of the Bank.

	December 31, 2012	December 31, 2011
	----- % per annum -----	
<b>Principal actuarial assumptions</b>		
Discount rate - per annum	11.5%	12.5%
Expected rate of increase in salaries - per annum	11.5%	12.5%
Expected rate of return on plan assets - per annum	11.5%	NA

**36.1.1 The amount recognised in the statement of financial position is as follows:**

**December 31, 2012**      **December 31, 2011**  
----- (Rupees in '000) -----

Present value of defined benefit obligations	<b>123,952</b>	97,644
Fair value of plan assets	<b>(101,821)</b>	-
	<b>22,131</b>	97,644
Unrecognised actuarial gains	<b>1,470</b>	5,280
Net liability	<b>23,601</b>	102,924

**36.1.2 Movement in liability recognised by the Bank**

Opening balance	<b>102,924</b>	41,001
Net liability of defined benefit plan of ATBL	-	21,367
Charge for the year	<b>29,446</b>	44,766
Benefits paid on behalf of Fund	<b>(2,972)</b>	(4,210)
Contribution to Fund	<b>(105,797)</b>	-
Closing balance	<b>23,601</b>	102,924

**36.1.3 Charge for the year**

Current service cost	<b>42,492</b>	36,629
Interest cost	<b>11,410</b>	8,137
Expected return on plan assets	<b>(6,254)</b>	-
Actuarial (gains) / losses recognised	-	-
Curtailment gain	<b>(18,202)</b>	-
	<b>29,446</b>	44,766

**36.1.4 Actual return on plan assets**

Expected return on plan assets	<b>6,254</b>	-
Actuarial (losses) / gains on plan assets	<b>(481)</b>	-
	<b>5,773</b>	-

**36.1.5 Movement in present value of defined benefit obligation**

Defined benefit obligation as at beginning of the year	<b>97,644</b>	41,001
Net liability of defined benefit plan of ATBL	-	21,367
Current service cost	<b>42,492</b>	36,629
Interest cost	<b>11,410</b>	8,137
Curtailment gain	<b>(18,202)</b>	-
Benefits paid during the year	<b>(12,721)</b>	(4,210)
Actuarial loss / (gain)	<b>3,329</b>	(5,280)
Defined benefit obligation as at end of the year	<b>123,952</b>	97,644

**36.1.6 Changes in fair value of plan assets**

Opening fair value of plan assets	-	-
Expected return	<b>6,254</b>	-
Actuarial (losses) / gains	<b>(481)</b>	-
Contribution by employer	<b>105,797</b>	-
Benefit paid	<b>(9,749)</b>	-
Closing fair value of plan assets	<b>101,821</b>	-

The expected future charge for defined benefit scheme is Rs.45.455 million (December 31, 2011: Rs.54.542 million) according to actuarial recommendation.

The expected return on plan assets is based on the market expectation and depends upon the asset portfolio of the Bank, at the beginning of the year, for return over the entire life of the related obligation.

	December 31, 2012		December 31, 2011	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
<b>36.1.7 Break-up of category of assets</b>				
Treasury Bills	96,326,903	95%	-	-
Bank deposits	5,494,034	5%	-	-
	<b>101,820,937</b>	<b>100%</b>	-	-

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	----- (Rupees in '000) -----				
<b>36.1.8 Historical information</b>					
Present value of defined benefit obligation	123,952	97,644	38,475	17,668	15,003
Plan assets	101,821	-	-	-	-
	<b>22,131</b>	<b>97,644</b>	<b>38,475</b>	<b>17,668</b>	<b>15,003</b>
Experience adjustments					
- Unrecognised actuarial (gain) / loss on obligation	3,329	(5,280)	2,526	2,096	(596)
- Unrecognised actuarial gain / (loss) on plan assets	(481)	-	-	-	-

### 36.2 Defined contribution scheme

An amount of Rs.51.297 (December 31, 2011: Rs.41.614) million has been charged during the year in respect of contributory provident fund maintained by the Bank.

### 36.3 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier cessation of services in lump sum. 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. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2012 using "Projected Unit Credit Method".

	December 31, 2012	December 31, 2011
	----- % -----	
<b>36.3.1 Principal actuarial assumptions</b>		
Discount rate	11.5%	12.5%
Expected rate of salary increase	11.5%	12.5%

December 31,    December 31,  
2012                    2011  
----- (Rupees in '000) -----

**36.3.2 The amount recognised in the statement of financial position is as follows:**

Present value of defined benefit obligations	<b>123,326</b>	122,839
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**36.3.3 Movement in liability recognised by the Bank**

Opening balance	<b>122,839</b>	23,388
Charge for the year	<b>9,283</b>	110,794
Benefits paid during the year	<b>(8,796)</b>	(11,343)
Closing balance	<b>123,326</b>	122,839

**36.3.4 Charge for the year**

Current service cost	<b>9,283</b>	110,794
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**36.3.5 Movement in present value of defined benefit obligation**

Defined benefit obligation as at beginning of the year	<b>122,839</b>	23,388
Current service cost	<b>9,283</b>	110,794
Benefits paid during the year	<b>(8,796)</b>	(11,343)
Defined benefit obligation as at end of the year	<b>123,326</b>	122,839

**37. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive		Directors		Executives	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----					
Fees	-	-	1,121	675	-	-
Managerial remuneration	<b>21,772</b>	10,909	-	-	<b>253,552</b>	210,003
Charge for defined contribution plan	-	-	-	-	<b>18,606</b>	41,204
Rent and house maintenance	<b>1,227</b>	4,909	-	-	<b>114,097</b>	94,501
Utilities	<b>273</b>	1,091	-	-	<b>25,354</b>	21,000
Dearness allowance	<b>455</b>	1,819	-	-	<b>42,266</b>	35,037
Medical	<b>273</b>	1,091	-	-	<b>25,354</b>	21,000
Conveyance allowance	-	-	-	-	<b>58,993</b>	46,802
Car allowance	-	-	-	-	<b>46,189</b>	33,995
General / special allowance	-	-	-	-	<b>44,057</b>	-
	<b>24,000</b>	19,819	<b>1,121</b>	675	<b>628,468</b>	503,542
Number of person(s)	<b>1</b>	1	<b>3</b>	2	<b>278</b>	279

**37.1** Executive means employee, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. The Chief Executive and certain executives are provided with free use of Bank maintained cars in accordance with their entitlements.

**37.2** Number of persons include outgoing executives.

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Consequently, differences can arise between carrying values and the fair values or fair value estimates.

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5.

The repricing profile and effective rates and maturity are stated in notes 43.4.4 and 43.5.1 respectively.

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

### 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

December 31, 2012						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
----- (Rupees in '000) -----						
Total income	14,161	4,502,080	1,156,061	5,953,647	16,243	11,642,192
Total expenses	4,762	2,718,069	1,319,257	10,109,915	15,105	14,167,108
Net income / (loss) before tax	9,399	1,784,011	(163,196)	(4,156,268)	1,138	(2,524,916)
Segment assets (gross)	21,660	66,738,553	11,003,106	70,190,284	24,843	147,978,446
Segment non performing loans	-	-	1,838,529	21,571,418	-	23,409,947
Segment provision	-	1,017,824	672,407	11,903,020	-	13,593,251
Segment assets (net)	21,660	65,720,729	10,330,699	58,287,264	24,843	134,385,195
Segment liabilities	43,947	26,338,959	40,550,136	62,675,355	1,714,123	131,322,520
Segment return on assets (ROA) (%)	43.39	2.71	(1.58)	(7.13)	4.58	
Segment cost of funds (%)	10.84	10.32	3.25	16.13	0.88	
December 31, 2011 (Restated - note 6)						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
----- (Rupees in '000) -----						
Total income	37,890	2,827,788	1,383,086	6,019,687	15,816	10,284,267
Total expenses	11,441	1,416,784	2,840,201	9,206,068	18,091	13,492,585
Net income / (loss) before tax	26,449	1,411,004	(1,457,115)	(3,186,381)	(2,275)	(3,208,318)
Segment assets (gross)	40,084	46,990,565	14,446,310	71,447,672	16,733	132,941,364
Segment non performing loans	-	-	3,853,938	18,563,785	-	22,417,723
Segment provision	-	1,058,828	1,879,687	10,654,516	-	13,593,031
Segment assets (net)	40,084	45,931,737	12,566,623	60,793,156	16,733	119,348,333
Segment liabilities	64,205	14,719,706	40,360,597	57,531,492	898,284	113,574,284
Segment return on assets (ROA) (%)	65.98	3.07	(11.60)	(5.24)	(13.60)	
Segment cost of funds (%)	17.82	9.63	7.04	16.00	2.01	

#### 40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

#### 41. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

Details of transactions with the related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	December 31, 2012					December 31, 2011 (Restated - note 6)				
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties
(Rupees in '000)										
<b>Advances</b>										
Balance at beginning of the year	103,665	-	-	18,000	107,967	65,205	-	-	-	151,126
Sanctioned / granted during the year	48,155	-	-	-	765,820	55,730	-	-	18,000	1,374,807
Payment received during the year	(34,194)	-	-	(18,000)	(763,512)	(17,270)	-	-	-	(1,417,966)
Balance at end of the year	117,626	-	-	-	110,275	103,665	-	-	18,000	107,967

#### Deposits

Balance at beginning of the year	31,770	68,316	-	38,635	60,323	6,168	71,770	-	-	241,193
Deposits during the year	483,937	392,851	-	5,071,890	1,067,930	371,854	281,187	-	2,255,555	3,868,638
Withdrawal during the year	(471,515)	(420,555)	-	(5,006,562)	(1,071,449)	(346,252)	(284,641)	-	(2,216,920)	(4,049,508)
Balance at end of the year	44,192	40,612	-	103,963	56,803	31,770	68,316	-	38,635	60,323

	December 31, 2012					December 31, 2011 (Restated - note 6)				
	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties	Key management personnel	Directors	Parent company	Subsidiaries	Associates / other related parties
(Rupees in '000)										
<b>Other transactions / balances</b>										
Investment in shares / TFC's	-	-	-	396,942	340,299	-	-	-	396,942	314,198
Purchase of investments	-	-	-	503,876	285,167	-	-	-	-	373,899
Disposal of investments	-	-	-	501,870	259,066	-	-	-	37,200	312,504
Maturity of investments	-	-	-	-	-	-	-	-	-	6,172
Guarantees, letters of credits and acceptances	-	-	-	-	125,753	-	-	-	-	456,562
Other receivable	-	-	27,000	-	1,312	-	-	27,000	-	1,621
Other payable	1,222	-	-	339	12,310	348	-	-	117	1,199
Mark-up payable	68	250	-	331	137	192	-	-	221	359
Mark-up receivable	465	-	-	-	3,657	-	-	-	-	4,190

#### Profit / expense for the year

Brokerage expenses	-	-	-	1,809	-	-	-	-	2,242	-
Capital gain / (loss)	-	-	-	-	9,995	-	-	-	-	16,881
Dividend income	-	-	-	-	8,408	-	-	-	-	7,904
Contribution paid to the provident fund	-	-	-	-	51,297	-	-	-	-	37,664
Contribution paid to the gratuity fund	-	-	-	-	49,744	-	-	-	-	-
Rental income	-	-	-	1,350	-	-	-	-	-	-
Mark-up earned	4,882	-	-	4,300	15,470	3,042	-	-	2,956	16,556
Mark-up expensed	1,337	6,586	-	4,690	1,369	1,292	3,213	-	4,517	13,201

## 42. CAPITAL ADEQUACY

### 42.1 Scope of application

The Basel-II framework is applicable to the Bank in assessment of its capital adequacy requirement.

### 42.2 Capital structure

Bank's regulatory capital is analysed into two tiers:

Tier I capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available-for-sale investments and intangible assets.

Tier II Capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of total Tier I).

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier III capital.

Details of the Bank's eligible capital are as follows:

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>Tier I Capital</b>		
Shareholders equity / assigned capital	10,779,796	10,779,796
Share premium	1,000,000	1,000,000
Reserves	(2,811,675)	(2,811,675)
Accumulated loss	(6,071,210)	(3,392,192)
Less: Intangible assets	(478,522)	(469,855)
Deficit on revaluation of investments in available-for-sale securities	-	-
Investments in TFCs of other Banks exceeding the prescribed limit	-	-
Other deductions (50% of the amount as calculated on CAP 2)	(99,585)	(99,585)
<b>Total Tier I Capital</b>	<b>2,318,804</b>	5,006,489
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier 1 Capital)	1,159,402	1,500,000
General provisions subject to 1.25% of total risk weighted assets	2,488	1,233
Revaluation reserve (upto 45%)	146,618	103,496
Other deductions (50% of the amount as calculated on CAP 2)	(99,585)	(99,585)
<b>Total Tier II Capital</b>	<b>1,208,923</b>	1,505,144
<b>Eligible Tier III Capital</b>	-	-
<b>Total Regulatory Capital Base</b>	<b>3,527,727</b>	6,511,633



### 42.3 Capital Adequacy

#### Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset and Liability Committee (ALCO). ALCO is responsible for managing Bank's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Bank's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

#### Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

#### Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 7 dated April 15, 2009 has advised the Banks to raise their minimum paid-up capital to Rs.9 billion by the end of financial year 2012. Further, banks are required to increase their paid-up capital to Rs.10 billion (free of losses) in a phased manner by the end of financial year 2013. The Bank's paid-up capital (free of losses) amounted to Rs.2.832 billion as at December 31, 2012 (December 31, 2011: Rs.5.511 billion). However, subsequent to the year end, SBP vide its letter number BPRD/BAID/649/2424/2013 dated March 01, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till June 30, 2013.

The Board of Directors in its meeting held on June 20, 2012 approved further issuance of 20% Preference shares of Rs.2.155 billion to meet the capital shortfall and to overcome the existing deficit in meeting the MCR. The same was endorsed in the shareholders' Extra Ordinary General Meeting held on August 31, 2012. Necessary regulatory approvals are being obtained for issuance of additional capital. However, the sponsors of the Bank are fully committed to raise capital of the Bank to meet the regulatory requirement and have also expressed their commitment to increase the capital to meet the shortfall in regulatory requirement.

In addition to fresh capital injection, the Bank is making concerted efforts to boost equity base through recovery from the non performing loans. As a result, Bank has been able to achieve recovery of Rs.3.607 billion from non performing accounts during the calendar year 2012.

The CAR of the Bank as at December 31, 2012 is 4.42% (December 31, 2011: 7.52%) of its risk weighted exposures.

	December 31, 2012		December 31, 2011	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (Simple or comprehensive)</b>				
Corporate portfolio etc.	4,657,239	46,572,385	5,148,547	51,485,472
Retail	472,784	4,727,839	438,886	4,388,860
Financial institutions	204,813	2,048,127	170,113	1,701,134
Others	1,599,504	15,995,039	1,681,988	16,819,884
<b>Portfolios subject to Internal Rating Based (IRB) approach</b>				
Corporate	-	-	-	-
Sovereign	-	-	-	-
Retail	-	-	-	-
Securitisation etc.	-	-	-	-
<b>Equity exposure risk in the banking book</b>				
<b>Equity portfolio subject to market-based approaches</b>				
Under simple risk weight method	-	-	-	-
Under internal models approach	-	-	-	-
<b>Equity portfolio subject to PD / LGD</b>				
Market risk				
Capital requirement for portfolios subject to				
<b>Standardised approach</b>				
Interest rate risk	220,385	2,754,808	246,875	3,085,934
Equity position risk etc.	364,442	4,555,520	334,759	4,184,482
Foreign exchange risk etc.	5,559	69,487	30,311	378,889
<b>Capital requirement for portfolios subject to Internal models approach</b>				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
<b>Operational risk</b>	<b>245,616</b>	<b>3,070,199</b>	409,753	4,516,644
<b>Capital requirement for operational risks</b>	<b>7,770,340</b>	<b>79,793,405</b>	8,461,232	86,561,298
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held		<b>3,527,727</b>		6,511,633
Total risk weighted assets		<b>79,793,405</b>		86,561,298
Capital Adequacy Ratio		<b>4.42%</b>		7.52%

### 43. RISK MANAGEMENT

The acceptance and management of financial risk is inherent to banking business activities. The Bank is exposed to numerous risks in pursuit of its business objectives. The core risks are Credit, Market and Liquidity risks. These risks arise directly through the Bank's commercial activities whilst Operational and Compliance / Legal / Regulatory risks are normal consequences of any business undertaking. We believe a sound Risk Management Framework provides principles for identifying, assessing and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Clearly defined risk management policies and procedures covering all activities of the Bank including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, accounting, audit and control are in place. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Bank's risk exposure is within the limits established by Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Bank.
- The expected payoffs compensate the risks taken by the Bank.
- Risk taking decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

#### Risk responsibilities

The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at the senior management level and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.

The Board of Directors approves the policies proposed by risk management committee of the Bank which discharge various responsibilities assigned to it by the Board.

The Risk Management is headed by a Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Bank.

#### Risk management group organisation

A clear management structure has been put in place in the Bank, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and act as the front office of the Bank. The Support Group provides various services necessary for maintaining operations of the Bank on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Bank's operations. The Risk Management Group comprises of (i) Credit Division, (ii) Compliance Division and the (iii) Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Bank's credit activities, the Compliance Division is dedicated to ensure compliance of all internal and external policies and regulations. The Risk Management Division is responsible for managing all other risks emanating from various activities of the Bank. In addition to this, the management has established various committees for periodic risk review.

The Bank has acquired and installed a state of the art, hPLUS™, core banking software. hPLUS™ is a fully functional, well proven, single integrated banking application and is also capable of generating numerous standard and customised MIS reports.

#### 43.1 Credit risk management

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Bank is exposed to credit risk through its lending and investment activities as well as

in cases where it acts as an intermediary of behalf of customers or other third parties or issues guarantees. The following objectives govern the credit policy of the Bank:

- The Bank complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Bank are well diversified into different sectors as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurates with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk is related correctly and risk changes are identified promptly and remedial actions are taken.

The Bank creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer to note 12.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.1 for segment reporting.

As a matter of paramount importance the affairs of the customers enjoying credit facilities are carefully reviewed and reconsidered periodically. The facility review provides a timely signal of unfavourable developments in clients' affairs and warns of dangers before the Bank is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

**Credit administration tasks include the following:**

- Maintain Credit, Custody and Security documentation files;
- Register Security and Collateral documents;
- Tracking of covenants;
- Administer facility fees / receipts / payments;
- Load limits into credit system; and
- Satisfy internal and external risk reporting requirements.

It is the Bank's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is pledged and the Bank's procedures ensure that the Bank has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.

### 43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

#### 43.1.1.1 Segments by class of business

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	58,981	0.09	455,465	0.47	375,862	0.68
Automobile	1,213,643	1.87	385,252	0.40	275,059	0.50
Banaspati and allied industries	275,719	0.42	543	0.00	42,531	0.08
Carpet	172,295	0.27	21,087	0.02	262,757	0.48
Cement	846,285	1.30	217,090	0.22	362,765	0.66
Chemical and pharmaceutical	2,630,535	4.05	1,580,772	1.63	941,519	1.71
Construction / real estate	3,646,216	5.61	4,166,665	4.30	1,405,934	2.56
Consumer / individuals / staff	2,567,168	3.95	51,353,009	52.99	4,275,992	7.77
Dairy and poultry	40,333	0.06	636,684	0.66	139,999	0.25
Education	281,810	0.43	747,256	0.77	187,840	0.34
Electric and electrical goods	2,162,762	3.33	119,467	0.12	349,716	0.64
Energy, oil, gas and power	6,146,090	9.46	3,059,654	3.16	4,010,663	7.29
Exports / imports	1,476,232	2.27	318,921	0.33	354,510	0.64
Financial	3,394,581	5.23	9,740,672	10.05	17,819,402	32.39
Food, tobacco and beverages	2,195,698	3.38	342,128	0.35	329,465	0.60
Furniture and allied products	-	0.00	32,968	0.03	-	0.00
Leather and footwear	328,458	0.51	74,195	0.08	512,394	0.93
Glass and ceramics	121,855	0.19	13,694	0.01	20,204	0.04
Health care	118,741	0.18	204,043	0.21	99,312	0.18
Hotels	727,403	1.12	490,659	0.51	118,093	0.21
Insurance	533,547	0.82	1,072,486	1.11	3,700	0.01
Mining and quarrying	1,437,163	2.21	188,351	0.19	553,879	1.01
Miscellaneous manufacturing	-	0.00	477,475	0.49	1,702,867	3.10
Printing, publishing and allied industries	523,619	0.81	217,518	0.22	82,828	0.15
Paper and allied products	-	0.00	62,654	0.06	6,654	0.01
Services	3,190,524	4.91	8,604,863	8.88	3,054,234	5.55
Steel and engineering	2,470,199	3.80	510,479	0.53	1,676,720	3.05
Sugar	4,081,761	6.29	81,476	0.08	1,069,740	1.94
Textile	11,742,392	18.08	742,128	0.77	8,723,730	15.86
Transport and communication	2,475,229	3.82	1,699,458	1.75	1,616,480	2.94
Trust	-	0.00	1,902,258	1.96	4,180	0.01
Wholesale and retail trade	5,282,405	8.14	5,358,850	5.53	2,288,846	4.16
Others	4,800,813	7.40	2,038,210	2.12	2,350,526	4.26
	<b>64,942,457</b>	<b>100.00</b>	<b>96,916,430</b>	<b>100.00</b>	<b>55,018,401</b>	<b>100.00</b>

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	36,250	0.05	2,808,151	3.13	516,473	1.01
Automobile	1,180,245	1.73	96,162	0.11	235,738	0.46
Carpet	123,043	0.18	28,583	0.03	15,668	0.03
Cement	864,940	1.26	221,548	0.25	567,963	1.11
Chemical and pharmaceutical	3,349,978	4.90	1,855,956	2.07	1,012,209	1.98
Construction / real estate	4,981,840	7.28	2,413,453	2.69	1,060,199	2.07
Consumer / individuals / staff	5,289,512	7.73	38,517,519	42.94	2,911,695	5.70
Dairy and poultry	41,506	0.06	706,364	0.79	182,777	0.36
Education	378,678	0.55	799,054	0.89	207,394	0.41
Electric and electrical goods	1,290,142	1.89	59,122	0.07	1,128,665	2.21
Energy, oil, gas and power	7,929,604	11.59	3,669,191	4.09	6,628,299	12.97
Exports / imports	1,457,693	2.13	-	0.00	577,517	1.13
Financial	2,926,442	4.28	18,683,340	20.83	14,162,719	27.72
Food, tobacco and beverages	2,945,972	4.31	192,066	0.21	555,376	1.09
Furniture and allied products	151,248	0.22	-	0.00	6,795	0.01
Leather and footwear	300,516	0.44	41,871	0.05	241,846	0.47
Glass and ceramics	129,276	0.19	9,766	0.01	15,830	0.03
Health care	224,134	0.33	314,743	0.35	279,205	0.55
Hotels	853,089	1.25	117,988	0.13	117,051	0.23
Mining and quarrying	636,964	0.93	201,138	0.22	133,128	0.26
Miscellaneous manufacturing	531,905	0.78	-	0.00	57,876	0.11
Printing, publishing and allied industries	484,340	0.71	146,434	0.16	32,707	0.06
Paper and allied products	42,573	0.06	6,245	0.01	5,356	0.01
Services	1,956,531	2.86	8,765,802	9.77	949,735	1.86
Steel and engineering	2,208,624	3.23	572,938	0.64	1,702,659	3.33
Sugar	3,641,653	5.32	85,392	0.10	1,249,217	2.44
Textile	12,812,814	18.73	1,111,445	1.24	8,882,067	17.38
Transport and communication	2,619,986	3.83	1,692,894	1.89	2,940,283	5.75
Trust	-	0.00	1,249,254	1.39	5,757	0.01
Wholesale and retail trade	6,968,561	10.19	1,889,993	2.11	2,217,277	4.34
Others	2,041,014	2.99	3,443,407	3.83	2,495,252	4.91
	<b>68,399,073</b>	<b>100.00</b>	<b>89,699,819</b>	<b>100.00</b>	<b>51,094,733</b>	<b>100.00</b>

43.1.1.2 Segment by sector

	December 31, 2012					
	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	938,800	1.45	18,768,402	19.37	14,403	0.03
Private	64,003,657	98.55	78,148,028	80.63	55,003,998	99.97
	<b>64,942,457</b>	<b>100.00</b>	<b>96,916,430</b>	<b>100.00</b>	<b>55,018,401</b>	<b>100.00</b>
	December 31, 2011					
	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	1,083,929	1.58	24,644,792	27.47	898,462	1.76
Private	67,315,144	98.42	65,055,027	72.53	50,196,271	98.24
	<b>68,399,073</b>	<b>100.00</b>	<b>89,699,819</b>	<b>100.00</b>	<b>51,094,733</b>	<b>100.00</b>

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

	December 31, 2012		December 31, 2011	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Agriculture, forestry, hunting and fishing	29,986	28,929	33,730	32,410
Automobile	947,579	742,123	952,108	751,188
Banaspati and allied industries	188,151	84,224	193,029	70,333
Carpet	72,860	32,294	48,860	39,876
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	1,359,604	232,760	509,943	219,251
Construction / real estate	989,189	269,263	1,565,475	306,914
Consumer / individuals / staff	197,233	117,884	1,741,030	972,248
Dairy and poultry	1,418	1,418	418	418
Education	63,877	20,860	68,880	16,979
Electric and electrical goods	104,097	47,480	196,047	109,018
Energy oil, gas and power	507,613	343,330	376,657	352,122
Exports / imports	1,229,057	789,964	682,467	454,868
Financial	1,779,145	1,363,268	1,712,528	1,404,994
Food, tobacco and beverages	664,960	133,391	773,625	114,388
Footwear and leather garments	57,681	13,869	70,758	13,868
Furniture and allied products	-	-	101,642	27,028
Glass and ceramics	86,077	38,998	91,510	31,793
Health care	104,958	41,896	101,327	22,745
Hotels	241,959	124,299	259,752	97,938
Jewellery	-	-	14,095	13,367
Mining and quarrying	20,052	13,776	19,949	3,121
Others	1,404,840	802,653	788,451	673,028
Paper and allied products	6,258	5,428	6,933	5,663
Printing, publishing and allied industries	295,441	113,253	365,494	160,564
Rubber and plastic products	-	-	212,427	63,385
Services	970,853	429,221	360,051	212,572
Sports goods	-	-	22,900	11,128
Steel and engineering	1,041,580	280,823	1,043,140	262,262
Sugar	1,086,882	940,355	1,160,931	940,355
Textile	6,560,206	3,496,183	5,471,150	3,355,948
Transport and communication	297,230	223,773	349,104	249,099
Wholesale and retail trade	2,771,992	1,329,931	2,794,143	1,062,136
	<b>23,409,947</b>	<b>12,390,815</b>	<b>22,417,723</b>	<b>12,380,176</b>

**43.1.1.4 Details of non-performing advances and specific provisions by sector**

	December 31, 2012		December 31, 2011	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Public / Government	-	-	-	-
Private	<b>23,409,947</b>	<b>12,390,815</b>	22,417,723	12,380,176
	<b>23,409,947</b>	<b>12,390,815</b>	22,417,723	12,380,176

**43.1.1.5 Geographical segment analysis**

	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
<b>December 31, 2012</b>				
Pakistan	<b>(2,524,916)</b>	<b>134,385,195</b>	<b>3,062,675</b>	<b>55,018,401</b>
<b>December 31, 2011</b>				
Pakistan	(3,208,318)	119,348,333	5,774,049	51,094,733

Total assets employed shown above include mean total assets shown on the statement of financial position and intra group items. Net assets employed mean net assets shown on the statement of financial position.

**43.2 Credit risk - general disclosure Basel II specific**

**43.2.1 Credit risk - general disclosures**

The Bank is following standardised approach for all its Credit Risk Exposures.

**43.2.1.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach and supervisory risk weights in IRB approach Basel II specific**

Under standardised approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, the Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard and Poors which are also recognised by the SBP. The Bank also utilises rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

**Selection of ECAIs**

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Sovereign Exposures: For foreign currency claims on sovereigns, the Bank uses country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on Organisation for Economic Co-operation and Development (OECD) website.

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.



Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch are being used to arrive at risk weights. However, for local banks (i.e. incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporate (excluding equity exposures).

### Use of ECAI ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

### Mapping to SBP rating grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
		CC		CC		
		C		C		
		D		D		

#### Short-Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S2	F2	P-2	A-1	A-1	A-1
S3	F3	P-3	A-2	A-2	A-2
S4	Others	Others	A-3	A-3	A-3
			Others	Others	Others

**Types of exposures and ECAI's used**

Exposures	December 31, 2012				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2012			December 31, 2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Corporate	20%	2,405,597	5,809	475,310	3,280,394	-	656,079
	50%	3,252,615	-	1,626,307	3,110,822	-	1,555,411
	100%	-	-	-	732,693	-	732,693
	unrated	30,072,542	3,491,588	26,580,954	28,724,438	1,389,440	27,334,998
	150%	690,099	266,098	769,050	2,408,277	-	3,612,415
Retail	75%	6,024,240	657,463	3,860,717	5,940,983	467,155	3,988,583
Past due loan	150%	5,841,867	-	8,762,800	6,053,176	-	9,079,765
	100%	3,026,151	-	3,026,151	2,415,702	-	2,415,702
	50%	1,927,530	-	963,765	1,568,596	-	784,298
Bank	20%	7,234,517	206,026	1,240,877	4,096,980	-	819,396
	50%	992,274	-	496,137	1,268,299	-	634,150
	100%	17,390	-	17,390	-	-	-
	150%	195,815	-	293,723	-	-	-
	unrated	-	-	-	-	-	-
Sovereign etc.	0%	4,485,616	-	-	5,127,641	-	-
Others	0%	2,723,523	-	-	1,863,321	-	-
	35%	853,564	-	298,747	747,946	-	261,781
	50%	-	-	-	-	-	-
	100%	15,794,476	-	15,794,476	16,367,794	-	16,367,794
	150%	34,998	-	52,497	78,500	-	117,750
		<b>85,572,812</b>	<b>4,626,984</b>	<b>64,258,901</b>	<b>83,785,563</b>	<b>1,856,594</b>	<b>68,360,815</b>

**43.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach**

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the Bank only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

### 43.3 Equity position risk in the banking book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

#### Classification of investments

Under SBP's directives, equity investment may be classified as "Held-for-Trading (HFT)", "Available-for-Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

#### Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in associates are accounted for in accordance with the directives of SBP.

The unrealised surplus / (deficit) arising on revaluation of the Bank's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account on disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income.

#### Composition of equity investments - market values

	December 31, 2012			December 31, 2011		
	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
----- (Rupees in '000) -----						
Equity investments	6,120	1,808,189	234,168	34,334	1,374,802	199,170
Mutual fund units						
- Open end	-	787,949	-	-	718,923	-
- Close end	-	-	-	-	54,200	-
Total value	6,120	2,596,138	234,168	34,334	2,147,925	199,170

The cumulative realised gain on sale of equity securities amounted to Rs.273.027 million (December 31, 2011: Rs.163.815 million), however, unrealised loss of Rs.424.304 million (December 31, 2011: Rs.90.948 million) was recognised in the statement of financial position in respect of available-for-sale securities.

**43.4 Market risk**

Market Risk is the risk that the value of on and off statement of financial position positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and/or credit spreads resulting in a loss of earnings and capital.

The Bank is primarily exposed to interest rate risk which is reflected in the level of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. Other risks include exposures to foreign exchange rates, as well as mortgage, equity market and issuer credit risk factors. The Bank is in the process of developing Value at Risk (VAR) and stress testing models for management of such risks.

**43.4.1 Interest rate risk**

Interest Rate risk is the potential impact on a bank's earnings and asset values with variation in interest rates. Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. These positions include loans, debt securities, certain trading-related assets and liabilities, deposits and borrowings. The Bank's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility in our net interest income caused by changes in market interest rates. The Bank seeks to mitigate interest rate risk in a variety of ways including taking offsetting positions and other asset and liability management process. Whilst the Treasury and the Risk Management Division of the Bank monitor and manage the interest rate risk on a daily basis, the overall interest rate risk position and strategies are reviewed on an ongoing basis with Asset and Liability Committee (ALCO).

**43.4.2 Foreign exchange risk**

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

- Maximise 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.
- Manage appropriate maturity mismatch gaps.
- Identify warning and stress zones for 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 mark to market portfolio and safe settlement, etc.

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Bank's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Bank is carefully monitoring the net foreign currency exposure as well as utilizing the currency swap and forward contract to hedge the related exposure.

	December 31, 2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	128,142,985	126,666,587	1,633,689	3,110,087
United States dollar	5,753,942	3,398,149	(2,372,997)	(17,204)
Great Britain pound	69,961	509,858	424,080	(15,817)
Japanese yen	189	-	-	189
Euro	401,172	742,620	315,228	(26,220)
Other currencies	16,946	5,306	-	11,640
	<b>134,385,195</b>	<b>131,322,520</b>	<b>-</b>	<b>3,062,675</b>

	December 31, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	116,214,664	109,548,497	(1,275,155)	5,391,012
United States dollar	2,804,618	3,046,206	570,139	328,551
Great Britain pound	72,130	346,795	276,930	2,265
Japanese yen	230	3	1,157	1,384
Euro	192,813	615,427	426,929	4,315
Other currencies	63,878	17,356	-	46,522
	<b>119,348,333</b>	<b>113,574,284</b>	<b>-</b>	<b>5,774,049</b>

#### 43.4.3 Equity position risk

Equity market risk is risk to earnings on capital that results from adverse changes in the value of equity related portfolios. Equity market risk arises from exposure to securities that represent an ownership interest in a company. The Bank is exposed to the equity market risk on its equity trading portfolio only. Apart from on statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. Bank is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

43.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective yield / interest rate	December 31, 2012										Non-interest bearing financial instruments
	Exposed to yield / interest risk										
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 12 to 24 months	Over 24 to 36 months	Over 36 to 48 months	Over 48 to 60 months	Over 60 to 72 months	Above 72 months	
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	8,110,185	731,537	-	-	-	-	-	-	-	-	7,378,648
Balances with other banks	3,600,977	114,684	-	-	-	-	-	-	-	-	3,486,293
Lending to financial institutions	2,038,500	2,038,500	-	-	-	-	-	-	-	-	-
Investments	49,945,062	2,555,626	24,913,777	7,064,004	296,159	460,618	669,176	2,799,305	318,000	2,837,692	2,837,692
Advances	52,549,154	16,680,605	5,217,638	8,667,398	132,434	287,511	318,000	220,000	-	107,724	107,724
Other assets	2,170,322	-	-	-	-	-	-	-	-	-	2,170,322
<b>Total</b>	<b>118,414,200</b>	<b>22,120,952</b>	<b>30,131,415</b>	<b>15,731,402</b>	<b>428,593</b>	<b>748,129</b>	<b>987,176</b>	<b>3,019,305</b>	<b>3,019,305</b>	<b>15,980,679</b>	<b>15,980,679</b>
<b>Liabilities</b>											
Bills payable	1,654,302	-	-	-	-	-	-	-	-	-	1,654,302
Borrowings	28,900,432	25,676,754	484,800	689	40,307	50,982	789,060	-	-	-	-
Deposits and other accounts	96,916,430	18,640,708	9,715,144	10,256,858	482,722	26,611	-	-	-	-	21,135,147
Sub-ordinated loans	1,499,310	-	1,499,310	-	-	-	-	-	-	-	-
Other liabilities	2,352,046	-	-	-	-	-	-	-	-	-	2,352,046
<b>Total</b>	<b>131,322,520</b>	<b>44,317,462</b>	<b>11,699,254</b>	<b>10,257,547</b>	<b>523,029</b>	<b>77,593</b>	<b>789,060</b>	<b>25,141,495</b>	<b>25,141,495</b>	<b>(9,160,816)</b>	<b>(9,160,816)</b>
<b>On-balance sheet gap</b>	<b>(12,908,320)</b>	<b>(22,196,510)</b>	<b>18,432,161</b>	<b>5,473,855</b>	<b>(94,436)</b>	<b>670,536</b>	<b>198,116</b>	<b>3,019,305</b>	<b>3,019,305</b>	<b>15,980,679</b>	<b>15,980,679</b>
<b>Off-balance sheet financial instruments</b>											
Foreign currency forward purchase	7,633,493	1,841,616	4,544,634	1,247,243	-	-	-	-	-	-	-
Foreign currency forward sale	8,836,456	7,536,283	1,185,794	114,379	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>(1,202,963)</b>	<b>(5,694,667)</b>	<b>3,358,840</b>	<b>1,132,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>	<b>(14,111,283)</b>	<b>(27,891,177)</b>	<b>(5,632,285)</b>	<b>5,473,855</b>	<b>(94,436)</b>	<b>670,536</b>	<b>198,116</b>	<b>3,019,305</b>	<b>3,019,305</b>	<b>(4,950,467)</b>	<b>(4,950,467)</b>
<b>Cumulative yield / interest risk sensitivity gap</b>											
	(14,111,283)	(27,891,177)	(33,523,462)	(8,484,582)	(8,579,018)	(8,167,888)	(7,969,772)	(4,950,467)	(4,950,467)	(4,950,467)	(4,950,467)
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities</b>											
December 31, 2012											
Rupees '000											
Total financial assets	118,414,200										
Add: Non financial assets	5,385,336										
Operating fixed assets	6,041,513										
Deferred tax assets	4,544,146										
Other assets	134,385,195										
Total assets as per statement of financial position	131,322,520										
Total financial liabilities	131,322,520										
Add: Non financial liabilities	-										
Other liabilities	-										
Total liabilities as per statement of financial position	131,322,520										

		December 31, 2011										Non-interest bearing financial instruments
		Exposed to yield / interest risk										
Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		(Rupees in '000)										
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
	6,117,986	607,133	-	-	-	-	-	-	-	-	-	5,510,853
Cash and balances with treasury banks	1,426,353	-	-	-	-	-	-	-	-	-	-	1,426,353
Balances with other banks	1,069,757	1,069,757	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	36,268,904	3,381,895	3,282,750	24,207,869	652,768	490,446	720,329	481,611	2,422,190	-	-	2,422,190
Investments	56,017,664	3,111,314	4,335,188	25,220,813	4,343,011	2,139,906	2,766,328	2,604,375	360,859	-	-	84,450
Advances	2,170,322	-	-	-	-	-	-	-	-	-	-	2,170,322
Other assets	103,070,986	8,170,099	11,680,465	7,617,938	49,428,682	4,995,780	2,630,352	3,486,657	3,085,986	360,859	-	11,614,168
<b>Liabilities</b>												
	900,750	-	-	-	-	-	-	-	-	-	-	900,750
Bills payable	18,562,616	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-	-	-
Borrowings	89,699,819	20,097,068	14,917,839	9,953,067	11,033,285	426,484	18,468,997	14,054	10,710	-	-	14,778,315
Deposits and other accounts	1,500,000	-	-	-	-	-	-	-	1,500,000	-	-	-
Sub-ordinated loans	2,530,985	-	-	-	-	-	-	-	-	-	-	2,530,985
Other liabilities	113,194,170	34,285,920	18,883,936	10,232,350	11,057,459	461,180	18,537,270	15,295	1,510,710	-	-	18,210,050
	(10,123,184)	(26,115,821)	(7,203,471)	(2,614,412)	38,371,223	4,534,599	(15,906,918)	3,471,362	1,575,276	360,859	-	(6,595,882)
<b>On-balance sheet gap</b>												
<b>Off-balance sheet financial instruments</b>												
Foreign currency forward purchase	5,487,145	2,243,120	2,636,021	571,924	36,080	-	-	-	-	-	-	-
Foreign currency forward sale	4,214,578	1,897,188	1,230,055	1,087,335	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	9,701,723	4,140,308	3,866,076	1,659,259	36,080	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>	(421,461)	(21,975,513)	(3,337,395)	(2,614,412)	38,371,223	4,534,599	(15,906,918)	3,471,362	1,575,276	360,859	-	-
<b>Cumulative yield / interest risk sensitivity gap</b>	(421,461)	(21,975,513)	(25,312,908)	(27,927,320)	10,443,903	14,978,503	(928,415)	2,542,946	4,118,223	4,479,082	-	-
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities</b>												
December 31, 2011												
Rupees '000												
Total financial assets	103,070,986											
Add: Non financial assets	6,071,432											
Operating fixed assets	6,298,059											
Deferred tax assets	3,907,856											
Other assets	119,348,333											
Total assets as per statement of financial position	113,194,170											
Total financial liabilities	380,114											
Add: Non financial liabilities	113,574,284											
Other liabilities	113,574,284											
Total liabilities as per statement of financial position	113,954,400											

### 43.5 Liquidity risk

Liquidity risk is the risk caused, among others, by the inability of the Bank to settle liabilities at due date. The Liquidity Risk Policy is formulated keeping in view State Bank's guidelines on risk management and best market practice.

Objectives of Bank's liquidity management is to ensure that the Bank is able to honour all its financial commitments on an ongoing basis without (i) affecting the Bank's cost of funds (ii) adversely affecting ability to raise funds and (iii) resorting to sale of assets.

Asset and Liability Committee (ALCO), Risk Management Division, Treasury and the Finance Division each have a role in management of liquidity risk.

#### 43.5.1 Maturities of assets and liabilities - based on historical behavioural pattern of the assets and liabilities of the Bank

Maturity gaps of all assets and liabilities are based on contractual maturities, in addition to the expected maturities which have been determined based on the behavioural study of non contractual deposits. The Bank has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

Assets	December 31, 2012									
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Cash and balances with treasury banks	8,110,185	-	-	-	-	-	-	-	-	-
Balances with other banks	3,600,977	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	-	-	-	-	-	-	-	-	-
Investments	49,945,062	8,466,645	22,759,473	10,018,595	587,063	407,145	2,020,344	329,394	2,799,305	
Advances	52,549,154	13,006,957	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	293,802	
Operating fixed assets	5,385,336	363,290	66,579	99,869	200,029	299,747	494,085	828,248	2,688,770	
Deferred tax assets	6,041,513	145,409	400,181	1,019,100	461,404	33,393	459,630	1,800,017	927,120	
Other assets	6,714,468	4,177,050	845,806	845,806	-	-	-	-	-	
	134,385,195	24,010,059	22,786,168	28,849,600	31,949,807	4,934,845	3,160,318	6,583,197	5,402,204	6,708,997
<b>Liabilities</b>										
Bills payable	1,654,302	1,654,302	-	-	-	-	-	-	-	-
Borrowings	28,900,432	25,676,754	484,800	689	40,307	-	-	50,982	-	-
Deposits and other accounts	96,916,430	22,757,834	17,925,457	11,021,296	10,256,858	482,722	33,656,592	26,611	789,060	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	-	1,499,310	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,352,046	2,352,046	-	-	-	-	-	-	-	-
	131,322,520	52,440,936	20,572,357	11,506,096	10,257,547	523,029	33,656,592	77,593	2,288,370	-
<b>Net assets</b>	3,062,675	(28,430,877)	2,213,811	17,343,504	21,692,260	4,411,816	(30,496,274)	6,505,604	3,113,834	6,708,997
Share capital	10,779,796									
Reserves	(1,811,675)									
Accumulated loss	(6,071,210)									
Surplus on revaluation of assets - net	165,764									
	3,062,675									



December 31, 2011									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	6,117,986	-	-	-	-	-	-	-	-
Balances with other banks	1,426,353	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,069,757	1,069,757	-	-	-	-	-	-	-
Investments	36,268,904	3,381,895	3,282,751	26,271,993	652,768	490,446	720,329	481,611	323,732
Advances	56,017,664	3,111,314	4,342,589	25,234,924	4,368,599	2,158,478	2,774,565	2,609,792	360,859
Operating fixed assets	6,071,432	335,552	104,811	209,622	358,511	310,846	511,770	875,482	3,294,964
Deferred tax assets	6,298,059	186,348	227,552	1,418,436	475,011	506,307	680,633	1,813,280	520,729
Other assets	6,078,178	6,078,178	-	-	-	-	-	-	-
	119,348,333	21,707,383	7,957,703	53,134,975	5,854,889	3,466,077	4,687,297	5,780,165	4,500,284
<b>Liabilities</b>									
Bills payable	900,750	-	-	-	-	-	-	-	-
Borrowings	18,562,616	14,188,852	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,699,819	23,031,346	15,648,090	10,978,622	426,484	28,723,892	14,054	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,911,099	2,911,099	-	-	-	-	-	-	-
	113,574,284	41,032,047	19,614,187	11,002,796	461,180	28,792,165	15,295	1,510,710	-
<b>Net assets</b>	5,774,049	(19,324,664)	(3,188,200)	42,132,179	5,393,709	(25,326,088)	4,672,001	4,269,455	4,500,284
Share capital	10,779,796								
Reserves	(1,811,675)								
Accumulated loss	(3,392,192)								
Surplus on revaluation of assets - net	198,120								
	5,774,049								

43.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2012									
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
<b>Assets</b>	(Rupees in '000)									
Cash and balances with treasury banks	8,110,185	-	-	-	-	-	-	-	-	-
Balances with other banks	3,600,977	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	-	-	-	-	-	-	-	-	-
Investments	49,945,062	8,466,645	22,759,473	10,018,595	587,063	407,145	2,020,344	329,394	2,799,305	
Advances	52,549,154	3,017,550	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	293,802	
Operating fixed assets	5,385,336	363,290	99,869	200,029	344,719	299,747	494,085	828,248	2,688,770	
Deferred tax assets	6,041,513	145,409	1,019,100	461,404	33,393	459,630	795,259	1,800,017	927,120	
Other assets	6,714,468	-	-	-	-	-	-	-	-	-
	<b>134,385,195</b>	<b>26,547,477</b>	<b>28,003,794</b>	<b>31,104,001</b>	<b>4,934,845</b>	<b>3,160,318</b>	<b>6,583,197</b>	<b>5,402,204</b>	<b>6,708,997</b>	
<b>Liabilities</b>										
Bills payable	1,654,302	-	-	-	-	-	-	-	-	-
Borrowings	28,900,432	2,646,900	484,800	689	40,307	-	50,982	-	-	-
Deposits and other accounts	96,916,430	10,606,735	9,637,046	10,351,602	472,322	394,002	26,611	789,060	-	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	1,499,310	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,352,046	2,352,046	-	-	-	-	-	-	-	-
	<b>131,322,520</b>	<b>94,322,154</b>	<b>10,121,846</b>	<b>10,352,291</b>	<b>512,629</b>	<b>394,002</b>	<b>77,593</b>	<b>2,288,370</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>3,062,675</b>	<b>(67,774,677)</b>	<b>17,881,948</b>	<b>20,751,710</b>	<b>4,422,216</b>	<b>2,766,316</b>	<b>6,505,604</b>	<b>3,113,834</b>	<b>6,708,997</b>	
Share capital	10,779,796									
Reserves	(1,811,675)									
Accumulated loss	(6,071,210)									
Surplus on revaluation of assets - net	165,764									
	<b>3,062,675</b>									

December 31, 2011									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Total	(Rupees in '000)								
<b>Assets</b>									
Cash and balances with treasury banks	6,117,986	-	-	-	-	-	-	-	-
Balances with other banks	1,426,353	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,069,757	-	-	-	-	-	-	-	-
Investments	36,268,904	3,381,895	3,282,751	26,271,993	652,768	490,446	720,329	481,611	323,732
Advances	56,017,664	3,111,314	4,342,589	25,234,924	4,368,599	2,158,478	2,774,565	2,609,792	360,859
Operating fixed assets	6,071,432	335,552	104,811	209,622	358,511	310,846	511,770	875,482	3,294,964
Deferred tax assets	6,298,059	186,348	227,552	1,418,436	475,011	506,307	680,633	1,813,280	520,729
Other assets	6,078,178	6,078,178	-	-	-	-	-	-	-
	119,348,333	21,707,383	7,957,703	53,134,975	5,854,889	3,466,077	4,687,297	5,780,165	4,500,284
<b>Liabilities</b>									
Bills payable	900,750	-	-	-	-	-	-	-	-
Borrowings	18,562,616	14,188,852	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,699,819	59,183,413	9,930,455	11,003,494	386,918	178,126	9,354	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,911,099	2,911,099	-	-	-	-	-	-	-
	113,574,284	77,184,114	10,209,738	11,027,668	421,614	246,399	10,595	1,510,710	-
<b>Net assets</b>	5,774,049	(55,476,731)	(703,886)	(2,252,035)	42,107,307	5,433,275	3,219,678	4,676,702	4,500,284
Share capital	10,779,796	-	-	-	-	-	-	-	-
Reserves	(1,811,675)	-	-	-	-	-	-	-	-
Accumulated loss	(3,392,192)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	198,120	-	-	-	-	-	-	-	-
	5,774,049	-	-	-	-	-	-	-	-

**43.6 Operational risk management**

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

The Bank seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Bank are in place.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

**44. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on March 07, 2013 by the Board of Directors of the Bank.

**45. GENERAL**

**45.1** Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

**45.2** The figures in the financial statements have been rounded off to the nearest thousand.

\_\_\_\_\_  
**President &  
 Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**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**

**ANNEXURE I**

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)	
				Principal	Interest / mark-up	Others					Total
1	2	3	4	5	6	7	8	9	10	11	12
1	<b>Latif Fibers (Pvt.) Ltd.</b> 37-F-A, Block 6, PECHS, Karachi-75400	Mr Ubaid Amanullah 42301-8209569-7 Mr Jawad Junaid 42201-7989341-9	Mr Amanullah Muhammad Junaid	18,576	3,598	-	22,174	18,576	3,598	-	22,174
2	<b>Latif Cotton Mills Ltd.</b> 37-F-A, Block 6, PECHS, Karachi-75400	Muhammad Junaid 42201-9863092-7 Ms Fouzia 42201-2860406-8 Mr Suhail 42201-0859512-3 Mr Owais Amanullah 42301-2481478-1 Muhammad Afham 42201-8497215-5 Mr Ubaid 42301-8209569-7 Mr Jawad Junaid 42201-7989341-9	Mr Haji Latif Ms w/o Muhammad Junaid Mr Haji Younus Mr Ammanullah Mr Suhail Mr Amanullah Mr Muhammad Junaid	17,383	3,367	-	20,750	17,383	3,367	-	20,750
3	<b>Pride Embroiders</b> Fareed Town Pastoor Road, Gujranwala.	Hamid Raza 34101-9393881-9	Ch. Nisar Ahmed	2,996	735	-	3,731	-	735	-	735
4	<b>Natural Polymer Ind. (Pvt.) Limited.</b> Flat No 7/c, Sunset Commercial Street-I, Phase - IV DHA, Karachi	Ahmed Faraz Qaisrani 42301-8993168-5 Shazia Khan 42000-4716259-2 Mahmood Rangoonwala 42401-4046725-5 Muhammad Yousuf 42401-4056225-5	Sardar Ahmed Nawaz Khan Qaisrani Ahmed Faraz Qaisrani Ahmed Rangoonwala Ahmed Rangoonwala	26,979	10,679	-	37,658	3,372	10,679	-	14,051
5	<b>Haji Saifullah Khan</b> H.No.21, Street No.22, F-8/2, Islamabad.	Haji Saifullah Khan Bangash 101-48-455737	Haji Gul Khan	13,397	3,747	-	17,144	10,397	3,747	-	14,144
6	<b>Kausar Textile</b> Atlas Street Maqbool Road Faisalabad	Sheikh Muhammad Idress Executive Director 33100-0666263-5	Ghulam Muhammad	49,990	1,643	155	51,788	6,490	1,643	155	8,288
7	<b>Iqbal &amp; Company (Iqbal Group)</b> Khalid Plaza, Above Bhai Bhai Book Center, Allama Iqbal Town, Lahore	Ch. Iqbal Ahmed Shahid CNIC# 35202-5932639-3 Mrs. Akhtar Iqbal NIC # 285-34-496018	Din Muhammad W/o Ch. Iqbal Ahmed Shahid	375	3,000	-	3,375	-	2,944	-	2,944
8	<b>Javaid Garments (Iqbal Group)</b> Khalid Plaza, Above Bhai Bhai Book Center, Allama Iqbal Town, Lahore	Ch. Iqbal Ahmed Shahid NIC # 285-88-491017	Din Muhammad	14,071	1,599	-	15,670	-	1,599	-	1,599
9	<b>Usman Sharif</b> H# 07 st# 15 Al -Noor St# Maqbool Road, Ichra, Lahore	Usman Sharif 35202-0110766-7	Muhammad Sharif	498	372	-	870	144	372	-	516

ANNEXURE I

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year			Total			Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Principal	Interest / mark-up	Others			
1	2	3	4	5	6	7	8	9	10	11	12	
(Rupees in '000)												
10	M/s. Muhammad Siddique Multipurpose Industries E-33, SITE, Karachi	Abdul Rasheed 42301-2158156-5	Muhammad Siddique	20,000	1,147	-	21,147	-	1,147	-	1,147	
11	Al-Ansar Travels & Tours G-8, Mehran Estate Dr. Daud Pota Road Near Cant. Karachi	Shah Nawaz 42301 8672224 7	Meeran Shah	16,997	3,950	-	20,947	-	3,850	-	3,850	
12	Muhammad Shafiq H# 239/430 Usman Street Makhdoomabad Chungi/Amer Sidhu, Lahore	Muhammad Shafiq 35201-5911820-3	Muhammad Latif	1,191	286	-	1,477	357	286	-	643	
13	Wisdom Education System 206/1, 32nd Street, Phase-VIII, DHA, Karachi	Abdul Aziz Malik 42301-9424977-3 Abdul Hafeez Malik 42301-9369503-5 Andleeb Abbasi 31201-9953907-4 Atif Aziz Malik 42301-5610141-9 Usma Aziz Malik 42301-9631584-2 Assam Aziz Malik 42000-0389528-3	S/o Allah Rakha Malik S/o Abdul Aziz Malik D/o Abdul Aziz Malik S/o Abdul Aziz Malik D/o Abdul Aziz Malik S/o Abdul Aziz Malik	7,907	8,804	-	16,711	-	6,605	-	6,605	
14	Zahoor Ahmed Khan H.No.36, Street No.55, G-9/4, Islamabad	Zahoor Ahmed Khan (Deceased) 61101-0889566-7	Muhammad Ameer Khan	140,000	6,154	-	146,154	-	6,154	-	6,154	
15	Tariq Anwar Rana Flat No A-403 4th Floor P#FL-7 Block 4 Gulistan-e-Jauhar, Karachi	Tariq Anwar Rana 42201-1361362-5	Muhammad Anwar	324	420	-	744	90	420	-	510	
16	Muhammad Imran Safdar House No - 01 Fazo Wali Street Jia Moza Shahdara, Lahore	Muhammad Imran Safdar 35202-2756978-1	Muhammad Saidar	400	384	-	784	120	384	-	504	
17	Abid Rasheed Gali#04 Abadi Mir Muzaffar Bara Gala P.O Ashiruloom Gujranwala	Abid Rasheed 34101-2676675-7	Abdul Rasheed	759	607	-	1,366	189	607	-	796	
18	Zia-ud-din House No 06 St#01 Abubakar St Nabi Park Qila Lakshaman Ravi Road, Lahore	Zia-ud-din 35202-7800751-9	Miraj ud Din	880	353	-	1,233	308	353	-	661	
19	Ammar Ahmed 275-Block-B Opp Macdonald Peoples Colony 1, Faisalabad	Ammar Ahmed 33100-9930522-5	Siraj Ahmed	1,002	373	-	1,375	250	373	-	623	
20	Muhammad Arshad P # 84 St # 8 Muhalla Dawood Nagar N/B Malik Rent Car, Faisalabad	Muhammad Arshad 33100-0625371-9	Ali Muhammad	500	408	-	908	144	408	-	552	
<b>TOTAL</b>				<b>334,225</b>	<b>51,626</b>	<b>155</b>	<b>386,006</b>	<b>57,820</b>	<b>49,271</b>	<b>155</b>	<b>107,246</b>	

## DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

On behalf of the Board of Directors of Summit Bank Limited ("the Bank"), I am pleased to present the consolidated financial statements of Summit Bank Limited and its subsidiary namely Summit Capital (Pvt.) Limited together with the Auditor's Report thereon for the year ended December 31, 2012.

### Financials

The consolidated financial statements of the Bank for the year ended December 31, 2012 are summarized as follows:

	2012 Rs '000'	2011 Restated Rs '000'
<b>Operating Loss before provision and taxation</b>	<b>(2,461,230)</b>	(2,609,831)
Provisions	<b>(37,866)</b>	(539,797)
<b>Loss before taxation</b>	<b>(2,499,096)</b>	(3,149,628)
(Charge) / Reversal of provision for taxation	<b>(218,185)</b>	1,966,859
<b>Loss after taxation</b>	<b>(2,717,281)</b>	(1,182,769)
Transfer to Minority Interest	-	(135,582)
Incremental Depreciation – net of tax	<b>55,138</b>	3,078
Accumulated profit / (loss) brought forward	<b>(3,465,687)</b>	(2,421,578)
<b>Accumulated loss carried forward</b>	<b>(6,127,830)</b>	(3,465,687)
<b>Loss per share - Basic and diluted (Rupees)</b>	<b>(2.52)</b>	(1.17)

### Pattern of Shareholdings

The pattern of shareholding as at December 31, 2012 is annexed with the financial statements of Summit Bank Limited.

For and on the behalf of the Board of Directors

**Husain Lawai**  
President & CEO

Karachi  
March 07, 2013

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Summit Bank Limited** (the Bank) as at **31 December 2012** and the related consolidated profit and loss account, consolidated cash flow statement, consolidated statement of comprehensive income and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Summit Capital (Private) Limited, a subsidiary company, dated 28 February 2013. These financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan and accordingly included such tests of accounting records and such other audit procedures as we considered necessary in the circumstances.

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

We draw attention to the following matters:

- (i) note 1.7 to the accompanying consolidated financial statements, which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan (SBP) and the management's future plans and actions in relation thereto. The said note also indicates the existence of material uncertainties with respect to the recapitalisation of the Bank and, consequently, its sustainability in future. Further, the SBP has advised the Bank to submit a capital enhancement plan for meeting the 2012 regulatory capital requirement which the management intends to do so in due course; and
- (ii) note 14 to the accompanying financial statements relating to deferred tax asset amounting to Rs.5,986.434 (2011: Rs.6,249.658) million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an effect on the realisability of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of these matters.

### Chartered Accountants

**Audit Engagement Partner:** Shabbir Yunus

Karachi

March 07, 2013



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	8	8,110,198	6,117,998
Balances with other banks	9	3,601,183	1,433,614
Lendings to financial institutions	10	2,038,500	1,069,757
Investments	11	49,777,088	36,098,644
Advances	12	52,549,154	55,999,664
Operating fixed assets	13	5,450,400	6,175,011
Deferred tax assets - net	14	5,986,434	6,249,658
Other assets	15	6,776,109	6,123,169
		<b>134,289,066</b>	119,267,515
<b>LIABILITIES</b>			
Bills payable	16	1,654,302	900,750
Borrowings	17	28,900,432	18,562,616
Deposits and other accounts	18	96,815,372	89,665,301
Sub-ordinated loans	19	1,499,310	1,500,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	20	2,413,595	2,938,294
		<b>131,283,011</b>	113,566,961
<b>NET ASSETS</b>		<b>3,006,055</b>	5,700,554
<b>REPRESENTED BY</b>			
Share capital	21	10,779,796	10,779,796
Reserves	22	(1,811,675)	(1,811,675)
Accumulated losses		(6,127,830)	(3,465,687)
		<b>2,840,291</b>	5,502,434
Surplus on revaluation of assets - net of deferred tax	23	165,764	198,120
		<b>3,006,055</b>	5,700,554
<b>CONTINGENCIES AND COMMITMENTS</b>	24		

The annexed notes from 1 to 46 and Annexure-1 form an integral part of these consolidated financial statements.

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**President &  
 Chief Executive**

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**Director**

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**Director**

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**Director**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2012

		December 31, 2012	December 31, 2011 (Restated - note 6)
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	25	<b>10,262,500</b>	9,550,022
Mark-up / return / interest expensed	26	<b>(10,133,076)</b>	(9,016,895)
Net mark-up / interest income		<b>129,424</b>	533,127
Provision against non-performing loans and advances - net	12.3.1	<b>(33,639)</b>	(637,099)
Reversal for diminution in the value of investments	11.13	<b>50,442</b>	127,213
Bad debts written off directly	12.4.1	<b>(39,745)</b>	(2,253)
		<b>(22,942)</b>	(512,139)
Net mark-up / interest income after provisions		<b>106,482</b>	20,988
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		<b>652,577</b>	466,022
Dividend income		<b>141,826</b>	100,120
Gain from dealing in foreign currencies		<b>387,904</b>	165,894
Gain / (loss) on sale of securities - net	27	<b>358,415</b>	(47,972)
Loss on disposal of operating fixed assets	13.2.3	<b>(212,408)</b>	(12,139)
Unrealised loss on revaluation of investments classified as held-for-trading - net	11.15	<b>(5)</b>	(5,337)
Other income	28	<b>97,341</b>	98,156
Total non-mark-up / interest income		<b>1,425,650</b>	764,744
		<b>1,532,132</b>	785,732
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	<b>(4,006,090)</b>	(3,889,496)
Other provisions / write-offs	30	<b>(14,924)</b>	(27,658)
Other charges	31	<b>(11,487)</b>	(19,354)
Total non-mark-up / interest expenses		<b>(4,032,501)</b>	(3,936,508)
Share of profit of associates	11.11	<b>1,273</b>	1,148
		<b>(2,499,096)</b>	(3,149,628)
Extra ordinary / unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		<b>(2,499,096)</b>	(3,149,628)
<b>Taxation</b>	32		
Current		<b>(78,984)</b>	(110,618)
Prior years		-	-
Deferred		<b>(139,201)</b>	2,077,477
		<b>(218,185)</b>	1,966,859
<b>LOSS AFTER TAXATION</b>		<b>(2,717,281)</b>	(1,182,769)
<b>Attributable to:</b>			
Non-controlling interests		-	(135,582)
Owners of the parent		<b>(2,717,281)</b>	(1,047,187)
		<b>(2,717,281)</b>	(1,182,769)
<b>Loss per share - basic (Rupees)</b>	33	<b>(2.52)</b>	(1.17)

The annexed notes from 1 to 46 and Annexure-1 form an integral part of these consolidated financial statements.

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President &  
Chief Executive

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Director

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Director

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Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>Loss after taxation</b>	<b>(2,717,281)</b>	(1,047,187)
Other comprehensive income	-	-
<b>Comprehensive loss transferred to equity</b>	<b><u>(2,717,281)</u></b>	<b><u>(1,047,187)</u></b>

Surplus / (deficit) on revaluation of 'Available-for-sale securities' and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and the Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 46 and Annexure-1 form an integral part of these consolidated financial statements.

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**President &  
 Chief Executive**

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**Director**

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**Director**

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**Director**

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(2,499,096)	(3,149,628)
Less: Dividend income	(141,826)	(100,120)
	<b>(2,640,922)</b>	<b>(3,249,748)</b>
<b>Adjustments:</b>		
Depreciation	529,220	493,482
Amortisation of intangible assets and deferred cost	100,102	93,997
Provision against non-performing loans and advances - net	33,639	637,099
Advances directly written off	39,745	2,253
Other provisions / write offs	14,924	27,658
Diminution (reversal of provision) / in the value of investments	(50,442)	(127,213)
Unrealised loss on revaluation of investments in held-for-trading securities - net	5	5,337
Gain on disposal of non-banking assets	(4,976)	-
Loss on disposal of operating fixed assets	212,408	12,139
	<b>874,625</b>	<b>1,144,752</b>
	<b>(1,766,297)</b>	<b>(2,104,996)</b>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	(968,743)	(124,173)
Net realisations / (investments) in 'held-for-trading' securities	28,214	(2,957)
Advances - net	3,377,126	2,458,390
Other assets (excluding advance taxation) - net	(622,545)	(756,181)
	<b>1,814,052</b>	<b>1,575,079</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	753,552	67,920
Borrowings from financial institutions	10,336,209	8,023,349
Deposits and other accounts	7,150,071	10,810
Other liabilities	(524,699)	756,820
	<b>17,715,133</b>	<b>8,858,899</b>
	<b>17,762,888</b>	<b>8,328,982</b>
Income tax paid	(169,249)	(28,044)
<b>Net cash flows from operating activities</b>	<b>17,593,639</b>	<b>8,300,938</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(14,312,376)	(6,528,719)
Net realisation / (investments) in 'held to maturity' securities	669,918	(845,667)
(Investment in) / proceeds on disposal of associate	3,205	37,200
Dividend received	141,826	100,120
Cash paid for acquisition of MyBank Limited	-	(2,163,861)
Investment in operating fixed assets	(432,491)	(1,567,020)
Sale proceeds of property and equipment - disposed off	318,631	118,648
Sale proceeds of non-banking assets - disposed off	176,500	-
<b>Net cash used in investing activities</b>	<b>(13,434,787)</b>	<b>(10,849,299)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts on issue of right shares	-	1,450,132
(Payments) / receipts of subordinated loan	(690)	1,500,000
<b>Net cash flows (used in) / from financing activities</b>	<b>(690)</b>	<b>2,950,132</b>
Increase in cash and cash equivalents	4,158,162	401,771
Cash and cash equivalents acquired on acquisition	-	2,687,623
Cash and cash equivalents at beginning of the year	7,511,955	4,422,561
<b>Cash and cash equivalents at end of the year</b>	<b>11,670,117</b>	<b>7,511,955</b>

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The annexed notes from 1 to 46 and Annexure-1 form an integral part of these consolidated financial statements.

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President &  
Chief Executive

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Director

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Director

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Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital reserves					reserves		Non-controlling interest	Total
	Share capital	Share premium	Discount on issue of shares	Statutory reserve	Reserve arising on amalgamation	Other reserve	Accumulated losses		
	(Rupees in '000)								
<b>Balance as at January 01, 2011</b>	7,250,660	1,000,000	-	64,828	(2,399,878)	-	(2,421,578)	3,494,032	3,494,032
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	1,737,961	1,737,961
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	3,078	-	3,078
Issuance of right shares during the year	1,450,132	-	-	-	-	-	-	1,450,132	1,450,132
Comprehensive loss transferred to equity during the year ended December 31, 2011 - restated (note 6)	-	-	-	-	-	-	(1,047,187)	(135,582)	(1,182,769)
Issue of share capital and adjustments arising on acquisition and amalgamation of non-controlling interest in MyBank Limited (note 6.1)	2,079,004	-	(1,297,298)	-	820,673	-	-	1,602,379	(1,602,379)
<b>Balance as at December 31, 2011 - restated (note 6)</b>	10,779,796	1,000,000	(1,297,298)	64,828	(1,579,205)	-	(3,465,687)	5,502,434	5,502,434
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation and disposal - net of deferred tax	-	-	-	-	-	-	55,138	55,138	55,138
Comprehensive loss transferred to equity during the year ended December 31, 2012	-	-	-	-	-	-	(2,717,281)	(2,717,281)	(2,717,281)
<b>Balance as at December 31, 2012</b>	<b>10,779,796</b>	<b>1,000,000</b>	<b>(1,297,298)</b>	<b>64,828</b>	<b>(1,579,205)</b>	<b>-</b>	<b>(6,127,830)</b>	<b>2,840,291</b>	<b>2,840,291</b>

Revenue

(2,717,281)

2,840,291

President &  
Chief Executive

Director

Director

Director

The annexed notes from 1 to 46 and Annexure-1 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group comprises of Summit Bank Limited - the holding company (the Bank) and Summit Capital (Private) Limited (SCPL) - a wholly owned subsidiary. The ultimate holding company of the Group is Suroor Investments Limited, (SIL) a company incorporated in Mauritius.
- 1.2 Summit Bank Limited (the Bank) was incorporated in Pakistan as public company limited by shares on December 09, 2005 under the Companies Ordinance, 1984. It is listed on all the stock exchanges of Pakistan. Registered office of the Bank is situated at Plot No. 6-B, F-6, Supermarket, Islamabad, Pakistan.
- 1.3 The Bank is principally engaged in the business of banking through its 186 branches [2011: 165 Branches (after amalgamation of Atlas Bank Limited and MyBank Limited having 40 branches and 80 Branches respectively)] in Pakistan as defined in the Banking Companies Ordinance, 1962. The medium to long-term rating of the Bank rated by JCR-VIS, credit rating company, is 'A-' whereas short-term rating of the Bank is 'A-2' with a Stable outlook.
- 1.4 SCPL, the subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services. The Group acquired interest in SCPL by virtue of amalgamation of Atlas Bank Limited.
- 1.5 During the year ended December 31, 2010, Suroor Investments Limited (SIL or Sponsors), a company incorporated in Mauritius, acquired 59.4% shareholding and consequently, SIL become the parent company of the group. Further, under a scheme of amalgamation (the scheme), at the close of business on December 31, 2010, Atlas Bank Limited (ATBL) was merged with and into Summit Bank Limited.
- 1.6 During the previous year, the Bank acquired controlling interest (51% holding) in My Bank Limited (MBL) on April 01, 2011. Accordingly, MBL became a subsidiary of the Bank upon acquisition of controlling interest. Furthermore, in 2011, the State Bank of Pakistan (SBP) sanctioned a scheme of amalgamation (the scheme) under section 48 of the Banking Companies Ordinance, 1962, by virtue of which MBL has been merged with and into the Bank at the close of business on June 30, 2011 upon acquisition of non-controlling interest through issue of Ordinary Shares of the Bank (refer note 6 for details).
- 1.7 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion and Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2012 and 2013, respectively. Further, vide its aforesaid Circular, the SBP has prescribed the banks to achieve minimum Capital Adequacy Ratio (CAR) of 10% with effect from December 31, 2009 irrespective of their CAMEL-S rating, till further instructions. The paid up capital of the Bank (net of losses) as of December 31, 2012 amounted to Rs.2,775.463 million and CAR, as disclosed in note 42.3, remained below the prescribed level of 10%.

In view of the above shortfall in meeting the regulatory capital requirements and the financial condition of the Bank, the management and sponsors of the Bank have taken the following steps:

- The Bank plans to issue listed convertible, perpetual, irredeemable, non-cumulative preference shares up to Rs.2.155 billion. In this respect, SBP vide its letter No. BPRD/BAID/649/2422/2013 dated March 01, 2013 has granted in-principle approval to the Bank for the issuance of said preference shares, subject to compliance with certain conditions conveyed vide SBP letters No. BSD/BAID/649/1862/2013 dated February 15, 2013 and BSD/BAID/649/2251/2013 dated February 26, 2013. The Bank will have to approach SBP for final approval after completion of all the relevant legal and regulatory formalities. The management believes that the said preference shares would be issued within first half of the year 2013.

- The Bank intends to raise further capital through its sponsors to meet the regulatory capital requirements and a commitment to this effect from the sponsors has been obtained.
- The management of the Bank has prepared financial projections for a period of seven years for the purpose of setting the future course of action for the Bank. These projections are approved by the Board and envisage additional capital injection through equity into the Bank and indicate future profitable operations based on various assumptions such as growth of deposits and advances, investment returns, recoveries against loan losses, interest rates, cost of funds, etc. Under the said projections, the Bank meets the MCR in the year 2016 and, hence, it has been assumed that necessary relaxation in this regard will be available from the SBP in the future.

Subsequent to the year end, SBP vide its letter number BPRD/BAID/649/2424/2013 dated March 01, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till June 30, 2013 and has advised the Bank to submit a Board approved capital enhancement plan for meeting the regulatory capital requirement of MCR and CAR, within one week of holding the next Board Meeting.

Based on the above, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue its business in the foreseeable future and therefore, have prepared these financial statements on a going concern basis. In making such assessments, the Board has taken into account the material uncertainties with respect to events or conditions that may impact the recapitalisation plan of the Bank and, consequently, its sustainability in the future.

## 2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2 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 comprises of purchase of goods by banks from its customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.3 Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

## 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 State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP shall prevail.
- 3.2 International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008 are not applicable to banking companies in Pakistan. 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 prescribed by the SBP through various circulars.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income	July 01, 2012
IAS 19 – Employee Benefits – (Revised)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits' as described below:

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Group is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Group's accounting policy related to recognition of actuarial gains and losses (refer to note 5.12 to the financial statements) to recognise actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 is estimated as under:

	Rupees
Net increase / (decrease) in employees' benefit liability	(1,783,931)
Net increase / (decrease) in other comprehensive income	984,095
Net increase / (decrease) in profit for the year	799,836



### Improvements to IFRS

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Group expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

#### 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as described below in note 5.1:

##### 5.1 New and amended standards and interpretations

The Group has adopted the following amendments to IFRSs which became effective during the current year:

IFRS 7 – Financial Instruments: Disclosures -  
Enhanced De-recognition Disclosure Requirements (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)  
The adoption of the above amendments did not have any effect on the financial statements.

##### 5.2 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

##### 5.3 Lendings to / borrowings from financial and other institutions

The Group enters into transactions of borrowings (re-purchase) from and lending (reverse re-purchase) to financial and other institutions, at contracted rates for a specified period of time. These are recorded as under:

##### Repurchase agreement borrowings

Securities sold subject to an agreement to repurchase at a specified future date (repos) continue to be

recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up expense and is accrued over the period of the repo agreement.

**Repurchase agreement lendings**

Securities purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the statement of financial position. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up earned and is accrued over the period of the reverse repo agreement.

Securities purchased are not recognised in the consolidated 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.

**5.4 Investments**

Investments of the Group, other than investments associates, are classified as held-for-trading, held to maturity and available-for-sale. The management determines the appropriate classification of its investments at the time of purchase.

**Held-for-trading**

These are securities which 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 portfolio in which a pattern of short-term profit taking exists.

**Held to maturity**

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

**Available-for-sale**

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

**Initial measurement**

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

These are initially recognised at cost, being the fair value of the consideration given including, in the case of investments other than held-for-trading, the acquisition cost associated with the investments.

**Subsequent measurement**

**Held-for-trading**

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

**Held to maturity**

These are measured at amortised cost using the effective interest rate method, less any impairment loss

recognised to reflect irrecoverable amounts.

#### **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 is taken to the profit and loss account when actually realised 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. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited consolidated financial statements. A decline in the carrying value is charged to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

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 ageing criteria prescribed by the Prudential Regulations issued by the SBP.

#### **Investments in Associates**

Investments in associates are valued at equity method cost less impairment, if any. A reversal of an impairment loss on associates and subsidiaries is recognised as it arises provided the increased carrying value does not exceed cost.

Gain and losses arising on sale of investments during the year are taken to the profit and loss account.

### **5.5 Advances**

Advances are stated net of general and specific provisions. The specific and general provisions for advances are made in accordance with the requirements of Prudential Regulations and other directives issued by the State Bank of Pakistan and are charged to the profit and loss account. Non-performing loans and advances in respect of which the Bank does not expect any recoveries in future years are written off.

Leases, where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

### **5.6 Operating fixed assets and depreciation**

#### **Owned**

Property and equipment, other than leasehold land (which is not depreciated) and capital work in progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses, if any.

Depreciation is calculated by the Group using the straight line method to write down the cost of assets to their residual values over the estimated useful lives. The rates at which the assets are depreciated are disclosed in note 13.2 to the consolidated financial statements. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the

item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in the profit and loss account in the year when asset is derecognised.

#### **Assets held under operating leases**

Operating lease assets are stated at cost less accumulated depreciation and impairment, if any. Repairs and maintenance are charged to profit and loss account as and when incurred.

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

Capital work-in-progress are stated at cost less accumulated impairment losses, if any.

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortised using the straight line method at the rates specified in the relevant note. Intangible assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate, at each balance sheet date.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which that asset is disposed of.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### **Goodwill**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirement of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account.

### 5.7 Subordinated loans

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

### 5.8 Assets acquired in satisfaction of claims

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

### 5.9 Impairment

The carrying amounts of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the profit and loss account.

### 5.10 Staff retirement and other benefits

#### Defined contribution plan

The Bank operates defined contribution provident fund for all its permanent employees. Equal monthly contributions are made both by the Bank and the employees to the fund at the rate of 8.33% of basic salary.

The subsidiary operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

#### Defined benefit scheme

The Bank operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of five years. Provision is made to meet the cost of such gratuity benefits on the basis of actuarial recommendations and are charged to income currently. The actuarial valuations are periodically carried out using the 'Projected Unit Credit Method'.

Further, the subsidiary operates a staff gratuity scheme for management employees. Provision is made annually in accordance with actuarial recommendations using the Projected Unit Credit method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date (before deducting plan assets) and 10% of the fair value of any plan assets at that date.

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs as at December 31, 2010.

Upon amalgamation of the Bank with the ATBL, the said scheme / plan been terminated and the net liability has been included in the funded plan of the Bank.

The Bank also maintains an approved funded gratuity scheme for Ex-MyBank employees. Contribution to the said fund has been discontinued since 2002. However, the fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balance upon completion of or termination from the employment of the Bank.

**Employees' compensated absences**

The Bank provides its liability towards compensated absences accumulated by its employees on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are amortised over the future expected remaining working lives of the employees, to the extent of the excess over ten percent of the present value of the defined benefit obligation at that date.

The subsidiary provides its liability towards compensated absences on the basis of employee entitlements to annual leaves which are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

**5.11 Taxation****Current**

Provision for current taxation is based on taxable income at the current rate of tax after taking with applicable tax credits, rebates and exemptions available, if any. The charge for current tax also include adjustments where considered necessary, relating to prior years which arise from assessments finalised during the year.

**Deferred**

Deferred tax is recognised on all major temporary differences, tax credits and unused tax losses 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. Deferred tax is calculated at the rates that are expected to apply to the periods when the differences will reverse, based on tax rates that have been enacted or substantially enacted at the statement of financial position date.

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

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against related deficit / surplus in accordance with the requirements of the International Accounting Standard (IAS) 12 "Income Taxes".

**5.12 Deposits**

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

**5.13 Provisions**

Provisions are recognised 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 at each statement of financial position date and are adjusted to reflect the current best estimate.

**5.14 Foreign currencies****Foreign currency transactions and translations**

Transactions in foreign currencies are translated into rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupees terms at the rates of exchange ruling on the statement of financial position date. Forward foreign exchange contracts are valued at forward rates determined with reference to their respective maturities.

**Translation gains and losses**

Translation gains and losses are included in the profit and loss account.

**5.15 Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

**5.16 Revenue recognition**

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria are used for revenue recognition:

**Advances and investments**

Mark-up / return on regular loans / advances and investments is recognised on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortised through the profit and loss account over the remaining period using effective interest method.

Interest or mark-up recoverable on classified loans and advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the SBP.

Dividend income is recognised when the Bank's right to receive the dividend is established.

Gain and loss on sale of investments are recognised in the profit and loss account.

**Lease financing**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases if any, is recognised on receipt basis.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognised as income on receipts basis.

**Fees, brokerage and commission**

Fees, brokerage and commission on letters of credit / guarantees and others are generally recognised on an accrual basis.

**5.17 Off setting**

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

**5.18 Financial instruments****Financial assets and liabilities**

Financial instruments carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain other receivables, borrowings from financial institutions,

deposits and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

**Derivative financial instruments**

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

**5.19 Segment reporting**

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segment. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional structure. The Group comprises of the following main business segments:

**Business segments**

- **Corporate finance**

This includes underwriting, securitisation, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

- **Trading and sales**

This segment undertakes the Group's treasury, money market and capital market activities.

- **Retail banking**

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and to the agricultural sector. It includes loans, deposits and other transactions with retail customers.

- **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

- **Payment and settlement**

This includes payments and collections, funds transfer, clearing and settlement with the customers.

- **Geographical segments**

The Group conducts all its operations in Pakistan.

**6. BUSINESS COMBINATION - Restatement of prior year figures**

As stated in note 1.4, the Group acquired the majority shareholding of 51% in MyBank Limited (MBL) for cash consideration of Rs.2,163.861 million on the acquisition date of April 01, 2011 and, hence, MBL became a subsidiary of the Group at that date. The Group accounted for the same by applying acquisition method of accounting as prescribed by the International Financial Reporting Standard 3, "Business Combination".



The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition, the management was in the process of carrying out a detailed exercise for the identification and valuation of assets acquired (including intangible assets) for the purpose of the initial accounting for the acquisition. According to the requirements of IFRS 3, if the initial accounting for a business combination remains incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts for the items for which the accounting is incomplete. Such provisional values shall be adjusted retrospectively within a period of one year from the acquisition date to reflect the results of the valuation and information that existed as of acquisition date. Accordingly, pending the completion of the detailed exercise for valuation of the acquired net assets as referred above, the Group reported provisional amounts for the assets acquired including the goodwill in respect of the amalgamation in the annual audited financial statements for the year ended December 31, 2011.

The fair valuation exercise for assets and liabilities acquired has now been completed by the management with the assistance of an independent valuer and the accounting treatment of fair valuation of MBL's assets and liabilities (including the contingent liabilities) in the books has been finalised in the current year and accounted for in the financial statements.

A reconciliation between the provisional amounts and final values as at March 31, 2011 in respect of the acquisition is as under:

	* Provisional amounts as at the date of acquisition	Fair value adjustments recognised	Final adjusted amounts as at the date of acquisition
Note	----- (Rupees in '000) -----		
<b>Assets</b>			
Cash and balances with treasury banks	2,206,669	-	2,206,669
Balances with other banks	480,954	-	480,954
Lendings to financial institutions	945,584	-	945,584
Investments	7,510,462	(56,727)	7,453,735
Advances	21,512,969	(1,168,976)	20,343,993
Operating fixed assets	2,167,248	713,702	2,880,950
Deferred tax assets	1,475,793	(328,270)	1,147,523
Other assets	2,005,186	364,871	2,370,057
<b>Total assets</b>	<b>38,304,865</b>	<b>(475,400)</b>	<b>37,829,465</b>
<b>Liabilities</b>			
Bills payable	475,537	-	475,537
Borrowings	5,282,024	-	5,282,024
Deposits and other accounts	28,026,796	54,663	28,081,459
Other liabilities	443,586	-	443,586
<b>Total liabilities</b>	<b>34,227,943</b>	<b>54,663</b>	<b>34,282,606</b>
<b>Net assets</b>	<b>4,076,922</b>	<b>(530,063)</b>	<b>3,546,859</b>
Cash consideration paid [270,482,625			
Ordinary shares @ Rs.8 each	2,163,861	-	2,163,861
Proportionate share of non-controlling interest (49% of net assets)	1,997,692	(259,731)	1,737,961
	4,161,553	(259,731)	3,901,822
Intangible assets recognised on acquisition	-	353,712	353,712
Goodwill arising on acquisition	84,631	(83,380)	1,251

\* Balances taken from the published financial statements of MBL for the quarter ended March 31, 2011.

### 6.1 Acquisition of non-controlling interest

As at the date of acquisition, the purchase of Non-Controlling Interest (NCI) is measured at the proportionate share of the NCI in the fair value of net assets acquired by the Group, as allowed under IFRS 3. The management has, at the date of amalgamation, incorporated the share of NCI's post acquisition results of MBL in the proportionate share of the NCI determined as at the acquisition date of MBL (the adjusted balance).

On the effective date of amalgamation (i.e. close of business on June 30, 2011), the Group acquired the NCI by issuing 207,900,400 Ordinary shares of Rs.10 each to the shareholders of MBL (see note 1.4). The fair value of these shares (based on the published quoted price at that date) amounted to Rs.781.706 million. The excess of the fair value of the shares issued over the adjusted balance of the NCI amounting to Rs.820.673 million has been recognised as part of the equity (shown separately under 'Reserve arising on amalgamation').

	Note	2012 (Rupees in '000)
<b>6.2 Intangible assets recognised on acquisition</b>		
Core deposits	6.2.1	209,874
Brand name	6.2.2	143,838
		<u>353,712</u>

**6.2.1** The intangible asset comprises of core deposits of Ex-Mybank and represents the funding benefit that would be available to the Group on account of availability of funding through deposit customers rather than borrowing from money market.

Valuations of core deposits rests on the premise that the acquired customer relationships provide a stream of future benefits to the acquirer. These benefits last until the deposit relationship.

The fair value of this identifiable intangible asset has been determined using discounted cash flow method, by an independent valuer.

**6.2.2** This intangible asset represents Group's ability to attract new customers and generate superior returns from existing customers due to Brand recognition.

The fair value of this intangible asset has been determined using relief from royalty method by an independent valuer. The management estimates that the benefits from usage of Brand will be available to the Group for next 10 years.

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

In the process of applying the Group accounting policies, as described in note 5, the management has made the following estimates and judgments which are significant to the financial statements:

- classification of investments (note 5.4);
- determining the residual values and useful lives of property and equipment (note 5.6);
- impairment (note 5.9);
- accounting for post employment benefits (note 5.10);
- recognition of taxation and deferred tax (note 5.11);
- provisions (note 5.4, 5.5 and 5.13); and
- intangible assets and deferred tax recognised on acquisition (note 6).

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>8. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		2,429,204	1,706,617
Foreign currencies		281,730	152,957
		<b>2,710,934</b>	1,859,574
<b>National Prize Bonds</b>			
		12,602	3,749
<b>With State Bank of Pakistan in</b>			
Local currency current account	8.1	3,471,876	3,191,429
Foreign currency current account	8.2	38,357	12,451
Foreign currency deposit account			
- Non-remunerative	8.3	243,846	202,378
- Remunerative	8.4	731,537	607,133
		<b>4,485,616</b>	4,013,391
<b>With National Bank of Pakistan in</b>			
Local currency current account		901,046	241,284
		<b>8,110,198</b>	6,117,998

8.1 Deposits are maintained with SBP to comply with its requirement issued from time to time.

8.2 This represents US Dollar Settlement account maintained with SBP.

8.3 This represents foreign currency special cash reserve maintained with SBP equivalent to at least 5% of the Bank's foreign currency deposits.

8.4 This represents foreign currency special cash reserve account maintained with SBP equivalent to at least 15% of the Bank's foreign currency deposits. Profit rates on this deposit are fixed on a monthly basis by SBP. These deposits currently carry no mark-up (December 31, 2011: 0%).

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>9. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		123,135	159,770
On deposit accounts		144	7,254
<b>Outside Pakistan</b>			
On current accounts		3,363,220	1,194,907
On deposit accounts	9.1	114,684	71,683
		<b>3,601,183</b>	1,433,614

9.1 These represent placements with correspondent banks, carrying interest rate determined with respect to underlying currency benchmark rates ranging from 0.6% to 3% (2011: 0%) per annum receivable on maturity.

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>10. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending	10.2	200,000	300,000
Repurchase agreement lendings (reverse repo)	10.3 & 10.4	1,838,500	269,757
Certificate of investment		-	500,000
		<b>2,038,500</b>	<b>1,069,757</b>

#### 10.1 Particulars of lendings

In local currency	<b>2,038,500</b>	1,069,757
In foreign currencies	-	-
	<b>2,038,500</b>	<b>1,069,757</b>

**10.2** This represents call lending to a financial institution carrying mark-up at the rate of 9.75% (December 31, 2011: 12.60% to 12.65%) per annum and is maturing from January 18, 2013.

**10.3** These are secured against underlying securities, having fair value of Rs.1,872 million (December 31, 2011: Rs.263 million). These carry mark-up ranging from 7.75% to 12.50% (December 31, 2011: 12.75%) per annum and maturing latest by January 24, 2013.

Note	December 31, 2012			December 31, 2011		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>10.4 Securities held as collateral against lendings to financial institutions</b>						
Treasury Bills	1,287,667	-	1,287,667	-	-	-
Pakistan Investment Bonds	288,833	-	288,833	269,757	-	269,757
Listed Ordinary shares	262,000	-	262,000	-	-	-
	<b>1,838,500</b>	<b>-</b>	<b>1,838,500</b>	<b>269,757</b>	<b>-</b>	<b>269,757</b>

## 11. INVESTMENTS

### 11.1 Investments by types:

#### Held-for-trading securities

Listed Ordinary shares	11.4	6,125	-	6,125	39,671	-	39,671
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#### Available-for-sale securities

Market Treasury Bills	11.3	17,297,902	22,778,000	40,075,902	15,781,443	13,937,057	29,718,500
Pakistan Investment Bonds	11.3	1,157,294	2,537,191	3,694,485	1,289,099	-	1,289,099
Listed Ordinary shares	11.4	2,376,774	-	2,376,774	1,541,937	-	1,541,937
Preference shares	11.7	107,941	-	107,941	37,500	-	37,500
Unlisted Ordinary shares	11.5	32,051	-	32,051	41,000	-	41,000
Units of open ended mutual funds	11.6	1,063,363	-	1,063,363	1,125,000	-	1,125,000
Units of closed ended mutual funds	11.6	-	-	-	58,000	-	58,000
Term Finance Certificates - listed	11.8	395,502	44,919	440,421	514,230	44,937	559,167
Term Finance Certificates - unlisted	11.9	1,425,727	-	1,425,727	637,146	-	637,146
Sukuk Bonds	11.10	905,085	-	905,085	931,869	-	931,869
		<b>24,761,639</b>	<b>25,360,110</b>	<b>50,121,749</b>	<b>21,957,224</b>	<b>13,981,994</b>	<b>35,939,218</b>

#### Held to maturity

Pakistan Investment Bonds	11.3	588,070	-	588,070	1,257,988	-	1,257,988
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#### Associate

Unlisted Ordinary shares	11.11	35,143	-	35,143	38,348	-	38,348
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#### Investment at cost

		<b>25,390,977</b>	<b>25,360,110</b>	<b>50,751,087</b>	<b>23,293,231</b>	<b>13,981,994</b>	<b>37,275,225</b>
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Less: Provision for diminution in value of investments	11.13	(820,052)	-	(820,052)	(870,494)	-	(870,494)
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<b>Investments - net of provisions</b>		<b>24,570,925</b>	<b>25,360,110</b>	<b>49,931,035</b>	<b>22,422,737</b>	<b>13,981,994</b>	<b>36,404,731</b>
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Deficit on revaluation of held-for-trading securities	11.15	(5)	-	(5)	(5,337)	-	(5,337)
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Surplus / (deficit) on revaluation of available-for-sale securities	23.2	(442,743)	288,801	(153,942)	(286,078)	(14,672)	(300,750)
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<b>Total investments</b>		<b>24,128,177</b>	<b>25,648,911</b>	<b>49,777,088</b>	<b>22,131,322</b>	<b>13,967,322</b>	<b>36,098,644</b>
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		December 31, 2012	December 31, 2011 (Restated - note 6)
	Note	----- (Rupees in '000) -----	
<b>11.2 Investments by segments:</b>			
<b>Federal Government Securities:</b>			
- Market Treasury Bills	11.3	40,075,902	29,718,500
- Pakistan Investment Bonds	11.3	4,282,555	2,547,087
<b>Fully paid-up Ordinary Shares / Units / Certificates:</b>			
- Listed companies	11.4	2,382,899	1,581,608
- Unlisted companies	11.5	32,051	41,000
- Mutual funds - open end	11.6	1,063,363	1,125,000
- Mutual funds - closed end	11.6	-	58,000
<b>Preference Shares</b>	11.7	<b>107,941</b>	37,500
<b>Term Finance Certificates and Bonds</b>			
- Listed Term Finance Certificates	11.8	440,421	559,167
- Unlisted Term Finance Certificates	11.9	1,425,727	637,146
- Sukuk Bonds	11.10	905,085	931,869
<b>Investment in associate</b>	11.11	<b>35,143</b>	38,348
<b>Total investment at cost</b>		<b>50,751,087</b>	37,275,225
Less: Provision for diminution in value of investments	11.13	(820,052)	(870,494)
<b>Investments - net of provisions</b>		<b>49,931,035</b>	36,404,731
(Deficit) / surplus on revaluation of held-for-trading securities	11.15	(5)	(5,337)
Deficit on revaluation of available-for-sale securities	23.2	(153,942)	(300,750)
<b>Total investments</b>		<b>49,777,088</b>	36,098,644

**11.3** Market Treasury Bills and Pakistan Investment Bonds are held with SBP and are eligible for rediscounting. Market Treasury Bills embody effective yield ranging from 9% to 11.92% (December 31, 2011: 11.79% to 13.88%) per annum and will mature within 12 months. Pakistan Investment Bonds carry mark-up ranging from 8% to 13% (December 31, 2011: 4.25% to 12.72%) per annum on semi-annual basis and will mature within 9 to 10 years. Certain government securities are kept with SBP to meet statutory liquidity requirement calculated on the basis of demand and time liabilities.

In previous year, after obtaining necessary approval from the SBP, the Group transferred Pakistan Investment Bonds acquired from Atlas Bank Limited aggregating to Rs.959.803 million from available-for-sale category to held to maturity. At year end, Pakistan Investment Bonds amounting to Rs.152.145 million are still held by the Group.

**11.4 Particulars of investments in Ordinary shares - listed**

Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
<b>Held-for-trading securities</b>					
D.G. Khan Cement Company Limited	60,000	161,765	10	3,292	3,497
Engro Fertilizers Limited	-	10,000	10	-	1,465
National Bank of Pakistan Limited	-	317,252	10	-	15,701
Pakistan State Oil Company Limited	-	60,005	10	-	14,918
Pakistan Telecommunication Company Limited	164,000	-	10	2,833	-
United Bank Limited	-	70,000	10	-	4,090
				<b>6,125</b>	<b>39,671</b>
<b>Available-for-sale securities</b>					
Agritech Limited	37,975,034	7,635,703	10	1,104,183	114,612
Allied Bank Limited	-	25,000	10	-	1,624
Arif Habib Corporation Limited, a related party	4,624,546	5,280,859	10	130,472	139,369
Askari Bank Limited	44,717	4,056,276	10	1,295	135,095
Attock Refinery Limited	-	25,000	10	-	2,978
Azgard Nine Limited	500,000	500,000	10	5,911	5,911
Bank Alfalah Limited	200,000	-	10	3,289	-
D.G. Khan Cement Company Limited	240,000	470,000	10	13,059	25,574
Engro Corporation Limited	286,100	20,000	10	28,184	2,808
Fatima Fertilizer Company Limited,	-	6,000,000	10	-	130,050
Fauji Fertilizer Bin Qasim Limited	85,000	-	10	3,206	-
Fauji Fertilizer Company Limited	50,000	-	10	5,886	-
First Capital Securities Corporation Limited	11,308,000	11,308,000	10	94,846	94,846
Hum Network Limited	-	39,000	10	-	906
Ibrahim Fibres Limited	-	149,390	10	-	8,317
Javedan Corporation Limited,	3,915,318	3,915,318	10	372,400	235,037
Lucky Cement Limited	-	192,950	10	-	15,754
MCB Bank Limited	-	20,000	10	-	3,993
National Bank of Pakistan Limited	407,500	-	10	19,871	-
Nishat Power Limited	400,000	400,000	10	4,004	4,004
Nishat Mills Limited	165,000	-	10	10,585	-
Oil and Gas Development Company Limited	-	10,000	10	-	1,544
Pak Elektron Limited	299,723	299,723	10	12,500	12,500
Pak Suzuki Motors Company Limited	-	115,000	10	-	13,248
Pakistan Oilfields Limited	-	25,000	10	-	8,969
Pakistan Petroleum Limited	80,000	-	10	14,307	-
Pakistan State Oil Company Limited	50,100	-	10	11,722	-
Pakistan Telecommunication Company Limited	50,000	100,000	10	1,011	1,191
SME Leasing Limited	902,350	902,350	10	9,926	9,926
Sui Northern Gas Pipelines Limited	-	58,800	10	-	1,825
Sui Southern Gas Company Limited	13,125,000	13,125,000	10	281,532	281,532
Tariq Glass Industries Limited	4,175,000	5,329,704	10	66,806	66,668
Thatta Cement Company Limited, a related party	8,462,835	8,462,835	10	174,829	174,829
Wateen Telecom Limited	695,000	4,882,813	10	6,950	48,827
				<b>2,376,774</b>	<b>1,541,937</b>
				<b>2,382,899</b>	<b>1,581,608</b>

**11.5 Particulars of investment in other Ordinary shares - unlisted**

Name of companies	Note	Number of units / certificates held		Paid-up value per share	Total book value	
		December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
----- (Rupees in '000) -----						
<b>Arabian Sea Country Club Limited</b>		100,000	100,000	10	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi Percentage holding 1.29% (December 31, 2011: 1.29%) Net asset value per share was Rs.8.72 as at June 30, 2012 based on audited financial statements (June 30, 2011: Rs.7.90 based on audited financial statements)						
<b>The Karachi Stock Exchange Listed</b>	11.5.1	4,007,383	-	10	6,000	-
Managing Director: Mr. Nadeem Naqvi Percentage holding 1% (December 31, 2011: 0%) Net asset value per share was Rs.9.95 as at December 31, 2012 based on un-audited financial statements						
<b>The Lahore Stock Exchange Listed</b>	11.5.1	843,975	-	10	9,000	-
Managing Director / CEO: Mr. Aftab Ahmad Ch. Percentage holding 1% (December 31, 2011: 0%) Net asset value per share was Rs. 10.84 as at December 31, 2012 based on un-audited financial statements						
<b>The Islamabad Stock Exchange Listed</b>	11.5.1	3,034,603	-	10	16,051	-
Managing Director: Mr. Mian Ayyaz Afzal Percentage holding 1% (December 31, 2011: 0%) Net asset value per share was Rs.10.62 as at December 31, 2012 based on audited financial statements						
<b>Atlas Asset Management Limited</b>		-	3,000,000	10	-	30,000
Chief Executive Officer: Mr. M. Habib-ur-Rehman Percentage holding Nil (December 31, 2010: 12%)						
<b>Khushhali Bank Limited</b>		-	1,000,000	10	-	10,000
Chief Executive Officer: Mr. Ghalib Nishtar Percentage holding Nil (December 31, 2011: 0.6%)						
					32,051	41,000

**11.5.1** In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012 (the Act), the Subsidiary has received equity shares of KSE, LSE and ISE and "trading right entitlements" in lieu of its membership cards. The entitlement in respect of shares is determined on the basis of valuation of assets and liabilities of the respective exchanges as approved by the SECP and allotted 4,007,383 shares of KSE, 843,975 shares of LSE and 3,034,603 shares of ISE, having the face value of Rs.10 each, out of which 60% of the shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act. The valuation and the accounting treatment of Trading Right Entitlements and shares received from the exchanges are being discussed in the Professional Standards and Technical Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and will be finalised in due course. Accordingly, the membership cards have been derecognised from intangible assets and the amount has been recognised as "available-for-sale" unlisted ordinary shares. There has been no gain or loss on this transaction.

**11.6 Particulars of investment in mutual funds**

Name of companies	Number of units held		Paid-up value per unit	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
----- (Rupees in '000) -----					
<b>Mutual fund (open end)</b>					
National Investment Trust - Equity Fund	22,931,376	21,573,388	50	1,038,363	1,000,000
Pakistan Capital Protected Fund	-	11,059,617	10	-	100,000
AKD Cash Fund	533,585	500,000	10	25,000	25,000
				<b>1,063,363</b>	<b>1,125,000</b>
<b>Mutual fund (closed end)</b>					
Golden Arrow Selected Stocks Fund Limited	-	20,000,000	5	-	58,000
				-	58,000

**11.7 Particulars of investments in preference shares**

Name of companies	Number of shares held		Paid-up value per unit	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
----- (Rupees in '000) -----					
<b>Pak Elektron Limited</b>	<b>3,750,000</b>	3,750,000	10	<b>37,500</b>	37,500
Rate of preference dividend: 9.5% - cumulative					
Terms of redemption: Redeemable after 6 years of date of issue					
Terms of conversion: Conversion option to be exercised after 7 years of issue and if not redeemed within 9 years of issue, convertible in 9th year					
			<b>Balance c/f</b>	<b>37,500</b>	37,500



Name of companies	Number of shares held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
				----- (Rupees in '000) -----	
			<b>Balance b/f</b>	<b>37,500</b>	37,500
<b>Javedan Corporation Limited</b>	<b>7,044,100</b>	-	10	<b>70,441</b>	-
Rate of preference dividend: 12% - cumulative					
Terms of conversion: Conversion option to be exercised at the option of the holder					
<b>Aisha Steel Mills Limited*</b>	<b>408,300</b>	-	10	-	-
Rate of preference dividend: 6M KIBOR+3% - cumulative					
Terms of conversion: Conversion option to be exercised any time					
				<b>107,941</b>	<b>37,500</b>

\* These preference shares were received as a specie dividend from Arif Habib Corporation Limited, a related party.

#### 11.8 Particulars of investment in listed Term Finance Certificates - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Allied Bank Limited</b> 22,975 (December 31, 2011: 22,975) certificates Chief Executive Officer: Mr. Khalid A. Sherwani	6 months KIBOR plus 1.90%	Semi-annually	<b>114,453</b>	114,422
<b>United Bank Limited</b> 16,000 (December 31, 2011: 16,000) certificates Chief Executive Officer: Mr. Atif R. Bukhari	6 months KIBOR plus 0.85%	Semi-annually	<b>24,526</b>	61,022
<b>Engro Fertilizers Limited</b> 5,000 (December 31, 2011: 20,000) certificates Chief Executive Officer: Mr. Ruhail Muhammad	6 months KIBOR plus 1.55%	Semi-annually	<b>24,756</b>	24,699
<b>NIB Bank Limited</b> 25,400 (December 31, 2011: 25,400) certificates Chief Executive Officer: Mr. Badar Kazmi	6 months KIBOR plus 1.15%	Semi-annually	<b>126,771</b>	126,822
		<b>Balance c/f</b>	<b>290,506</b>	326,965

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>290,506</b>	326,965
<b>Askari Bank Limited - 2nd issue (unsecured)</b> 6,990 (December 31, 2011: 6,990) certificates Chief Executive Officer: Mr. M. R. Mehkari	6 months KIBOR plus 1.50%	Semi-annually	<b>34,852</b>	34,866
<b>Azgard Nine Limited</b> 56,280 (December 31, 2011: 22,000) certificates Chief Executive Officer: Mr. Ahmed H. Shaikh	6 months KIBOR plus 1.25%	Semi-annually	<b>35,792</b>	82,388
<b>Bank Alfalah Limited - 3rd issue (unsecured)</b> 2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Atif Bajwa	6 months KIBOR plus 1.50%	Semi-annually	<b>6,649</b>	9,977
<b>Bank Al-Habib Limited - 1st issue (unsecured)</b> Nil (December 31, 2011: 3,480) certificates Chief Executive Officer: Mr. Abbas D. Habib	6 months KIBOR plus 1.50% (floor of 3.5% per annum and cap of 9.5% per annum)	Semi-annually	-	11,570
<b>Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited) - 2nd issue</b> 2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Basheer Ahmed Chowdry	Cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds plus 2.75% with 12.00% per annum as floor and 15.75% per annum as ceiling	Semi-annually	<b>10,000</b>	10,000
<b>Escorts Investment Bank Limited</b> 5,000 (December 31, 2011: 5,000) certificates Chief Executive Officer: Ms. Shazia Bashir	6 months KIBOR plus 2.50% (floor of 8% per annum and cap of 17% per annum for first three years and 8% and 18% respectively for 4th and 5th year)	Semi-annually	<b>4,996</b>	7,494
		<b>Balance c/f</b>	<b>382,795</b>	483,260

Name of companies	Mark-up rate	Re-payment	Total book value		
			December 31, 2012	December 31, 2011	
			----- (Rupees in '000) -----		
			<b>Balance b/f</b>	<b>382,795</b>	483,260
<b>Jahangir Siddiqui &amp; Company Limited - 4th issue</b> Nil (December 31, 2011: 5,000) certificates Chief Executive Officer: Mr. Suleman Lalani	6 months KIBOR plus 2.50%	Semi-annually	-		12,478
<b>Pakistan Mobile Communication Limited</b> 2,000 (December 31, 2011: 2,000) certificates Chief Executive Officer: Mr. Rashid Naseer Khan	6 months KIBOR plus 2.85%	Semi-annually	<b>1,664</b>		4,992
<b>Telecard Limited</b> 26,530 (December 31, 2011: 26,530) certificates Chief Executive Officer: Syed Aamir Hussain	Simple average of 6 months KIBOR plus 3.75% (ask side)	Semi-annually	<b>48,696</b>		48,749
<b>Trust Investment Bank Limited - 3rd issue</b> 3,877 (December 31, 2011: 3,877) certificates Chief Executive Officer: Mr. Shahid Iqbal	6 months KIBOR plus 1.85%	Semi-annually	<b>7,266</b>		9,688
			<b>440,421</b>	<b>559,167</b>	

#### 11.9 Particulars of investment in unlisted Term Finance Certificates - face value of Rs.5,000 each

Name of companies	Mark-up rate	Re-payment	Total book value		
			December 31, 2012	December 31, 2011	
			----- (Rupees in '000) -----		
<b>Agritech Limited</b> 100,000 (December 31, 2011: 100,000) certificates Maturity date: December 14, 2015 Chief Executive Officer: Mr. Ahmed Jaudet Bilal	6 months KIBOR plus 1.75%	Semi-annually	<b>499,586</b>		499,586
			<b>Balance c/f</b>	<b>499,586</b>	499,586

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>499,586</b>	499,586
<b>Dewan Farooq Spinning Mills Limited</b>	6 months KIBOR plus 3.75%	Semi-annually	-	6,250
Nil (December 31, 2011: 5,000) certificates Maturity date: June 20, 2010 Chief Executive Officer: Mr. Dewan Abdul Baqi Farooqi				
<b>Avari Hotels Limited</b>	6 months KIBOR plus 3.25%	Semi-annually	<b>21,229</b>	21,229
5,000 (December 31, 2011: 5,000) certificates Maturity date: November 1, 2016 Chief Executive Officer: Mr. Byram D. Avari				
<b>Bunny's Limited</b>	6 months KIBOR plus 2.5%	Semi-annually	<b>50,000</b>	50,000
10,000 (December 31, 2011: 10,000) certificates Maturity date: November 30, 2013 Chief Executive Officer: Ch. Haroon Shafiq				
<b>Flying Board &amp; Paper Products Limited</b>	6 months KIBOR plus 1.5%	Semi-annually	<b>25,000</b>	25,000
5,000 (December 31, 2011: 5,000) certificates Maturity date: July 20, 2014 Chief Executive Officer: Mr. Bader Mehmood				
<b>Gharibwal Cement Limited</b>	6 months KIBOR plus 3.0%	Semi-annually	<b>24,980</b>	24,980
5,000 (December 31, 2011: 5,000) certificates Maturity date: July 17, 2011 Chief Executive Officer: Mr. Muhammad Tousif Peracha				
<b>Security Leasing Corporation Limited</b>	1-18th month - 3% cash plus 3% accrual, 19th month onwards 1 month KIBOR	Monthly	<b>1,845</b>	2,187
2,000 (December 31, 2011: 2,000) certificates Maturity date: March 28, 2014 Chief Executive Officer: Mr. Muhammad Khalid Ali				
		<b>Balance c/f</b>	<b>622,640</b>	629,232

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
		<b>Balance b/f</b>	<b>622,640</b>	629,232
<b>Orix Leasing Pakistan Limited</b> 100 (December 31, 2011: 100) certificates Maturity date: January 15, 2013 Chief Executive Officer: Mr. Teizoon Kisat	6 months KIBOR plus 1.40%	Semi-annually	<b>1,667</b>	5,000
<b>New Khan Transport Company (Private) Limited</b> Nil (December 31, 2011: 10) certificates Maturity date: October 13, 2013 Chief Executive Officer: Mr. Sheikh Muhammad Ashraf	6 months KIBOR plus 3% with 8.50% per annum as floor and no ceiling	Monthly	-	2,914
<b>Parthenon (Private) Limited</b> 160,284 (December 31, 2011: Nil) certificate Maturity date: January 31, 2018 Chief Executive Officer: Mr Muhammad Iqbal Khan Noori	3 months KIBOR plus 2.0%	Quarterly	<b>801,420</b>	-
			<b>1,425,727</b>	<b>637,146</b>

**11.10 Particulars of investment in Sukuk Bonds - face value of Rs.5,000 each**

Name of companies	Mark-up rate	Re-payment	Total book value	
			December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Arzoo Textile Mills Limited</b> 40,000 (December 31, 2011: 40,000) certificates Maturity date: April 15, 2014 Chief Executive Officer: Mr. Azhar Majeed Sheikh	6 months KIBOR plus 2% for first 2 year and 1.75% for year 3 onwards	Semi-annually	<b>200,000</b>	200,000
<b>Pak Elektron Limited</b> 40,000 (December 31, 2011: 40,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. M. Naseem Saigol	3 months Kibor plus 1.0%	Quarterly	<b>200,000</b>	200,000
<b>Liberty Power Tech Limited</b> 100,000 (December 31, 2011: 100,000) certificates Maturity date: March 15, 2015 Chief Executive Officer: Mr. Ashraf Mukati	3 months Kibor plus 3.0%	Quarterly	<b>505,085</b>	531,869
			<b>705,085</b>	<b>731,869</b>

**11.11 Particulars of investment in associate**

Name of companies	Number of units / certificates held		Paid-up value per share	Total book value	
	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
----- (Rupees in '000) -----					
<b>Ordinary shares - unlisted</b>					
Rozgar Microfinance Bank Limited (refer 11.11.1)	-	5,314,286	10	-	38,348
Avanza Solutions (Private) Limited (refer 11.11.2)	<b>620,314</b>	-	10	<b>35,143</b>	-
				<u><b>35,143</b></u>	<u>-</u>
December 31, 2012      December 31, 2011 ----- (Rupees in '000) -----					

**11.11.1 Rozgar Microfinance Bank Limited**

Balance at the beginning of the year	<b>38,348</b>	37,200
Divestment during the year	<b>(39,476)</b>	-
Share of profit for the year	<b>1,128</b>	1,148
Balance at the end of the year	<u>-</u>	<u>38,348</u>
<b>Percentage holding as at December 31</b>	<u>-</u>	<u>28.62%</u>

**11.11.2 Avanza Solutions (Private) Limited**

Balance at the beginning of the year	-	-
Investment made during the year	<b>34,998</b>	-
Share of profit for the year	<b>145</b>	-
Balance at the end of the year	<u><b>35,143</b></u>	<u>-</u>
<b>Percentage holding as at December 31</b>	<u><b>30%</b></u>	<u>-</u>

**11.11.2.1** The Company is a subsidiary of Avanza Solutions Inc., USA and is engaged in development and sale of computer software in the local and foreign markets and provides support services to existing software applications.

**11.11.2.2** The details of assets, liabilities, revenues and results of the Company as of December 31, 2012 based on their un-audited financial statements are as follows:

	2012			
	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Avanza Solutions (Private) Limited</b>	<u><b>172,822</b></u>	<u><b>96,480</b></u>	<u><b>230,003</b></u>	<u><b>5,783</b></u>

## 11.12 Quality of available-for-sale securities

Note	Ratings		Market values	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
			----- (Rupees in '000) -----	
<b>Market Treasury Bills</b>				
11.13.1	<b>Unrated</b>	Unrated	<b>40,139,387</b>	29,711,050
<b>Pakistan Investment Bonds</b>				
11.13.1	<b>Unrated</b>	Unrated	<b>3,978,154</b>	2,543,591
<b>Listed Ordinary shares</b>				
11.13.2				
Agritech Limited	<b>D</b>	D	<b>443,169</b>	117,284
Allied Bank Limited	<b>A1+, AA+</b>	A1+, AA+	-	1,347
Arif Habib Corporation Limited - a related party	<b>Unrated</b>	Unrated	<b>111,544</b>	136,827
Askari Bank Limited	<b>A1+, AA</b>	A1+, AA	<b>770</b>	40,684
Attock Refinery Limited	<b>A1+, AA</b>	A1+, AA	-	2,691
Azgard Nine Limited	<b>D</b>	D	<b>4,045</b>	1,425
Bank Alfalah Limited	<b>A1+, AA</b>	NA	<b>3,364</b>	-
D.G. Khan Cement Company Limited	<b>Unrated</b>	Unrated	<b>13,099</b>	12,022
Engro Corporation Limited	<b>A1, A</b>	A1+, AA	<b>26,333</b>	1,854
Fatima Fertilizer Company Limited	<b>A1, A+</b>	A1, A	-	137,520
Fauji Fertilizer Bin Qasim Limited	<b>Unrated</b>	NA	<b>3,280</b>	-
Fauji Fertilizer Company Limited	<b>Unrated</b>	NA	<b>5,857</b>	-
First Capital Securities Corporation Limited	<b>Unrated</b>	Unrated	<b>41,387</b>	21,033
Hum Network Limited	<b>A1, A+</b>	A1, A	-	1,551
Ibrahim Fibres Limited	<b>A1+, AA-</b>	A1+, AA-	-	4,040
Javedan Corporation Limited	<b>A1+, AA-</b>	Unrated	<b>372,308</b>	248,623
Lucky Cement Limited	<b>Unrated</b>	Unrated	-	14,479
MCB Bank Limited	<b>A1+, AA+</b>	A1+, AA+	-	2,692
National Bank of Pakistan Limited	<b>A1+, AAA</b>	A1+, AAA	<b>20,126</b>	-
Nishat Mills Limited	<b>A1+, AA-</b>	NA	<b>10,535</b>	-
Nishat Power Limited	<b>A1, A+</b>	A1+, AA-	<b>7,800</b>	5,180
Oil and Gas Development Company Limited	<b>A1+, AAA</b>	AAA, A1+	-	1,516
Pak Suzuki Motors Company Limited	<b>Unrated</b>	Unrated	-	6,788
Pakistan Oilfields Limited	<b>Unrated</b>	Unrated	-	8,661
Pakistan Petroleum Limited	<b>Unrated</b>	NA	<b>14,143</b>	-
Pakistan State Oil Company Limited	<b>A1+, AA+</b>	A1+, AA+	<b>11,634</b>	13,634
Pakistan Telecommunication Company Limited	<b>Unrated</b>	Unrated	<b>868</b>	1,039
Pak Elektron Limited	<b>Unrated</b>	A2, A-	<b>3,225</b>	1,046
SME Leasing Limited	<b>A3, BBB-</b>	A3, BBB+	<b>6,768</b>	3,158
Sui Northern Gas Pipe Line Limited	<b>A1+, AA</b>	A1+, AA	-	924
Sui Southern Gas Company Limited	<b>A1+, AA-</b>	A1+, AA-	<b>269,194</b>	253,181
Tariq Glass Industries Limited	<b>Unrated</b>	Unrated	<b>88,051</b>	43,704
Thatta Cement Company Limited - a related party	<b>Unrated</b>	Unrated	<b>211,571</b>	200,992
United Bank Limited	<b>A1+, AA+</b>	A1+, AA+	-	3,667
Wateen Telecom Limited	<b>Unrated</b>	Unrated	<b>2,071</b>	8,740
			<b>1,671,142</b>	1,296,302
<b>Unlisted Ordinary shares</b>				
11.13.2				
Arabian Sea Country Club Limited	<b>Unrated</b>	Unrated	<b>32,051</b>	1,000
Atlas Asset Management Limited	<b>AM2-</b>	AM3-	-	30,000
Karachi Stock Exchange	<b>Unrated</b>	NA	<b>6,000</b>	-
Lahore Stock Exchange	<b>Unrated</b>	NA	<b>9,000</b>	-
Islamabad Stock Exchange	<b>Unrated</b>	NA	<b>16,051</b>	-
Khushhali Bank Limited	<b>Unrated</b>	Unrated	-	10,000
			<b>63,102</b>	41,000
<b>Preference shares</b>				
Pak Elektron Limited	<b>Unrated</b>	Unrated	<b>37,500</b>	37,500
Javedan Corporation Limited	<b>Unrated</b>	Unrated	<b>98,547</b>	-
Aisha Steel Mills Limited	<b>Unrated</b>	Unrated	<b>4,099</b>	-
			<b>136,047</b>	37,500
<b>Balance c/f</b>			<b>45,987,832</b>	33,629,443

Note	Ratings		Market values		
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	
----- (Rupees in '000) -----					
		Balance b/f	45,987,832	33,629,443	
<b>Mutual fund units - open end</b>	11.13.2				
AKD Cash Fund		AA+(f)	AA+(f)	26,857	25,000
National Investment Trust Units		Unrated	Unrated	761,092	593,923
Pakistan Capital Protected Fund		NA	Unrated	-	100,000
			787,949	718,923	
<b>Mutual fund units - closed end</b>	11.13.2				
Golden Arrow Selected Stocks Fund Limited		NA	2-Star	-	54,200
				-	54,200
<b>Term Finance Certificates - listed</b>					
Allied Bank Limited		AA	AA-	116,663	114,902
Invest Capital Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited)		Unrated	C	9,549	9,549
Askari Bank Limited		AA-	AA-	35,171	34,715
Azgard Nine Limited		D	D	33,645	77,444
Bank Alfalah Limited		AA-	AA-	6,686	9,942
Bank Al-Habib Limited		AA	AA	-	10,503
Engro Fertilizers Limited		A	AA	24,334	24,463
Escorts Investment Bank Limited		BB	BB	3,684	5,526
Jahangir Siddiqui & Co. Limited		AA+	AA	-	12,555
NIB Bank Limited		A+	A+	127,090	124,295
Pakistan Mobile Communications Limited		AA-	A+	1,671	5,006
Telecard Limited		Unrated	D	36,521	36,562
Trust Investment Bank Limited		Unrated	BBB	5,450	9,299
United Bank Limited		AA	AA	25,505	59,540
				425,969	534,301
<b>Term Finance Certificates - unlisted</b>					
AgriTech Limited		D	D	374,690	374,690
Avari Hotels Limited		A-	A-	20,490	20,260
Bunny's Limited		Unrated	Unrated	37,500	25,000
Dewan Farooq Spinning Mills Limited		Unrated	Unrated	-	6,250
Flying Board & Paper Products Limited		Unrated	Unrated	25,000	25,000
Gharibwal Cement Limited		D	D	24,980	24,980
New Khan Transport (Private) Company Limited		Unrated	Unrated	-	2,914
Orix Leasing Pakistan Limited		AA+	AA+	1,667	5,029
Parthenon (Private) Limited		Unrated	Unrated	801,420	-
Security Leasing Corporation Limited		Unrated	Unrated	1,297	1,538
				1,287,044	485,661
<b>Sukuk Bonds</b>					
Arzoo Textile Mills Limited		Unrated	Unrated	200,000	200,000
Liberty Power Tech Limited		A+	AA	505,085	531,869
Pak Elektron Limited		Unrated	A-	200,000	182,932
				905,085	914,801
		<b>Total</b>		49,393,879	36,337,329



- 11.13.1** These are Government of Pakistan guaranteed securities.
- 11.13.2** Ratings for these equity securities / units represents 'Entity Ratings'.
- 11.13.3** Securities have been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR -VIS' Credit Rating Company Limited (JCR - VIS). These ratings reflect independent credit risk assessment by respective credit rating entities.

	December 31, 2012	December 31, 2011
Note	----- (Rupees in '000) -----	
<b>11.13 Particulars of provision</b>		
Opening balance	870,494	400,060
Provision against investments of subsidiary at the date of acquisition	-	597,647
Charge for the year	133,680	125,096
Reversal during the year	(184,122)	(252,309)
	(50,442)	(127,213)
Closing balance	820,052	870,494
	11.14	

#### 11.14 Particulars of provision in respect of type and segment

##### Available-for-sale securities

Ordinary shares of listed companies	188,136	285,175
Ordinary shares of unlisted companies	1,000	4,210
Mutual fund units	337,527	337,527
Term Finance Certificates - listed	40,947	25,000
Term Finance Certificates - unlisted	102,442	59,144
Sukuk Bonds	150,000	150,000
Investment in associate	-	9,438
	820,052	870,494

#### 11.15 (Deficit) / Surplus on revaluation of held-for-trading securities

D.G. Khan Cement Company Limited	(17)	(419)
Engro Fertilizers Limited	-	(538)
National Bank of Pakistan Limited	-	(2,673)
Pakistan Telecommunication Company Limited	12	-
Pakistan State Oil Company Limited	-	(1,284)
United Bank Limited	-	(423)
	(5)	(5,337)

- 11.16** The SBP, vide Letter No. BPRD / BRD-(Policy) / 2013-1857 dated February 15, 2013 has permitted banks to maintain provision against classified Term Finance Certificates issued by Azgard Nine Limited and Agritech Limited, at 10% of the exposure and 10% of the deficit on revaluation on Ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investment include Rs.3.420 million, Rs.27.462 million and Rs.65.270 million (2011: Rs.Nil) against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively. The provision against these exposures amounting to Rs.9.067 million, Rs.269.432 million and Rs.587.433 million against TFCs of Azgard Nine Limited and Agritech Limited and Ordinary shares of Agritech Limited, respectively, have not be recorded in these financial statements based upon the above relaxation from SBP.

**12. ADVANCES**

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
Loans, cash credits, running finances, etc. - in Pakistan		<b>61,675,373</b>	65,058,030
Net investment in finance lease - in Pakistan	12.2	<b>285,014</b>	372,747
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		<b>1,713,160</b>	2,208,614
Payable outside Pakistan		<b>1,268,910</b>	741,682
		<b>2,982,070</b>	2,950,296
Advances - gross		<b>64,942,457</b>	68,381,073
Provision against non-performing advances	12.3.1	<b>(12,393,303)</b>	(12,381,409)
Advances - net of provision		<b>52,549,154</b>	55,999,664

**12.1 Particulars of advances**

<b>12.1.1</b> In local currency	<b>63,451,658</b>	67,504,081
In foreign currencies	<b>1,490,799</b>	876,992
	<b>64,942,457</b>	68,381,073
<b>12.1.2</b> Short-term (upto one year)	<b>56,056,410</b>	58,625,970
Long-term (over one year)	<b>8,886,047</b>	9,755,103
	<b>64,942,457</b>	68,381,073

**12.2 Net investment in finance lease - in Pakistan**

	December 31, 2012				December 31, 2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000) -----							
Lease rentals receivable	95,670	168,088	-	263,758	118,440	235,962	-	354,402
Residual value	46,485	16,599	-	63,084	69,004	15,492	-	84,496
Minimum lease payments	142,155	184,687	-	326,842	187,444	251,454	-	438,898
Financial charges for future periods	(11,893)	(29,935)	-	(41,828)	(13,243)	(52,908)	-	(66,151)
Present value of minimum lease payments	<b>130,262</b>	<b>154,752</b>	-	<b>285,014</b>	174,201	198,546	-	372,747

**12.3** Advances include Rs.23,409.947 million (December 31, 2011: Rs.22,417.723 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Classified advances	Provision required	Provision held	Classified advances	Provision required	Provision held
	----- (Rupees in '000) -----					
Substandard	915,923	227,787	227,787	1,974,120	760,341	760,341
Doubtful	3,889,308	780,251	780,251	3,986,610	1,179,640	1,179,640
Loss	18,604,716	11,382,777	11,382,777	16,456,993	10,440,195	10,440,195
	<b>23,409,947</b>	<b>12,390,815</b>	<b>12,390,815</b>	22,417,723	12,380,176	12,380,176

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

	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	12,380,176	1,233	12,381,409	5,719,514	4,430	5,723,944
Provision against non-performing advances of subsidiary at the date of acquisition	-	-	-	6,092,489	570	6,093,059
Charge for the year	1,938,087	1,255	1,939,342	2,855,538	-	2,855,538
Reversals	(1,905,703)	-	(1,905,703)	(2,214,672)	(3,767)	(2,218,439)
	32,384	1,255	33,639	640,866	(3,767)	637,099
Amount written off	(21,745)	-	(21,745)	(72,693)	-	(72,693)
Closing balance	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409

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

	December 31, 2012			December 31, 2011 (Restated - note 6)		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409
In foreign currencies	-	-	-	-	-	-
	12,390,815	2,488	12,393,303	12,380,176	1,233	12,381,409

**12.3.3** The SBP amended the Prudential Regulations vide BSD Circular No. 1 of 2011 dated October 21, 2011 in relation to provision for loans and advances, thereby allowing benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential, commercial and industrial properties (land and building only) and plant and machinery under charge held as collateral against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs.7,515 million (December 31, 2011: Rs.8,653 million). Further, the Group has availed the benefit of certain exemptions from Prudential Regulations requiring provision against non-performing loans which are given by the State Bank of Pakistan. The aggregate amount of such benefit amounted to Rs.1,385 million as at year end which includes Rs.456.220 million in respect of Agritech Limited.

The FSV and exemptions benefit recognised will not be available for the distribution of cash and stock dividend to shareholders.

**12.4 Particulars of write offs**

**12.4.1** Against provisions  
Directly charged to profit and loss account

**12.4.2** Write offs of Rs.500,000 and above  
Write offs of below Rs.500,000

**December 31,      December 31,**  
**2012                      2011**  
----- (Rupees in '000) -----

21,745	72,693
39,745	2,253
<b>61,490</b>	<b>74,946</b>
<b>57,820</b>	71,348
3,670	3,598
<b>61,490</b>	<b>74,946</b>

**12.5 Details of write off of Rs.500,000 and above**

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs.500,000 or above allowed to persons during the year ended December 31, 2012 is given in Annexure I.

	December 31, 2012	December 31, 2011 (Restated - note 6)
Note	----- (Rupees in '000) -----	
<b>12.6 Particulars of loans and advances to Directors, Associated Companies, etc.</b>		
<b>Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons</b>		
Balance at beginning of the year	1,079,498	447,849
Loans granted during the year	512,930	869,513
Repayments during the year	(395,312)	(237,864)
Balance at end of the year	1,197,116	1,079,498
<b>Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members</b>		
Balance at beginning of the year	107,967	151,126
Loans granted during the year	765,820	1,374,807
Repayments during the year	(763,512)	(1,417,966)
Balance at end of the year	110,275	107,967
<b>Debts due by controlled firms, managed modarabas and other related parties</b>		
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
	<b>1,307,391</b>	<b>1,187,465</b>
<b>13. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	13.1 333,079	305,076
Property and equipment	13.2 4,733,084	5,371,535
Intangible assets	13.3 384,237	498,400
	<b>5,450,400</b>	<b>6,175,011</b>
<b>13.1 Capital work-in-progress</b>		
Civil works	200,559	186,616
Advances to suppliers and contractors	37,210	23,150
Advances against computer software	123,165	123,165
Less: Provision thereagainst	(27,855)	(27,855)
	<b>95,310</b>	<b>95,310</b>
	<b>333,079</b>	<b>305,076</b>

### 13.2 Property and equipment

Category of classification	Note	December 31, 2012							Rate of depreciation %	
		COST		ACCUMULATED DEPRECIATION			Net book value at December 31, 2012			
		At January 01, 2012	At December 31, 2012	At January 01, 2012	Charge for the year	At December 31, 2012				
Leasehold land	13.2.2	1,373,447	(470,775)	902,672	-	-	-	902,672	-	
Building on leasehold land	13.2.2	3,058,437	(46,753)	3,013,209	688,177	150,759	(10,185)	828,751	2,184,458	5%
Building improvements	13.2.1 & 13.2.2	1,084,388	(10,566)	1,194,222	260,009	113,777	(4,550)	367,614	826,608	10%
Furniture and fixtures	13.2.1	374,440	40,086	407,772	126,325	38,746	(1,622)	161,029	246,743	10% - 15%
Electrical, office and computer equipment	13.2.1	1,308,161	192,663	1,459,235	792,143	207,434	(26,776)	971,154	488,081	20% - 30%
Vehicles		136,778	65,997	178,167	97,462	18,504	(1,647)	93,645	84,522	20%
<b>December 31, 2012</b>		<b>7,335,651</b>	<b>424,240</b>	<b>7,155,277</b>	<b>1,964,116</b>	<b>529,220</b>	<b>(67,865)</b>	<b>2,422,193</b>	<b>4,733,084</b>	
			<b>(5,710)</b>				<b>(3,278)</b>			

**13.2.1** Included in cost of property and equipment are fully depreciated items still in use amounting to Rs.668 million (December 31, 2011: Rs.321 million).

#### 13.2.2 Revaluation of properties

In 2011, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Sadruddin Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs.488 million. Had there been no revaluation, the carrying amount of revalued assets as at December 31, 2012 would have been as follows:

	December 31, 2012
	-- (Rupees in '000) --
Leasehold land	715,853
Buildings on leasehold land	1,909,181
Buildings improvements	815,399

December 31, 2011 (Restated - note 6)

Category of classification	COST				ACCUMULATED DEPRECIATION				Net book value at December 31, 2011	Rate of depreciation %		
	At January 01, 2011	Additions / Assets acquired on amalgamation *	Adjustments arising due to revaluation of assets	(Deletions) / transfers ** / write off) ***	At December 31, 2011	At January 01, 2011	On assets acquired on amalgamation *	Adjustments arising due to revaluation of assets			(Deletion) / transfers ** / write off) ***	At December 31, 2011
Leasehold land	261,130	891,398 *	220,919	-	1,373,447	-	-	-	-	-	1,373,447	-
Building on leasehold land	748,030	16,855	390,168	-	3,058,437	70,344	109,301	90,478	-	688,177	2,370,260	5%
		1,903,384 *	-	-	418,054 *	-	-	-	-	-	-	-
Building improvements	826,393	152,734	18,458	(76,217)	1,084,388	151,304	88,373	5,249	(21,887)	260,009	824,379	10%
		238,933 *	-	(36,405) **	55,864 *	-	-	-	(8,470) **	-	-	-
		104,830 *	-	(39,508) ***	-	-	-	-	(10,424) ***	-	-	-
Furniture and fixtures	536,559	34,700	-	(35,488)	374,440	120,202	40,847	-	(15,437)	126,325	248,115	10% - 15%
		104,830 *	-	(264,307) **	-	-	44,840 *	-	(63,535) **	-	-	-
		34,700	-	(1,854) ***	-	-	-	-	(592) ***	-	-	-
Electrical, office and computerequipment	608,753	97,781	-	(56,083)	1,308,161	293,307	232,633	-	(23,946)	792,143	516,018	20% - 30%
		358,650 *	-	300,089 **	-	-	217,021 *	-	73,684 **	-	-	-
		117,705 *	-	(1,029) ***	-	-	-	-	(556) ***	-	-	-
Vehicles	78,894	9,248	-	(69,071)	136,778	41,667	21,049	-	(43,831)	97,462	39,316	20%
		117,705 *	-	2 **	-	-	80,590 *	-	(2,013) **	-	-	-
<b>December 31, 2011</b>	<b>3,059,759</b>	<b>311,318</b>	<b>629,545</b>	<b>(236,859)</b>	<b>7,335,651</b>	<b>676,824</b>	<b>492,203</b>	<b>95,727</b>	<b>(105,101)</b>	<b>1,964,116</b>	<b>5,371,535</b>	
		3,614,900 *	-	(621) **	-	-	816,369 *	-	(334) **	-	-	-
		-	-	(42,391) ***	-	-	-	-	(11,572) ***	-	-	-

\*\* Transfers include transfer to intangible assets.

### 13.2.3 Disposal of property and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	----- (Rupees in '000) -----						
<b>Leasehold land</b>							
01 Marla 177 sq.ft House No. F-1208, Mohalla Sateen, Lahore	44,525	-	44,525	62,349	17,824	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Lahore
Plot No. 133, 12th East Street, Phase-1, DHA, Karachi	426,250	-	426,250	198,932	(227,318)	Tender	Mr. Zakaria Usman, Karachi
<b>Building on leasehold land</b>							
01 Marla 177 sq.ft House No. F-1208 Mohalla Sateen, Lahore	3,979	1,118	2,861	3,276	415	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Lahore
Building on Plot No. 133, 12th East Street, Phase-1 DHA, Karachi	42,774	9,067	33,707	16,068	(17,639)	Tender	Mr. Zakaria Usman, Karachi
<b>Building improvements</b>							
Building renovations	2,401	1,599	802	511	(291)	Negotiation	Mr. Gul Akber, Karachi
Building renovations	3,002	610	2,392	2,471	79	Negotiation	M/s. Sindh Bank Limited
Building renovations	737	250	487	1,174	687	Negotiation	Mr. Sheikh Muhammad Ilyas & Abdul Razzaq, Karachi
Building renovations	3,553	1,524	2,029	100	(1,929)	Negotiation	M. Faheem - Contractor
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	873	567	306	56	(250)	Negotiation	Various
<b>Furniture and fixtures</b>							
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	7,196	4,241	2,955	1,302	(1,653)	Negotiation	Various
<b>Electrical, office and computer equipment</b>							
Generators	26,031	15,676	10,355	11,804	1,449	Negotiation	M/s. Mars Engineering, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	12,235	10,210	2,025	2,617	592	Negotiation	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	673	620	53	176	123	Bank's Policy	Various Employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	67	62	5	27	22	Scrapped	Various
<b>Vehicles</b>							
Honda Civic VTI Oriol	2,140	285	1,855	1,875	20	Bank's Policy	Syed Asif - Executive
Honda Accord	1,788	1,788	-	886	886	Bank's Policy	Syed Imran Ali - Executive
Honda Civic VTI Prosmatic	1,372	1,372	-	800	800	Auction	Mr. Waqas Ahmed Khan, Karachi
Mitsubishi Lancer	1,059	900	159	722	563	Auction	Mr. Rehan Mahmood, Karachi
Honda EXI	1,069	1,069	-	958	958	Auction	Syed Riaz Ahmed, Karachi
Honda Accord	2,785	2,641	144	2,050	1,906	Auction	Muhammad Nasir Khan, Karachi
Honda Civic VTI Oriol	1,269	1,269	-	736	736	Auction	Mr. Syed Imran, Karachi
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	634	529	105	533	428	Insurance claim	Various
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	5,906	5,882	24	3,316	3,292	Bank's Policy	Various employees
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	6,586	6,586	-	5,892	5,892	Auction	Various
	<u>598,904</u>	<u>67,865</u>	<u>531,039</u>	<u>318,631</u>	<u>(212,408)</u>		
<b>Details of write offs</b>							
Building improvements	3,569	1,622	1,947	-	(1,947)		
Furniture and fixtures	44	9	35	-	(35)		
Electrical, office and computer equipment	2,097	1,646	451	-	(451)		
Computer software	826	704	122	-	(122)		
	<u>6,536</u>	<u>3,981</u>	<u>2,555</u>	<u>-</u>	<u>(2,555)</u>		





14. DEFERRED TAX ASSETS - net	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>Deferred debits arising in respect of:</b>			
Deficit on revaluation of available-for-sale securities		-	77,644
Deficit on revaluation of held to maturity		-	19,855
Provision against non performing loans		<b>2,354,472</b>	2,357,247
Provision for gratuity		<b>840</b>	36,918
Provision for compensated absences		<b>43,164</b>	42,994
Provision against other assets		<b>63,743</b>	45,821
Unused tax losses		<b>4,035,855</b>	4,074,406
Provision for diminution in the value of investments		<b>287,018</b>	301,370
Minimum Tax		<b>345</b>	-
Unrealised loss on revaluation of investments - held-for-trading		-	1,868
		<b>6,785,437</b>	6,958,123
<b>Deferred credits arising in respect of:</b>			
Surplus on revaluation of fixed assets		<b>(102,038)</b>	(107,857)
Surplus on revaluation of available-for-sale securities		<b>(52,196)</b>	-
Difference between accounting and tax written down values		<b>(644,769)</b>	(600,608)
		<b>(799,003)</b>	(708,465)
	14.2	<b>5,986,434</b>	6,249,658

**14.1** As at December 31, 2012, the Bank has a deferred tax asset on provision against non performing loans amounting to Rs.2,605.062 million (December 31, 2011: Rs.2,904.734 million). However, the management has recognised the above benefit only to the extent of Rs.2,354.472 million (December 31, 2011: Rs.2,033.314 million) based on the absorption / admissibility of the provision against non-performing loans under the relevant tax laws during the forecast period (see note 14.2 below).

**14.2** The Group has an aggregate amount of deferred tax asset of Rs.5,986 million which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Group would be able to set off the profits earned in those years against losses carried forward and other taxable temporary differences relating to prior years. The management of the Bank has prepared a seven years' business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Group will be able to achieve the profits projected in the business plan and, consequently, the recorded deferred tax asset will be fully realised in the future.

<b>15. OTHER ASSETS</b>	<b>Note</b>	<b>December 31, 2012 ----- (Rupees in '000) -----</b>	<b>December 31, 2011 ----- (Rupees in '000) -----</b>
Income / mark-up accrued in local currency		<b>1,874,557</b>	2,046,801
Income / mark-up accrued in foreign currency		<b>1,939</b>	753
Advances, deposits, advance rent and other prepayments	15.1	<b>635,864</b>	632,332
Non banking assets acquired	15.2 &		
in satisfaction of claims	15.3	<b>3,383,224</b>	2,918,421
Advance taxation - net of provision		<b>488,794</b>	398,529
Receivable from Arif Habib Investments Limited, a related party		<b>11</b>	11
Receivable from Suroor Investments Limited, the parent company	15.4	<b>27,000</b>	27,000
Stationery and stamps on hand		<b>10,620</b>	10,737
Receivable against sale of property and equipment		<b>90</b>	16,327
Commission receivable on guarantee		<b>9,880</b>	9,880
Receivable from other banks against clearing and settlement		<b>50,284</b>	68,843
Unrealised gain on forward foreign exchange contracts		<b>39,512</b>	-
Commission receivable on home remittance	15.5	<b>247,385</b>	-
Others		<b>260,143</b>	234,360
		<b>7,029,303</b>	6,363,994
Less: Provision held against other assets	15.6	<b>(253,194)</b>	(240,825)
		<b>6,776,109</b>	6,123,169

**15.1** This includes an amount of Rs.34.430 million (December 31, 2011: Rs.34.430) million representing consideration deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited (Judgment Debtor), in auction proceedings. The confirmation of sale of the property was challenged by the Judgment Debtor in the Honourable Lahore High Court. Subsequently, the case was transferred to Islamabad High Court. After hearing the appeal, Islamabad High Court passed the order on December 01, 2008 and directed the Judgment Debtor to deposit the decreed money in the Court within 90 days failing which the sale of land would be confirmed in favour of the Bank. The Judgment Debtor failed to deposit the amount as directed by Court and, hence, the sale of property stands confirmed.

<b>15.2</b>	<b>Note</b>	<b>December 31, 2012 ----- (Rupees in '000) -----</b>	<b>December 31, 2011 ----- (Rupees in '000) -----</b>
Market value of non banking assets acquired in satisfaction of claims		<b>3,618,220</b>	3,106,776

**15.3** During the year 2009, the Group acquired properties as consideration from a borrower against the loans and advances amounting to Rs.976 million and incurred transfer cost of Rs.86 million thereon. The said borrower had an option to re-purchase such properties within two years, which expired in 2011. However, the said borrower has filed a suit before the Honorable High Court of Sindh and the Court has issued an order restraining creation of any third party charge against such properties till the disposal of the case.

**15.4** This represents amount receivable in respect of sale of 5.4 million Ordinary shares of MyBank Limited, held by the Group.

**15.5** This represents commission receivable from the State Bank of Pakistan in respect of home remittances channelled through the Group as per agreement entered with the SBP.

<b>15.6 Provision held against other assets</b>	<b>Note</b>	<b>December 31, 2012 ----- (Rupees in '000) -----</b>	<b>December 31, 2011 ----- (Rupees in '000) -----</b>
Opening balance		<b>240,825</b>	227,704
Provision against other assets of subsidiary at the date of acquisition		<b>-</b>	7,656
Charge for the year	30	<b>29,330</b>	14,342
Reversal		<b>(16,961)</b>	(8,877)
		<b>253,194</b>	240,825

	December 31, 2012	December 31, 2011
16. <b>BILLS PAYABLE</b>	----- (Rupees in '000) -----	
Note		
In Pakistan	1,654,302	900,750
Outside Pakistan	-	-
	<b>1,654,302</b>	<b>900,750</b>

### 17. **BORROWINGS**

In Pakistan	28,859,168	18,522,959
Outside Pakistan	41,264	39,657
	<b>28,900,432</b>	<b>18,562,616</b>

#### 17.1 **Particulars of borrowings with respect to currencies**

In local currency	28,859,168	18,522,959
In foreign currencies	41,264	39,657
	<b>28,900,432</b>	<b>18,562,616</b>

#### 17.2 **Details of borrowings secured / unsecured**

##### Secured

Borrowings from State Bank of Pakistan			
Export refinance scheme	17.2.1	3,191,400	4,284,957
Long-term financing of export oriented projects	17.2.2	89,273	123,755
Long-term financing facility	17.2.3	2,705	4,629
Repurchase agreement borrowings (repo)	17.2.4	25,575,790	13,909,618
		<b>28,859,168</b>	18,322,959

##### Unsecured

Overdrawn nostro accounts		41,264	39,657
Call borrowings		-	200,000
		<b>41,264</b>	239,657
		<b>28,900,432</b>	<b>18,562,616</b>

**17.2.1** These are secured against promissory notes, export documents and undertakings by the Group granting the right to SBP to recover the outstanding amount from the Group at the date of maturity of the finance by directly debiting the current accounts maintained with the SBP. The effective mark-up rate on these borrowings ranges from 8.5% to 10% (December 31, 2011: 10%) per annum, payable on quarterly basis.

**17.2.2** These carry mark-up rate ranging from 6.5% to 8.8% (2011: 6.5% to 8.6%) per annum payable on quarterly basis.

**17.2.3** These carry mark-up rate of 5% (2011: 5%) per annum payable on quarterly basis.

**17.2.4** These represent borrowings from various financial institutions at mark-up rate ranging from 7.45% to 8.97% (December 31, 2011: 11.62% to 11.90%) per annum, maturing upto January 04, 2013. Market Treasury Bills and Pakistan Investment Bonds amounting to Rs.25,315 million (December 31, 2011: Rs.13,937 million) have been given as collateral against these borrowings (see note 11).

	December 31, 2012	December 31, 2011
Note	----- (Rupees in '000) -----	
<b>18. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	36,804,444	34,756,400
Savings deposits	31,070,072	24,940,852
Current accounts - non-remunerative	19,168,420	13,031,012
Margin accounts	1,580,182	1,680,617
	<b>88,623,118</b>	74,408,881
<b>Financial institutions</b>		
Non-remunerative deposits	381,725	70,784
Remunerative deposits	7,810,529	15,185,636
	<b>8,192,254</b>	15,256,420
	<b>96,815,372</b>	89,665,301
<b>18.1 Particulars of deposits</b>		
In local currency	92,165,512	85,684,741
In foreign currencies	4,649,860	3,980,560
	<b>96,815,372</b>	89,665,301

**19. SUB-ORDINATED LOAN**

Term Finance Certificate, Unquoted, Unsecured	19.1	1,499,310	1,500,000
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**19.1** During the year, in October 2011, the Group issued unquoted Term Finance Certificates which are subordinated as to the payment of principal and profit to all other indebtedness of the Group including the deposits. The terms and conditions for the issue are as under:

Mark-up	: Base rate (6 months KIBOR - ask side) plus 325 bps
Issue date	: October 27, 2011
Rating	: A
Tenor	: 7 years
Redemption	: 0.30% of the issued amount in the first 78 months and the remaining 99.70% of the issued amount in the 84th month
Maturity	: October 26, 2018

**20. OTHER LIABILITIES**

		December 31, 2012	December 31, 2011
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		1,465,815	2,153,453
Mark-up / return / interest payable in foreign currency		12,802	5,881
Payable to Bangladesh Bank	20.1	41,389	41,389
Payable to Rupali Bank - Bangladesh, a related party	20.2	16,293	16,293
Payable to vendors / creditors		144,435	128,837
Provision for compensated absences		125,711	124,913
Payable to Bank of Ceylon, Colombo		20,163	20,163
Retention money		5,015	7,228
Branch adjustment account		17	-
Security deposits		76,383	91,557
Accrued expenses		150,300	91,028
Payable to brokers		12,432	1,071
Unrealised loss on forward exchange contracts		-	7,483
Payable to defined benefit plan	36	23,601	103,682
Withholding taxes and government levies payable		12,776	2,798
Payable to other banks against clearing and settlement		14,857	13,695
Unclaimed dividend		2,213	2,213
Unearned income	20.3	46,798	58,488
Commission payable on home remittances	20.4	157,132	-
Others		85,463	68,122
		<b>2,413,595</b>	<b>2,938,294</b>

**20.1** This represents mark-up payable to Bangladesh Bank upto June 2006 on Fixed Deposit Receipts (FDR) maintained with the Group.

**20.2** This represents amount payable in respect of share of Head office expenses of Ex-Rupali Bank Limited - Karachi Branch.

**20.3** This represents unearned income mainly pertaining to local and foreign bills discounting.

**20.4** This represents commission payable to the foreign currency dealers in respect of home remittances channelled through the Group as per agreement entered into with them.

**21. SHARE CAPITAL****21.1 Authorised capital**

	December 31, 2012	December 31, 2011		December 31, 2012	December 31, 2011
	Number of Shares			----- (Rupees in '000) -----	
	<b>1,500,000,000</b>	1,100,000,000	Ordinary shares of Rs.10 each	<b>15,000,000</b>	11,000,000

**21.2 Issued, subscribed and paid-up capital**

	<b>573,513,200</b>	573,513,200	Ordinary shares of Rs.10 each	<b>5,735,132</b>	5,735,132
	<b>454,466,382</b>	454,466,382	Fully paid in cash	<b>4,544,664</b>	4,544,664
	<b>50,000,000</b>	50,000,000	Issued for consideration other than cash	<b>500,000</b>	500,000
	<b>1,077,979,582</b>	1,077,979,582	Issued as bonus shares	<b>10,779,796</b>	10,779,796

**21.3** As at December 31, 2012, Suroor Investments Limited (SIL), parent company, Arif Habib Corporation Limited and Rupali Bank Limited, Bangladesh, a related party held 554,680,393 (51.46%), 1,119,355 (0.10%) and 32,777,450 (3.04%) [December 31, 2011: 553,569,293 (51.35%), 38,012,574 (3.53%) and 32,777,450 (3.04%)] Ordinary shares in the Bank, respectively.

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011 ----- (Rupees in '000) -----
<b>22. RESERVES</b>			
Share premium		1,000,000	1,000,000
Statutory reserve		64,828	64,828
Discount on issue of shares		(1,297,298)	(1,297,298)
Reserve arising on amalgamation		(1,579,205)	(1,579,205)
		<b>(1,811,675)</b>	<b>(1,811,675)</b>
<b>23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
<b>Surplus / (deficit) arising on revaluation of assets - net of tax:</b>			
Operating fixed assets	23.1	371,902	421,226
Available-for-sale securities	23.2	(206,138)	(223,106)
		<b>165,764</b>	<b>198,120</b>
<b>23.1 Surplus on revaluation of operating fixed assets</b>			
Balance as at January 01		529,083	-
Surplus recorded during the year		-	533,819
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		(11,499)	(3,078)
- Disposal of property		(37,448)	-
- Related deferred tax liability		(6,191)	(1,658)
		<b>(55,138)</b>	<b>(4,736)</b>
		<b>473,945</b>	<b>529,083</b>
Less: Related deferred tax liability on:			
- Revaluation as at January 01		(107,857)	-
- Revaluation carried out during the year		-	(109,515)
- Disposal of property		(377)	-
- Incremental depreciation		6,191	1,658
		<b>(102,043)</b>	<b>(107,857)</b>
		<b>371,902</b>	<b>421,226</b>
<b>23.2 Surplus / (deficit) on revaluation of available-for-sale securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		63,485	(7,450)
Pakistan Investment Bonds		283,670	(39,269)
<b>Fully paid-up shares / units</b>			
Listed companies shares		(486,417)	(24,630)
Open end mutual fund units		62,113	(60,981)
<b>Term Finance Certificates and Bonds</b>			
Term finance certificates		(59,725)	(151,352)
Sukuks		(17,068)	(17,068)
Total deficit on revaluation of securities		<b>(153,942)</b>	<b>(300,750)</b>
Related deferred tax (liability) / asset		<b>(52,196)</b>	<b>77,644</b>
		<b>(206,138)</b>	<b>(223,106)</b>

**24. CONTINGENCIES AND COMMITMENTS**

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>24.1 Direct credit substitutes</b>		
Including guarantees and standby letters of credit serving as financial guarantees for loans and securities		
Government	-	668,995
Financial institutions	400,000	400,000
Others	403,873	287,983
	<b>803,873</b>	<b>1,356,978</b>
<b>24.2 Transaction-related contingent liabilities / commitments / guarantees issued favouring</b>		
Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit favouring:		
Government	3,254,100	8,675,547
Banking companies and other financial institutions	372,074	4,290
Others	3,763,472	1,083,355
	<b>7,389,646</b>	<b>9,763,192</b>
<b>24.3 Trade-related contingent liabilities</b>		
Letters of credit	6,196,252	6,996,529
Acceptances	1,157,134	1,534,857
	<b>7,353,386</b>	<b>8,531,386</b>
<b>24.4 Other contingencies - claims against Bank not acknowledged as debts</b>	<b>9,723,708</b>	<b>7,295,849</b>
<b>24.5 Contingent asset</b>		
There was no contingent asset as at December 31, 2012 (December 31, 2011: Nil).		
<b>24.6 Commitments in respect of forward lending</b>		
Forward documentary bills	2,834,502	2,462,779
Commitments to extend credit	9,805,740	11,381,725
	<b>12,640,242</b>	<b>13,844,504</b>
<b>24.7 Commitments in respect of forward exchange contracts</b>		
Purchase	7,633,493	5,487,145
Sale	8,836,456	4,214,578
	<b>16,469,950</b>	<b>9,701,723</b>
<b>24.8 Commitments for capital expenditure</b>		
Civil works (at branches)	<b>32,488</b>	24,920
<b>24.9 Commitments in respect of purchase of rupee traveller cheques</b>	<b>1,210</b>	1,210
<b>24.10</b> For tax-related contingencies, refer notes 32.2 to 32.7.		

**24.11 Other contingencies**

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs.250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs.6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank would liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay order from Honorable High Court of Sindh (the Court) against the sale of PIB's which was vacated by the Court during the year 2005.

The Bank started proceedings during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay order from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the Court. Subsequently, the Bank moved an application for transfer of the suit filed by Speedway in Banking Court No. 2 to the Court, so that the two suits are heard together in the apex Court.

During the financial year 2007, the Court passed a decree in Bank's favour for Rs.25.697 million with mark-up at the rate of 20 percent per annum from the date of filing of the suit till its realisation. The Bank has filed an execution application in the Court. In this regard, provision of Rs.20.798 million has been retained in the financial statements as a matter of prudence against the claim receivable.

**25. MARK-UP / RETURN / INTEREST EARNED**

**On loans and advances to:**

Customers

**December 31, 2012**      **December 31, 2011**  
(Restated - note 6)  
----- (Rupees in '000) -----

**6,318,464**      6,746,641

**On investments in:**

Available-for-sale securities  
Held to maturity securities

**3,687,558**      2,640,003  
**102,396**      101,603

**On lendings to financial institutions**

**145,762**      50,991

**On deposits with financial institutions**

**8,320**      10,784

**10,262,500**      **9,550,022**

**26. MARK-UP / RETURN / INTEREST EXPENSED**

Deposits and other accounts  
Securities sold under repurchase agreements  
Other short-term borrowings  
Sub-ordinated loan  
Swap cost on foreign currency transactions

**December 31, 2012**      **December 31, 2011**  
----- (Rupees in '000) -----

**7,394,719**      7,571,738

**2,002,702**      890,667

**351,671**      363,988

**222,993**      47,624

**160,991**      142,878

**10,133,076**      **9,016,895**



	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>27. GAIN / (LOSS) ON SALE OF SECURITIES - net</b>		
<b>Federal Government Securities</b>		
- Market Treasury Bills	47,403	92,995
- Pakistan Investment Bonds	19,014	9,283
- Ijarah Sukuk Bonds	-	(219)
Listed Ordinary shares	240,531	40,268
Unlisted Ordinary shares	20,606	-
Mutual Funds Units	30,861	(204,083)
Term Finance Certificates	-	13,784
	<b>358,415</b>	<b>(47,972)</b>
<b>28. OTHER INCOME</b>		
Bad debts recovered	7,518	5,060
Account maintenance and other relevant charges	61,040	62,110
Recovery of expenses from customers	17,293	26,539
Rent of property / locker	6,514	4,447
Gain on sale of non-banking assets	4,976	-
	<b>97,341</b>	<b>98,156</b>
	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>29. ADMINISTRATIVE EXPENSES</b>	<b>Note</b>	
Salaries, allowances, etc.		1,487,582
Charge for defined benefit plan - gratuity	36.1.3	30,103
Contribution to defined contribution scheme	36.2	52,489
Non-executive directors' fees, allowances and other expenses		1,121
Brokerage and commission		10,387
Rent, taxes, insurance and electricity, etc.		840,444
Legal and professional		56,089
Fees and subscription		124,262
Repairs and maintenance		113,755
Communications		155,348
Stationery and printing		71,398
Advertisement and publicity		68,825
Travelling and conveyance		138,633
Education and training		1,468
Entertainment		31,047
Security services and charges		125,236
Auditors' remuneration	29.1	10,101
Depreciation	13.2	529,220
Amortisation	13.3	100,102
Others		58,480
		<b>4,006,090</b>
		<b>3,889,496</b>

	Note	December 31, 2012 ----- (Rupees in '000) -----	December 31, 2011
<b>29.1 Auditors' remuneration</b>			
Audit fee		2,855	2,700
Certifications, special audit, half yearly review and sundry advisory services		4,775	5,080
Tax services		1,164	134
Out of pocket expenses		1,307	280
		<b>10,101</b>	<b>8,194</b>
<b>30. OTHER PROVISIONS / WRITE OFFS</b>			
Fixed assets written off		2,555	31,047
Provision against other assets	15.6	12,369	(3,389)
		<b>14,924</b>	<b>27,658</b>
<b>31. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		121	8,933
Bank charges		11,366	10,421
		<b>11,487</b>	<b>19,354</b>
<b>32. TAXATION</b>			
For the year			
Current		78,984	110,618
Deferred		139,201	(2,077,477)
		<b>218,185</b>	<b>(1,966,859)</b>
For prior year		-	-
		<b>218,185</b>	<b>(1,966,859)</b>

**32.1** The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as income of the Group is subject to minimum tax under provisions of section 113 of the Income Tax Ordinance, 2001.

**32.2** In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial charges against exempt income for the said years of the Bank. The Bank filed an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR(A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the said order before the Appellate Tribunal Inland Revenue (ATIR), Karachi which through a Larger Bench disapproved the formula of apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well while deciding the matter.

The revised assessments have not been made by the tax department and, accordingly, no tax liability in respect thereof exists at the statement of financial position date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgment of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending

assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.

- 32.3** In respect of the tax assessments of ATBL relating to tax years 2003 to 2005 and 2008, various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangibles and deferred cost. In relation to tax year 2003, the Bank filed an appeal before ATIR in respect of disallowances of provision for non-performing advances who confirmed the order of CIR(A) against the Bank. Further, the department has filed tax references before the Honourable High Court of Sindh. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of the aforesaid issue. In respect of tax year 2004 the CIR(A) has confirmed the order of the officer and the Bank has preferred an appeal before ATIR. The above matters may result in reduction of claimed tax losses and have an aggregate tax impact of Rs.238.72 million. The management of the Bank is confident about the favourable outcome of the appeals and, hence, no adjustment with regard to the above matters has been made in the financial statements.
- 32.4** For assessment of MBL in respect of tax years 2006, 2007, 2008 and 2009, the Taxation Officer has amended the deemed assessment under Section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs.270.374 million has not been provided for in the books of account for the reason that the disallowances are based on issues which have already been decided at the higher appellate forums in Bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the CIR(A) except in respect of the tax year 2006 wherein relief allowed on some issues has been remanded back and few disallowances made have been maintained against which second appeal before the ATIR has been filed. Hence, the disallowances are likely to be decided as per higher appellate forums favouring Bank not requiring further tax provision.
- 32.5** With respect to the assessment of MBL in respect of tax years 2004 and 2005, CIR(A) has maintained the disallowances made by Taxation Officer having an aggregate amount of Rs.29.657 million. No provision has been made against the same for the reason that this relates to settled issues decided in Bank's favour by higher appellate forums. The Bank has filed an appeal before the ATIR, where the matter is awaiting hearing.
- 32.6** With respect to the assessment of tax year 2003, the Bank filed an appeal against the order of ATIR before the Honourable High Court of Sindh (the Court) in Karachi. The Court, after hearing the case, vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of the Court against which the Bank has filed an appeal which is presently awaiting hearing before the ATIR. The tax involved in appeal amounts to Rs.36.220 million which relates to a previously settled issue in Bank's favour and, hence, no provision has been made on this account.
- 32.7** With respect to the assessment of SBL in the tax years 2009 to 2011, the Taxation Officer has amended the deemed assessment under section 122(5A) of the Income Tax Ordinance, 2001 by making various disallowances aggregating to Rs.1,034.360 million. The Bank has filed an appeal with the CIR(A) and expects a favourable outcome of the same. Accordingly, provision against disallowances aggregating to Rs.28.927 million has not been made in the financial statements of the Bank.
- 32.8** Provision for taxation of subsidiary is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with Income Tax Ordinance, 2001.

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>33. LOSS PER SHARE - BASIC</b>		
Loss for the year	<u>(2,717,281)</u>	<u>(1,073,686)</u>
	----- (Number of shares) -----	
Weighted average number of Ordinary shares	<u>1,077,979,582</u>	<u>914,892,005</u>
	----- (Rupees) -----	
Loss per share - basic	<u>(2.52)</u>	<u>(1.17)</u>

	December 31, 2012	December 31, 2011 (Restated - note 6)
	----- (Rupees in '000) -----	
<b>34. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	8 <u>8,110,198</u>	6,117,998
Balances with other banks	9 <u>3,601,183</u>	1,433,614
Overdrawn nostro accounts	17.2 <u>(41,264)</u>	(39,657)
	<u>11,670,117</u>	<u>7,511,955</u>

	----- (Number) -----	
<b>35. STAFF STRENGTH</b>		
Permanent	<u>1,965</u>	1,336
Contractual basis	<u>170</u>	156
Bank's own staff strength at end of the year	<u>2,135</u>	1,492
Outsourced	<u>379</u>	213
Total staff strength	<u>2,514</u>	1,705

	----- (Rupees in '000) -----	
<b>36. DEFINED BENEFIT AND CONTRIBUTION SCHEMES</b>		
Defined benefit scheme (funded - the Bank)	36.1 <u>23,601</u>	102,924
Defined contribution scheme (funded - the Bank)	36.2 <u>52,489</u>	42,681
Compensated absences (the Bank)	36.3 <u>125,711</u>	124,913
Defined benefit scheme (funded - subsidiary)	36.4 <u>-</u>	758
Defined contribution scheme (funded - subsidiary)	36.5 <u>2,385</u>	2,074
Compensated absences (subsidiary)	36.6 <u>1,192</u>	1,067

### 36.1 Defined benefit plan

The Bank maintains a funded gratuity scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier cessation of services in lump sum. During the year, the Bank has converted its unfunded scheme into funded scheme. 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. The actuarial valuation of the funded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2012 using "Projected Unit Credit Method".

Upto December 31, 2010, an approved funded gratuity scheme for all permanent and full time employees in the management cadre was operated by ATBL. Upon amalgamation of the Bank with the ATBL, the said scheme has been terminated and net liability has been included in the unfunded plan of the Bank.

	December 31, 2012	December 31, 2011
	----- % per annum -----	
<b>Principal actuarial assumptions</b>		
Discount rate - per annum	11.5%	12.5%
Expected rate of increase in salaries - per annum	11.5%	12.5%
Expected rate of return on plan assets - per annum	11.5%	NA
	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>36.1.1 The amount recognised in the statement of financial position is as follows:</b>		
Present value of defined benefit obligations	123,952	97,644
Fair value of plan assets	(101,821)	-
	<u>22,131</u>	<u>97,644</u>
Unrecognised actuarial gains	1,470	5,280
Net liability	<u>23,601</u>	<u>102,924</u>
<b>36.1.2 Movement in liability recognised by the Bank</b>		
Opening balance	102,924	41,001
Net liability of defined benefit plan of ATBL	-	21,367
Charge for the year	29,446	44,766
Benefits paid on behalf of Fund	(2,972)	(4,210)
Contribution to Fund	(105,797)	-
Closing balance	<u>23,601</u>	<u>102,924</u>
<b>36.1.3 Charge for the year</b>		
Current service cost	42,492	36,629
Interest cost	11,410	8,137
Expected return on plan assets	(6,254)	-
Actuarial (gains) / losses recognised	-	-
Curtailement gain	(18,202)	-
	<u>29,446</u>	<u>44,766</u>
<b>36.1.4 Actual return on plan assets</b>		
Expected return on plan assets	6,254	-
Actuarial (losses) / gains on plan assets	(481)	-
	<u>5,773</u>	<u>-</u>

**36.1.5 Movement in present value of defined benefit obligation**

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
Defined benefit obligation as at beginning of the year	97,644	41,001
Net liability of defined benefit plan of ATBL	-	21,367
Current service cost	42,492	36,629
Interest cost	11,410	8,137
Curtailement gain	(18,202)	-
Benefits paid during the year	(12,721)	(4,210)
Actuarial loss / (gain)	3,329	(5,280)
Defined benefit obligation as at end of the year	<u>123,952</u>	<u>97,644</u>

**36.1.6 Changes in fair value of plan assets**

Opening fair value of plan assets	-	-
Expected return	6,254	-
Actuarial (losses) / gains	(481)	-
Contribution by employer	105,797	-
Benefit paid	(9,749)	-
Closing fair value of plan assets	<u>101,821</u>	<u>-</u>

The expected future charge for defined benefit scheme is Rs.45.455 million (December 31, 2011: Rs.54.542 million) according to actuarial recommendation.

The expected return on plan assets is based on the market expectation and depends upon the asset portfolio of the Bank, at the beginning of the year, for return over the entire life of the related obligation.

36.1.7 Break-up of category of assets	2012		2011	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Treasury Bills	96,326,903	95%	-	-
Bank deposits	5,494,034	5%	-	-
	<u>101,820,937</u>	<u>100%</u>	<u>-</u>	<u>-</u>

36.1.8 Historical information	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	123,952	97,644	38,475	17,668	15,003
Plan assets	101,821	-	-	-	-
	<u>22,131</u>	<u>97,644</u>	<u>38,475</u>	<u>17,668</u>	<u>15,003</u>
Experience adjustments					
- Unrecognised actuarial (gain) / loss on obligation	<u>3,329</u>	<u>(5,280)</u>	<u>2,526</u>	<u>2,096</u>	<u>(596)</u>
- Unrecognised actuarial gain / (loss) on plan assets	<u>(481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 36.2 Defined contribution scheme

An amount of Rs.51.297 (December 31, 2011: Rs.41.614) million has been charged during the year in respect of contributory provident fund maintained by the Bank.

### 36.3 Compensated absences

The Bank maintains a staff compensated scheme under which benefits are payable to permanent and contractual employees on retirement at the age of 60 years or earlier cessation of services in lump sum. 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. The actuarial valuation of the unfunded scheme is carried out periodically. Latest actuarial valuation was carried out as at December 31, 2012 using "Projected Unit Credit Method".

	December 31, 2012	December 31, 2011
	----- % -----	
<b>36.3.1 Principal actuarial assumptions</b>		
Discount rate	11.5%	12.5%
Expected rate of salary increase	11.5%	12.5%
	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>36.3.2 The amount recognised in the statement of financial position is as follows:</b>		
Present value of defined benefit obligations	<u>123,326</u>	<u>122,839</u>
<b>36.3.3 Movement in liability recognised by the Bank</b>		
Opening balance	122,839	23,388
Charge for the year	9,283	110,794
Benefits paid during the year	(8,796)	(11,343)
Closing balance	<u>123,326</u>	<u>122,839</u>
<b>36.3.4 Charge for the year</b>		
Current service cost	<u>9,283</u>	<u>110,794</u>
<b>36.3.5 Movement in present value of defined benefit obligation</b>		
Defined benefit obligation as at beginning of the year	122,839	23,388
Current service cost	9,283	110,794
Benefits paid during the year	(8,796)	(11,343)
Defined benefit obligation as at end of the year	<u>123,326</u>	<u>122,839</u>

### 36.4 Gratuity payable - defined benefit plan (subsidiary)

#### 36.4.1 General description

The Company has a gratuity scheme that has been recognised by the Income Tax Authorities under Part III of Sixth Schedule to the Income Tax Ordinance, 2001 on November 03, 2007. The trust deed for the scheme has been duly executed on July 12, 2007.

The cost of providing benefits under each gratuity scheme is determined using the Project Unit Credit method, with actuarial valuation being carried out at balance sheet date. The latest valuation was carried out for the year ended December 31, 2012.

**December 31,    December 31,**  
**2012                    2011**  
----- (Rupees in '000) -----

#### 36.4.2 Principal actuarial assumption

The following principal assumptions were used for the valuation:

Estimated rate of increase in salary of the employees - percent, per annum (%)	<b>11.50</b>	12.50
Expected rate of return on plan assets - percent, per annum (%)	<b>10.00</b>	6.00
Discount rate - per annum (%)	<b>11.50</b>	12.50
Expected average remaining lives of employees - years	<b>13</b>	14

#### 36.4.3 Reconciliation of payable to / (receivable from) defined benefit plan

Present value of defined benefit obligation	<b>3,604</b>	3,044
Fair value of plan assets	<b>(5,079)</b>	(3,232)
Receivable from Summit Bank Limited - Staff Gratuity Fund	<b>(3,036)</b>	(3,036)
Payable to Summit Bank Limited - Staff Gratuity Fund	<b>4,197</b>	4,197
Unrecognised actuarial gain / (loss)	<b>314</b>	(215)
Liability recognised in balance sheet	<b>-</b>	758

#### 36.4.4 Movement in payable to defined benefit plan

Opening balance	<b>758</b>	3,232
Charge for the year	<b>657</b>	758
Contributions paid to the fund during the year	<b>(1,415)</b>	(3,232)
Closing balance	<b>-</b>	758

#### 36.4.5 Expense recognised in the profit and loss account

Current service cost	<b>513</b>	401
Interest cost	<b>380</b>	347
Expected return on plan assets	<b>(236)</b>	-
Amortisation of actuarial loss	<b>-</b>	10
	<b>657</b>	758



	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>36.5 Provision for staff compensated absences (subsidiary)</b>		
Opening balance	2,074	1,693
Charge for the year	473	640
Encashment during the year	(162)	(259)
Closing balance	<u>2,385</u>	<u>2,074</u>

**36.6 Defined contribution scheme (subsidiary)**

An amount of Rs.1.192 (December 31, 2011: Rs.1.067) million has been charged during the year in respect of contributory provident fund maintained by the Bank.

**37. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / Chief Executive		Directors		Executives	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----					
Fees	-	-	1,121	675	-	-
Managerial remuneration	21,772	10,909	-	-	260,177	216,130
Charge for defined contribution plan	-	-	-	-	19,158	41,727
Rent and house maintenance	1,227	4,909	-	-	117,904	97,872
Utilities	273	1,091	-	-	25,354	21,000
Dearness allowance	455	1,819	-	-	42,266	35,037
Medical	273	1,091	-	-	25,534	21,175
Conveyance allowance	-	-	-	-	58,993	46,802
Car allowance	-	-	-	-	46,189	33,995
General / special allowance	-	-	-	-	46,513	2,013
	<u>24,000</u>	<u>19,819</u>	<u>1,121</u>	<u>675</u>	<u>642,088</u>	<u>515,751</u>
Number of person(s)	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>284</u>	<u>285</u>

**37.1** Executive means employee, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. The Chief Executive and certain executives are provided with free use of Bank maintained cars in accordance with their entitlements.

**37.2** Number of persons include outgoing executives.

**38. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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. Consequently, differences can arise between carrying values and the fair values or fair value estimates.

The fair value of traded investments and Federal Government securities are based on quoted market prices and PKRV rates respectively. Fair value of unquoted equity investments is determined on the basis of lower of cost and breakup value of these investments as per the latest available financial statements.

Fair value of fixed term advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5.

The repricing profile and effective rates and maturity are stated in notes 43.4.4 and 43.5.1 respectively.

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

### 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
<b>December 31, 2012</b>	----- (Rupees in '000) -----					
Total income	14,161	4,549,311	1,156,061	5,953,647	16,243	11,689,423
Total expenses	4,762	2,739,480	1,319,257	10,109,915	15,105	14,188,519
Net income / (loss) before tax	9,399	1,809,831	(163,196)	(4,156,268)	1,138	(2,499,096)
Segment assets (gross)	21,660	66,515,722	11,003,106	70,190,284	24,843	147,755,615
Segment non performing loans	-	-	1,838,529	21,571,418	-	23,409,947
Segment provision	-	891,122	672,407	11,903,020	-	13,466,549
Segment assets (net)	21,660	65,624,600	10,330,699	58,287,264	24,843	134,289,066
Segment liabilities	43,947	26,299,450	40,550,136	62,675,355	1,714,123	131,283,011
Segment return on assets (ROA) (%)	43.39	2.76	(1.58)	(7.13)	4.58	
Segment cost of funds (%)	10.84	10.42	3.25	16.13	0.88	
	(Restated - note 6)					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Total
<b>December 31, 2011</b>	----- (Rupees in '000) -----					
Total income	37,890	2,859,435	1,383,086	6,019,687	15,816	10,315,914
Total expenses	11,441	1,389,741	2,840,201	9,206,068	18,091	13,465,542
Net income / (loss) before tax	26,449	1,469,694	(1,457,115)	(3,186,381)	(2,275)	(3,149,628)
Segment assets (gross)	40,084	46,997,778	14,446,310	71,447,672	16,733	132,948,577
Segment non performing loans	-	-	3,853,938	18,563,785	-	22,417,723
Segment provision	-	1,146,859	1,879,687	10,654,516	-	13,681,062
Segment assets (net)	40,084	45,850,919	12,566,623	60,793,156	16,733	119,267,515
Segment liabilities	64,205	14,712,383	40,360,597	57,531,492	898,284	113,566,961
Segment return on assets (ROA) (%)	65.98	3.21	(11.60)	(5.24)	(13.60)	
Segment cost of funds (%)	17.82	9.45	7.04	16.00	2.01	

#### 40. TRUST ACTIVITIES

The Bank is not engaged in any trust activities.

#### 41. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, parent company, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).

Details of transactions with the related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	December 31, 2012			December 31, 2011 (Restated - note 6)				
	Key management personnel	Directors	Parent company	Associates / other related parties	Key management personnel	Directors	Parent company	Associates / other related parties
	----- (Rupees in '000) -----							
<b>Advances</b>								
Balance at beginning of the year	103,665	-	-	107,967	65,205	-	-	151,126
Sanctioned / granted during the year	48,155	-	-	765,820	55,730	-	-	1,374,807
Payment received during the year	(34,194)	-	-	(763,512)	(17,270)	-	-	(1,417,966)
Balance at end of the year	<u>117,626</u>	<u>-</u>	<u>-</u>	<u>110,275</u>	<u>103,665</u>	<u>-</u>	<u>-</u>	<u>107,967</u>
<b>Deposits</b>								
Balance at beginning of the year	31,770	68,316	-	60,323	6,168	71,770	-	241,193
Deposits during the year	483,937	392,851	-	1,067,930	371,854	281,187	-	3,868,638
Withdrawal during the year	(471,515)	(420,555)	-	(1,071,449)	(346,252)	(284,641)	-	(4,049,508)
Balance at end of the year	<u>44,192</u>	<u>40,612</u>	<u>-</u>	<u>56,803</u>	<u>31,770</u>	<u>68,316</u>	<u>-</u>	<u>60,323</u>
<b>Other transactions / balances</b>								
Investment in shares / TFC's	-	-	-	340,299	-	-	-	314,198
Purchase of investments	-	-	-	285,167	-	-	-	373,899
Disposal of investments	-	-	-	259,066	-	-	-	312,504
Maturity of investments	-	-	-	-	-	-	-	6,172
Guarantees, letters of credits and acceptances	-	-	-	125,753	-	-	-	456,562
Other receivable	-	-	27,000	1,312	-	-	27,000	1,621
Other payable	1,222	-	-	12,310	348	-	-	1,199
Mark-up payable	68	250	-	137	192	-	-	359
Mark-up receivable	465	-	-	3,657	-	-	-	4,190
<b>Profit / expense for the year</b>								
Brokerage expenses	-	-	-	-	-	-	-	-
Brokerage income	-	-	-	9	-	-	-	-
Capital gain / (loss)	-	-	-	9,995	-	-	-	16,881
Dividend income	-	-	-	8,408	-	-	-	7,904
Contribution paid to the provident fund	-	-	-	51,297	-	-	-	37,664
Contribution paid to the gratuity fund	-	-	-	49,744	-	-	-	-
Rental income	-	-	-	-	-	-	-	-
Mark-up earned	4,882	-	-	15,470	3,042	-	-	16,556
Mark-up expensed	1,337	6,586	-	1,369	1,292	3,213	-	13,201

## 42. CAPITAL ADEQUACY

### 42.1 Scope of application

The Basel-II framework is applicable to the Group in assessment of its capital adequacy requirement.

### 42.2 Capital structure

#### Group's regulatory capital is analysed into two tiers:

Tier I capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available-for-sale investments and intangible assets.

Tier II Capital, which includes general provisions for loan losses (up to a maximum of 1.25% of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of total Tier I).

Tier III Capital has also been prescribed by the SBP for managing market risk; however the Group does not have any Tier III capital.

Details of the Group's eligible capital are as follows:

	December 31, 2012	December 31, 2011
	----- (Rupees in '000) -----	
<b>Tier I Capital</b>		
Shareholders equity / assigned capital	10,779,796	10,779,796
Share premium	1,000,000	1,000,000
Reserves	(2,811,675)	(2,811,675)
Accumulated loss	(6,127,830)	(3,465,687)
Less: Intangible assets	(479,547)	(521,200)
Deficit on revaluation of investments in available-for-sale securities	-	-
Investments in TFCs of other Banks exceeding the prescribed limit	-	-
Other deductions (50% of the amount as calculated on CAP 2)	-	-
<b>Total Tier I Capital</b>	<b>2,360,744</b>	4,981,234
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier 1 Capital)	1,180,372	1,500,000
General provisions subject to 1.25% of total risk weighted assets	2,488	1,233
Revaluation reserve (upto 45%)	146,787	103,496
Other deductions (50% of the amount as calculated on CAP 2)	-	-
<b>Total Tier II Capital</b>	<b>1,329,647</b>	1,604,729
<b>Eligible Tier III Capital</b>	-	-
<b>Total Regulatory Capital Base</b>	<b>3,690,392</b>	6,585,963

### 42.3 Capital Adequacy

#### Objectives of managing capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Group's Asset and Liability Committee (ALCO). ALCO is responsible for managing Group's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Group's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

#### Group's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Group's assets to allow for an optimal deployment of the Group's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

#### Externally imposed capital requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 7 dated April 15, 2009 has advised the Banks to raise their minimum paid-up capital to Rs.9 billion by the end of financial year 2012. Further, banks are required to increase their paid-up capital to Rs.10 billion (free of losses) in a phased manner by the end of financial year 2013. The Bank's paid-up capital (free of losses) amounted to Rs.2.775 billion as at December 31, 2012 (December 31, 2011: Rs.5.438 billion). However, subsequent to the year end, SBP vide its letter number BPRD/BAID/649/2424/2013 dated March 01, 2013 has allowed the Bank extension in meeting the MCR and CAR requirement till June 30, 2013.

The Board of Directors in its meeting held on June 20, 2012 approved further issuance of 20% Preference shares of Rs.2.155 billion to meet the capital shortfall and to overcome the existing deficit in meeting the MCR. The same was endorsed in the shareholders' Extra Ordinary General Meeting held on August 31, 2012. Necessary regulatory approvals are being obtained for issuance of additional capital. However, the sponsors of the Group are fully committed to raise capital of the Group to meet the regulatory requirement and have also expressed their commitment to increase the capital to meet the shortfall in regulatory requirement.

In addition to fresh capital injection, the Group is making concerted efforts to boost equity base through recovery from the non performing loans. As a result, Group has been able to achieve recovery of Rs.3.607 billion from non performing accounts during the calendar year 2012.

The CAR of the Group as at December 31, 2012 is 4.60% (December 31, 2011: 7.57%) of its risk weighted exposures.

	December 31, 2012		December 31, 2011	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (Simple or comprehensive)</b>				
Corporate portfolio etc.	4,657,269	46,572,686	5,148,547	51,485,472
Retail	472,784	4,727,839	438,886	4,388,860
Financial institutions	204,817	2,048,168	170,113	1,775,145
Others	1,639,267	16,392,665	1,681,988	16,836,021
	<b>December 31, 2012</b>		<b>December 31, 2011</b>	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>Portfolios subject to Internal Rating Based (IRB) approach</b>				
Corporate	-	-	-	-
Sovereign	-	-	-	-
Retail	-	-	-	-
Securitisation etc.	-	-	-	-
<b>Equity exposure risk in the banking book</b>				
<b>Equity portfolio subject to market-based approaches</b>				
Under simple risk weight method	-	-	-	-
Under internal models approach	-	-	-	-
<b>Equity portfolio subject to PD / LGD</b>				
<b>Market risk</b>				
Capital requirement for portfolios subject to				
<b>Standardised approach</b>				
Interest rate risk	220,385	2,754,808	246,875	3,085,934
Equity position risk etc.	364,442	4,555,520	334,759	4,184,482
Foreign exchange risk etc.	5,559	69,487	30,311	378,889
<b>Capital requirement for portfolios subject to Internal models approach</b>				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	-	-	-	-
<b>Operational risk</b>	<b>249,170</b>	<b>3,114,619</b>	<b>409,753</b>	<b>4,818,983</b>
<b>Capital requirement for operational risks</b>	<b>7,813,691</b>	<b>80,235,793</b>	<b>8,461,232</b>	<b>86,953,786</b>
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held		<b>3,690,392</b>		<b>6,585,963</b>
Total risk weighted assets		<b>80,235,793</b>		<b>86,953,786</b>
Capital Adequacy Ratio		<b>4.60%</b>		<b>7.57%</b>

### 43. RISK MANAGEMENT

The acceptance and management of financial risk is inherent to banking business activities. The Group is exposed to numerous risks in pursuit of its business objectives. The core risks are Credit, Market and Liquidity risks. These risks arise directly through the Group's commercial activities whilst Operational and Compliance / Legal / Regulatory risks are normal consequences of any business undertaking. We believe a sound Risk Management Framework provides principles for identifying, assessing and monitoring risk within the Group. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

Clearly defined risk management policies and procedures covering all activities of the Group including general banking, trade finance, credit evaluation, credit management, treasury operations, administration and human resources management, compliance functions, risk management, accounting, audit and control are in place. The basic principles employed in formulation of the above policies and procedures involves identification, measurement, monitoring and controlling risks to ensure that:

- The Group's risk exposure is within the limits established by Board of Directors.
- Risk taking decisions are in line with the business strategy and objectives of the Group.
- The expected payoffs compensate the risks taken by the Group.
- Risk taking decisions are explicit and clear.
- Sufficient capital as buffer is available to mitigate risk.

#### **Risk responsibilities**

The Board of Directors is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at the senior management level and determining the manner in which risk authorities are set. The Board is also responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Group.

The Board of Directors approves the policies proposed by risk management committee of the Group which discharge various responsibilities assigned to it by the Board.

The Risk Management is headed by a Group Head - Enterprise Risk Management responsible to set-up and implement the Framework of the Group.

#### **Risk management group organisation**

A clear management structure has been put in place in the Group, which clusters around three distinct groups namely, the Business Group, the Support Group and the Risk Management Group. The Business Group is responsible for generation and management of the business and act as the front office of the Group. The Support Group provides various services necessary for maintaining operations of the Group on a sustainable basis. The Risk Management Group is responsible for management of the risk inherent in the Bank's operations. The Risk Management Group comprises of (i) Credit Division, (ii) Compliance Division and the (iii) Risk Management Division. Whilst the activities of the Credit Division are focused on independent risk management of the Group's credit activities, the Compliance Division is dedicated to ensure compliance of all internal and external policies and regulations. The Risk Management Division is responsible for managing all other risks emanating from various activities of the Group. In addition to this, the management has established various committees for periodic risk review.

The Bank has acquired and installed a state of the art, hPLUS™, core banking software. hPLUS™ is a fully functional, well proven, single integrated banking application and is also capable of generating numerous standard and customised MIS reports.

### 43.1 Credit risk management

Credit risk is the risk that one party to financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Group is exposed to credit risk through its lending and investment activities as well as in cases where it acts as an intermediary of behalf of customers or other third parties or issues guarantees. The following objectives govern the credit policy of the Group:

- The Group complies with the requirements of Prudential Regulations prescribed by SBP.
- Facilities provided by the Group are well diversified into different sectors as well as financing in different consumer products to achieve a strong market position and adequate return on capital.
- Return commensurates with the risk.
- Lending decision is based on a full appreciation for the risks inherent in the transaction and within the approved limits by the Board of Directors.
- Risk is related correctly and risk changes are identified promptly and remedial actions are taken.

The Group creates loan loss provisions against non-performing commercial advances in accordance with Prudential Regulations issued by SBP. Please refer to note 12.3.1 for reconciliation in loan loss provision.

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be affected in a similar way by changes in economic or other conditions. As part of managing concentration risk, sector risk is managed on a portfolio basis. Please refer to note 43.1.1 for segment reporting.

As a matter of paramount importance the affairs of the customers enjoying credit facilities are carefully reviewed and reconsidered periodically. The facility review provides a timely signal of unfavourable developments in clients' affairs and warns of dangers before the Group is faced with undesirable positions. For this reason, all facilities of a continuing character are only approved after the next review date, unless otherwise agreed.

**Credit administration tasks include the following:**

- Maintain Credit, Custody and Security documentation files;
- Register Security and Collateral documents;
- Tracking of covenants;
- Administer facility fees / receipts / payments;
- Load limits into credit system; and
- Satisfy internal and external risk reporting requirements.

It is the Group's policy to reduce or mitigate credit risk on credit facilities or exposure, as much as possible, in a given commercial environment by securing credit facilities or exposure with collateral. To correctly assess the extent to which the collateral mitigates the credit risk the collateral must be valued according to a specified valuation method and documented and monitored. The legal mechanism by which collateral is pledged and the Group's procedures ensure that the Group has clear rights over the collateral and may liquidate, retain or take legal possession of it in a timely manner in the event of the default, insolvency or bankruptcy or otherwise defined credit event set out in the transaction documentation, of the counterparty and, where applicable, of the custodian holding the collateral.



### 43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

#### 43.1.1.1 Segments by class of business

	December 31, 2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	58,981	0.09	455,465	0.47	375,862	0.68
Automobile	1,213,643	1.87	385,252	0.40	275,059	0.50
Banaspati and allied industries	275,719	0.42	543	0.00	42,531	0.08
Carpet	172,295	0.27	21,087	0.02	262,757	0.48
Cement	846,285	1.30	217,090	0.22	362,765	0.66
Chemical and pharmaceutical	2,630,535	4.05	1,580,772	1.63	941,519	1.71
Construction / real estate	3,646,216	5.61	4,166,665	4.30	1,405,934	2.56
Consumer / individuals / staff	2,567,168	3.95	51,353,009	53.04	4,275,992	7.77
Dairy and poultry	40,333	0.06	636,684	0.66	139,999	0.25
Education	281,810	0.43	747,256	0.77	187,840	0.34
Electric and electrical goods	2,162,762	3.33	119,467	0.12	349,716	0.64
Energy, oil, gas and power	6,146,090	9.46	3,059,654	3.16	4,010,663	7.29
Exports / imports	1,476,232	2.27	318,921	0.33	354,510	0.64
Financial	3,394,581	5.23	9,639,614	9.96	17,819,402	32.39
Food, tobacco and beverages	2,195,698	3.38	342,128	0.35	329,465	0.60
Furniture and allied products	-	0.00	32,968	0.03	-	0.00
Leather and footwear	328,458	0.51	74,195	0.08	512,394	0.93
Glass and ceramics	121,855	0.19	13,694	0.01	20,204	0.04
Health care	118,741	0.18	204,043	0.21	99,312	0.18
Hotels	727,403	1.12	490,659	0.51	118,093	0.21
Insurance	533,547	0.82	1,072,486	1.11	3,700	0.01
Mining and quarrying	1,437,163	2.21	188,351	0.19	553,879	1.01
Miscellaneous manufacturing	-	0.00	477,475	0.49	1,702,867	3.10
Printing, publishing and allied industries	523,619	0.81	217,518	0.22	82,828	0.15
Paper and allied products	-	0.00	62,654	0.06	6,654	0.01
Services	3,190,524	4.91	8,604,863	8.89	3,054,234	5.55
Steel and engineering	2,470,199	3.80	510,479	0.53	1,676,720	3.05
Sugar	4,081,761	6.29	81,476	0.08	1,069,740	1.94
Textile	11,742,392	18.08	742,128	0.77	8,723,730	15.86
Transport and communication	2,475,229	3.82	1,699,458	1.76	1,616,480	2.94
Trust	-	0.00	1,902,258	1.96	4,180	0.01
Wholesale and retail trade	5,282,405	8.14	5,358,850	5.54	2,288,846	4.16
Others	4,800,813	7.40	2,038,210	2.13	2,350,526	4.26
	<b>64,942,457</b>	<b>100.00</b>	<b>96,815,372</b>	<b>100.00</b>	<b>55,018,401</b>	<b>100.00</b>

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, forestry, hunting and fishing	36,250	0.05	2,808,151	3.13	516,473	1.01
Automobile	1,180,245	1.73	96,162	0.11	235,738	0.46
Carpet	123,043	0.18	28,583	0.03	15,668	0.03
Cement	864,940	1.26	221,548	0.25	567,963	1.11
Chemical and pharmaceutical	3,349,978	4.90	1,855,956	2.07	1,012,209	1.98
Construction / real estate	4,981,840	7.29	2,413,453	2.69	1,060,199	2.07
Consumer / individuals / staff	5,289,512	7.74	38,517,519	42.96	2,911,695	5.70
Dairy and poultry	41,506	0.06	706,364	0.79	182,777	0.36
Education	378,678	0.55	799,054	0.89	207,394	0.41
Electric and electrical goods	1,290,142	1.89	59,122	0.07	1,128,665	2.21
Energy, oil, gas and power	7,929,604	11.60	3,669,191	4.09	6,628,299	12.97
Exports / imports	1,457,693	2.13	-	0.00	577,517	1.13
Financial	2,908,442	4.25	18,648,822	20.80	14,162,719	27.72
Food, tobacco and beverages	2,945,972	4.31	192,066	0.21	555,376	1.09
Furniture and allied products	151,248	0.22	-	0.00	6,795	0.01
Leather and footwear	300,516	0.44	41,871	0.05	241,846	0.47
Glass and ceramics	129,276	0.19	9,766	0.01	15,830	0.03
Health care	224,134	0.33	314,743	0.35	279,205	0.55
Hotels	853,089	1.25	117,988	0.13	117,051	0.23
Mining and quarrying	636,964	0.93	201,138	0.22	133,128	0.26
Miscellaneous manufacturing	531,905	0.78	-	0.00	57,876	0.11
Printing, publishing and allied industries	484,340	0.71	146,434	0.16	32,707	0.06
Paper and allied products	42,573	0.06	6,245	0.01	5,356	0.01
Services	1,956,531	2.86	8,765,802	9.78	949,735	1.86
Steel and engineering	2,208,624	3.23	572,938	0.64	1,702,659	3.33
Sugar	3,641,653	5.33	85,392	0.10	1,249,217	2.44
Textile	12,812,814	18.74	1,111,445	1.24	8,882,067	17.38
Transport and communication	2,619,986	3.83	1,692,894	1.89	2,940,283	5.75
Trust	-	0.00	1,249,254	1.39	5,757	0.01
Wholesale and retail trade	6,968,561	10.19	1,889,993	2.11	2,217,277	4.34
Others	2,041,014	2.97	3,443,407	3.83	2,495,252	4.91
	<b>68,381,073</b>	<b>100.00</b>	<b>89,665,301</b>	<b>100.00</b>	<b>51,094,733</b>	<b>100.00</b>

43.1.1.2 Segment by sector

	December 31, 2012					
	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	<b>938,800</b>	<b>1.45</b>	<b>18,768,402</b>	<b>19.39</b>	<b>14,403</b>	<b>0.03</b>
Private	<b>64,003,657</b>	<b>98.55</b>	<b>78,046,970</b>	<b>80.61</b>	<b>55,003,998</b>	<b>99.97</b>
	<b>64,942,457</b>	<b>100.00</b>	<b>96,815,372</b>	<b>100.00</b>	<b>55,018,401</b>	<b>100.00</b>

	December 31, 2011					
	Rupees	Percent	Rupees	Percent	Rupees	Percent
Public / Government	1,083,929	1.59	24,644,792	27.49	898,462	1.76
Private	67,297,144	98.41	65,020,509	72.51	50,196,271	98.24
	<b>68,381,073</b>	<b>100.00</b>	<b>89,665,301</b>	<b>100.00</b>	<b>51,094,733</b>	<b>100.00</b>

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

	December 31, 2012		December 31, 2011	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Agriculture, forestry, hunting and fishing	29,986	28,929	33,730	32,410
Automobile	947,579	742,123	952,108	751,188
Banaspati and allied industries	188,151	84,224	193,029	70,333
Carpet	72,860	32,294	48,860	39,876
Cement	329,169	329,169	329,169	329,169
Chemical and pharmaceutical	1,359,604	232,760	509,943	219,251
Construction / real estate	989,189	269,263	1,565,475	306,914
Consumer / individuals / staff	197,233	117,884	1,741,030	972,248
Dairy and poultry	1,418	1,418	418	418
Education	63,877	20,860	68,880	16,979
Electric and electrical goods	104,097	47,480	196,047	109,018
Energy oil, gas and power	507,613	343,330	376,657	352,122
Exports / imports	1,229,057	789,964	682,467	454,868
Financial	1,779,145	1,363,268	1,712,528	1,404,994
Food, tobacco and beverages	664,960	133,391	773,625	114,388
Footwear and leather garments	57,681	13,869	70,758	13,868
Furniture and allied products	-	-	101,642	27,028
Glass and ceramics	86,077	38,998	91,510	31,793
Health care	104,958	41,896	101,327	22,745
Hotels	241,959	124,299	259,752	97,938
Jewellery	-	-	14,095	13,367
Mining and quarrying	20,052	13,776	19,949	3,121
Others	1,404,840	802,653	788,451	673,028
Paper and allied products	6,258	5,428	6,933	5,663
Printing, publishing and allied industries	295,441	113,253	365,494	160,564
Rubber and plastic products	-	-	212,427	63,385
Services	970,853	429,221	360,051	212,572
Sports goods	-	-	22,900	11,128
Steel and engineering	1,041,580	280,823	1,043,140	262,262
Sugar	1,086,882	940,355	1,160,931	940,355
Textile	6,560,206	3,496,183	5,471,150	3,355,948
Transport and communication	297,230	223,773	349,104	249,099
Wholesale and retail trade	2,771,992	1,329,931	2,794,143	1,062,136
	<b>23,409,947</b>	<b>12,390,815</b>	<b>22,417,723</b>	<b>12,380,176</b>

**43.1.1.4 Details of non-performing advances and specific provisions by sector**

	December 31, 2012		December 31, 2011	
	Classified advances ----- (Rupees in '000) -----	Specific provisions held	Classified advances ----- (Rupees in '000) -----	Specific provisions held
Public / Government	-	-	-	-
Private	<b>23,409,947</b>	<b>12,390,815</b>	22,417,723	12,380,176
	<b>23,409,947</b>	<b>12,390,815</b>	22,417,723	12,380,176

43.1.1.5 Geographical segment analysis	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
<b>December 31, 2012</b>				
Pakistan	<b>(2,499,096)</b>	<b>134,289,066</b>	<b>3,006,055</b>	<b>55,018,401</b>
<b>December 31, 2011</b>				
Pakistan	(3,149,628)	119,267,515	5,700,554	51,094,733

Total assets employed shown above include mean total assets shown on the statement of financial position and intra group items. Net assets employed mean net assets shown on the statement of financial position.

**43.2 Credit risk - general disclosure Basel II specific**

**43.2.1 Credit risk - general disclosures**

The Group is following standardised approach for all its Credit Risk Exposures.

**43.2.1.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach and supervisory risk weights in IRB approach Basel II specific**

Under standardised approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by SBP for capital adequacy purposes. In this connection, the Group utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard and Poors which are also recognised by the SBP. The Group also utilises rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

**Selection of ECAIs**

The Group selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Sovereign Exposures: For foreign currency claims on sovereigns, the Group uses country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on Organisation for Economic Co-operation and Development (OECD) website.

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch are being used to arrive at risk weights. However, for local banks (i.e. incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporate (excluding equity exposures).

### Use of ECAI ratings

The Group prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

### Mapping to SBP rating grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long-Term Rating Grades Mapping

SBP rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
		CC		CC		
		C		C		
		D		D		

**Short-Term Rating Grades Mapping**

SBP Rating grade	Fitch	Moody's	S&P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
			A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

**Types of exposures and ECAI's used**

Exposures	December 31, 2012				
	Fitch	Moody's	S&P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitisations	-	-	-	-	-
Others	-	-	-	Yes	Yes

Exposure	Rating category	December 31, 2012			December 31, 2011		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		(Rupees in '000)					
Corporate	20%	2,405,597	29,046	475,310	3,280,394	-	656,079
	50%	3,252,615	-	1,626,307	3,110,822	-	1,555,411
	100%	-	-	-	732,693	-	732,693
	unrated	30,072,856	3,491,588	26,581,255	28,706,438	1,389,440	27,334,998
	150%	690,099	177,399	769,050	2,408,277	-	3,612,415
Retail	75%	6,024,240	876,617	3,860,717	5,940,983	467,155	3,988,583
Past due loan	150%	5,843,405	-	8,765,107	6,053,176	-	9,079,765
	100%	3,026,151	-	3,026,151	2,415,702	-	2,415,702
	50%	2,146,352	-	1,073,176	1,568,596	-	784,298
Bank	20%	7,234,723	1,030,133	1,240,918	4,104,241	-	820,848
	50%	992,274	-	496,137	1,268,299	-	634,150
	100%	17,390	-	17,390	-	-	-
	150%	195,815	-	293,722	-	-	-
	unrated	-	-	-	-	-	-
Sovereign etc.	0%	4,485,616	-	-	5,127,641	-	-
Others	0%	2,723,523	-	-	1,863,333	-	-
	35%	853,564	-	298,747	747,946	-	261,781
	50%	-	-	-	-	-	-
	100%	16,191,885	-	16,191,885	16,413,125	-	16,413,125
	150%	35,143	-	52,715	107,410	-	161,115
		<b>86,191,246</b>	<b>5,604,783</b>	<b>64,768,587</b>	<b>83,849,077</b>	<b>1,856,594</b>	<b>68,450,963</b>

#### 43.2.1.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Group has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since the trading book only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Group accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Group uses realisable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank etc.

#### 43.3 Equity position risk in the banking book

The Group makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Bank's business activities.

##### Classification of investments

Under SBP's directives, equity investment may be classified as "Held-For-Trading (HFT)", "Available-for-Sale (AFS)" or "Investment in Subsidiaries and Associates". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

##### Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in associates are accounted for in accordance with the directives of SBP.

The unrealised surplus / (deficit) arising on revaluation of the Group's held-for-trading investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as available-for-sale is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account on disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income.

**Composition of equity investments - market values**

	December 31, 2012			December 31, 2011		
	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates	Held-for-trading	Available-for-sale	Investment in subsidiaries and associates
----- (Rupees in '000) -----						
Equity investments	6,120	1,808,189	234,168	34,334	1,374,802	199,170
Mutual fund units						
- Open end	-	787,949	-	-	718,923	-
- Close end	-	-	-	-	54,200	-
Total value	<b>6,120</b>	<b>2,596,138</b>	<b>234,168</b>	34,334	2,147,925	199,170

The cumulative realised gain on sale of equity securities amounted to Rs.273.027 million (December 31, 2011: Rs.163.815 million), however, unrealised loss of Rs.424.304 million (December 31, 2011: Rs.90.948 million) was recognised in the statement of financial position in respect of available-for-sale securities.

**43.4 Market risk**

Market Risk is the risk that the value of on and off statement of financial position positions of the Group will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and/or credit spreads resulting in a loss of earnings and capital.

The Group is primarily exposed to interest rate risk which is reflected in the level of future income and expense produced by these positions versus levels that would be generated by current levels of interest rates. Other risks include exposures to foreign exchange rates, as well as mortgage, equity market and issuer credit risk factors. The Group is in the process of developing Value at Risk (VAR) and stress testing models for management of such risks.

**43.4.1 Interest rate risk**

Interest Rate risk is the potential impact on a Group's earnings and asset values with variation in interest rates. Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. These positions include loans, debt securities, certain trading-related assets and liabilities, deposits and borrowings. The Group's overall goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility in our net interest income caused by changes in market interest rates. The Group seeks to mitigate interest rate risk in a variety of ways including taking offsetting positions and other asset and liability management process. Whilst the Treasury and the Risk Management Division of the Group monitor and manage the interest rate risk on a daily basis, the overall interest rate risk position and strategies are reviewed on an ongoing basis with Asset and Liability Committee (ALCO).

**43.4.2 Foreign exchange risk**

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

- Maximise profitability with minimum risk by keeping the exposure at desirable levels in view of strict compliance of regulatory / international standards and the Group's internal guidelines.
- Manage appropriate maturity mismatch gaps.



- Identify warning and stress zones for 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 mark to market portfolio and safe settlement, etc.

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in foreign currencies. The potential for loss arises from the process of revaluing foreign currency positions in rupee terms. The Group's foreign exchange risk is presently limited to future cash flows in foreign currencies arising from foreign exchange transactions and translation of net open position in foreign currencies. The Group is carefully monitoring the net foreign currency exposure as well as utilizing the currency swap and forward contract to hedge the related exposure.

	December 31, 2012			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
----- (Rupees in '000) -----				
Pakistan rupee	128,046,856	126,627,078	1,633,689	3,053,467
United States dollar	5,753,942	3,398,149	(2,372,997)	(17,204)
Great Britain pound	69,961	509,858	424,080	(15,817)
Japanese yen	189	-	-	189
Euro	401,172	742,620	315,228	(26,220)
Other currencies	16,946	5,306	-	11,640
	<b>134,289,066</b>	<b>131,283,011</b>	<b>-</b>	<b>3,006,055</b>

	December 31, 2011			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
----- (Rupees in '000) -----				
Pakistan rupee	116,214,664	109,548,497	(1,275,155)	5,391,012
United States dollar	2,804,618	3,046,206	570,139	328,551
Great Britain pound	72,130	346,795	276,930	2,265
Japanese yen	230	3	1,157	1,384
Euro	192,813	615,427	426,929	4,315
Other currencies	63,878	17,356	-	46,522
	<b>119,348,333</b>	<b>113,574,284</b>	<b>-</b>	<b>5,774,049</b>

#### 43.4.3 Equity position risk

Equity market risk is risk to earnings on capital that results from adverse changes in the value of equity related portfolios. Equity market risk arises from exposure to securities that represent an ownership interest in a company. The Group is exposed to the equity market risk on its equity trading portfolio only. Apart from on statement of financial position exposure, some off statement of financial position equity exposure also comes from the future contracts. The Group is in the process of instituting measures to mitigate the risk associated with the trading equity portfolio through future contracts and active trading on stop loss basis. The strategic equity portfolio however remains exposed to market variations. The Board with the recommendations of ALCO approves exposure limits applicable to investments in trading book.

43.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective yield / interest rate	December 31, 2012										Non-interest bearing financial instruments
	Exposed to yield / interest risk										
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
<b>On-balance sheet financial instruments</b>	(Rupees in '000)										
<b>Assets</b>											
Cash and balances with treasury banks	731,537	-	-	-	-	-	-	-	-	-	7,378,661
Balances with other banks	114,828	-	-	-	-	-	-	-	-	-	3,486,355
Lendings to financial institutions	2,038,500	-	-	-	-	-	-	-	-	-	-
Investments	49,777,088	8,348,705	24,913,777	7,064,004	327,355	-	460,618	669,176	2,799,305	-	2,638,522
Advances	52,549,154	20,783,248	5,217,638	8,667,398	132,434	-	287,511	318,000	220,000	-	107,724
Other assets	2,170,322	-	-	-	-	-	-	-	-	-	2,170,322
	118,246,445	29,131,953	30,131,415	15,731,402	459,789	-	748,129	987,176	3,019,305	-	15,781,584
<b>Liabilities</b>											
Bills payable	-	-	-	-	-	-	-	-	-	-	-
Borrowings	25,676,754	2,646,900	484,800	689	40,307	-	50,982	-	-	-	1,654,302
Deposits and other accounts	18,539,650	35,476,178	9,715,144	10,256,858	482,722	-	26,611	789,060	-	-	21,135,147
Sub-ordinated loans	-	-	1,499,310	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
	44,216,404	38,123,078	11,699,254	10,257,547	523,029	-	77,593	789,060	-	-	2,413,595
<b>On-balance sheet gap</b>	<b>(22,095,308)</b>	<b>(8,991,125)</b>	<b>18,432,161</b>	<b>5,473,855</b>	<b>(63,240)</b>	-	<b>670,536</b>	<b>198,116</b>	<b>3,019,305</b>	-	<b>(9,421,460)</b>
<b>Off-balance sheet financial instruments</b>											
Foreign currency forward purchase	1,841,616	4,544,634	1,247,243	-	-	-	-	-	-	-	-
Foreign currency forward sale	7,536,283	1,185,794	114,379	-	-	-	-	-	-	-	-
	(5,694,667)	3,358,840	1,132,864	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>(1,202,963)</b>	<b>(1,836,844)</b>	<b>1,132,864</b>	-	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>	<b>(14,239,529)</b>	<b>(27,789,975)</b>	<b>19,565,025</b>	<b>5,473,855</b>	<b>(63,240)</b>	-	<b>(259,406)</b>	<b>198,116</b>	<b>3,019,305</b>	-	<b>(4,818,069)</b>
<b>Cumulative yield / interest risk sensitivity gap</b>	<b>(14,239,529)</b>	<b>(27,789,975)</b>	<b>(8,383,380)</b>	<b>(13,857,235)</b>	<b>(8,446,620)</b>	<b>(8,706,026)</b>	<b>(6,035,490)</b>	<b>(7,837,374)</b>	<b>(4,818,069)</b>	-	<b>(4,818,069)</b>

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

	December 31, 2012
	Rupees '000
Total financial assets	118,246,445
Add: Non financial assets	5,450,400
Operating fixed assets	5,986,434
Deferred tax assets	4,605,787
Other assets	134,289,066
Total assets as per statement of financial position	131,283,011
Total financial liabilities	-
Add: Non financial liabilities	131,283,011
Other liabilities	-
Total liabilities as per statement of financial position	131,283,011

Effective yield / interest rate	December 31, 2011										Non-interest bearing financial instruments
	Exposed to yield / interest risk										
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
<b>On-balance sheet financial instruments</b>	(Rupees in '000)										
<b>Assets</b>											
Cash and balances with treasury banks	607,133	-	-	-	-	-	-	-	-	-	5,510,865
Balances with other banks	7,254	-	-	-	-	-	-	-	-	-	1,426,360
Lendings to financial institutions	1,069,757	-	-	-	-	-	-	-	-	-	-
Investments	3,381,895	629,045	3,282,750	24,207,869	652,768	490,446	720,329	481,611	-	-	2,251,930
Advances	3,093,314	11,051,420	4,335,188	25,220,813	4,343,011	2,139,906	2,766,328	2,604,375	360,859	-	84,450
Other assets	-	-	-	-	-	-	-	-	-	-	2,170,322
<b>102,889,999</b>	<b>8,159,353</b>	<b>11,680,465</b>	<b>7,617,938</b>	<b>49,428,682</b>	<b>4,995,780</b>	<b>2,630,352</b>	<b>3,486,657</b>	<b>3,085,986</b>	<b>360,859</b>	<b>-</b>	<b>11,443,927</b>
<b>Liabilities</b>											
Bills payable	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	900,750
Deposits and other accounts	14,188,852	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-	-	-
Sub-ordinated loans	20,062,550	14,917,839	9,953,067	11,033,285	426,484	18,468,997	14,054	10,710	-	-	14,778,315
Other liabilities	-	-	-	-	-	-	-	-	-	-	2,558,180
<b>113,186,847</b>	<b>34,251,402</b>	<b>18,883,936</b>	<b>10,232,350</b>	<b>11,057,459</b>	<b>461,180</b>	<b>18,537,270</b>	<b>15,295</b>	<b>1,510,710</b>	<b>360,859</b>	<b>-</b>	<b>18,237,245</b>
<b>(10,296,848)</b>	<b>(26,092,049)</b>	<b>(7,203,471)</b>	<b>(2,614,412)</b>	<b>38,371,223</b>	<b>4,534,599</b>	<b>(15,906,918)</b>	<b>3,471,362</b>	<b>1,575,276</b>	<b>360,859</b>	<b>-</b>	<b>(6,793,318)</b>
<b>Off-balance sheet financial instruments</b>											
Foreign currency forward purchase	-	2,243,120	571,924	36,080	-	-	-	-	-	-	-
Foreign currency forward sale	-	1,897,188	1,087,335	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>9,701,723</b>	<b>4,140,308</b>	<b>1,659,259</b>	<b>36,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>	<b>(595,125)</b>	<b>(21,951,741)</b>	<b>(2,614,412)</b>	<b>38,371,223</b>	<b>4,534,599</b>	<b>(15,906,918)</b>	<b>3,471,362</b>	<b>1,575,276</b>	<b>360,859</b>	<b>-</b>	<b>4,502,854</b>
<b>Cumulative yield / interest risk sensitivity gap</b>	<b>(595,125)</b>	<b>(21,951,741)</b>	<b>(27,903,548)</b>	<b>10,467,675</b>	<b>15,002,275</b>	<b>(904,643)</b>	<b>2,566,718</b>	<b>4,141,995</b>	<b>4,502,854</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities</b>											
	December 31, 2011										
	Rupees '000										
Total financial assets	102,889,999										
Add: Non financial assets	6,175,011										
Operating fixed assets	6,249,658										
Deferred tax assets	3,952,847										
Other assets	119,267,515										
<b>Total assets as per statement of financial position</b>	<b>119,267,515</b>										
Total financial liabilities	113,186,847										
Add: Non financial liabilities	380,114										
Other liabilities	113,566,961										
<b>Total liabilities as per statement of financial position</b>	<b>113,566,961</b>										

### 43.5 Liquidity risk

Liquidity risk is the risk caused, among others, by the inability of the Group to settle liabilities at due date. The Liquidity Risk Policy is formulated keeping in view State Bank's guidelines on risk management and best market practice.

Objectives of Group's liquidity management is to ensure that the Group is able to honour all its financial commitments on an ongoing basis without (i) affecting the Group's cost of funds (ii) adversely affecting ability to raise funds and (iii) resorting to sale of assets.

Asset and Liability Committee (ALCO), Risk Management Division, Treasury and the Finance Division each have a role in management of liquidity risk.

#### 43.5.1 Maturities of assets and liabilities - based on historical behavioural pattern of the assets and liabilities of the Group

Maturity gaps of all assets and liabilities are based on contractual maturities, in addition to the expected maturities which have been determined based on the behavioural study of non contractual deposits. The Group has used VAR methodology which excludes 5% extreme volatilities thus leaving 95% confidence results.

	December 31, 2012								
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
<b>Assets</b>									
Cash and balances with treasury banks	8,110,198	-	-	-	-	-	-	-	-
Balances with other banks	3,601,183	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	-	-	-	-	-	-	-	-
Investments	49,777,088	8,466,645	22,759,473	10,018,595	618,259	407,145	2,020,344	329,394	2,600,135
Advances	52,549,154	3,017,550	13,006,957	4,125,352	20,423,973	3,969,670	3,273,509	2,444,545	293,802
Operating fixed assets	5,450,400	363,290	66,579	200,029	313,668	299,747	513,200	828,248	2,765,770
Deferred tax assets	5,986,434	145,409	964,021	461,404	33,393	459,630	795,259	1,800,017	927,120
Other assets	6,776,109	4,238,691	845,806	845,806	-	-	-	-	-
	<b>134,289,066</b>	<b>24,071,919</b>	<b>22,786,168</b>	<b>28,794,521</b>	<b>31,949,807</b>	<b>4,934,990</b>	<b>6,602,312</b>	<b>5,402,204</b>	<b>6,586,827</b>
<b>Liabilities</b>									
Bills payable	1,654,302	-	-	-	-	-	-	-	-
Borrowings	28,900,432	25,676,754	2,646,900	689	40,307	-	50,982	-	-
Deposits and other accounts	96,815,372	22,656,776	17,925,457	10,256,858	482,722	33,656,592	26,611	789,060	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	1,499,310	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,413,595	2,413,595	-	-	-	-	-	-	-
	<b>131,283,011</b>	<b>52,401,427</b>	<b>20,572,357</b>	<b>10,257,547</b>	<b>523,029</b>	<b>33,656,592</b>	<b>77,593</b>	<b>2,288,370</b>	<b>-</b>
<b>Net assets</b>	<b>3,006,055</b>	<b>(28,329,508)</b>	<b>2,213,811</b>	<b>17,288,425</b>	<b>4,411,961</b>	<b>(30,496,274)</b>	<b>6,524,719</b>	<b>3,113,834</b>	<b>6,586,827</b>
Share capital	10,779,796								
Reserves	(1,811,675)								
Accumulated loss	(6,127,830)								
Surplus on revaluation of assets - net	165,764								
	<b>3,006,055</b>								

December 31, 2011									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Total	(Rupees in '000)								
<b>Assets</b>									
Cash and balances with treasury banks	6,117,998	-	-	-	-	-	-	-	-
Balances with other banks	1,433,614	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,069,757	-	-	-	-	-	-	-	-
Investments	36,098,644	663,379	3,282,751	26,271,993	652,768	490,446	720,329	481,611	153,472
Advances	55,999,664	3,093,314	4,342,589	25,234,924	4,368,599	2,158,478	2,774,565	2,609,792	360,859
Operating fixed assets	6,175,011	335,552	104,811	209,622	358,511	310,846	536,805	875,482	3,373,508
Deferred tax assets	6,249,658	186,348	227,552	1,370,035	475,011	506,307	680,633	1,813,280	520,729
Other assets	6,123,169	-	-	-	-	-	-	-	-
	119,267,515	21,741,647	12,259,560	7,957,703	53,086,574	3,466,077	4,712,332	5,780,165	4,408,568
<b>Liabilities</b>									
Bills payable	900,750	-	-	-	-	-	-	-	-
Borrowings	18,562,616	3,966,097	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,665,301	15,648,090	10,866,620	10,978,622	426,484	28,723,892	14,054	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,938,294	-	-	-	-	-	-	-	-
	113,566,961	41,024,724	19,614,187	11,145,903	461,180	28,792,165	15,295	1,510,710	-
<b>Net assets</b>	5,700,554	(19,283,077)	(7,354,627)	(3,188,200)	5,393,709	(25,326,088)	4,697,036	4,269,455	4,408,568
Share capital	10,779,796	-	-	-	-	-	-	-	-
Reserves	(1,811,675)	-	-	-	-	-	-	-	-
Accumulated loss	(3,465,687)	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	198,120	-	-	-	-	-	-	-	-
	5,700,554	-	-	-	-	-	-	-	-

43.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

	December 31, 2012								
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 Months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
<b>Assets</b>									
Cash and balances with treasury banks	8,110,198	-	-	-	-	-	-	-	-
Balances with other banks	3,601,183	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,038,500	-	-	-	-	-	-	-	-
Investments	49,777,088	8,466,645	22,759,473	10,018,595	618,259	407,145	2,020,344	329,394	2,600,135
Advances	52,549,154	3,017,550	4,125,352	20,423,973	3,969,670	1,993,796	3,273,509	2,444,545	293,802
Operating fixed assets	5,450,400	363,290	66,579	200,029	313,668	299,747	513,200	828,248	2,765,770
Deferred tax assets	5,986,434	145,409	400,181	461,404	33,393	459,630	795,259	1,800,017	927,120
Other assets	6,776,109	-	-	-	-	-	-	-	-
	134,289,066	21,940,362	27,948,715	31,104,001	4,934,990	3,160,318	6,602,312	5,402,204	6,586,827
<b>Liabilities</b>									
Bills payable	1,654,302	-	-	-	-	-	-	-	-
Borrowings	28,900,432	2,646,900	484,800	689	40,307	-	50,982	-	-
Deposits and other accounts	96,815,372	10,606,735	9,637,046	10,351,602	472,322	394,002	26,611	789,060	-
Sub-ordinated loans	1,499,310	-	-	-	-	-	-	1,499,310	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,413,595	2,413,595	-	-	-	-	-	-	-
	131,283,011	13,253,635	10,121,846	10,352,291	512,629	394,002	77,593	2,288,370	-
<b>Net assets</b>	3,006,055	8,686,727	17,826,869	20,751,710	4,422,361	2,766,316	6,524,719	3,113,834	6,586,827
Share capital	10,779,796								
Reserves	(1,811,675)								
Accumulated loss	(6,127,830)								
Surplus on revaluation of assets - net	165,764								
	3,006,055								

December 31, 2011									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	6,117,998	-	-	-	-	-	-	-	-
Balances with other banks	1,433,614	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,069,757	-	-	-	-	-	-	-	-
Investments	36,098,644	663,379	3,282,751	26,271,993	652,768	490,446	720,329	481,611	153,472
Advances	55,999,664	3,093,314	4,342,589	25,234,924	4,368,599	2,158,478	2,774,565	2,609,792	360,859
Operating fixed assets	6,175,011	335,552	104,811	209,622	358,511	310,846	536,805	875,482	3,373,508
Deferred tax assets	6,249,658	186,348	179,151	1,418,436	475,011	506,307	680,633	1,813,280	520,729
Other assets	6,123,169	-	-	-	-	-	-	-	-
	119,267,515	21,741,647	7,909,302	53,134,975	5,854,889	3,466,077	4,712,332	5,780,165	4,408,568
<b>Liabilities</b>									
Bills payable	900,750	900,750	-	-	-	-	-	-	-
Borrowings	18,562,616	14,188,852	279,283	24,174	34,696	68,273	1,241	-	-
Deposits and other accounts	89,665,301	59,148,895	9,930,455	11,003,494	386,918	178,126	9,354	10,710	-
Sub-ordinated loans	1,500,000	-	-	-	-	-	-	1,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	2,938,294	2,938,294	-	-	-	-	-	-	-
	113,566,961	77,176,791	10,209,738	11,027,668	421,614	246,399	10,595	1,510,710	-
<b>Net assets</b>	5,700,554	(55,435,144)	(2,300,436)	42,107,307	5,433,275	3,219,678	4,701,737	4,269,455	4,408,568
Share capital	10,779,796								
Reserves	(1,811,675)								
Accumulated loss	(3,465,687)								
Surplus on revaluation of assets - net	198,120								
	5,700,554								

**43.6 Operational risk management**

The Group, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Group maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Group's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to the industry best practices.

The Group seeks to manage the operational risk from two perspectives, firstly by way of ensuring compliance of standard operating procedures including defined processes for prevention and detection of any fraud and forgery, and work place safety and security, secondly through contingency planning to ensure continuity of business. Policies and procedures covering all activities in Group are in place.

The Group is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

**44. RECLASSIFICATIONS**

Following corresponding figures have been reclassified for the purpose of better presentation:

Statement	Component	Reclassification from	Reclassification to	Amount in Rupees in '000'
Profit and loss account	Net mark-up / interest income	Other income	Share of profit of associates	1,148
Balance Sheet	Net mark-up assets	Fixed Assets - Intangible assets	Fixed Assets - Operating fixed assets - tangible	22,800

**45. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on March 07, 2013 by the Board of Directors of the Group.

**46. GENERAL**

**46.1** Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

**46.2** The figures in the financial statements have been rounded off to the nearest thousand.

\_\_\_\_\_  
**President & Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**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

ANNEXURE I

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year			Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)	
				Principal	Interest / mark-up	Others					Total
1	2	3	4	5	6	7	8	9	10	11	12
1	Latif Fibers (Pvt.) Ltd. 37-F-A, Block 6, PECHS, Karachi-75400	Mr Ubaid Amanullah 42301-8209569-7 Mr Jawad Junaid 42201-7989341-9	Mr Amanullah Muhammad Junaid	18,576	3,598	-	22,174	18,576	3,598	-	22,174
2	Latif Cotton Mills Ltd. 37-F-A, Block 6, PECHS, Karachi-75400	Muhammad Junaid 42201-9863092-7 Ms Fouzia 42201-2860406-8 Mr Suhail 42201-0859512-3 Mr Owais Amanullah 42301-2481478-1 Muhammad Afham 42201-8497215-5 Mr Ubaid 42301-8209569-7 Mr Jawad Junaid 42201-7989341-9	Mr Haji Latif Ms w/o Muhammad Junaid Mr Haji Younus Mr Ammanullah Mr Suhail Mr Amanullah Mr Muhammad Junaid	17,383	3,367	-	20,750	17,383	3,367	-	20,750
3	Pride Embroiders Fareed Town Pastoor Road, Gujranwala.	Hamid Raza 34101-9393881-9	Ch. Nisar Ahmed	2,996	735	-	3,731	-	735	-	735
4	Natural Polymer Ind. (Pvt.) Limited, Flat No 7/c, Sunset Commercial Street-I, Phase - IV DHA, Karachi	Ahmed Faraz Qaisrani 42301-8993168-5 Shazia Khan 42000-4716259-2 Mahmood Rangoonwala 42401-4046725-5 Muhammad Yousuf 42401-4056225-5	Sardar Ahmed Nawaz Khan Qaisrani Ahmed Faraz Qaisrani Ahmed Rangoonwala Ahmed Rangoonwala	26,979	10,679	-	37,658	3,372	10,679	-	14,051
5	Haji Saifullah Khan H.No.21, Street No.22, F-8/2, Islamabad.	Haji Saifullah Khan Bangash 101-48-455737	Haji Gul Khan	13,397	3,747	-	17,144	10,397	3,747	-	14,144
6	Kausar Textile Atlas Street Maqbool Road Faisalabad	Sheikh Muhammad Idress Executive Director 33100-0666263-5	Ghulam Muhammad	49,990	1,643	155	51,788	6,490	1,643	155	8,288
7	Iqbal & Company (Iqbal Group) Khalid Plaza, Above Bhai Bhai Book Center, Allama Iqbal Town, Lahore	Ch. Iqbal Ahmed Shahid CNIC# 35202-5932639-3 Mrs. Akhtar Iqbal NIC # 285-34-496018	Din Muhammad W/o Ch. Iqbal Ahmed Shahid	375	3,000	-	3,375	-	2,944	-	2,944
8	Javaid Garments (Iqbal Group) Khalid Plaza, Above Bhai Bhai Book Center, Allama Iqbal Town, Lahore	Ch. Iqbal Ahmed Shahid NIC # 285-88-491017	Din Muhammad	14,071	1,599	-	15,670	-	1,599	-	1,599
9	Usman Sharif H# 07 s# 15 Al -Noor S#H Maqbool Road, Ichra, Lahore	Usman Sharif 35202-0110766-7	Muhammad Sharif	498	372	-	870	144	372	-	516

ANNEXURE I

Sr. No.	Name and address of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / husband's name	Outstanding Liabilities at beginning of year			Total			Interest / mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / mark-up	Others	Principal	Interest / mark-up	Others			
1	2	3	4	5	6	7	8	9	10	11	12	
(Rupees in '000)												
10	M/s. Muhammad Siddique Multipurpose Industries E-33, SITE, Karachi	Abdul Rasheed 42301-2158156-5	Muhammad Siddique	20,000	1,147	-	21,147	-	1,147	-	1,147	
11	Al-Ansar Travels & Tours G-8, Mehran Estate Dr. Daud Pota Road Near Cant. Karachi	Shah Nawaz 42301 8672224 7	Meeran Shah	16,997	3,950	-	20,947	-	3,850	-	3,850	
12	Muhammad Shafiq H# 239/430 Usman Street Makhdomeabad Chungi/Amer Sidhu, Lahore	Muhammad Shafiq 35201-5911820-3	Muhammad Latif	1,191	286	-	1,477	357	286	-	643	
13	Wisdom Education System 206/1, 32nd Street, Phase-VIII, DHA, Karachi	Abdul Aziz Malik 42301-9424977-3 Abdul Hafeez Malik 42301-9369503-5 Andleeb Abbasi 31201-9953907-4 Atif Aziz Malik 42301-5610141-9 Usma Aziz Malik 42301-9631584-2 Assam Aziz Malik 42000-0389528-3	S/o Allah Rakha Malik S/o Abdul Aziz Malik D/o Abdul Aziz Malik S/o Abdul Aziz Malik D/o Abdul Aziz Malik S/o Abdul Aziz Malik	7,907	8,804	-	16,711	-	6,605	-	6,605	
14	Zahoor Ahmed Khan H.No.36, Street No.55, G-9/4, Islamabad	Zahoor Ahmed Khan (Deceased) 61101-0889566-7	Muhammad Ameer Khan	140,000	6,154	-	146,154	-	6,154	-	6,154	
15	Tariq Anwar Rana Flat No A-403 4th Floor P#FL-7 Block 4 Gulistan-e-Jauhar, Karachi	Tariq Anwar Rana 42201-1361362-5	Muhammad Anwar	324	420	-	744	90	420	-	510	
16	Muhammad Imran Safdar House No - 01 Fazo Wali Street Jia Moza Shahdara, Lahore	Muhammad Imran Safdar 35202-2756978-1	Muhammad Saidar	400	384	-	784	120	384	-	504	
17	Abid Rasheed Gali#04-Abadi Mir Muzaffar Bara Gala P.O Ashraruloom Gujranwala	Abid Rasheed 34101-2676675-7	Abdul Rasheed	759	607	-	1,366	189	607	-	796	
18	Zia-ud-din House No 06 St#01 Abubakar St Nabi Park Qila Lakshaman Ravi Road, Lahore	Zia-ud-din 35202-7800751-9	Miraj ud Din	880	353	-	1,233	308	353	-	661	
19	Ammar Ahmed 275-Block-B Opp Macdonald Peoples Colony 1, Faisalabad	Ammar Ahmed 33100-9930522-5	Siraj Ahmed	1,002	373	-	1,375	250	373	-	623	
20	Muhammad Arshad P # 84 St # 8 Muhalla Dawood Nagar N/B Malik Rent Car, Faisalabad	Muhammad Arshad 33100-0625371-9	Ali Muhammad	500	408	-	908	144	408	-	552	
<b>TOTAL</b>				<b>334,225</b>	<b>51,626</b>	<b>155</b>	<b>386,006</b>	<b>57,820</b>	<b>49,271</b>	<b>155</b>	<b>107,246</b>	

## CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2012

Categories of Shareholders	Shares Held	
	Number	% age
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Suroor Investments Limited	554,680,393	51.46
Rupali Bank Limited	32,777,450	3.04
Shirazi Capital (Pvt.) Ltd.	56,041,429	5.20
<b>Directors</b>		
Mr. Nasim Beg	3,777	0.00
Mr. Asadullah Khawaja	74	0.00
<b>National Investment Trust &amp; Investment Corporation of Pakistan</b>	11,032,406	1.02
<b>Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas &amp; Mutual Funds</b>	98,956,317	9.18
<b>Foreign Shareholders</b>	13,274,580	1.23
<b>Individuals</b>	205,483,208	19.06
<b>Others</b>	105,729,941	9.81
<b>Total</b>	<b>1,077,979,575</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS

AS ON DECEMBER 31, 2012

Categories of Shareholders	Number of Shareholder	Shares Held	
		Number	% age
<b>Associated Companies, Undertakings &amp; Related Parties</b>			
Suroor Investments Limited	1	554,680,393	51.46
Rupali Bank Limited	1	32,777,450	3.04
Shirazi Capital (Pvt.) Ltd.	1	56,041,429	5.20
<b>Directors</b>	2	3,851	0.00
<b>National Investment Trust &amp; Investment Corporation of Pakistan</b>	2	11,032,406	1.02
<b>Banks, Development Financial Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas &amp; Mutual Funds</b>	24	98,956,317	9.18
<b>Foreign Shareholders</b>	10	13,274,580	1.23
<b>Individuals</b>	51,523	205,483,208	19.06
<b>Others</b>	146	105,729,941	9.81
<b>Total</b>	<b>51,709</b>	<b>1,077,979,575</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDING

AS ON DECEMBER 31, 2012

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	From	To	
8307	1	100	355,346
4312	101	500	1,157,045
26088	501	1000	14,877,027
9666	1001	5000	19,857,002
1416	5001	10000	10,424,998
1699	10001	100000	49,756,391
186	100001	1000000	48,786,534
14	1000001	2000000	19,607,802
1	3000001	4000000	3,997,677
2	5000001	6000000	10,880,600
1	6000001	7000000	6,171,000
2	7000001	8000000	14,894,428
3	8000001	9000000	24,775,326
1	9000001	10000000	9,056,000
2	11000001	12000000	22,900,563
1	17000001	18000000	17,079,500
2	25000001	26000000	50,926,222
1	27000001	28000000	27,969,026
2	32000001	33000000	64,876,969
1	48000001	49000000	48,908,297
1	56000001	57000000	56,041,429
1	554000001	555000000	554,680,393
51,709			1,077,979,575

## NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the shareholders of Summit Bank Limited ("Bank"), will be held on Saturday, March 30, 2013 at 11.00 a.m. at Serena Hotel, Islamabad to transact the following business:

### Ordinary Business:

1. To confirm the minutes of Extraordinary General Meeting of the Bank held on December 03, 2012.
2. To receive, consider and adopt audited financial statements stand alone and consolidated of the Bank for the year ended December 31, 2012 along with Directors' and Auditors' Report thereon and Statement of Compliance with the Code of Corporate Governance.
3. To elect seven directors in accordance with the provision of Section 178 of the Companies Ordinance, 1984 for the period of three years commencing April 01, 2013. All the retiring directors being eligible to offer themselves for re-election:

01.	Mr. Nasser Abdullah Hussain Lootah
02.	Mr. Husain Lawai
03.	Mr. Nasim Beg
04.	Mr. Asadullah Khawaja
05.	Mr. M. Farid Uddin
06.	Mr. Shehryar Faruque
07.	Dr. Ahmed Khalil Muhammad Samea Al Mutawa (resigned recently)

The Board of Directors has fixed the number of Directors to be elected at this meeting to be seven (07) in terms of Resolution by Circulation dated February 6, 2013 passed by the Directors. The retiring Directors shall be eligible to offer themselves for re-election in accordance with applicable Regulations.

4. To appoint External Auditors of the Bank for the year ending December 31, 2013 till the conclusion of next Annual General Meeting and fix their remuneration. (Present Auditors, M/s. Ernst Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, offer themselves for re-appointment).
5. To transact any other business with the permission of the chair.

**Karachi:**

**Date: March 8, 2013**

**By order of the Board  
Muhammad Siddique Memon  
Company Secretary & Legal Head**

### Notes:

1. The Board approved injection of further capital of Rs.5 Billion before the end of 2013 from Domestic and International Market, subject to all regulatory approvals. The additional increase in the capital of the Bank will exceed Minimum Capital Requirement of State Bank of Pakistan by end 2013.
2. The share transfer books of the bank will be closed from March 23, 2013 to March 30, 2013 (both days inclusive). Transfers received at the office of the Share Registrar of the Bank, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quideen, Karachi, at the close of Business March 22, 2013 will be treated in time for the purpose of entitlement to attend the said AGM. This book closure shall also apply for entitlement to write issue of preference shares of Rs.2.1 Billion approved in the EOGM held on December 03, 2012. The transfers received by our said share registrar shall be duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the office of the Share Registrar of the Bank, M/s. Technology Trade (Pvt.) Ltd., duly stamped, signed and witnessed not later than 48 hours before the meeting.
4. Shareholders whose shares are deposited with Central Depository Company of Pakistan Limited (CDC) are requested to bring their computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
5. Members are requested to notify any change in their addresses immediately.
6. Members are requested to submit copy of their CNICs with our Share Registrar M/s. Technology Trade (Pvt.) Ltd.

## Branch Network

### Karachi

#### I. I. Chundrigar Road Branch 1

Uni Towers, I.I. Chundrigar Road  
Tel: 021-32466410-413  
Fax: 021-32466500

#### Ranchore Line Branch

R.C. 11, Old Survey # E-7/143, Ranchore Line, New Lakhpati Hotel- Karachi.  
Tel: 021-32767234-5  
Fax: 021-32767236

#### Karachi Stock Exchange Branch

Office No. 52, 52-A, 52-B, (1st Floor) KSE Building-KHI  
Tel: 021-32462850, 32462844-9  
Fax: 021-32462843

#### Atrium Mall Branch

Shop No. 6 and 21 Ground floor, Plot No. 249, Atrium Mall, Staff Lines, Zaibunnisa Street, Saddar, KARACHI  
Tel: 021-35641000-5  
Fax: 021-35641008

#### Bahadurabad Branch

Plot # C-23, Shop # 1&2 Block-3, BMC Commercial Area Bahadurabad, Karachi.  
Tel: 021-34913447 -49  
Fax: 021-34913453

#### Soldier Bazar Branch

Shop # 4,5 & 6, Plot No 14, Survey # 13-B-2, Soldier Bazar Quarters-Karachi.  
Tel: 021-32231559-60  
Fax: 021-32231556

#### Gulshan-e-Iqbal Branch 1

Ground Floor, Hasan Center, Block-16, Main University Road, Karachi.  
Tel: 021-34829024-27  
Fax: 021-34829023

#### Gulistan-e-Jauhar Branch 1

Plot # 118/A-B, Shop # 02,03,04 Ground Floor Ruffi Paradise Block-18 Gulistan-e-Jauhar, Karachi  
Tel: 021-34621281-3  
Fax: 021-34621285

#### Adamjee Nagar Branch

115-A/Z, Block 7/8, Tipu sultan Road, Karachi.  
Tel: 021-"34312984-9"  
Fax: 021-34312980

#### Manzoor Colony Branch

Plot No. 23, Sector I, Street No. 02, Manzoor Colony, Jamshed Town-KHI  
Tel: 021-35393829-31  
Fax: 021-35393832

#### Korangi Industrial Area Branch

33/1, Sector-15, Korangi Industrial Area, Karachi  
Tel: 021-35114290, 35121294, 35122231-32  
Fax: 021-35114282

#### Jami Commercial, DHA Branch

64 C, Jami Commercial Phase VII, 7th Street, DHA. Karachi.  
Tel: 021-35316200-07  
Fax: 021-35316199

#### Dolmen City Branch

Ground Floor Harbor Front, Triangular Towers, Dolmen City Marine Drive Phase IV, Clifton. Karachi.  
Tel: 021-35297611-15  
Fax: 021-35297610

#### Hyderi Branch

D-10 Block-F, North Nazimabad, Hyderi. Karachi.  
Tel: 021-36724992-4  
Fax: 021-36724972

#### Karimabad Branch

Plot No BS-16, Block 1, FB Area, Karimabad-KHI.  
Tel: 021- 36826646-48  
Fax: 021-36826649

#### M. A. Jinnah Road Branch

Mezzanine & Ground Floor, Plot Survey # 19, Street # R.B.6. Shop # 3,4, Ram Bagh Quarters 166 M.A. Jinnah Road Karachi  
Tel: 021- 32218395, 32218409, 32218428  
Fax: 021-32218376

#### Electronic Market (Abdullah Haroon Road) Branch

Shop No 1 & 2, Plot # 19, Ghafoor Chambers, Preedy Quarters, Saddar, Karachi.  
Tel: 021-32711614-7  
Fax: 021-32716113

#### Jodia Bazar Branch 1

A/25/28 Darayalal Street, Jodia Bazar, Karachi.  
Tel: 021-32500121-5  
Fax: 021-32500128

## Branch Network

### Khayaban-e-Shahbaz Branch

Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA Karachi.

Tel: 021-35344952 & 35344957

Fax: 021-35344942

### Saeedabad Branch

Plot # 1004/1 & 1004-A/1 (5G/102-A & 5G/012-A/2), Saeedabad, Baldia, Mahajir Camp, Karachi.

Tel: 021-32815092-94

Fax: 021-32815096

### Burns Road Branch

Plot No. 55-A, Survey Sheet A.M., Artillery Maidan Quarters (Burns Road), Karachi.

Tel: 021-32215174-75

Fax: 021-32215289

### Cloth Market Branch

41, Saleh Muhammad Street, Cloth Market, Karachi.

Tel: 021-32461601-03

Fax: 021-32461604

### Truck Stand Branch

Truck Stand, K-28, Hawksbay Road, Trans Lyari-Karachi.

Tel: 021-35428829-30

Fax: 021-37671962

### Shahra-e-Faisal Branch(I)

44/A-Nice Trade Orbit, Shop 8, Blk-6, PECHS, Shahrah-e-Faisal, Karachi.

Tel: 021-34328426-7

Fax: 021-34386180

### Shershah. Branch

Plot # D-175, Industrial Trading Estate Area, Trans Lyari Qrtrs, Shershah-KHI

Tel: 021-32588191-193

Fax: 021-32588195

### Nazimabad (Gol Market) Branch

Plot # 7, Sub Block 'E', in Block # III (III-E-7), Nazimabad (Gole Market), Karachi

Tel: 021-36620261-63

Fax: 021-36620264

### Khayaban-e-Tanzeem Branch

C 4-C, Tauheed Commercial, Khayaban-e-Tanzeem, Phase-5, DHA, Karachi.

Tel: 021-35869147-35869207-35871640

Fax: 021-35869342

### Zaibunnisa Street Branch

B-6/16-A, Sadar Bazar Quarters, Zaibun Nisa Street, Karachi.

Tel: 021-35210084,35660613,35660611,35215033

Fax: 021-35224762

### DHA Phase I Branch

101-C, Commercial Area 'B', Phase-1 DHA, Karachi.

Tel: 021-35314063,35314065,35314067

Fax: 021-35314070

### Clifton Branch

Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.

Tel: 021-35823469, 35824171,35823619

Fax: 021-35821463

### DHA Phase IV Branch

Plot # 129, 9th Commercial Street, Phase IV, DHA, Karachi

Tel: 021-35313068-70

Fax: 021-35313071

### Jodia Bazar Branch 2

Ram Bharti Street, Ismail Trade Centre, Karachi

Tel: 021-32437991-3 - 32471120

Fax: 021-32437994

### North Napier Road Branch

18-19, North Napier Road, Karachi.

Tel: 021-32766477 & 32766755

Fax: 021-32766487

### New Challi Branch

Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi

Tel: 021-32422071,32422027, 32422096, 32422069

Fax: 021-32422051

### Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.

Tel: 021-32639671-2

Fax: 021-32639670

### Abdullah Haroon Road Branch

282/3, Abdullah Haroon Road, Area, Saddar, Karachi.

Tel: 021-35685269, 35685393,35685940

Fax: 021-35683991

### Water Pump Branch

Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.

Tel: 021-36321387, 36314817

Fax: 021-36314848



## Branch Network

### Bahadur Shah Center Branch

Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.

Tel: 021-32768547, 32768559

Fax: 021-32765083

### I. I. Chundrigar Road Branch 2

5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.

Tel: 021-32438212, 32472176, 32471796

Fax: 021-32438218

### North Karachi Industrial Area Branch

Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.

Tel: 021-32015919 -20 , 36995925

Fax: 021-36975919

### Garden East Branch

Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi

Tel: 021-32243311-13

Fax: 021-32243314

### S.I.T.E. Branch

B/9-B/3, Near Metro Chowrangi S.I.T.E., Area, Karachi.

Tel: 021-32586801-4, 32587166-8

Fax: 021-32586806

### Plaza Quarters Branch

Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi

Tel: 021-32771515-16-18

Fax: 021-32771517

### Muhammad Ali Society Branch

Plot# 4-C Commercial Area

Muhammad Ali Co-Operative Housing Society Karachi.

Tel: 021-34168036-37

Fax: 021-34186045

### Timber Market Branch

Siddique Wahab Road, Karachi.

Tel: 021-32732729, 32766995

Fax: 021-32733214

### Gulshan-e-Iqbal Branch 2

B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi.

Tel: 021-34987688, 34987739-40

Fax: 021-34987689

### Tariq Road Branch

C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.

Tel: 021-34556486, 34556682

Fax: 021-34555478

### Barkat-e- Hyderi Branch

Almas Square, Block-G, North Nazimabad, Karachi.

Tel: 021-36628931, 36706896-7

Fax: 021-36723165

### Shahrah-e-Faisal Branch(II)

Business Avenue Block-6, P.E.C.H.S., Karachi.

Tel: 021-34386417-18

Fax: 021-34531819

### Defence Branch

55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.

Tel: 021-35387809-35396263 - 35312592

Fax: 021-35387810

### Badar Commercial Branch

Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi

Tel: 021-35348501-3

Fax: 021-35348504

### Steel Market, Branch

Ground Floor, Shop #. G-13, 14, 32, 33 Steel Market, Rancho Relines Quarters Karachi

Tel: 021-32763001- 07

Fax: 021-32763009

### Gulistan-e-Jauhar Branch 2

Shop No. 5,6,7 & Office No. D-2 , Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi

Tel: 021-34022259, 34613674, 34016488-9

Fax: 021-34022639

### Rizvia Society Branch

B-12, Rizvia Cooperative Society, Nazimabad, Karachi

Tel: 021-36600956-57

Fax: 021-36600958

### Jamshed Quarters Branch

Showroom no. 3 & 4, AB Arcade Plot #. 714-6-1 Block A, New M.A. Jinnah Road, Karachi

Tel: 021-34860422-23, 34860425

Fax: 021-34860424

## Branch Network

### Dhoraji Colony Branch

Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar  
Co- operative Housing Society, Karachi  
Tel: 021-34860773-75  
Fax: 021-34860772

### PAF-Base Faisal Sub-Branch

Camp-2, Faisal Arcade, PF-I, Market  
PAF-Base Faisal, Karachi  
PABX: 021-34601360-62  
Fax: 021-34601363

### Lahore

#### DHA Y Block Branch

163, Block Y, Phase III, DHA Lahore Cantt.  
Tel: 042-3569 2531-36  
Fax: 042-3589 4682

#### Gulberg Branch

132-E/I Main Boulevard, Gulberg-III, Lahore  
Tel: 042-35870832-3, 35870975-6  
Fax: 042-35870834

#### Lahore Stock Exchange Branch

Office No. 5, LSE Building, 19, Aiwan e Iqbal Road, Lahore  
Tel: 042-36280853-56  
Fax: 042-36280851

#### Ferozpur Road Branch

Siza Farmer Factory, Sufiabab, Lahore  
Tel: 042-35800092-93 & 96  
Fax: 042-35800094

#### Multan Road Branch Branch

Plot # 9/A, Scheme more Corner, Allama Iqbal Town  
Multan Road, Lahore.  
Tel: 042-37497451-54  
Fax: 042-37497450

#### Circular Road Branch Branch

Babar Centre, 51, Circular Road, Lahore  
Tel: 042-37379371 - 74  
Fax: 042-37379370

#### Ichra More Branch

House # 146, Muhallah Ferozpur Road, Ichra More,  
Lahore.  
Tel: 042-37572091-93  
Fax: 042-37572089

### Faisal Town Branch

853/D, Akbar Chowk, Faisal Town, Lahore.  
Tel: 042-35204101-3  
Fax: 042-35204104

### Azam Cloth Market Branch

285-286, Punjab Block, Azam Cloth Market, Lahore.  
Tel: 042-37661686 / 37654320 /37642344  
Fax: 042-37661863

### Z Block DHA Branch

323-Z, DHA, Phase-3, Lahore.  
Tel: 042-35693112-15  
Fax: 042-35693117

### New Garden Town Branch

19-A, Ali Block, New Garden Town, Lahore.  
Tel: 042-35911361-4  
Fax: 042-35911365

### Mall Road Branch

56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall), Lahore.  
Tel: 042-36284801-3  
Fax: 042-36284805

### Model Town Branch

14-15, Central Commercial Market, Model Town, Lahore.  
Tel: 042-35915540-49  
Fax: 042-35915549

### Lahore- Cantt Branch

Day building 1482/A, Abdul Rehman Road, Lahore Cantt.  
Tel: 042- 36603061-63  
Fax: 042-36603065

### Pasco House Branch

PASSCO House, 11, Kashmir Road, Adjacent LDA Plaza,  
Lahore.  
Tel: 042-36300670-1  
Fax: 042-36310362

### DHA G Block Branch

Plot # 13 G, Commercial Zone DHA, Phase-I, Lahore.  
Cantt.  
Tel: 042-35691173-78  
Fax: 042-35691171

### Liberty Market Branch

26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.  
Tel: 042-35784321, 35784328, 35717273, 35763308  
Fax: 042-35763310

## Branch Network

### Badami Bagh Branch

25 - Peco Road Badami Bagh Lahore  
Tel: 042-37724583, 37720382, 37705036  
Fax: 042-37730867

### Ravi Road Branch

Plot # 48-J, Ravi Road, Lahore.  
Tel: 042-37722903 - 04  
Fax: 042-37722905

### Shahalam Gate Branch

12-A, ShahAlam Gate, Lahore.  
Tel: 042-37666854 - 57  
Fax: 042-37663488

### Johar Town Branch

Plot # 85, Block G/1, M.A Johar Town-Lahore  
Tel: 042-35291172-74  
Fax: 042-35291174

### Egerton Road Branch

27-Ajmal House, Egerton Road, Lahore.  
Tel: 042-36364522, 36364532  
Fax: 042-36364542

### Allama Iqbal Town Branch

56/12, Karim Block, Allama Iqbal Town, Lahore.  
Tel: 042-35434160-61,35434163  
Fax: 042-35434164

### Darogawala Branch

Near Shalimar garden G.T.Road Darogawala Lahore  
Tel: 042-36520681 - 83  
Fax: 042-36520684

### Wahdat Road Branch

Mauza Ichra, Wahdat Road, Lahore  
Tel: 042-37503001-3  
Fax: 042-37503004

### Bedian Road Branch

Plot No. 2512/1, Phase-VI, Bedian Road, (Talal Medical Center), Lahore.  
Tel: 042-37165300 & 03  
Fax: 042-37165304

### Samanabad Branch

Plot No.855,Poonch Road, Samanabad, Lahore.  
Tel: 042-37568831, 37568844, 37568847, 37568842  
Fax: 042-37568854

### Airport Road Branch

M. M. Arcade, 192-B, New Air Port Road, Lahore  
Tel: 042-35700336, 35700338-9  
Fax: 042-35700323

### Urdu Bazar Branch

S - 38-R, Urdu Bazar Chowk - 205, Circular Road, Lahore  
Tel: 042-37116001 - 3  
Fax: 042-37116004

### Islamabad

#### Super Market Branch

Plot No. 6B, F-6, Super Market, Islamabad  
Tel: 051-2279168-70, 051-2824533-34  
Fax: 051-2279166

#### Stock Exchange Branch

Plot # 109, East F-7/G-7, Jinnah Avenue, Blue Area-  
Islamabad  
Tel: 051-2806281-83  
Fax: 051-2806284

#### Bahria Town Branch

Plot # 3-4, Express Way, Sufiyan Plaza, Phase VII, Bahria  
Town, Islamabad.  
Tel: 051- 5707360 - 63  
Fax: 051-5707358

#### F-6 Markaz Branch

2-Fateh Plaza, Block C, Super Market, F-6 Markaz,  
Islamabad.  
Tel: 051-2601701-3  
Fax: 051-2601710

#### F-10 Markaz Branch

Plot No. 08, Maroof Hospital, F-10 Markaz-Islamabad.  
Tel: 051-2222860-62  
Fax: 051-2222863

#### F-11 Markaz Branch

Plot # 29, Select Center, F-11 Markaz-Islamabad.  
Tel: 051-2228027 - 28  
Fax: 051-2228365

#### Blue Area Branch

20 - Al Asghar Plaza, Blue Area, Islamabad.  
Tel: 051-2823204, 2872913  
Fax: 051-2274276

#### Barah Koh Branch

Murree Road, Tehsil / District, Islamabad.  
Tel: 051-2231344, 2233136  
Fax: 051-2231345

#### G-11 Markaz Branch

Shop #. 25-34, Plot #. 23, Sajid Sharif plaza, G-11 Markaz,  
Islamabad  
Tel: 051-2220973-6  
Fax: 051-2220977

## Branch Network

### I-9 Markaz Branch

Plot # 3/L, Shops Nos. 6, 7, 13, & 14, I-9, Markaz, Islamabad  
Tel: 051-4449832-35  
Fax: 051-4449836

### Rawalpindi

#### Bank Road Branch 1

60, Bank Road, Rawalpindi.  
Tel: 051-5564123, 051-5120778-80  
Fax: 051-5528148

#### Bank Road Branch 2

Saddar Bazar, Rawalpindi Cantt.  
Tel: 051-5523840-41  
Fax: 051-5523837

#### Raja Bazar Branch

Raja Bazar, Rawalpindi.  
Tel: 051-5534173-5557244  
Fax: 051-5559544

#### Shamsabad Muree Road Branch

DD/29, Shamsabad Muree Rd., Ojri Kalan, Rawalpindi.  
Tel: 051-4854400, 4854401-03  
Fax: 051-4854404

### Faisalabad

#### Susan Road Branch

Chak No. 213/RB Susan Road.Faisalabad.  
Tel: 041-8502367-69  
Fax: 041-8502371

#### Liaquat Road Branch

Liaquat Road, Chak # 212, Faisalabad  
Tel: 041-2541257-59  
Fax: 041-2541255

#### Kotwali Road Branch

P-12, Kotwali Road, Faisalabad  
Tel: 041-2412151-53  
Fax: 041-2412154

#### Jail Road Branch

House No. P-62, opposite Punjab Medical College, Jail Road-Faisalabad.  
Tel: 041-8813541-43  
Fax: 041-8813544

### Aminpur Bazar Branch

Plot # 183, Street No.2, Between Amipur Bazar & Chiniot Bazar, Faisalabad.  
Tel: 041-2636783 & 2626783  
Fax: 041-2611363

### Multan

#### Abdali Road Branch

Plot No. 66-A & 66-B/9, Abdali Road,Multan  
Tel: 061-4500108,4500110,4500115,4500116  
Fax: 061-4516762

#### Vehari Road Branch

PU # 2227-A, Chowk Shah Abbas, Vehari Road-Multan.  
Tel: 061-6241015-17  
Fax: 061-6241014

#### Qadafi Chowk Branch

Plot # 43, Block T, New Multan Road, Qadafi Chowk-Multan  
Tel: 061-6770882-84  
Fax: 061-6770889

#### Hussain Agahi Road Branch

2576, Hussain Agahi Road, Multan.  
Tel: 061-4548083-4583268-4583168  
Fax: 061-4543794

### Sukkur

#### Marich Bazar Branch

B – 885, Marich Bazar, Sukkur  
Tel: 071-5627781  
Fax: 071-5627755

#### Shikarpur Road Branch

Shop # D-195, Ward D, Near A Section Police Station Shikarpur Road- Sukkur.  
Tel: 071-5617142-44  
Fax: 071-5617145

#### Workshop Road Branch

City Survey #. 3403/2/1 and C.s # 3403/2M/6, Ward-B Tooba Tower Workshop Road, Sukkur  
Tel: 071-5616663, 5616664,5616582  
Fax: 071-5624317

### Gujranwala

#### Wapda Town Branch

Plot # B - III, MM - 53, Hamza Centre, Wapda Town, Gujranwala  
Tel: 055-4800204 - 06  
Fax: 055-4800203

## Branch Network

### GT Road Branch

B/11-S7/103, G. T. Road, Gujranwala  
Tel: 055-3842751-3842729  
Fax: 055-3842890

### Gujranwala Branch

G.T. Rd., Opp. General Bus Stand, Gujranwala.  
Tel: 055-3820401-3  
Fax: 055-3820404

### Gujrat

#### Gujrat Branch

Main GT Road Tehsil & Distt. Gujrat  
Tel: 053-3517051-054  
Fax: 053-3516756

#### GT Road Branch

Small Estate, G. T. Road (Next to Mybank), Gujrat  
Tel: 053-3533926/3534208/3533934  
Fax: 053-3533995

#### Katchery Chowk Branch

Shop #. 1263 & 1270 B-II, Katchery Chowk, Opp. Zahoor Elahi Stadium, Near New Narala Bakers, Gujrat.  
Tel: 053-3601021-24  
Fax: 053-525108

### Peshwar

#### Deans Trade Center Branch

Deans Trade Centre, Islamia Road, Peshawar.  
Tel: 091-5253081-85  
Fax: 091-5253080

#### Main University Road Branch

Tehkal Payan, Main University Road-Peshawar  
Tel: 091-5850540-41  
Fax: 091-5850546

#### Fruit Market Branch

Near Fruit Market, G.T. Road, Peshawar  
Tel: 091-2260374  
Fax: 091-2260375

#### Milad Chowk Branch

Milad Chowk, New Gate, Peshawar City  
Tel: 091-2550477, 2550466, 2217131  
Fax: 091-2550488

#### Hayatabad Sub-Branch

Shop# 1, Hayatabad Mall, Baghee-Naran Road, Phase II, Sector J-I Hayatabad Peshawar.  
Tel: 091-5822923-25  
Fax: 091-5822926

### Quetta

#### M. A. Jinnah Road Branch

Ground Floor, Malik Plaza, Near Adara-e-Saqafat, M.A. Jinnah Road, Quetta.  
Tel: 081-2865590-95  
Fax: 081-2865587

#### Fatima Jinnah Road Branch

Plot No. Khasra No.134 & 138, Ward No. 19, Urban # 1, Fatima Jinnah Road, Quetta  
Tel: 081-2301094, 2301095  
Fax: 081-2301096

#### Regal Chowk Branch

Regal Chowk, Jinnah Road, Quetta.  
Tel: 081-2837028-29  
Fax: 081-2825065

#### Liaquat Bazar Branch

Ainuddin Street, Quetta.  
Tel: 081-2837300-1  
Fax: 081-2837302

### Abbottabad

#### Abbottabad Branch

Sitara Market, Mansehra Road, Abbottabad  
Tel: 0992-385933-34  
Fax: 0992-385935

### Attock

#### Fateh Jang Branch

Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt Attock  
Tel: 057-2210321-23  
Fax: 057-2210324

#### Attock Branch

Hamam Road, Attock  
Tel: 057-2703120  
Fax: 057-2703117

### Azad Kashmir

#### Mirpur Azad Kashmir Branch 1

NS Tower 119 F/1, Kotli Road Mirpur – Azad Kashmir  
Tel: 05827-437193-97  
Fax: 05827-437192

## Branch Network

### Mirpur Azad Kashmir Branch (2)

Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road, Mirpur, Azad Kashmir  
Tel: 05827-446406-9  
Fax: 05827-446405

### Shaheed Chowk Branch

Deen Plaza, Shaheed Chowk, Kotli Azad Kashmir  
Tel: 05826-448453-54  
Fax: 05826-448455

### Dadyal Branch

Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.  
Tel: 05827-463475  
Fax: 05827-465316

### Chak Ghanian

#### Chak Ghanian Branch

Plot No. 547-548, Iqbal Mandi, G. T. Road, Sarai Alamgir.  
Tel: 0544-654402-03, 655155  
Fax: 0544-654401

### Chakwal

#### Dalwal Branch

Village & Post Office Dalwal, Tehsil Choha, Saidan Shah, Distt Chakwal  
Tel: 0543-582834  
Fax: 0543-582842

#### Chakwal Branch

Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal  
Tel: 0543-554796, 540650-51  
Fax: 0543-554797

### Chamman

#### Chamman Branch

Khashra No. 1323 & 2324 Abdali Bazar, Dola Ram Road, Tehsil Chaman, District Qila Abdullah Baluchistan.  
Tel: 0826- 618137-39  
Fax: 0826-618143

### Dadu

#### Dadu Branch.

CS No. 1036/2, Ward 'B', Station Road, Dadu - Sindh.  
Tel: 0254-711471-3  
Fax: 0254-711474

### Dina

#### Dina Branch

Mian G.T. Road Dina  
Tel: 0544-634471 -3  
Fax: 0544-636675

### Gawadar

#### Gawadar Branch

Plot Askani Hotel, Mullah Faazul Chowk, Gawadar.  
Tel: 0864-212144- 212146  
Fax: 0864-212147

### Ghotki

#### Ghotki Branch

CS # 395 & 407, Muhallah Machhi Bazar, Opp: Sarkari Bagh, Ghotki, Sindh  
Tel: 0723-681571 - 73  
Fax: 0723-681574

### Gilgit

Khasra# 1103, 1112, 1113, Haji Ghulam Hussain Building  
Raja Bazar Gilgit  
Tel: 05811-457366-68  
Fax: 05811-457369

### Gujjar Khan

#### Gujjar Khan Branch

Plot # 58-D, 59-C, Sector/Block Area Development, Scheme # 1, Akbar Kayani Plaza, G. T. Road, Gujjar Khan  
Tel: 051-3516431-2  
Fax: 051-3516435

### Haripur

#### Haripur Branch

Ground Floor, Akbar Arcade, Main G.T. Road, Haripur  
Tel: 0995- 610832 - 33  
Fax: 0995-610829

### Hazro

#### Hazro Branch

Plot # B -386, 386-A, Dawood Centre, Bank Square, Ziaul Haq Road, Hazro  
Tel: 057-2313283 - 85  
Fax: 057-2313286

## Branch Network

### Hyderabad

#### Bohri Bazar Hyderabad Branch

41/364, Saddar, Bohri Bazar-Hyderabad  
Tel: 022-2730911-14  
Fax: 022-2730910

#### Qasimabad Branch

Shop No. 23, 24 & 25, Rani Arcade, Qasimabad,  
Hyderabad  
Tel: 022-2650742-43  
Fax: 022-2650745

#### Market Chowk Branch

Shop CS # A/2772/2, Ward -A, Market Road, Hyderabad  
Tel: 022-2638451-54  
Fax: 022-2638450

#### Latifabad No. 7. Branch

Latifabad # 7, 5/D Unit #. 7, Hyderabad  
Tel: 022-3810524 & 3810525  
Fax: 022-3810515

#### Hala Naka Branch

Plot # 1 & 2, Deh. Gajoo, Near Masjid Siddiq-e-Akbar,  
Malka Nagar, Hala Naka, Hyderabad - Sindh.  
Tel: 022-2032991-93  
Fax: 022-2032994

### Jacobabad

#### Jacobabad Branch.

C.S. No. 480, Ward # 5, Town, Jacobabad - Sindh  
Tel: 0722-650071 - 73  
Fax: 0722-650074

### Jhelum

#### Jhelum Branch

Plot # 89, Mehfooz Plaza, Kazim Kamal Road, Jhelum  
Cantt.  
Tel: 0544-720216 - 18  
Fax: 0544-720219

### Kambar

#### Shahdad Kot Branch.

C.S. No. 1048, 1051, 1052, 1054, Ward 'B', Taluqa Shahdad  
Kot, District Kambar - Sindh.  
Tel: 074-4014461-63  
Fax: 074-4014464

### Kamoke

#### Kamoke - GT Road Branch

Madni Trade Centre, G.T Road, Kamoke  
Tel: 055- 6815175-76  
Fax: 055-6815184

### Kandh Kot

#### Kandh Kot Branch

Registry # 505 & 520, Mukhi Muhallah, Adjacent : Press  
Club, Kandh Kot, Sindh  
Tel: 0722-572604 - 6  
Fax: 0722-572607

### Kasur

#### Kasur Branch

Near Pul Qatal Gahri, Kutchery Road, Kasur.  
Tel: 049-2721993  
Fax: 049-2721994

### Khairpur

#### Pacca Chang Branch

CS No. 418/1-08, Deh. Pacca Chang, Taluqa Faiz Ganj,  
District Khairpur - Sindh.  
Tel: 0243-557403-5  
Fax: 0243-557406

### Kot Addu

#### Kot Addu Branch

Property # 43, RH, 48/A-49-50, Ward B-III, Kot Addu  
District, Muzaffar Garh  
Tel: 066-2240206-07  
Fax: 066-2240208

### Lalamusa

#### Lalamusa Branch

G. T. Road, Lalamusa  
Tel: 053-7515694,7515699, 7515697,7519977  
Fax: 053-7515685

### Larkana

#### Larkana Branch.

C.S. No. 1808, Pakistan Chowk, Larkana - Sindh.  
Tel: 074-4053608-10  
Fax: 074-4053611

## Branch Network

### Mandi Bahauddin

#### Mandi Bahauddin Branch

Khasra # 143/112, Chak #51, Bank Rd., Off Railway Rd.,  
(Ghalla Mandi), Mandi Bahauddin.  
Tel: 0546-600901, 600903-4-5  
Fax: 0546-600902

### Mansehra

#### Mansehra Branch

Al- Hadeed Corporation Market Shahrah Resham  
Mansehra  
Tel: 0997-303186, 303180  
Fax: 0997-303135

### Mardan

#### The Mall Branch

Plot No. 337, 337-A, The Mall, Mardan.  
Tel: 0937-865344-45  
Fax: 0937-865342

### Mirpurkhas

#### Umer Kot Road Branch

Plot No : 988 to 991 Umerkot Gharibabad, Mirpur Khas  
Tel: 0233- 875115-7  
Fax: 0233-875118

#### Khipro Bus Stand Branch.

Plot No. 92-93, Samanabad, Khipro District, Ghumanabad  
Chowk, Khipro Bus Stand - Mirpurkhas.  
Tel: 0233-874518  
Fax: 0233-875925

### Muridke

#### Muridke Branch

774, G.T. Road Muridke  
Tel: 042-37950456, 37994711-12  
Fax: 042-37994713

### Muzzafarabad

#### Muzzafarabad Branch

Sangam Hotel, Muzzafarabad - Azad Jammu Kashmir  
(AJK)  
Tel: 05822-924203-5  
Fax: 05822-924206

### Narowal

#### Katchery Road Branch

Katchery Road, Narowal  
Tel: 0542-414105-7  
Fax: 0542-414089

### Nawabshah

#### Nawabshah Branch

Survey No. 77, Masjid Road, Nawabshah - Sindh  
Tel: 0244- 372042 - 44  
Fax: 0244-372045

### Nooriabad

#### Nooriabad Branch

Ground Floor, SITE Office Bldg Nooriabad, Dist. Jamshoro,  
Sindh  
Tel: 025-4670433  
Fax: 025-4670434

### Okara

#### Ravi Road Branch

23/A, Ravi Road, Okara.  
Tel: 044-2528755, 2525355  
Fax: 044-2525356

### Rabwah

#### Rabwah Branch

Plot No-9-10, Block-14, Darul Sadar, Gol Bazar,  
(Chenab Nagar) Rabwah  
Tel: 047-621 3795-96  
Fax: 047-621 3797

### Rahim Yar Khna

#### Rahim Yar Khan Branch

31/34 Shahi Road, Rahimyar Khan.  
Tel: 068-5877821-5883876  
Fax: 068-5876776

### Sadiqabad

#### Sadiqabad Branch

Mozzah Khuda Bux Dehar, Macchi Goth, KLP Road,  
Sadiqabad  
Tel: 068- 5786791-3  
Fax: 068-5786300



## Branch Network

### Sahiwal

#### High Street Branch

558/8-1, Navid, Plaza, High Street Sahiwal.  
Tel: 040-4229247, 4221615, 4229247  
Fax: 040-4460960

### Sargodha

#### Satellite Town Branch

Satellite Town, Ground Floor, Afzal Towers, Plot # 302-A,  
Main Satellite Town, Sargodha.  
Tel: 048-3221027-28  
Fax: 048-3221029

#### Sargodha Branch

Prince Cinema Market Railway Road. Sargodha  
Tel: 048-3768113-5  
Fax: 048-3768116

### Shikarpur

#### Shikarpur Branch.

C.S. No.52/33/1, Ward 'B', Lakhi Gate, Shikarpur - Sindh  
Tel: 0726-522057-59  
Fax: 0726-522060

### Sialkot

#### Kashmir Road Branch

Address: Block 'A', ZHC, Kashmir Road, Sialkot  
Tel: 052-3573304 to 07 (4 lines)  
Fax: 052-3573310

#### Paris Road Branch

B1,16S, 71/A/1, Paris Road, Sialkot  
Tel: 052-4602712-16  
Fax: 052-4598849

#### Small Industrial Area Branch

Plot No. 32 / A, S.I.E -1, Small Industrial Estate, UGOKE  
Road, Sialkot  
Tel: 052-3242690 - 92  
Fax: 052-3242695

### Swabi

#### Swabi Branch

Property bearing No. 3361, Main Mardan Road, Swabi  
Tel: 0938-222968 - 69  
Fax: 0938-221572

### Tando Allah Yar

#### Tando Allah Yar Branch

C-1, Survey # 274, Main Road, Tando Allah Yar - Sindh  
Tel: 022-2763181-83  
Fax: 022-2763184

### Turbat

#### Main Bazar Branch

Main Bazar, Turbat.  
Tel: 0852-413874  
Fax: 0852-414048

### Wah Cantt

#### Wah Cantt Branch

Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt  
Tel: 051-4542157, 4542167, 4542279  
Fax: 051-4542144

**Branch Network**

## FORM OF PROXY

7th Annual General Meeting

The Company Secretary  
Summit Bank Limited  
Mezzanine Floor II  
Business & Finance Centre  
I. I. Chundrigar Road  
Karachi- Pakistan

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Summit Bank Limited holding \_\_\_\_\_ ordinary shares as per cdc A/c, No./Folio No \_\_\_\_\_ hereby appoint Mr./Mrs./Miss \_\_\_\_\_ of (full address) \_\_\_\_\_ or failing him/her \_\_\_\_\_ Mr./Mrs./Miss \_\_\_\_\_ of (full address) \_\_\_\_\_

(being member of the Bank) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 7th Annual General Meeting of the Bank will be held on March 30, 2013 and /or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

### Witnesses:

1. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
CNIC No. : \_\_\_\_\_  
Signature : \_\_\_\_\_
2. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
CNIC No. : \_\_\_\_\_  
Signature : \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue Stamp

### NOTICE:

- (i) A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights in respect for attending, speaking and voting at the meeting as are available to a member.
- (ii) The account holders, sub-account holders, proxy or nominee shall authenticate his/her identity by showing his/her original national identity card (NIC) or original passport and bring his/her folio number at the time of attending the meeting.
- (iii) In the case of corporate entity Board of Directors' resolution/power of attorney with specimen signature of the nominee shall also be produced (unless provided earlier) at the time of meeting.
- (iv) In order to be effective, the proxy forms must be received at the office of our registrar M/s. Technology Trade (Pvt.) Ltd; Dagia House 241-C Block-2, PECHS off Shahrah-e-Quaideen Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their names, addresses and NIC numbers mentioned on the form.
- (v) In the case of individuals attested copies of NIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vi) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of the NIC or passport of the proxy shall be submitted along with proxy form.

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**Summit**  **Bank**

AFFIX  
CORRECT  
POSTAGE

**REGISTRAR**

Technology Trade (Pvt) Ltd  
Dagja House, 241 - C, Block 2, PECHS,  
Off Shahrah - e - Quaideen,  
Karachi - 74000, Pakistan.  
Tel: (021) 34391316-7  
Fax: (021) 34391318

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